INVIGOR GROUP LIMITED

ACN 081 368 274

FINANCIAL REPORT

31 DECEMBER 2016

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DIRECTOR'S REPORT

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

Current 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

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

Gary Cohen
Chairman and Chief Executive Officer
Masters of Laws (Honours 2nd), Bachelor of Laws and Bachelor of Commerce

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

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

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

Other listed company directorships in the past 3 years:
TAG Pacific Limited – 1999 to current

Roger Clifford
Non-executive Director

Roger Clifford has over forty years' experience in Australia and Internationally in sales and operations, including end-to-end management of supply chains, sales activities, sourcing and customer relations. Roger is active in community service and co-founded a prominent organisation providing crisis care services for the broader Sydney community.

Other listed company directorships in the past 3 years: None

Gregory Cohen
Executive Director – Finance and Chief Financial Officer
Bachelor of Commerce (Marketing)

Greg has an extensive international background in financial services and general management gained from a 27 year career with Ford Credit, the captive financing arm of Ford Motor Company. Greg brings to Invigor his significant expertise in the financial services sector and operational market experience in Australia, Europe, South East Asia, India and China.

Other listed company directorships in the past 3 years: None

John Hayson
Non-executive Director
Bachelor of Business

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

Other listed company directorships in the past 3 years: None

Jeremy Morgan
Non-executive Director
Bachelor of Arts, Bachelor of Law

Jeremy Morgan is a seasoned corporate development executive with over 20 years' experience in value creation for companies through advisory and leading strategic initiatives. He has advised numerous Australian and international companies on their inorganic growth strategies in Australia, New Zealand, USA, UK and South East Asia. Jeremy is a director of a private investment and advisory firm where he specialises in the technology, digital media and telecommunications sectors. Jeremy practiced law with an international firm in the early part of his career.

Other listed company directorships in the past 3 years: None

Anthony Sherlock
Non-executive Director
Bachelor of Economics, FCA

Tony has over 30 years' experience in public company governance, credit risk management, private equity, mergers and acquisitions, corporate restructures and administration. Tony co-founded Bennelong Capital, a boutique financial advisory firm, with extensive experience in corporate advisory including restructures, refinancing, turnarounds and corporate governance. Tony was the Head of the Credit Risk Management division for Coopers & Lybrand (now PricewaterhouseCoopers) for over 10 years.

Tony is an experienced non-executive director. He is the former Chairman of the Australian Wool Corporation Limited and The Woolmark Company Pty Ltd, a former non-executive Director of Austral Coal Limited, Sydney Attractions Group Limited, iSOFT Group Limited and Export Finance Insurance Corporation Limited. Tony is a director of Stockland Capital Partners Limited and continues to act on a number of committees for both Federal and State governments, advising on regulatory and organisational process.

Other listed company directorships in the past 3 years:
Tianmei Beverage Group Holdings Limited – August 2016 – current

Company Secretary
David Neufeld – *resigned 31 October 2016*
Bachelor of Commerce (Honours)

David Neufeld was until 31 October 2016 the Company Secretary of Invigor since October 2012. David has worked as a chartered accountant and in corporate organisations for over 30 years and has over 10 years' experience as Company Secretary and Chief Financial Officer of listed companies. David has extensive experience in financial and management reporting, corporate compliance, governance and risk management, audit and business acquisitions and divestments. David is a member of Chartered Accountants - Australia & New Zealand and The Australian Institute of Company Directors.

Leanne Ralph – *from 1 November 2016*
Bachelor of Business majoring in Accounting and Finance

Leanne Ralph is the principal of Boardworx Australia Pty Ltd that provides bespoke outsourced Company Secretarial services to ASX listed and unlisted entities. Leanne has over 15 years of experience in the industry and holds the position of Company Secretary for a number of the entities that Boardworx advises to, across a range of industry sectors.

Leanne holds a Bachelor of Business majoring in Accounting and Finance, a Graduate Diploma in Applied Corporate Governance, is an Associate member of the Governance Institute of Australia and a member of the Institutes Corporate and Legal Issues Committee, and an Affiliate Member of the Australian Institute of Company Directors.

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

Directors	Board	Meetings	Remuneration	Meetings
	A	B	A	B
Gary Cohen	9	9	3	3
Roger Clifford	9	9	n/a	n/a
Gregory Cohen	9	9	n/a	n/a
John Hayson	9	8	n/a	n/a
Jeremy Morgan	7	7	3	3
Anthony Sherlock	9	9	3	3

A - Number of meetings held during the time the director held office during the period.
B - Number of meetings attended.
n/a – not applicable.

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

Environmental Regulation and Performance
The Consolidated Entity is not subject to any particular or significant environmental regulations under the laws of jurisdictions in which it operates.

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.

Invigor Digital Solutions India (P) Ltd
A decision was made in October 2016 to cease active operations in India, with a progressive wind-down of activities between November 2016 and March 2017.

Operating and Financial Review

Result for the period
The net loss after tax of the Consolidated Entity for the year ended 31 December 2016 was $6,775,000 (31 December 2015 - $3,110,000 loss).

The result for 2016 reflects:
- the first full year contribution from Condat AG;
- an impairment charge of $1.5m;
- a write down of an Intellectual Licence of $320,000;
- the continued investment in product development.

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, transport hubs, large venues 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 B2B products:
- **Insights Retail:** real time pricing and promotion data to maximise revenue opportunities, amplify share of voice and understand dynamic pricing environments;
- **SpotLite**: easy-to-use and affordable price tracking solution for retailers and brands of any industry, size and geography.
- **Insights Visitor:** WiFi analytics and engagement platform that turns WiFi networks into insights and insights into revenue.

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

Insights Retail is a competitive market intelligence platform for retailers and brands. It analyses the data and delivers critical information that allows businesses to maximise revenue, margin and market share.

SpotLite is the most cost-effective and easy to use price tracking solution in the market and provides the insights to maximise business results and grow revenue. The platform was designed for all business sizes, industries and locations SpotLite is easy to use and helps businesses watch competitors and channels' prices through comprehensive charts and dashboards. It also allows the creation of personalised email reports to be delivered at specific times and dates.

Insights Visitor allows Wi-Fi networks to become a powerful engagement tool to grow businesses. The ability to reach potential customers more effectively by providing relevant content, compelling offers, highly targeted advertising and personalised communication transform Wi-Fi into revenue. Ideal for retailers, large venues, such as hospitality and exhibition centres, local governments, transport hubs, sports stadiums and smart cities, Insights Visitor provides Wi-Fi analytics and insights on consumer behaviour, trends and the possibility to engage with them while offering great value and experience during their visit. Insights Visitor's technology and innovation can be seen in one of Sydney's historic ferry terminals, Manly Wharf, where a high traffic transport hub has been transformed into a Digital Precinct in a Joint Venture between Invigor Group and Manly Wharf's operators.

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.

Other assets

Social Loot and TUXXE
Social Loot was developed by Global Group (a 100% owned subsidiary of Invigor) 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.

MI Ventures Pty Ltd ATF MI Ventures Unit Trust
Invigor Group Limited entered into a Joint Venture arrangement, MI Ventures Pty Ltd, with Melic Pty Limited in September 2016 to install Wi-Fi at Manly Wharf. The Joint Venture was formed by way of a unit trust with each party holding 50 units each.
The Joint Venture will earn revenue through the provision of targeted advertising, promotions and offers to commuters at Manly Wharf through the Wi-Fi network that has been installed. Invigor Group Limited's investment in MI Ventures Pty Ltd has been recognised using the equity method of accounting.

MY Verified ID Holdings Pty Ltd ("MVID")
MVID was a Company developing a global identity verification and authentication platform designed to reduce business risks and fraud in the online world.
The Company ceased operations in 2016 with a balance owing to Invigor of $1,774,000 relating to convertible notes.
In July 2016 Invigor acquired the US patent from MVID for $600,000 by way of a reduction of debt. A further $120,854 was received in December 2016 and $11,000 is expected to be received in April 2017. No further distributions are expected in relation to the convertible notes. The Company is of the view that it is considered prudent that a provision for impairment be raised against the remaining exposure. An impairment expense of $1,043,000 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) was raised in June 2016.

Cash reserves and new funding raised
The Company had cash reserves of $642,000 at 31 December 2016.

The Company raised $1.6 million in April 2016 by way of a share purchase plan offered to eligible shareholders and a share placement.

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.

Additional funding of $2.52 million has been raised from sophisticated investors. It is intended to replace this facility with the issue of $2.52 million of convertible notes subject to approval from shareholders at a General Meeting to be held in April 2017.
The notes are intended to be issued at 3 cents per share and issued for up to 18 months. Adjustments may be made to the conversion price and floor price based on a number of events.

Dividends
No interim dividend for the 2016 financial year was proposed or declared. No final dividend for the 2016 financial year has been proposed or declared. A dividend reinvestment plan has not been activated.

Events subsequent to reporting date
Invigor Group Limited secured a A$2 million loan facility with Partners for Growth (PFG) in February 2017. Under the terms of the agreement, Partners for Growth's funding is for 2 years at a 10% annual interest rate. IVO will issue 66.6 million warrants to the firm exercisable at 3.0 cents, expiring in 2021, subject to shareholder approval.

On 3 February 2017 3,888,890 convertible notes held by MAP Capital Pty Ltd <atf Atlas Capital Series B Fund> were redeemed. A further 3,888,889 were redeemed on 23 February 2017 and the final remaining notes held by MAP Capital of 3,888,888 were redeemed on 14 March 2017.

Invigor Group Limited settled the remaining funds owed to Condat vendors of $80,000 in February 2017.

Extension of the $1 million Marcel loan facility from 31 March 2017 to 31 March 2018.

On 20 March 2017, the Company issued a Notice of Extraordinary General Meeting which will take place on Wednesday 19 April 2017 at 10.30am at Level 16, 56 Pitt Street, Sydney NSW 2000.

On 27 February 2017 Invigor Group entered into a Deed of Acknowledgement with Gary Cohen, Suzanne Cohen, Gregory Cohen and Marcel Equity. The purpose of the deed is to determine how Invigor shall treat any guarantee or agreements made by the above-mentioned parties should Greg Cohen or Gary Cohen no longer be a director of Invigor.

