ASX Announcement

31 August 2017

Results for announcement to the market

Appendix 4D for the half year ended 30 June 2017

Invigor Group Limited (ASX: IVO) announces the following results for the Company and its controlled entities (together the Consolidated Entity) for the half year ended 30 June 2017. The results are extracted from the accompanying Half Year Financial Report which has been reviewed by the Company's auditor.

The principal activity of the Consolidated Entity is a B2B data intelligence and solutions company that turns data analytics into value for the retail and service industries.

Extracted from the 30 June 2017 Half Year Financial Report	**Six months to 30 June 2017**	**Six months to 30 June 2016**	**Change**
	$A'000	$A'000	%
Revenue from ordinary activities	4,680	4,554	2.8%
Net profit (loss) from ordinary activities after tax attributable to members	(8,534)	(2,688)	n/m
Net profit (loss) after tax attributable to members	(8,534)	(2,688)	n/m

n/m = not meaningful

The result reflects:

- revenue earned from sales, licence fees and services for the period of $3.5 million (2016: $3.6 million), which reflects contributions from Condat, Sprooki and from new contracts secured for Insights Retail and Insights Visitor;
- a net loss before financing costs, tax, depreciation, amortisation and impairment (EBITDAI) of $0.99 million (30 June 2016 - $0.86 million loss).
- an impairment charge of $4,600,000 raised against the goodwill of Invigor Digital Solutions
- an impairment charge of $1,400,000 raised against the investment in TUXXE
- an impairment charge of $450,000 raised against the patent received from MVID by way of a reduction of debt in July 2016 which was revalued at 30 June 2017;
- interest and borrowing costs incurred on convertible note and debt facilities of $508,000 (comparative period - $205,000);

Please refer to the accompanying 30 June 2017 Half Year Financial Report, results announcement and presentation slides for further information.

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Dividends for the period ended 30 June 2017

No interim dividend has been declared or proposed (2016 – $nil).

Net Tangible Assets (Liabilities) per Share

	30 June 2017[1] $A	30 June 2016[2] $A
Net assets (liabilities) per share	0.004	0.03
Less: Intangible assets per share	(0.028)	(0.03)
Net tangible assets (liabilities) per share	(0.024)	(0.00)

1 Based on 528,230,798 issued ordinary shares at 30 June 2017.

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

Details of entities over which control has been gained or lost during the period

The Consolidated Entity acquired the issued shares of Sprooki Pte Limited ("Sprooki") on June 30 2017 with effective control occurring from 1 May 2017.

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The remainder of the information requiring disclosure to comply with Listing Rule 4.3A is contained in the accompanying 30 June 2017 Half Year Financial Report and results announcement released today. These documents should be read in conjunction with each other document.

For further information, please contact:

Gary Cohen
CEO
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INVIGOR GROUP LIMITED

ACN 081 368 274

HALF YEAR FINANCIAL REPORT

PERIOD ENDED 30 JUNE 2017

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The Directors present their report together with the financial report of the Consolidated Entity comprising Invigor Group Limited ("the Company" or "Invigor") and its controlled entities (together "the Consolidated Entity") for the half year ended 30 June 2017 and the Auditor's report thereon.

Directors

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

Directors	Appointed
Gary Cohen	19 July 2012
Roger Clifford	18 November 2015
Gregory Cohen	19 July 2012
John Hayson – retired 3 July 2017	27 March 2014
Jeremy Morgan	2 March 2016
Anthony Sherlock	5 November 2015
Robert McKinnon (Chairman)	3 July 2017
Jack Hanrahan	3 July 2017
Claire Mula	3 July 2017

Principal Activity

The principal activity of the Consolidated Entity is a B2B data intelligence and solutions company that turns data analytics into value for the retail and service industries.

Invigor's innovation through owned retail platforms and unique cross-channel data ecosystem allows businesses to have a holistic view of their competitive landscape and not only understand, but effectively engage with today's physical and digital consumers. All of this combined with proprietary predictive engines, provides strategic insights and recommendations that empower businesses to successfully influence future customer strategy and increase long-term profitability.

Using its current products and a pipeline of additional offerings the Company has 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.

Significant Changes in the State of Affairs

The Company has continued operating as a digital solutions group during the financial period. The business activities have been funded by the raising of new equity and drawing on available debt facilities. Details are provided throughout this Directors' Report.

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

Operating and Financial Review

Result for the period

The net loss after tax of the Consolidated Entity for the half year ended 30 June 2017 was $8.5 million (30 June 2016 - $2.7 million loss).

The net loss before financing costs, tax, depreciation, amortisation and impairment (EBITDAI) was $0.99 million (30 June 2016 - $0.86 million loss).