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

Likely Developments and Prospects
The Company is looking to leverage both existing and new partnerships to drive further growth across all business units. The Company expects to announce a number of key partnerships with market leading organisations that will significantly strengthen the distribution channels for both Insights Visitor and SpotLite.
Insights Retail revenue is expected to grow materially through the engagement with major retailer and brand groups. The Company is also assessing the entry into new market verticals and geographies to further drive growth of Insights Retail.

The Company expects implementation of its business strategy to deliver improved financial results. The Company intends continuing to seek investment opportunities which are profitable and synergistic with the overall strategy.

Share Options

(a) Entitlement Options

The Company issued options pursuant to a pro rata entitlement offer completed in April 2013. Additional options, on the same terms, were issued in December 2013, March 2014 and July 2016. There were 76,867,889 of these options ("Entitlement Options") on issue at 31 December 2016. Key terms of these options are:

Exercise price – 5.0 cents per Entitlement Option
Expiry – 1 July 2018
Entitlement – one fully paid ordinary share in the Company for each Entitlement Option exercised.
There are no vesting or exercise conditions.

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

Entitlement Options	#
Balance at 1 January 2016	38,867,889
Add: Options granted	38,000,000
Net balance at the date of this report	76,867,889

(b) Options granted under incentive plans

The Company provides benefits to defined employees of the Consolidated Entity (including executive directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares. Approved incentive plans for the granting of options to defined employees (including executive directors) ("Plans") are in place. At 31 December 2016, there were 29,668,866 options on issue under the Plans (2015 – 24,668,866). Options on issue under the Plans may have varying vesting dates. All options on issue under the Plans at 31 December 2016 expire 5 years from the applicable grant date.

The Company did not issue any ordinary shares to participants in the Plans during the year ended 31 December 2016 upon exercise of 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.

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

Date options granted	Expiry Date	Exercise price $	Balance at 1 January 2016 #	Issued during the period #	Cancelled or Lapsed during the period #	Exercised during the period #	Balance at the date of this report #	Exercisable at the date of this report #
22 July 2013	22 July 2018	0.10	7,198,855	-	-	-	7,198,855	7,198,855
24 Dec 2013	24 Dec 2018	0.10	270,015	-	-	-	270,015	270,015
17 Sept 2014	17 Sept 2019	0.10	3,866,663	-	-	-	3,866,663	3,273,055
26 Mar 2015	26 Mar 2020	0.10	3,750,000	-	-	-	3,750,000	2,208,902
1 July 2015	1 July 2020	0.10	6,583,333	-	-	-	6,583,333	3,336,302
29 July 2015	29 July 2020	0.10	1,250,000	-	-	-	1,250,000	593,607
1 Dec 2015	1 Dec 2020	0.10	1,750,000	-	(500,000)	-	1,250,000	450,912
26 Feb 2016	26 Feb 2021	0.10	-	1,800,000	(1,800,000)	-	-	-
12 July 2016	12 July 2021	0.05	-	5,000,000	-	-	5,000,000	2,500,000
30 Aug 2016	30 Aug 2021	0.05	-	500,000	-	-	500,000	-
Total			24,668,866	7,300,000	(2,300,000)	-	29,668,866	19,831,648

(c) Other Options

The Company has granted options over shares ("Other Options") as part of 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 note facilities entered into in June 2015.

Key terms of the Other Options are:
Exercise price – Options issued prior to 31 December 2015; $0.10, Options issued on 17 June 2016 and 1 July 2016; $0.045
Expiry – 5,000,000 Other Options expire on 11 May 2018; and 3,000,000 Other Options expire on 16 July 2018; 10,000,000 expire on 1 July 2019; 5,000,000 Other Options expire on 5 August 2019; 750,000 options expire 17 June 2021
Entitlement – one fully paid ordinary share in the Company for each Other Option exercised
There are no vesting or exercise conditions.

Other Options	#
Balance at 1 January 2016	13,000,000
Issue of Other Options during the period	10,750,000
Balance at the date of this report	23,750,000

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

Ordinary shares	Balance at 1 January 2016 #	Purchases #	Transfers in (out) upon becoming (ceasing to be) a director #	Balance at 31 December 2016 #
Roger Clifford	3,750,000	-	-	3,750,000
Gary Cohen	23,213,951	1,775,000	-	24,988,951
Gregory Cohen	22,661,308	3,662,924	-	26,324,232
John Hayson	52,478,732	-	-	52,478,732
Anthony Sherlock	-	-	-	-
Jeremy Morgan	-	-	-	-

Entitlement Options	Balance at 1 January 2016 #	Purchases (Disposals) #	Transfers out upon ceasing to be a director #	Balance at 31 December 2016 #
Directors				
Roger Clifford	-			-
Gary Cohen	6,506,250			6,506,250
Gregory Cohen	6,630,389			6,630,389
John Hayson	11,111,111			11,111,111
Anthony Sherlock	-			-
Jeremy Morgan	-			-

Incentive Plan Options	Balance at 1 January 2016 #	Net granted (cancelled) during the financial year #	Transfers out upon ceasing to be a director #	Balance at 31 December 2016 #
Roger Clifford	-	-	-	-
Gary Cohen	8,999,284	-	-	8,999,284
Gregory Cohen	2,899,857	-	-	2,899,857
John Hayson	-	-	-	-
Anthony Sherlock	-	-	-	-
Jeremy Morgan	-	-	-	-

Other Options	Balance at 1 January 2016 #	Net granted (cancelled) during the financial year #	Transfers out upon ceasing to be a director #	Balance at 31 December 2016 #
Roger Clifford	-	250,000	-	250,000
Gary Cohen	-	-	-	-
Gregory Cohen	-	-	-	-
John Hayson	-	-	-	-
Anthony Sherlock	-	250,000	-	250,000
Jeremy Morgan	-	250,000	-	250,000

Remuneration Report
The Remuneration Report for the year ended 31 December 2016 is set out on page 13 and forms part of this Directors' Report.

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

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

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

Audit and Non-Audit Services

Fees paid or payable by the Consolidated Entity for services provided by the Company's auditor, Moore Stephens during the year were:

	2016	2015
	$	$
Audit services	70,621	64,100
Other services	-	-
	70,621	64,100

Fees paid or payable by the Consolidated Entity for services provided by other audit firms during the year were:

	2016	2015
Audit services	114,130	55,900
Other services	82,117	111,397
	196,247	167,297
Total	266,868	231,397

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

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

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

The lead auditor's independence declaration is set out on page 17 and forms part of the Directors' Report for the year ended 31 December 2016.

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 24 day of March 2017

REMUNERATION REPORT

Principles used to determine the nature and amount of remuneration

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

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

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

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

Long term incentive plans

The Company provides benefits to defined employees of the Consolidated Entity (including executive directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares.

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

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

Non-executive directors

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

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

Directors and officers remuneration (Company and Consolidated)

	Short Term				Post-Employment	Other Long Term Benefits	Share Based Payments			
Year ended 31 December 2016	Cash salary, fees and compensated absences	Cash Bonus	Non-monetary benefits	Superannuation	Termination benefits	Long Service Leave	Cash settled	Options and Shares	Total	Proportion of remuneration performance related
	$	$	$	$	$	$	$	$	$	%
Directors										
Roger Clifford	25,000	-	-	-	-	-	-	5,000	30,000	-
Gary Cohen	279,213	-	-	23,917	-	-	-	96,434	399,564	-
Gregory Cohen	244,724	-	-	-	-	-	-	41,155	285,879	-
John Hayson[1]	-	-	-	-	-	-	-	-	-	-
Jeremy Morgan[2]	20,833	-	-	-	-	-	-	5,000	25,833	-
Anthony Sherlock	24,458	-	-	542	-	-	-	5,000	30,000	-
Executives										
Preethi Narayanan	118,036	-	130	-	-	-	-	15,663	133,829	-
David Neufeld[3]	136,697	-	-	-	-	-	-	21,228	157,925	-
Christof Peltason	204,598	-	-	31,432	-	-	-	-	236,030	-
Total	1,053,559	-	130	55,891	-	-	-	189,480	1,299,060	

1 John Hayson has waived his entitlement to directors fees until further notice.
2 Non-executive director from March 2016
3 David Neufeld resigned as Company Secretary on 31 October 2016

	Short Term				Post-Employment	Other Long Term Benefits	Share Based Payments			
Year ended 31 December 2015	Cash salary, fees and compensated absences	Cash Bonus	Non-monetary benefits	Superannuation	Termination benefits	Long Service Leave	Cash settled	Options and Shares	Total	Proportion of remuneration performance related
	$	$	$	$	$	$	$	$	$	%
Directors										
Roger Clifford[1]	2,917	-	-	-	-	-	-	-	2,917	-
Gary Cohen	208,333	-	-	18,783	-	-	-	25,065	252,181	-
Gregory Cohen	218,783	-	-	-	-	-	-	10,480	229,263	-
John Hayson[6]	-	-	-	-	-	-	-	-	-	-
Vic Lorusso[2]	21,177	-	-	-	-	-	-	-	21,177	-
Gary Munitz[3]	212,902	-	-	19,233	130,935	3,600	-	35,330	402,000	-
Paul Salter[2]	21,177	-	-	-	-	-	-	-	21,177	-
Anthony Sherlock[4]	3,889	-	-	-	-	-	-	-	3,889	-
Executives										
Brian Cohen	200,000	-	-	18,783	-	-	-	540	219,323	-
David Neufeld	218,783	-	-	-	-	-	-	4,790	223,573	-
Daniel Sekers[5]	183,334	-	-	17,254	42,423	-	-	13,750	256,761	
Total	1,253,729	-	-	111,619	173,358	3,600	-	89,955	1,632,261	

1 Non-executive director from 18 November 2015
2 Non-executive director until 5 November 2015.
3 Executive from 1 January 2015 until 12 July 2015; Managing Director from 13 July 2015 until 5 November 2015.
4 Non-executive director from 5 November 2015.
5 Executive until 20 November 2015.
6 John Hayson has waived his entitlement to directors' fees until further notice.

Options granted to key management personnel

The Company provides benefits to defined employees of the Consolidated Entity (including executive directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions"). Approved incentive plans for the granting of options to defined employees (including executive directors) ("Plans") are in place. At 31 December 2016, there were 29,668,866 options granted under the Plans (2015 – 24,668,866) of which 750,000 were granted to key management personnel (2015 – 14,698,855). Options granted under the Plans may have varying vesting dates. All options granted under the Plans at 31 December 2016 expire 5 years from the applicable grant date. A share based payment expense of $372,074 (2015 - $153,955) was recognised during the year for incentive options of which $nil related to incentive options granted to key management personnel (2015 - $89,288).

The Company did not issue any ordinary shares to participants during the year ended 31 December 2016 upon exercise of incentive options as no previously granted incentive options were exercised (2015 – nil). The issue of shares upon exercise of incentive options will be governed by the terms of the relevant Plan.

Terms of Issue

Exercise price: 10.0 cents per option

Vesting period: For the majority of options, one-third of the options granted to each recipient will vest on each anniversary of the grant or issue date provided the recipient remains employed by the Company or continues to provide executive services. Some options on issue under the Plans may have varying vesting dates.

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

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

2016 Incentive Plan Options	Balance at 1 January 2016 #	Granted during the financial year #	Cancelled during the financial year #	Transfers in/(Transfers out)[2] #	Balance at 31 December 2016 #
Directors					
Roger Clifford	-	-	-	-	-
Gary Cohen	8,999,284	-	-	-	8,999,284
Gregory Cohen	2,899,857	-	-	-	2,899,857
John Hayson	-	-	-	-	-
Jeremy Morgan	-	-	-	-	-
Anthony Sherlock	-	-	-	-	-
Executives					
Brian Cohen	899,857	-	-	(899,857)	-
Preethi Narayanan	750,000	-	-	-	750,000
David Neufeld[1]	1,899,857	-	-	-	1,899,857
Christof Peltason	-	-	-	-	-

1 David Neufeld resigned as Company Secretary on 31 October 2016

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

2015 Incentive Plan Options	Balance at 1 January 2015 #	Granted during the financial year #	Cancelled during the financial year #	Transfers in/(Transfers out)[1] #	Balance at 31 December 2015 #
Directors					
Roger Clifford	-	-	-	-	-
Gary Cohen	4,499,284	4,500,000	-	-	8,999,284
Gregory Cohen	899,857	2,000,000	-	-	2,899,857
John Hayson	-	-	-	-	-
Vic Lorusso	-	-	-	-	-
Paul Salter	-	-	-	-	-
Anthony Sherlock	-	-	-	-	-
Executives					
Brian Cohen	899,857	-	-	-	899,857
Gary Munitz	800,000	9,000,000	(9,533,334)	(266,666)	-
David Neufeld	899,857	1,000,000	-	-	1,899,857
Daniel Sekers	800,000	2,000,000	(2,533,334)	(266,666)	-

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

Employment arrangements for executive key management personnel
The executive key management personnel during 2016 were:

Gary Cohen	Executive Chairman and Chief Executive Officer
Gregory Cohen	Executive Director – Finance and Operations
Christof Peltason	Chief Executive Officer, Condat AG
David Neufeld	Company Secretary (to 31 October 2016)
Preethi Narayanan	Chief Executive Officer, Invigor Digital Solutions India

The remuneration arrangements for each of these key management personnel during 2016 were:

- Gary Cohen's base remuneration was $300,000 per annum plus superannuation. Gregory Cohen's base remuneration increased to $270,000 per annum from July 2016.
- Entitlement to participate in long term incentive arrangements as detailed above.
- Short term bonus arrangements ("Bonus"). Bonus payments are discretionary and based on the Company being profitable. Bonuses will be calculated in accordance with the following principles:
  - A Group Bonus Pool will be determined first on the Company reaching its Target EBITDA ("Target").
  - If EBITDA is less than 90% of the Target, the Group Bonus Pool will not be activated.
  - If EBITDA is between 90% and 100% of the Target, the Bonus Pool will grow from 50% to 100% pro rata.
  - If there is overachievement of the Target, an additional 33% Group Bonus Pool will be added pro rata up to a maximum Target of 150% overachievement.
  - Generally Key Management Personnel will be entitled to 100% of their base remuneration (not including superannuation) for Over Target Earnings.
  - If the Group Bonus Pool is not activated, then no Key Management Personnel will be entitled to a Bonus.
  - Bonuses will be paid in cash unless there is an election by the executive to receive up to 50% of the Bonus in shares in the Company.

No Bonuses were paid or are payable to key management personnel for the 2016 financial year.

Gregory Cohen's arrangements are in place via a consultancy agreement with a personally related entity.

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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 year ended 31 December 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

24 March 2017

	Note	Consolidated 31 December 2016 $'000	Consolidated 31 December 2015 $'000
Revenue	4	8,500	5,850
Employee benefits expense	5	(7,757)	(4,116)
Professional fees	6	(1,333)	(1,087)
Impairment of other financial assets	11	(1,469)	-
Other operating costs	6	(3,175)	(2,297)
Profit/ (Loss) from Joint Venture	10	(35)	-
Profit/ (Loss) on non-current assets		(320)	-
Total profit (loss) before financing costs, tax, depreciation and amortisation		**(5,589)**	**(1,650)**
Depreciation and amortisation		(837)	(826)
Total profit (loss) before financing costs and tax		**(6,426)**	**(2,476)**
Financing costs		(336)	(667)
Profit (loss) before income tax		**(6,762)**	**(3,143)**
Income tax benefit (expense)	7	(13)	33
Profit (loss) for the period		**(6,775)**	**(3,110)**
Other comprehensive income			
Foreign currency translation reserve		(92)	(55)
Total comprehensive income (loss) for the period		**(6,867)**	**(3,165)**
Earnings per share		**Cents**	**Cents**
Basic earnings (loss) per share attributable to ordinary equity holders	29	(1.68)	(1.19)
Diluted earnings (loss) per share attributable to ordinary equity holders	29	(1.68)	(1.19)

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

	Note	Consolidated 31 December 2016 $'000	Consolidated 31 December 2015 $'000
CURRENT ASSETS			
Cash and cash equivalents	8	642	1,100
Trade and other receivables	9	1,631	3,808
Assets held for sale and Other financial assets	11	11	1,774
Total Current Assets		2,284	6,682
NON-CURRENT ASSETS			
Other financial assets	11	1,750	1,750
Property, plant and equipment	13	152	256
Intangible assets	14	15,375	13,367
Total Non-Current Assets		17,277	15,373
TOTAL ASSETS		**19,561**	22,055
CURRENT LIABILITIES			
Other creditors and accruals	15	2,000	4,927
Investments accounted for using the equity method	10	1	-
Interest bearing loans and borrowings	16	7,251	4,195
Provisions	17	302	253
Total Current Liabilities		9,554	9,375
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	16	353	180
Provisions	17	85	64
Total Non-Current Liabilities		438	244
TOTAL LIABILITIES		**9,992**	9,619
NET ASSETS		**9,569**	12,436
EQUITY			
Issued capital	19	140,848	137,351
Reserves	21	2,161	1,750
Accumulated losses	22	(133,440)	(126,665)
TOTAL EQUITY		**9,569**	12,436

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

	Note	Consolidated 31 December 2016 $'000	Consolidated 31 December 2015 $'000
Cash flows from operating activities			
Receipts from customers		9,479	5,357
Payments to suppliers and employees		(15,379)	(9,544)
Interest received		6	22
Other income received		985	903
Net cash from (used in) operating activities	30	**(4,909)**	(3,262)
Cash flows from investing activities			
Payments for property, plant and equipment		(44)	(103)
Payments for acquisition of investments and convertible notes		(34)	(3,128)
Payments for other assets		849	-
Net cash outflow upon acquisition of business operations, net of cash acquired	3	(970)	(376)
Net cash from (used in) investing activities		**(199)**	(3,607)
Cash flows from financing activities			
Proceeds from issue of shares	19	2,461	4,611
Proceeds from issue of convertible notes		-	3,400
Borrowing costs paid		(389)	(346)
(Repayment of borrowings)/ Proceeds from borrowings		2,966	(773)
Capital raising costs paid		(388)	-
Net cash flow from (used in) financing activities		**4,650**	6,892
Net increase (decrease) in cash and cash equivalents		(458)	23
Cash and cash equivalents at 1 January		1,100	1,077
Cash and cash equivalents at 31 December		**642**	1,100

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	-	(6,775)	-	(6,775)
Foreign currency translation reserve	-	-	(92)	(92)
Total comprehensive income (loss)	-	(6,775)	(92)	(6,867)
Transactions with owners in their capacity as owners:				
Issue of shares	3,885	-	-	3,885
Share based payments reserve	-	-	372	372
Options reserve	-	-	131	131
Capital raising costs reversed (incurred)	(388)	-	-	(388)
Balance at 31 December 2016	**140,848**	**(133,440)**	**2,161**	**9,569**
Balance at 1 January 2015	**127,028**	**(123,555)**	**1,550**	**5,023**
Profit (loss) for the period	-	(3,110)	-	(3,110)
Foreign currency translation reserve	-	-	(55)	(55)
Total comprehensive income (loss)	-	(3,110)	(55)	(3,165)
Transactions with owners in their capacity as owners:				
Issue of share capital	10,544	-	-	10,544
Share based payments reserve	-	-	158	158
Options reserve	-	-	97	97
Capital raising costs incurred	(221)	-	-	(221)
Balance at 31 December 2015	**137,351**	**(126,665)**	**1,750**	**12,436**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies

This general purpose consolidated financial report for the year ended 31 December 2016 comprises Invigor Group Limited ("the Company" or "Invigor"), its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interests in associates and jointly controlled entities. The principal accounting policies adopted in the preparation of the consolidated financial report are set out below and have been consistently applied by each entity in the Consolidated Entity for all periods presented, unless otherwise stated.

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

(a) Statement of compliance

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

(b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial assets which are measured at fair value. The methods used to measure fair value are discussed further in Note 12.

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

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

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

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

The consolidated financial statements have been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

During the year ended 31 December 2016 the Group incurred a net loss of $6.8m (2015: $3.2m), had net cash outflows from operating activities of $4.9m (2015: $3.3m), and at that date the Group's current liabilities exceed its current assets by $7.6m (2015: $2.3m)

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 of expected revenue and terms of forecast investment, financial and operating commitments for the next 12 months, including short to medium term funding requirements which may need to be met through raising additional debt or equity. Refer Note 31;

- terms of financing facilities available to the Company and the likelihood of these being extended, if required. Refer Notes 16 and 31;
- The ability of the Group to sell non-core assets if required; and
- The ability of the Group to scale back part of its operations and reduce expenditure if required;

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

(d) Use of estimates and judgements

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

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement of Receivables (Note 9), Assets held for sale and Other financial assets (Note 11), Intangible assets (Note 14), Tax losses (Note 7) and Interest bearing loans and borrowings (Note 16).