The result reflects:

- revenue from sales, licence fees and services for the period of $3.5 million (2016: $3.6 million).
- impairment charges of $6,450,000 raised against the IDS goodwill, the Tuxxe investment and the amount expected to be received in relation to the MVID patent.
- interest and borrowing costs incurred on convertible note and debt facilities of $508,000 (comparative period - $361,000).

Invigor Digital Solutions ("IDS")

The IDS business plan is to use its complementary suite of big data products to source, aggregate, analyse and publish insights and content for the benefit of businesses and consumers. Its interconnected data sets enable enterprise clients including retailers, brands, shopping centres, 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.

With the acquisition of Sprooki finalised in July 2017, the combined product offering and value proposition has been significantly enhanced and is focused on 2 main solutions for the retail sector: Insights 360 & Loyalty.

Insights 360

Insights 360 includes modules which allow businesses to understand their market, competitors and identify growth opportunities based on physical, digital, promotional, pricing and transaction data from multiple sources. It also gives them the ability to improve retail operations based on predictive recommendations.

The modules within the Insights 360 solution are: Visitor, Shopper and Retailer.

Visitor

The Visitor module supercharges existing WiFi networks, allowing them to become powerful tools to analyse and understand customers or visitor behavior

Shopper

The Shopper module helps transactional businesses to grow in more profitable ways by focusing on the right customers and identifying strategies and tactics from transaction and other data available to acquire additional customers and secure more repeat sales.

Retailer

The Retailer module helps businesses become more profitable by monitoring their own and their competitors' prices in real-time. This module contains 2 different products – Retail and SpotLite which provide actionable insights on revenue generating opportunities to amplify share of voice, manage trade promotion budgets and change trade terms with channel partners to increase profit margin.

SpotLite was formally launched in the February, followed by an international launch in April 2017. Distribution arrangements have also been secured.

Retail: Online & Offline Pricing & Promotional Intelligence

Retail helps businesses drive real revenue opportunities by analysing competitive retail pricing data on every major product in real-time and historically. It is a cloud-based competitive pricing and promotion intelligence platform which provides deep historical analysis into how their products are priced and promoted in-store, online, via catalogues and newspaper.

SpotLite: Online Pricing Intelligence

SpotLite helps businesses of all industries and sizes track product prices across any online retailer website such as Amazon and eBay. It provides cloud based real-time pricing and historical pricing analytics and actionable insights to maximise profitability, margin and increase revenue.

Loyalty

Loyalty includes modules which allow businesses to engage and reward customers in a personalised way at the right time and place to improve frequency, loyalty, conversion and spend. It also gives them the ability to action and automate recommendations that influence and shape future customer strategy.

Campaign
The Campaign module helps malls, retailers and venues to engage shoppers or visitors with retail content in more relevant, mobile-first and automated ways, driving increased foot-fall and sales conversion.

Rewards
The Rewards module enable Malls, Brands, Retailers to capture customer data and engage customers through personalised incentives based on shopper's behaviour to increase customer frequency and lifetime value.

Predict
The Predict module helps Campaign and Rewards customers to further segment and personalise their customer strategy and engagement through predictive analytics and life cycle management. Predict offers a deeper understanding of the shopper and what they're most likely to respond to so retailers can deliver the most relevant content and products to their customers in order to incentivise spend and increase long-term loyalty.

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.

Funding
The Company raised $1.0 million in May 2017 by way of a share placement to Allectus Capital Limited. In addition, the Company announced in June 2017 plans to raise up to $2.5 million from a Convertible Note offer to professional and sophisticated investors. As at 30 June 2017, $900,000 had been committed to this facility pending the approval of Shareholders at a General Meeting to be held in late September. Further commitments were made to this facility in July 2017. Refer **Events subsequent to reporting date** below.

Dividends
No final dividend for the 2016 financial year was proposed or declared.

No interim dividend has been proposed or declared for the period ended 30 June 2017.

A dividend reinvestment plan has not been activated.

Events subsequent to reporting date

On 3 July 2017 Gary Cohen stepped down as Chairman of the Invigor Group Limited Board, Mr Robert McKinnon was appointed as the new Chairman. Gary Cohen will continue in his role as Director and Chief Executive Officer of the Group.

On 3 July 2017 Ms Claire Mula, Mr Robert McKinnon and Mr Jack Hanrahan were appointed as Directors of Invigor Group Limited.

On 3 July 2017 Mr John Hayson stepped down as a Director of Invigor Group Limited.