(e) Principles of consolidation

Subsidiaries

The consolidated financial statements of Invigor Group Limited incorporate the assets and liabilities of all entities controlled by the Company as at 31 December 2016 and the results of all controlled entities for the year then ended. Control exists when the Consolidated Entity has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Associates and jointly controlled entities

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

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

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

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

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

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

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

(f) Foreign currency translation

Foreign currency transactions and balances

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

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

Foreign operations

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

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

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

(g) Revenue

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

Interest income

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

Dividend income

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

Development projects and rendering of professional services

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

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

(h) Financing costs

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

(i) Operating leases

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

(j) Research and development expenditure

Research expenditure is expensed as incurred.

Development expenditure incurred on projects may be capitalised if the product or service is technically feasible, adequate resources are available to complete the projects, it is probable that future economic benefits will be generated and expenditure attributable to a project can be reliably measured. Expenditure capitalised comprises the direct costs of services, direct labour and an appropriate portion of overheads. Other development costs are expensed when they are incurred. Capitalised development expenditure, if any, is stated at cost less accumulated amortisation and any impairment losses and amortised over the period of expected future sales from the related projects, which is generally no more than 5 years. Capitalised development expenditure is reviewed at least annually for impairment.

(k) Income tax

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

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

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

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

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

Tax consolidation

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

(l) Non-derivative financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

(m) Property, plant and equipment

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

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

-	Property, plant and equipment	3 years
-	Computer equipment	2 years

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

(n) Intangible assets

Goodwill

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

Identifiable intangible assets

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

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

Amortisation

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

(o) Creditors and payables

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

(p) Interest-bearing loans and borrowings

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

(q) Employee entitlements

Wages and salaries and annual leave

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

Long service leave

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

Profit-sharing and bonus plans

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

(r) Employee benefits expense – share based payments

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

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

(s) Provisions

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

(t) Impairment of non-financial assets

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

(u) Issued Capital

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

(v) Earnings per share

<u>Basic earnings per share</u>

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

<u>Diluted earnings per share</u>

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

(w) New and revised accounting standards

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

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018)

The standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge accounting. The key changes that may affect the Consolidated Entity on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the Consolidated Entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective. Although the directors anticipate that the adoption of AASB 9 may have an impact on the Consolidated Entity's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2017)
When effective, this standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this standard permit an entity to either: restate the contracts that existed in each prior period presented as per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue. Although the directors anticipate that the adoption of AASB 15 may have an impact on the Consolidated Entity's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).
When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.
The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.
Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (applicable to annual reporting periods beginning on or after 1 January 2016)
This standard amends AASB 11: *Joint Arrangements* to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. As at 31 December 2016, management is not aware of the existence of any such arrangements which would impact the financial statements of the Consolidated Entity going forward and as such is not capable of providing a reasonable estimate at this stage of the impact on initial application of the standard.

AASB 2014-10: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128).
This Standard amends AASB 10: Consolidated Financial Statements with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3 to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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.

The Consolidated Entity has identified Condat AG as a separately identifiable operating segment. This segment operates primarily in Germany (from 1 November 2015). The comparative results are for the period 1 November 2015 to 31 December 2015 only.

Segment information

		Consolidated
Year ended	**Condat AG**	**Total**
31 December 2016	$'000	$'000
Revenue from external customers	7,056	7,056
Other revenue/income	-	-
Total segment revenue/income	**7,056**	**7,056**
EBITDA	512	512
Interest income	-	-
Interest expense	(109)	(109)
Depreciation and amortisation	(164)	(164)
Year ended		
31 December 2015		
Revenue from external customers	1,265	1,265
Other revenue/income	-	-
Total segment revenue/income	**1,265**	**1,265**
EBITDA	(100)	(100)
Interest income	-	-
Interest expense	(42)	(42)
Depreciation and amortisation	(28)	(28)

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

	Consolidated 2016 $'000	**Consolidated 2015** $'000
Segment EBITDA	512	(100)
Non-segment EBITDA	(6,101)	(2,036)
Depreciation and amortisation	(837)	(826)
Finance costs	(336)	(667)
Profit (loss) before income tax	**(6,762)**	**(3,629)**

Revenue by geographical region

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

	Consolidated 2016 $'000	Consolidated 2015 $'000
Australia	1,444	1,023
Germany	7,056	1,265
Total revenue from external customers	**8,500**	**2,288**

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

3 Business Combinations

Condat AG

The Consolidated Entity acquired the issued shares of Condat AG ("Condat") on 23 December 2015 with effective control occurring from 1 November 2015. The principal activity of Condat is the provision of digital technology services specifically focused on the design and customisation of an array of specialised solutions to media and mobility market sectors. Condat operates primarily in Germany.

During the year, a measurement period of $384,000 to deferred consideration was made and recorded against goodwill. The comparatives have been restated to reflect this adjustment.

4 Revenue

	Consolidated 2016 $'000	Consolidated 2015 $'000
Revenue from sales, licence fees and services	7,515	5,364
Research and Development Tax rebate	985	486
	8,500	5,850

5 Employee benefits expense

	Consolidated 2016 $'000	Consolidated 2015 $'000
Employee benefits	7,385	3,958
Share based payments	372	158
	7,757	4,116

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

6 Other operating expenses

	Consolidated 2016 $'000	Consolidated 2015 $'000
Professional fees	1,333	1,087
Other operating costs	3,175	2,297
	4,508	3,384

7 Income Tax

(a) Income tax benefit (expense) recognised in the income statement

	Consolidated 2016 $'000	Consolidated 2015 $'000
Current tax	(13)	519
Total income tax benefit (expense)	(13)	519

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

	Consolidated 2016 $'000	Consolidated 2015 $'000
Profit (loss) for the year before tax	(6,762)	(3,629)
Income tax at the Australian tax rate of 30% (2015 – 30%)	(2,029)	(1,089)
Non-deductible expenses	864	427
Non-assessable income	-	(53)
Other timing differences	(176)	(203)
Foreign operations	(145)	86
Correction from prior years	78	561
Unrealised losses	1,395	790
Total income tax benefit (expense)	(13)	519

(c) Tax losses

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

	Consolidated 2016 $'000	Consolidated 2015 $'000
Income tax losses	15,897	11,165
Capital losses	45,060	45,060
Potential benefit at 30%		
Income tax losses	4,769	3,349
Capital losses	13,518	13,518

The benefit of all losses available to the Australian tax consolidated group can only be utilised if the requirements of the Income Tax Assessment Act are satisfied at the time the head entity 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 Cash and cash equivalents

	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash at bank and on hand	642	1,100
Current	642	1,100

9 Receivables

	Consolidated 2016 $'000	Consolidated 2015 $'000
Claims recoverable at fair value	425	1,150
Provision for impairment	(425)	-
Trade debtors	663	824
Provision for doubtful debts	-	(23)
Work in progress	258	547
Sundry debtors and other receivables	494	1,046
Prepayments	216	264
Current	1,631	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 11.

10 Associates and Joint Arrangements

MI Ventures Pty Ltd ATF MI Ventures Unit Trust

Invigor Group Limited entered into a Joint Venture arrangement, MI Ventures Pty Ltd, with Melic Pty Limited in September 2016 to install Wi-Fi at Manly Wharf. The Joint Venture was formed by way of a unit trust with each party holding 50 units each.

The Joint Venture will earn revenue through the provision of targeted advertising, promotions and offers to commuters at Manly Wharf through the Wi-Fi network that has been installed. Invigor Group Limited's investment in MI Ventures Pty Ltd has been recognised using the equity method of accounting.

11 Assets held for sale and Other financial assets

	Consolidated 2016 $'000	Consolidated 2015 $'000
Assets held for sale[(a), (b)]	1,480	1,774
Provision for impairment	(1,469)	-
Current	11	1,774
Other financial assets, at fair value through profit or loss[(c)]	1,750	1,750
Non-current	1,750	1,750

(a) My Verified ID Holdings Pty Ltd ("MVID")
MVID was a company developing a global identity verification and authentication platform designed to reduce business risks and fraud in the online world.
The Company ceased operations in 2016 with a balance owing to Invigor of $1,774,000 relating to convertible notes.

In July 2016 Invigor acquired the US patent from MVID for $600,000 by way of a reduction of debt. A further $120,854 was received in December 2016 and a further $11,000 is excepted to be received in April 2017. No further distributions are expected in relation to the convertible notes. The Company is of the view that it is considered prudent that a provision for impairment be raised against the remaining exposure. An impairment expense of $1,042,000 has been recognised.

(b) Piksel Inc. (formerly KIT digital, Inc) ("Piksel" or "KIT")
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) was raised in June 2016.

(c) 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.

12 Fair values of financial instruments

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

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

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

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

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

Financial assets at fair value through profit or loss
Fair values for listed securities are based on the quoted market price at balance date without any deduction for transaction costs. The Consolidated Entity held no listed securities at balance date.

Fair values for unlisted securities are assessed using financial models, supporting analysis, including the terms upon which funding or investments are made, and may be supported by independent analysis if considered appropriate to aid the assessment. Factors considered in assessing the fair value of unlisted securities held at balance date are outlined in Note 11.

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

Trade and other receivables and payables
The carrying amounts represent fair value because of their short term to maturity.

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

Fair value hierarchy
The following table analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Consolidated	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2016	$'000	$'000	$'000	$'000
Financial assets designated at fair value through profit or loss	-	-	1,750	1,750
	-	-	1,750	1,750
Interest-bearing borrowings	-	7,604	-	7,604
	-	7,604	-	7,604
31 December 2015				
Financial assets designated at fair value through profit or loss	-	-	1,750	1,750
	-	-	1,750	1,750
Interest-bearing borrowings	-	4,375	-	4,375
	-	4,375	-	4,375

Other financial assets at 31 December 2016 designated as Level 3 represents the exposure to TUXXE Pty Ltd. The fair value has been assessed having regard to the factors summarised in Note 11(c). A 10% increase or decrease to the ascribed value at 31 December 2016 would change the carrying amount upward or downward by $175,000 with the change being recognised through the income statement (2015 - $175,000).

Interest-bearing borrowings designated as Level 2 have been assessed at face value. Refer Note 16.