Invigor Group Limited completed the Share Purchase Agreement for the acquisition of Sprooki Pte Limited on 30th June 2017, as reported to shareholders on 27 April 2017, with the agreement being finalised on 6 July 2017. The completion of the SPA follows the Company receiving shareholder approval for the transaction at the Annual General Meeting held on 23 June 2017.

Following the completion of the Share Purchase Agreement, on July 6 2017, Invigor Group issued 169,841,137 fully paid ordinary IVO shares to Sprooki's vendors with 109,090,147 shares subject to a 12-month escrow period from 30 June 2017.

The Company granted 3,000,000 options under the incentive plan on 6 July 2017 and a further 6,750,000 on 1 August 2017 and 1,000,000 on 10 August 2017. These options will vest subject to achievement of specified performance conditions and have an exercise price of 5.0 cents each. The expiry dates are 3 July 2022 and 1 and 10 August 2022 respectively.

The Company granted unlisted options to Directors of 250,000 at an exercise price of 5.0 cents each and 500,000 options at an exercise price of 3.0 cents each. The options are exercisable at any time commencing from the grant date and ending on the 5th anniversary of the date of the grant of the option.

A further $186,417 has been drawn against the Marcel loan facility subsequent to the balance date, bringing total liabilities to Marcel of $601,775.

In July 2017, the Company received a loan extension of €300,000 to the existing facility held with Peter Herrmann, bringing the total loan amount to €1,300,000. This facility was also extended for a further 12 months to December 2018.

On 28 July 2017 Sprooki Pte Limited legally changed its name to Invigor Asia Pte Limited.

On June 23 2017, the Company announced its plan to raise up to $2.5m of further funding by the issue of Convertible Notes. The Notes are to be issued for a 12-month term, with an interest rate of 10% and are convertible to ordinary shares at 1.2 cents. The Convertible Note is subject to shareholder approval at a General Meeting scheduled for 29 September 2017. A Notice of Meeting has been sent to Shareholders containing all the resolutions for approval.

Under the terms of the Convertible Note Plan approved on April 19 2017, if the Company raises further funds greater than $500,000 during their term, the conversion price of the $2.52 million Convertible Notes that were approved and issued on April 19 2017 will reduce from 3 cents per note to 1.2 cents per note if the holder elects to convert at any time before April 19 2018. The proposed $2.5 million Convertible Note will trigger this condition if approved by Shareholders at the General Meeting to be held on 29 September 2017.

On July 26 2017 the Company raised $100,000 from a share placement at 1.2 cents to a sophisticated investor and current shareholder in place of a commitment to the Convertible Note programme as they preferred an immediate share issue.

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.

Prospects
Following the acquisition of Sprooki Pte Limited, the Company has been building out its pipeline based on the integrated solution sets it now has available. The Company has seen a strong interest in its solutions in both Australia and South East Asian markets. Further enhancements are being made on SpotLite to enable faster adoption. In addition, the Company has been pursuing potential distribution partnerships and it expects some of these to bear fruit in the next half.

Condat 's business continues to strengthen with additional contract wins from current and additional customers.

As announced at the AGM the Company is looking at strategic options with regard to its non-core investments. These options, including the Company's investment in Condat, will continue to be explored over the next six months.

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001
The lead auditor's independence declaration is set out on page 8 and forms part of the Directors' Report for the period ended 30 June 2017.

Rounding off
In accordance with the Australian and Securities Investments Commissions Corporation (Rounding in Financial/Directors Reports) Instrument 2016/191, values are rounded to the nearest thousand dollars unless otherwise stated. Amounts less than $100 are rounded to zero.

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

Gary Cohen
Director

Dated at Sydney this 30th day of August 2017

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

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2017, there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

Moore Stephens

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257

ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

30 August 2017

	Note	30 June 2017 $'000	30 June 2016 $'000
Revenue	4	3,507	3,569
Other revenue	4	1,173	985
Total revenue		**4,680**	**4,554**
Employee benefits expense		(3,889)	(3,535)
Professional fees		(429)	(546)
Impairment expense	9	(6,450)	(1,178)
Other operating costs		(1,307)	(1,334)
(Loss) from Joint Venture		(32)	-
(Loss) on non-current assets		(13)	-
Total (loss) before financing costs, tax, depreciation and amortisation		**(7,440)**	**(2,039)**
Depreciation and amortisation		(583)	(438)
Total (loss) before financing costs and tax		**(8,023)**	**(2,477)**
Financing costs incurred		(508)	(205)
(Loss) before income tax		**(8,531)**	**(2,682)**
Income tax benefit (expense)		(3)	(6)
(Loss) for the period		**(8,534)**	**(2,688)**
Other comprehensive income		52	68
Total comprehensive (loss) for the period		**(8,482)**	**(2,620)**