13 Property, plant and equipment

	Consolidated 2016 $'000	Consolidated 2015 $'000
Plant and equipment		
Cost	2,384	246
Accumulated depreciation	(2,340)	(130)
Net carrying amount	44	116
Computer equipment and software		
Cost	540	484
Accumulated depreciation	(432)	(344)
Net carrying amount	108	140
Total property, plant and equipment		
Cost	2,924	730
Accumulated depreciation	(2,772)	(474)
Net carrying amount	152	256

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

	2016	2015
Plant and equipment		
Net carrying amount at the beginning of the period	116	138
Additions	9	5
Acquisitions through business combinations (net)	-	28
Depreciation charge for the year	(81)	(55)
Net carrying amount at the end of the period	44	116
Computer equipment		
Net carrying amount at the beginning of the period	140	68
Additions	80	127
Acquisitions through business combinations (net)	-	22
Depreciation charge for the year	(112)	(77)
Net carrying amount at the end of the period	108	140
Total property, plant and equipment		
Net carrying amount at the beginning of the period	256	206
Additions	89	132
Acquisitions through business combinations (net)	-	50
Depreciation charge for the year	(193)	(132)
Net carrying amount at the end of the period	152	256

14 Intangible assets

	Consolidated 2016 $'000	Consolidated 2015 $'000
Software and technology		
Cost (gross carrying amount)	1,854	1,854
Accumulated amortisation	(1,626)	(1,100)
Net carrying amount	228	754
Goodwill		
Cost (gross carrying amount)	11,296	11,296
Net carrying amount	11,296	11,296
Capitalised development expenditure		
Cost (gross carrying amount)	4,494	1,526
Accumulated amortisation	(643)	(209)
Net carrying amount	3,851	1,317
Total intangible assets		
Cost (gross carrying amount)	16,544	14,676
Accumulated amortisation	(1,169)	(1,309)
Net carrying amount	15,375	13,367

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

Software and technology		
Net carrying amount at the beginning of the period	754	463
Additions	-	767
Amortisation charge for the year	(526)	(485)
Acquisitions through business combinations (net)	-	9
Net carrying amount at the end of the period	228	754
Goodwill		
Net carrying amount at the beginning of the period	11,296	5,551
Additions	-	5,745
Net carrying amount at the end of the period	11,296	11,296
Capitalised development expenditure		
Net carrying amount at the beginning of the period	1,317	-
Additions	3,177	1,526
Amortisation charge for the year	(643)	(209)
Net carrying amount at the end of the period	3,851	1,317
Total intangibles		
Net carrying amount at the beginning of the period	12,983	6,014
Additions	3,177	8,838
Amortisation charge for the year	(1,169)	(694)
Reduction resulting from change in purchase price for Condat AG	-	(800)
Acquisitions through business combinations (net)	-	9
Net carrying amount at the end of the period	15,375	13,367

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(n) and 1(t).

Goodwill

Goodwill is allocated to the Consolidated Entity's cash generating units. At 31 December 2016, the goodwill balance related to the Invigor Digital Solutions division, following the acquisitions of Global Group Australia and Amethon Solutions during 2014, and to the entity's German operation Condat AG which was acquired 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 the purposes of impairment testing, goodwill is allocated to the Group's cash-generating units as follows:

	2016	2015
	$'000	$'000
Invigor Digital Solutions	5,551	5,551
Condat	5,745	5,745
Total	11,296	11,296

For value in use assessment, a 5-year discounted cash flow model was utilised for the goodwill arising following the acquisitions of Global Group Australia and Amethon (together Invigor Digital Solutions) and Condat which included the following assumptions:

	Invigor Digital Solutions	Condat
Discount rate	17%	17%
Annual growth rate	15%	15%
Terminal growth rate	3%	3%

The estimated recoverable amount exceeded the carrying value for each CGU by the following amounts:

	2016
	$'000
Invigor Digital Solutions	2,939
Condat	28,634

Significant estimate: Impact of possible change in key assumptions - Invigor Digital Solutions CGU

The value in use amount of the Invigor Digital Solutions CGU is estimated to be $8.5m. This exceeds the carrying amount of the CGU at 31 December 2016 by $2.9m. The recoverable amount of this CGU would equal its carrying amount if the annual growth rate was decreased from 15% to 11.8% and would be fully impaired if the annual growth rate was reduced to 1.6%.

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the Invigor Digital Solutions CGU to exceed its recoverable amount.

Capitalised development expenditure

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

15 Other creditors and accruals

	Consolidated 2016 $'000	Consolidated 2015 $'000
Other creditors and accrued expenses	1,449	2,460
Deferred consideration payable on acquisitions	264	2,134
Unearned revenue	287	333
Current	2,000	4,927

Included in other creditors and accrued expenses are amounts totalling $1,797 (2015 - $13,070) payable at balance date under cost recovery agreements with Marcel Equity Pty Ltd and associated entities. Refer Note 27. These amounts are unsecured.

Deferred consideration payable on acquisitions represents an amount of $80,000 payable by February 2017 to the vendor of Condat AG ("Condat Vendor") as well as an amount of $184,000 payable to Christof Peltason as part a debt conversion agreement directly linked to the purchase of Condat AG.

The deferred consideration is non-interest bearing and unsecured.

16 Interest bearing loans and borrowings

	Consolidated 2016 $'000	Consolidated 2015 $'000
Unsecured borrowings – convertible notes	1,050	2,400
Unsecured borrowings – loan and overdraft facilities	5,064	1,240
Unsecured borrowings - employees	437	555
Secured borrowings - loan facilities	700	-
Current	**7,251**	**4,195**
Unsecured borrowings – loan facilities	353	180
Non-current	**353**	**180**

Unsecured borrowings – convertible notes

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.

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> and Gary Munitz and Daniel Sekers as nominees in June 2015. Of the principal amount, $1,400,000 was received in cash from MAP Capital Pty Ltd <atf Atlas Capital Series B Fund> and $600,000 was deemed to be received by settling part of the deferred consideration for the Global Group Australia acquisition in 2014 which was previously payable to entities associated with Gary Munitz and Daniel Sekers. On 19 August 2015, 6,666,666 convertible notes issued under this facility were converted into shares. On 23 December 2016, 3,888,889 convertible notes issued under this facility were redeemed, on 2 February 2017, 3,888,890 convertible notes issued under this facility were redeemed and on 23 February 2017, 3,888,889 convertible notes issued under this facility were redeemed, and on 14 March 2017, 3,888,888 convertible notes issued under this facility were redeemed. The terms of the facility are:

- Convertible notes on issue at balance date – 11,666,667 (31 December 2015 – 15,555,556)
- As 14 March 2017, all of the above convertible notes had been fully redeemed.
- Maturity Dates – 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 on issue at balance 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 at a later date when the noteholder gives a notice requiring redemption, or after the occurrence of a defined event of default.

Unsecured borrowings – loan and overdraft facilities

In February 2016, the Company has 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. In December 2016, this arrangement was renewed and extended with a drawdown limit of $1,000,000 and is available until 31 March 2018. An amount of $606,000 has been drawn as at the date of this report. Borrowings under the facility incur interest at a rate of 10.3%pa, being a rate equivalent to a bank overdraft facility at the time the arrangement was entered into.

Condat AG has unsecured loan (€250,000) and overdraft facilities (€300,000) with Berliner Sparkasse and Berliner Volksbank (€50,000) drawn to an aggregate equivalent to €447,579 ($A651,308) at balance date. The unsecured loan facility will be repaid over 5 years at an interest rate of 4.75%. An interest of 9.5% per annum applies to their overdraft facilities of €350,000.

Condat AG has an unsecured €120,000 ($A174,622) loan from Buro am Draht. The loan is to be repaid in instalments by 30 June 2017 unless varied. The loan accrues interest at 5.0% per annum.

From November 2016, the Company received funds from a number of sophisticated investors with the intention of gaining shareholder approval for this funding to be in the form of Convertible Notes. At balance date the total funds received were $2,520,000. Subject to shareholder approval at an upcoming General Meeting key terms of the facility are to be:

- Proposed convertible notes on issue – 84,000,000 at $0.03 cents or 126,000,000 at $0.02 cents (31 December 2015 – Not Applicable)
- Maturity Dates – 12 months from the 1st note issue date with the option to extend for a further 18 months by mutual consent
- Ranking – unsecured
- Conversion price – the convertible notes may be converted into shares at the conversion price of $0.03/$0.02 per share (subject to any adjustment in accordance with the terms and conditions of those notes).
- Interest – 10.0 per cent per annum, compounded monthly on the principal amount outstanding of each convertible note. Interest is payable no later than 15 business days after each quarter end commencing 31 December. As such 31 December, 31 March, 30 June and 30 September with the last interest period ending on the redemption date or the conversion date
- Redemption – on the maturity date, or at a later date when the noteholder gives a notice requiring redemption, or after the occurrence of a defined event of default.

In October 2016 Invigor Holdings (Germany) GmBh entered into an unsecured 14-month loan facility of €1,000,000 with an investor/consultant of the Company, Mr. Peter Hermann. The loan is repayable on 31 December 2017 and accrues interest at a rate of 9% per annum. The amount outstanding was €1,000,000 or $A1,455,000 (31 December 2015 – Not Applicable)

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 €300,000 ($A436,554). The borrowings accrue interest at 10.0% per annum.

Secured borrowings

On 20 September 2016, the Company entered into an extension of its Prepayment Loan Agreement from 8 June 2016 under which the lender has made available a facility in the amount of $700,000 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 2016. Amounts drawn under the facility are secured against the grant receivable.

Other available overdraft facilities

The Consolidated Entity has a $100,000 interest bearing overdraft facility with National Australia Bank which was fully available at 31 December 2016 (31 December 2015 – fully available). The facility is secured by guarantees provided by entities associated with Gary Cohen and Gregory Cohen.

17 Provisions

	Consolidated 2016 $'000	Consolidated 2015 $'000
Employee benefits	302	253
Current	302	253
Employee benefits	85	64
Non-Current	85	64

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

Employee benefits		
Balance at the beginning of the period	317	359
Provisions raised (reversed)	70	(42)
Balance at the end of the period	387	317
Total provisions		
Balance at the beginning of the period	317	359
Provisions raised (reversed)	70	(42)
Balance at the end of the period	387	317

Employee benefits

Provision for employee benefits represent amounts payable by the Consolidated Entity for accrued annual leave and long service leave.

18 Financial risk management, objectives and processes

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

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

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

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

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

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

Market risk

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

(i) Foreign currency risk

Investments have been made by the Consolidated Entity in Australian dollars only.

The Consolidated Entity completed the acquisition of Condat AG in December 2015 but with effect from 1 November 2015. Condat operates mainly in Germany. Condat's business transactions are denominated in Euro and it's accounting records are kept in that currency. Exposure to Euro is subject to exchange variations upon the provision of any required funding to the subsidiary and to exchange variations resulting from the translation to Australian dollars on consolidation of Condat's statement of financial position and statement of comprehensive income at closing and average rates respectively.

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

At 31 December 2016, the Consolidated Entity did not have any other material net foreign currency risk in respect of transactions in currencies other than the functional currency except as described above (31 December 2015 - nil).

(ii) Interest rate risk

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

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

	Consolidated 2016 $'000	Consolidated 2015 $'000
Financial assets		
Cash and cash equivalents	642	1,100
Other financial assets, at fair value through profit or loss	1,750	1,750
Financial liabilities		
Unsecured borrowings	6,904	4,375
Secured borrowings	700	-

Sensitivity Analysis

At 31 December 2016, if interest rates had changed by -/+ 1% from the year-end rates, with all other variables held constant, and this change was applied to cash and cash equivalents, the effect on profit (loss) after tax for the year would be $6,420 (2015: $11,000). If the same sensitivity is applied to borrowings, the result would be a higher/lower interest expense of approximately $76,040 (2015 - $43,750).

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

(iii) Equity price risk

The Consolidated Entity was not exposed to equity securities price risk arising from investments in listed securities during the 2016 financial year as it had no exposure to listed securities during 2016 or at balance date (2015 – not applicable).

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

Sensitivity analysis

No sensitivity analysis for listed equities is required at 31 December 2016 as the Consolidated Entity did not have an exposure to equity price risk of listed securities at that date (2015 – not applicable).

A 10% increase or decrease to the ascribed fair value of the shares and convertible notes held in unlisted entities at balance date would change the carrying amount upward or downward by an aggregate $176,000 (2015 – $352,000).

Credit risk

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

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

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

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

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

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

Ageing of financial assets

The following table assesses the ageing of the carrying amount of the Consolidated Entity's financial assets at the reporting date and details any financial assets that are individually impaired.

Consolidated	**Cash and cash equivalents** $'000	**Receivables** $'000	**Other financial assets** $'000
2016			
Neither past due or impaired	642	967	1,750
Past due but not impaired:			
< 30 days	-	580	-
30-60 days	-	6	-
60-90 days	-	8	-
> 90 days	-	495	-
Collectively impaired	-	-	-
Individually impaired	-	(425)	-
Total	642	1,631	1,750
2015			
Neither past due or impaired	1,100	3,504	1,750
Past due but not impaired:			
< 30 days	-	68	-
30-60 days	-	180	-
60-90 days	-	-	-
> 90 days	-	33	-
Collectively impaired	-	-	-
Individually impaired	-	23	-
Total	1,100	3,808	1,750

Liquidity risk

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

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

Details of debt funding terms and facilities that the Consolidated Entity has in place are disclosed in Note 15.

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

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

Consolidated	**Creditors and payables** $'000	**Unsecured borrowings** $'000
2016		
Contractual cash flows	2,000	6,904
Residual contract maturities:		
6 months or less	2,000	2,277
6 – 12 months	-	4,274
1 – 2 years	-	-
2 – 5 years	-	353
More than 5 years	-	-
Total carrying amount	2,000	6,904
2015		
Contractual cash flows	4,543	4,375
Residual contract maturities:		
6 months or less	2,793	1,795
6 – 12 months	2,134	2,400
1 – 2 years	-	180
2 – 5 years	-	-
More than 5 years	-	-
Total carrying amount	4,923	4,375

Capital risk management

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

The Company completed several capital raisings during 2016. Details are set out in Note 19. The Company also raised funds through short term loans. Refer Note 16. New funding facilities were entered into or agreed to be entered into during January 2017. Refer Note 31.

19 Issued capital

	Company 2016	Company 2015	Company 2016	Company 2015
	Shares	Shares	$'000	$'000
Ordinary shares, fully paid	461,564,131	348,082,663	140,848	137,351

Movement in ordinary share capital				
Balance at the beginning of the period	348,082,663	227,806,667	137,351	127,028
Issues of new fully paid shares	113,481,468	120,273,996	3,885	10,544
Issue of shares on conversion of Entitlement Options	-	2,000	-	-
Capital raising costs incurred	-	-	(388)	(221)
Net balance at end of period	461,564,131	348,082,663	140,848	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.
- 2,068,968 ordinary shares on 6 July 2016 to eligible non-executive employees under retention arrangements which concluded on 30 June 2016.
- 34,000,000 ordinary shares on 27 July 2016 pursuant to a Share Placement announced on 21 July 2016.
- 1,500,000 ordinary shares on 8 September 2016 as part of non-executive employees' short term incentive bonus arrangements.
- 30,000,000 ordinary shares on 11 November 2016 to settle outstanding liabilities to vendors, as outlined in the announcement to the market dated 31 October 2016.

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

	Company 31 December 2016	Company 31 December 2015
	$'000	$'000
Cash received from share issues	2,461	4,611
Gross up for capital raising costs offset against cash proceeds	-	230
Gross movement for fully paid shares issued for cash	2,461	4,841
Issue of shares other than for cash	1,424	2,477
Conversion of convertible notes and interest	-	3,226
Issues of new fully paid shares	3,885	10,544

20 Share Options

(a) Entitlement Options

The Company issued options pursuant to a pro rata entitlement offer completed in April 2013. Additional options, on the same terms, were issued in December 2013, March 2014 and July 2016. There were 76,867,889 of these options ("Entitlement Options") on issue at 31 December 2016. Key terms of these options are:

Exercise price – 5.0 cents per Entitlement Option
Expiry – 1 July 2018
Entitlement – one fully paid ordinary share in the Company for each Entitlement Option exercised.
There are no vesting or exercise conditions.

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

	Company	Company
	31 December 2016	**31 December 2015**
Movement in Entitlement Options	Entitlement Options	Entitlement Options
Balance at beginning of period	38,867,889	38,869,889
Issue of Options during the period	38,000,000	-
Exercised during the period	-	(2,000)
Net balance at end of period	76,867,889	38,867,889

(b) Options granted under incentive plans

The Company provides benefits to defined employees of the Consolidated Entity (including executive directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares. Approved incentive plans for the granting of options to defined employees (including executive directors) ("Plans") are in place. At 31 December 2016, there were 29,668,866 options on issue under the Plans (2015 – 24,668,866). Options on issue under the Plans may have varying vesting dates. All options on issue under the Plans at 31 December 2016 expire 5 years from the applicable grant date.

The Company did not issue any ordinary shares to participants in the Plans during the year ended 31 December 2016 upon exercise of 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.

Date options granted	Expiry Date	Exercise price $	Balance at 1 January 2016 #	Issued during the period #	Cancelled or Lapsed during the period #	Exercised during the period #	Balance at the date of this report #	Exercisable at the date of this report #
22 July 2013	22 July 2018	0.10	7,198,855	-	-	-	7,198,855	7,198,855
24 Dec 2013	24 Dec 2018	0.10	270,015	-	-	-	270,015	270,015
17 Sept 2014	17 Sept 2019	0.10	3,866,663	-	-	-	3,866,663	3,273,055
26 Mar 2015	26 Mar 2020	0.10	3,750,000	-	-	-	3,750,000	2,208,902
1 July 2015	1 July 2020	0.10	6,583,333	-	-	-	6,583,333	3,336,302
29 July 2015	29 July 2020	0.10	1,250,000	-	-	-	1,250,000	593,607
1 Dec 2015	1 Dec 2020	0.10	1,750,000	-	(500,000)	-	1,250,000	450,912
26 Feb 2016	26 Feb 2021	0.10	-	1,800,000	(1,800,000)	-	-	-
12 July 2016	12 July 2021	0.05	-	5,000,000	-	-	5,000,000	2,500,000
30 Aug 2016	30 Aug 2021	0.05	-	500,000	-	-	500,000	-
Total			24,668,866	7,300,000	(2,300,000)	-	29,668,866	19,831,648

The Weighted Average Exercise Price of options on issue under incentive plans at balance date is $0.09 (2015: $0.10).

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

(i) The Board is responsible for determining the number of options granted to each eligible employee;

(ii) Vesting conditions in relation to options are determined by the Board at the time of determination of option entitlements;

(iii) Options which have not vested when an employee ceases their employment will lapse unless an employee ceases to be employed through death, retirement or disablement, in which case special provisions apply or if the Board otherwise determines;

(iv) The share option exercise price is determined by the Board;

(v) The acquisition price of the options is nil, unless the Board determines that it should be any other amount;

(vi) Share options issued pursuant to the Plans are not transferable; and

(vii) Options not exercised by their expiry date will lapse.

The weighted average contractual life of all options on issue under incentive plans outstanding at 31 December 2016 was 1,118 days (2015 – 1,352 days).

(c) Other Options

The Company has granted options over shares ("Other Options") as part of 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 note facilities entered into in June 2015.

Key terms of the Other Options are:
Exercise price – Options issued prior to 31 December 2015; $0.10, Options issued on 17 June 2016 and 1 July 2016; $0.045
Expiry – 5,000,000 Other Options expire on 11 May 2018; and 3,000,000 Other Options expire on 16 July 2018; 10,000,000 expire on 1 July 2019; 5,000,000 Other Options expire on 5 August 2019; 750,000 options expire 17 June 2021
Entitlement – one fully paid ordinary share in the Company for each Other Option exercised
There are no vesting or exercise conditions.

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

21 Reserves

	Consolidated 2016 $'000	Consolidated 2015 $'000
Employee equity benefits reserve		
Opening balance	1,708	1,550
Share based payments expense (Note 5)	372	158
Total employee benefits reserve	2,080	1,708
Foreign currency translation reserve		
Opening balance	(55)	-
Exchange differences arising on the translation of the financial statements of foreign subsidiaries	(92)	(55)
Total foreign currency translation reserve	(147)	(55)
Options reserve		
Opening balance	97	-
Options expense	131	97
Total options reserve	228	97
Total reserves	**2,161**	**1,750**

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 20.