	Cents	Cents
Total:		
Basic earnings (loss) per share attributable to ordinary equity holders	(1.76)	(0.72)
Diluted earnings (loss) per share attributable to ordinary equity holders	(1.76)	(0.72)

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

	Note	30 June 2017 $'000	31 December 2016 $'000
CURRENT ASSETS			
Cash and cash equivalents		507	642
Trade and other receivables	5	3,014	1,631
Assets held for sale and Other financial assets	6	-	11
Total Current Assets		3,521	2,284
NON-CURRENT ASSETS			
Other financial assets	6	350	1,750
Property, plant and equipment		111	152
Investments accounted for using the equity method		7	-
Intangible assets	9	14,770	15,375
Total Non-Current Assets		15,238	17,277
TOTAL ASSETS		**18,759**	**19,561**
CURRENT LIABILITIES			
Other creditors and accruals	10	5,779	2,000
Investments accounted for using the equity method		-	1
Interest bearing loans and borrowings	11	9,469	7,251
Provisions		763	302
Total Current Liabilities		16,011	9,554
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	11	327	353
Provisions		97	85
Total Non-Current Liabilities		424	438
TOTAL LIABILITIES		**16,435**	**9,992**
NET ASSETS		**2,324**	**9,569**
EQUITY			
Issued capital	12	141,787	140,848
Reserves	13	2,511	2,161
Accumulated losses		(141,974)	(133,440)
TOTAL EQUITY		**2,324**	**9,569**

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

	30 June 2017 $'000	30 June 2016 $'000
Cash flows from operating activities		
Receipts from customers	3,937	4,531
Payments to suppliers and employees	(6,221)	(8,096)
Interest received	-	1
Net cash from (used in) operating activities	**(2,284)**	**(3,564)**
Cash flows from investing activities		
Payments for property, plant and equipment	-	(15)
Payments for acquisition of investments and convertible notes	(101)	-
Proceeds from claims receivable	-	725
Net cash from (used in) investing activities	**(101)**	**710**
Cash flows from financing activities		
Proceeds from the issue of shares and options	984	1,428
Proceeds from borrowings and issue of convertible notes	900	1,426
Repayment of borrowings and redemption of convertible notes	814	(695)
Borrowing costs paid	(448)	(162)
Payment of capital raising costs	-	(74)
Net cash flow from (used in) financing activities	**2,520**	**1,923**
Net increase (decrease) in cash and cash equivalents	(135)	(931)
Cash and cash equivalents at 1 January	642	1,100
Cash and cash equivalents at 30 June	**507**	**169**

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

	Issued Capital	Accumulated Losses	Reserves	Total
Consolidated	$'000	$'000	$'000	$'000
Balance at 1 January 2017	**140,848**	**(133,440)**	**2,161**	**9,569**
Profit (loss) for the period		(8,534)		(8,534)
Foreign currency translation reserve			52	52
Total comprehensive income (loss)		(8,534)	52	(8,482)
Transactions with owners in their capacity as owners:				
Issue of shares	1,000			1,000
Share based payments reserve			298	298
Capital raising costs reversed (incurred)	(61)			(61)
Balance at 30 June 2017	**141,787**	**(141,974)**	**2,511**	**2,324**
Balance at 1 January 2016	**137,351**	**(126,665)**	**1,750**	**12,436**
Profit (loss) for the period	-	(2,688)	-	(2,688)
Foreign currency translation reserve	-	-	68	68
Total comprehensive income (loss)	-	(2,688)	68	(2,620)
Transactions with owners in their capacity as owners:				
Issue of shares	1,920	-	-	1,920
Share based payments reserve	-	-	111	111
Capital raising costs reversed (incurred)	(262)	-	-	(262)
Balance at 30 June 2016	**139,009**	**(129,353)**	**1,929**	**11,585**

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

1. Significant accounting policies

This general purpose consolidated financial report for the year ended 30 June 2017 comprises Invigor Group Limited ("the Company" or "Invigor"), its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interests in associates and jointly controlled entities. The principal accounting policies adopted in the preparation of the consolidated financial report are set out below and have been consistently applied by each entity in the Consolidated Entity for all periods presented, unless otherwise stated.

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

The half-year financial report was approved by the Board of Directors on 29 August 2017.

(a) Statement of compliance

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

This consolidated half-year financial report does not include all of the information required for a full annual financial report. Accordingly, this report is to be read in conjunction with the 31 December 2016 consolidated financial report and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

In accordance with the Australian and Securities Investments Commissions Corporation (Rounding in Financial/Directors Reports) Instrument 2016/191, values are rounded to the nearest thousand dollars unless otherwise stated. Amounts less than $100 are rounded to zero.