22 Retained profits (accumulated losses)

	Consolidated 2016 $'000	Consolidated 2015 $'000
Opening balance	(126,665)	(123,555)
Net profit (loss) for the year	(6,775)	(3,110)
Dividends paid	-	-
	(133,440)	**(126,665)**

23 Dividends

No dividends were proposed or paid during the financial year (2015 - $nil). No final dividend has been proposed for payment (2015 - $nil).

The Company has no franking credits available for subsequent years (2015 - $nil).

24 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:

	Consolidated 2016 $'000	Consolidated 2015 $'000
Within one year	406	50
Later than one year but not later than five years	1,564	29
Later than five years	1,792	-
	3,761	79

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

Other commitments

At 31 December 2016 Invigor Group has recognised a deferred consideration payable on acquisitions of $80,000 which was paid in February 2017 to the vendor of Condat AG ("Condat Vendor") as well as an amount of $184,000 payable to Christof Peltason as part a debt conversion agreement directly linked to the purchase of Condat AG.

25 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.

26 Parent Entity Disclosures

As at, and throughout the financial year ending 31 December 2016, the parent Company of the Consolidated Entity was Invigor Group Limited.

	Company 2016 $'000	Company 2015 $'000
Result of the parent entity		
Profit (loss) for the period	(5,496)	(5,938)
Other comprehensive income (expense)	-	-
Total comprehensive income (expense) for the period	(5,496)	(5,938)
Financial position of the parent entity at year end		
Current assets	7,192	6,782
Non-current assets	11,123	9,531
Total assets	18,315	16,313
Current liabilities	8,757	5,218
Non-current liabilities	70	64
Total liabilities	8,827	5,282
Total equity of the parent entity comprises:		
Share capital	140,848	137,351
Reserves	2,310	1,805
Retained earnings (accumulated losses)	(133,670)	(128,125)
Total equity	9,488	11,031

Contingent liabilities of the Company at 31 December 2016 are detailed at Note 25. Investment commitments of the Company at 31 December 2016 are detailed at Note 24. The Company had no capital expenditure commitments at 31 December 2016. The Company had not provided any guarantees at 31 December 2016.

27 Related party transactions and key management personnel disclosures

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

Gary Cohen	Executive Chairman and Chief Executive Officer
Roger Clifford	Non-executive director
Gregory Cohen	Executive Director – Finance and Operations
John Hayson	Non-executive director
Anthony Sherlock	Non-executive director
Jeremy Morgan	Non-executive director (from 2 March 2016)
Christof Peltason	Chief Executive Officer, Condat AG
David Neufeld	Company Secretary (to 31 October 2016)
Preethi Narayanan	Chief Executive Officer, Invigor Digital Solutions India

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

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

	Consolidated 2016 $	Consolidated 2015 $
Short term employee benefits	1,109,580	1,253,729
Other long term benefits	-	3,600
Post-employment benefits	-	111,619
Share based payments	189,480	89,955
Termination benefits	-	173,358
	1,299,420	1,632,261

Equity instrument disclosures relating to key management personnel

Shares

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

2016 **Ordinary shares**	Balance at 1 January 2016	Purchases/ (Disposals)	Transfers in/ (Transfers out)	Balance at 31 December 2016
Directors				
Roger Clifford	3,750,000	-	-	3,750,000
Gary Cohen	23,213,951	1,775,000	-	24,988,951
Gregory Cohen	22,661,308	3,662,924	-	26,324,232
John Hayson	52,478,732	-	-	52,478,732
Anthony Sherlock	-	-	-	-
Jeremy Morgan	-	-	-	-
Executives				
Preethi Narayanan	-	-	-	-
David Neufeld[1]	-	-	-	-
Christof Peltason	-	-	-	-

1 David Neufeld resigned as Company Secretary on 31 October 2016

2015 **Ordinary shares**	Balance at 1 January 2015	Purchases/ (Disposals)[1]	Transfers in/ (Transfers out)[2]	Balance at 31 December 2015
Directors				
Roger Clifford	-	-	3,750,000	3,750,000
Gary Cohen	19,080,696	4,133,255	-	23,213,951
Gregory Cohen	19,504,054	3,157,254	-	22,661,308
John Hayson	28,472,222	24,006,510	-	52,478,732
Vic Lorusso	5,515,956	-	(5,515,956)	-
Paul Salter	3,074,563	234,946	(3,309,509)	-
Anthony Sherlock	-	-	-	-
Executives				
Brian Cohen	-	-	-	-
Gary Munitz[3]	10,181,757	1,897,151	(12,078,908)	-
David Neufeld	-	-	-	-
Daniel Sekers	10,885,912	3,944,435	(14,830,347)	-

1 Includes, where applicable, shares acquired upon conversion of convertible notes.
2 Transfers in upon becoming a director/KMP Executive or transfers out upon ceasing to be a director/KMP Executive.
3 Gary Munitz was also a director of the Company from 13 July 2015 until 5 November 2015.

Options

(a) Entitlement Options

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

2016 Entitlement Options	Balance at 1 January 2016	Purchases/ (Disposals)	Transfers in/ (Transfers out)	Balance at 31 December 2016
Directors				
Roger Clifford	-	-	-	-
Gary Cohen	6,506,250	-	-	6,506,250
Gregory Cohen	6,630,389	-	-	6,630,389
John Hayson	11,111,111	-	-	11,111,111
Anthony Sherlock	-	-	-	-
Jeremy Morgan	-	-	-	-
Executives				
Preethi Narayanan	-	-	-	-
David Neufeld[1]	-	-	-	-
Christof Peltason	-	-	-	-

1 David Neufeld resigned as Company Secretary on 31 October 2016

2015 Entitlement Options	Balance at 1 January 2015	Purchases/ (Disposals)	Transfers in/ (Transfers out) [1]	Balance at 31 December 2015
Directors				
Roger Clifford	-	-	-	-
Gary Cohen	6,506,250	-	-	6,506,250
Gregory Cohen	6,630,389	-	-	6,630,389
John Hayson	11,111,111	-	-	11,111,111
Vic Lorusso	2,146,522	-	(2,146,522)	-
Paul Salter	-	-	-	-
Anthony Sherlock	-	-	-	-
Executives				
Brian Cohen	-	-	-	-
Gary Munitz[2]	413,158	-	(413,158)	-
David Neufeld	-	-	-	-
Daniel Sekers	3,920,224	(304,242)	(3,615,982)	-

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

2 Gary Munitz was also a director of the Company from 13 July 2015 until 5 November 2015.

(b) Options granted under incentive plans

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

2016 Incentive Plan Options	Balance at 1 January 2016	Granted during the financial year	Cancelled during the financial year	Transfers in/ (Transfers out)[2]	Balance at 31 December 2016
Directors					
Roger Clifford	-	-	-	-	-
Gary Cohen	8,999,284	-	-	-	8,999,284
Gregory Cohen	2,899,857	-	-	-	2,899,857
John Hayson	-	-	-	-	-
Anthony Sherlock	-	-	-	-	-
Jeremy Morgan	-	-	-	-	-
Executives					
Brian Cohen	899,857	-	-	(899,857)	-
Preethi Narayanan	750,000	-	-	-	750,000
David Neufeld[1]	1,899,857	-	-	-	1,899,857
Christof Peltason	-	-	-	-	-

1 David Neufeld resigned as Company Secretary on 31 October 2016

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

2015 Incentive Plan Options	Balance at 1 January 2015	Granted during the financial year	Cancelled during the financial year	Transfers in/ (Transfers out)[2]	Balance at 31 December 2015
Directors					
Roger Clifford	-	-	-	-	-
Gary Cohen	4,499,284	4,500,000	-	-	8,999,284
Gregory Cohen	899,857	2,000,000	-	-	2,899,857
John Hayson	-	-	-	-	-
Vic Lorusso	-	-	-	-	-
Paul Salter	-	-	-	-	-
Anthony Sherlock	-	-	-	-	-
Executives					
Brian Cohen	899,857	-	-	-	899,857
Gary Munitz[1]	800,000	9,000,000	(9,533,334)	(266,666)	-
David Neufeld	899,857	1,000,000	-	-	1,899,857
Daniel Sekers	800,000	2,000,000	(2,533,334)	(266,666)	-

1 Gary Munitz was also a director of the Company from 13 July 2015 until 5 November 2015.

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

No shares of the Company were issued to key management personnel during the year ended 31 December 2016 on the exercise of Entitlement Options or options issued under incentive plans (2015 – nil). No incentive options have been granted to key management personnel subsequent to year end.

(c) Other Options

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

2016 **Other Options**	Balance at 1 January 2016	Granted during the financial year	Transfers in/(Transfers out)[1]	Balance at 31 December 2016
Directors				
Roger Clifford	-	250,000	-	250,000
Gary Cohen	-	-	-	-
Gregory Cohen	-	-	-	-
John Hayson	-	-	-	-
Anthony Sherlock	-	250,000	-	250,000
Jeremy Morgan	-	250,000	-	250,000
Executives				
Preethi Narayanan	-	-	-	-
David Neufeld[1]	-	-	-	-
Christof Peltason	-	-	-	-

1 David Neufeld resigned as Company Secretary on 31 October 2016

Other transactions with key management personnel or related parties

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of those entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's-length basis.

The Company has entered into cost recovery agreements with Marcel Equity Pty Ltd and its associated entities ("Marcel"), being entities associated with Gary Cohen and Gregory Cohen, under which the Company reimburses Marcel, on a cost recovery basis, for services provided. Services include executive management services performed by staff and consultants of Marcel, use of office space, provision of administration and bookkeeping services, investor and shareholder relations and such other services as may be agreed from time to time. An expense of approximately $473,000 was incurred during the current reporting period (2015 - $613,000). An amount of $1,797 was payable by the Company to Marcel at balance date (2015 - $13,070).

In December 2016, the Company received funds in the amount of $1.2m, from RJL Investments Pty Ltd, a company associated with Gary Cohen, with the intention of gaining shareholder approval for this funding to be in the form of Convertible Notes at a General Meeting in April 2017. The proposed convertible notes are anticipated to be issued at 3 cents per share and issued for up to 18 months. Adjustments may be made to the Conversion Price and floor price based on a number of events.

The Consolidated Entity has a $100,000 interest bearing bank overdraft facility with National Australia Bank which was fully available at 31 December 2016 (2015 – fully available). The facility is secured by guarantees provided by entities associated with Gary Cohen and Gregory Cohen.

In February 2016, the Company entered into an interest bearing short term loan arrangement with Marcel Equity Pty Ltd, a company associated with Gary and Gregory Cohen under which $700,000 would be made as and when required by the Company, subject to the terms of the loan arrangement. The facility amount was subsequently increased to $1 million in December 2016.

At 31 December 2016, there were two amounts owing to Christof Peltason. An amount of $184,000 as part of a Debt Conversion agreement directly related to the acquisition of Condat AG and an amount of $218,000 relating to a pre-existing employee loan advanced to Condat AG.

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

	Consolidated 2016 $'000	Consolidated 2015 $'000
Amounts recognised as expense		
Service fees and cost recoveries to Marcel Equity and associated entities	473	613
Interest on borrowings/convertible notes from/held by entities associated with Gary Cohen, Gregory Cohen, John Hayson and/or Paul Salter	35	235
Interest on deferred payable to GGA vendors	-	28
	508	876

No assets relating to the above transactions were recognised at balance date. Aggregate amounts of liabilities at balance date relating to the above transactions:

	Consolidated 2016 $'000	Consolidated 2015 $'000
Amounts recognised as liabilities		
Convertible notes owing to entities associated with Gary Cohen, Gregory Cohen, John Hayson and/or Paul Salter	-	2,400
Loans owing to Marcel Equity, RJL Investments and associated entities and/or Christof Peltason	2,024	-
Service fees and cost recoveries owing to Marcel Equity and associated entities	2	13
Owing to Christof Peltason for Debt Conversion agreement	184	-
	2,210	2,413

27 Subsidiaries

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

Name of entity	Country of incorporation	Class of Shares	Equity holding 2016 %	Equity holding 2015 %
AimIPCo Pty Ltd	Australia	Ordinary	100	100
Amethon Solutions (Asia Pacific) Pty Ltd	Australia	Ordinary	100	100
Condat AG	Germany	Ordinary and Preference	100	100
Global Group Australia Pty Ltd	Australia	Ordinary	100	100
Global Group Ventures Pty Ltd	Australia	Ordinary	100	100
Invigor Digital Solutions Pty Ltd	Australia	Ordinary	100	100
Invigor GGA Holdings Pty Ltd	Australia	Ordinary	100	100
Invigor Holdings (Germany) GmbH	Germany	Ordinary	100	100
Invigor Digital Solutions India Private Ltd	India	Ordinary	100	100
My Digital Marketing Team International Pty Ltd	Australia	Ordinary	100	100
Social Loot Australia Pty Ltd	Australia	Ordinary	100	100

28 Auditor remuneration

The following fees were paid or payable for services provided by the Company's auditor, Moore Stephens:

	Consolidated 2016 $	Consolidated 2015 $
Audit services	70,621	64,100
Other services	-	-
	70,621	64,100

The following fees were paid or payable for services provided to the Consolidated Entity by other audit firms:

	Consolidated 2016 $	Consolidated 2015 $
Audit services	114,130	55,900
Other services	82,117	111,397
	196,247	167,297
Total	266,868	231,397

29 Earnings per share

	Consolidated 2016	Consolidated 2015
	cents	cents
Total		
Basic earnings per share	(1.68)	(1.19)
Diluted earnings per share	(1.68)	(1.19)
	$'000	$'000
Reconciliation of earnings used in the calculation of basic earnings per share		
Profit (loss) for the year	(6,775)	(3,110)
Earnings used in the calculation of total basic earnings per share	(6,775)	(3,110)
Reconciliation of earnings used in the calculation of diluted earnings per share		
Earnings used in the calculation of total basic earnings per share	(6,775)	(3,110)
Non-discretionary changes in earnings arising from dilutive potential ordinary shares	-	-
Earnings used in the calculation of total diluted earnings per share	(6,775)	(3,110)
	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	402,893,112	261,895,995
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	402,893,112	261,895,995

30 Reconciliation of cash flows from operating activities

	Consolidated 2016 $'000	Consolidated 2015 $'000
Net profit (loss) for the year after related income tax expense	(6,775)	(3,110)
Add(deduct):		
Depreciation and amortisation	837	826
Borrowing costs shown as financing cash flows	389	346
Capitalised costs in operating cash flows	(2,360)	(1,526)
Net fair value adjustments to intangible assets of business combinations acquired taken through the income statement	-	250
Impairment of other financial assets	1,469	
Profit/Loss from Joint Venture	35	
Loss on sale of assets	320	-
Share based payment and option expenses	503	255
Changes in operating assets and liabilities:		
Decrease (increase) in trade and other receivables	1,752	(1,119)
Increase (decrease) in trade and other payables (2015 - net of movement in accruals for non-operating activities)	(1,011)	1,420
Increase (decrease) in deferred revenue	(46)	(507)
Increase (decrease) in provisions	70	(42)
Exchange differences on translation	(92)	(55)
Net cash from (used in) operating activities	(4,909)	(3,262)

31 Events Subsequent to Balance Date

Invigor Group Limited secured a A$2 million loan facility with Partners for Growth (PFG) in February 2017. Under the terms of the agreement, Partners for Growth's funding is for 2 years at a 10% annual interest rate. IVO will issue 66.6 million warrants to the firm exercisable at 3.0 cents, expiring in 2021, subject to shareholder approval.

On 3 February 2017 3,888,890 convertible notes held by MAP Capital Pty Ltd <atf Atlas Capital Series B Fund> were redeemed. A further 3,888,889 were redeemed on 23 February 2017 and the final remaining notes held by MAP Capital of 3,888,888 were redeemed on 14 March 2017.

Invigor Group Limited settled the remaining funds owed to Condat vendors of $80,000 in February 2017.

Extension of the $1 million Marcel loan facility from 31 March 2017 to 31 March 2018.

On 20 March 2017, the Company issued a Notice of Extraordinary General Meeting which will take place on Wednesday 19 April 2017 at 10.30am at Level 16, 56 Pitt Street, Sydney NSW 2000.

On 27 February 2017 Invigor Group entered into a Deed of Acknowledgement with Gary Cohen, Suzanne Cohen, Gregory Cohen and Marcel Equity. The purpose of the deed is to determine how Invigor shall treat any guarantee or agreements made by the above-mentioned parties should Greg Cohen or Gary Cohen no longer be a director of Invigor.

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

DIRECTORS DECLARATION

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

(a) the consolidated financial statements and notes set out on pages 18 to 61, and the remuneration disclosures that are contained in pages 13 to 16 of the Directors' Report, are in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the financial year ended on that date; and
   (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer, or their equivalents, for the financial year ended 31 December 2016.

Signed in accordance with a resolution of the Directors.

Gary Cohen
Director

Dated at Sydney this 24 day of March 2017

MOORE STEPHENS

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Invigor Limited and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a) the accompanying financial report of the Group is in accordance with the *Corporations Act 2001,* including:

   i. giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) in the financial statements, which identifies that during the year ended 31 December 2016 the Group incurred a net loss of $6.8m, had net cash outflows from operating activities of $4.9m, and that the Group's current liabilities exceed its current assets by $7.6m. As stated in Note 1(c), these events or conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER 1 – VALUE OF INTANGIBLES
Refer to Note 1n

As at 31 December 2016 the Group has total Intangible Assets of $15.4m.

The Group is required to consider triggers for impairment in accordance with AASB 136: Impairment of Assets.

We focused on this area due to the size of the intangible assets balance ($15.4m as at 31 December 2016) and because the directors' assessment of the 'value in use' of the Group's CGUs involves judgements about the future results of the business and the discount rates applied to the future cash flows which are inherently uncertain.

Our procedures included, amongst others:

- We evaluated management's cash flow forecasts covering a 5 year period and the process by which they were developed, including verifying the mathematical accuracy of the underlying calculations. We also compared them to the latest board approved budgets.
- We also challenged whether:
  1. Management's key assumptions for long –term growth rates in the forecasts by comparing them to historical results;
  2. The discount rate used in the model by assessing the cost of capital for the Group by comparing it to market data and industry research.
- We then tested the assumptions used by management, analysing the impact on the value in use calculation by adjusting the EBITDA growth rate, WACC and terminal value growth rate used within a reasonably foreseeable range.
- Finally we assessed the adequacy of the Group's disclosure of assumptions used in respect to the value in use calculations.

KEY AUDIT MATTER 2 – GOING CONCERN
Refer to Note 1(c)

In considering the going concern basis of accounting, management considered whether there are any material uncertainties on the Groups ability to continue as a going concern. In making this assessment management need to consider the period of at least 12 months from the date our audit opinion is signed.

This assessment is largely based on the assumptions made by the directors in their cash flow forecast. These forecasts include the directors' assumptions regarding the timing of future cash flows, operating results, capital raising activities and any potential sale of assets.

This is a key audit matter due to the nature of the business, its dependence on the level of currently available funds and its ability to raise additional funds, as well as the Group's history of operating losses and negative cash flows.

Our procedures included, amongst others:

- Obtaining and reviewing managements cash flow forecast to assess whether current cash levels can sustain operations for a period of at least 12 months from the proposed date of signing the financial statements.
- Reviewing the assumptions used by management in the going concern forecasts for reasonableness and challenging these where necessary.
- Reviewing subsequent events and resultant impact on the Group's cash flow.
- Assessing the adequacy of the Group's related disclosures within the financial report.

KEY AUDIT MATTER 3 – VALUE OF OTHER FINANCIAL ASSETS
Refer to Note 10

The Groups holds an investment classified at fair value through the profit and loss at directors' valuation of $1.7m.

The directors have considered the following in assessing the fair value of this investment:

- The guidelines issued by the Australian Private Equity and Venture Capital Association Limited.
- Tuxxe's business plan and 3 year financial model.
- Recent capital raising valuations provided by the directors of Tuxxe.

This is a key audit matter due to size of the balance and because the valuations are not based on observable market data

Our procedures included, amongst others:

- Obtaining and reviewing the business plan and investor presentation of Tuxxe.
- Obtaining and reviewing the capital raising valuation provided by the directors of Tuxxe.
- Performing a recalculation of the valuation provided by the directors of Tuxxe.
- Assessing the adequacy of the Group's related disclosures within the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at *The Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our auditor's report.

MOORE STEPHENS

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 16 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Invigor Group Limited, for the year ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Moore Stephens

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257

ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

24 March 2017