(b) Basis of preparation

The accounting policies applied by the Consolidated Entity in this consolidated half-year financial report are the same as those applied by the Consolidated Entity in its 31 December 2016 consolidated financial report.

(c) Use of estimates and judgements

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

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the remainder of this financial year and the next financial year are the measurement of Receivables (Note 5), Assets held for sale and Other financial assets (Note 6), Income Tax losses (Note 8), Intangible assets (Note 9) and Interest-bearing loans and borrowings (Note 11).

(d) 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 half-year ended 30 June 2017 the Group incurred a net loss of $8.5m (2016: $2.6m), had net cash outflows from operating activities of $2.3m (2016: $3.6m), and at that date the Group's current liabilities exceed its current assets by $12.5m (Dec 2016: $7.6m)

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.
- terms of financing facilities available to the Company and the likelihood of these being extended, if required.
- 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, there is a material uncertainty as to whether the company will be able to pursue its business objectives and continue to operate as a going concern, including realising its assets and extinguishing its liabilities at the amounts shown in the financial statements.

(e) Research and development expenditure

Research expenditure is expensed as incurred.

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

(f) Investments and financial assets

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

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

Loans and receivables

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

Financial assets at fair value through profit or loss

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

(g) Intangible assets

Goodwill

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

Identifiable intangible assets

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

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

Amortisation

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

2. Segment reporting

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

The Consolidated Entity has identified Condat AG as a separately identifiable operating segment. This segment operates primarily in Germany.

	Condat AG	**Consolidated Total**
Half Year Ended 30 June 2017	$'000	$'000
Revenue from external customers	3,256	3,256
Other revenue/income	-	-
Total segment revenue/income	**3,256**	**3,256**
EBITDA	426	426
Interest income	-	-
Interest expense	(40)	(40)
Depreciation and amortisation	(149)	(149)
30 June 2016	$'000	$'000
Revenue from external customers	3,237	3,237
Other revenue/income	-	-
Total segment revenue/income	**3,237**	**3,237**
EBITDA	509	509
Interest income	-	-
Interest expense	(70)	(70)
Depreciation and amortisation	(87)	(87)

Reconciliation of segment EBITDA to profit (loss) for the period is as follows:

	30 June 2017	**Consolidated 2016**
	$'000	$'000
Segment EBITDA	426	509
Non-segment EBITDA	(1,419)	(1,377)
Depreciation, amortisation and impairment	(7,033)	(1,615)
Finance costs	(508)	(205)
(Loss) for the period	**(8,534)**	**(2,688)**

Revenue by geographical region

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

	30 June 2017	**Consolidated 2016**
	$'000	$'000
Australia	251	332
Germany	3,256	3,237
Total revenue from external customers	**3,507**	**3,569**

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

Sprooki Pte Limited

a) Summary of acquisition

The Consolidated Entity acquired the issued shares of Sprooki Pte Limited ("Sprooki") on 27 April 2017 with effective control occurring from 1 May 2017. The Company's principal activities consist of mobile cellular, radio paging and other wireless telecommunications activities, and development of software for interactive digital media. Sprooki operates primarily in Singapore and Australia.

b) Purchase consideration and summary of cash movement

There was no cash consideration payable on the purchase of Sprooki.

The acquisition has a potential total consideration of $10 million through the issue of IVO shares to the Sprooki vendors in several tranches, based largely on growth milestones being achieved. The first tranche of 169,841,137 fully paid ordinary IVO shares at $0.015 per share have been issued on 6 July 2017, with 109,090,147 shares subject to a 12-month escrow period from 30 June 2017, and the remaining 60,750,990 shares to pay back Sprooki's liabilities

No direct costs associated with the transaction were capitalised. Direct costs attributable to the acquisition totalling approximately $30K were charged directly to the profit and loss account in July. These expenses were mainly for legal, due diligence and travel costs.

c) Fair value of net assets acquired

	Acquiree's carrying amount (100%) $'000	Fair value adjustments $'000	Fair value (100%)[1] $'000
Cash and other financial assets	83	-	83
Property, plant and equipment	20	-	20
Intangible assets	-	-	-
Creditors and provisions	(336)	-	(336)
Borrowings	(1,207)	-	(1,207)
Net assets (liabilities) acquired	(1,440)		(1,440)
Purchase consideration			2,564
Fair value of net assets (liabilities) acquired			(1,440)
Goodwill on acquisition			**4,004**

1 Fair values are provisionally accounted for at 30 June 2017.

The purchase consideration is subject to adjustment based on the net tangible assets of Sprooki as at 30 June 2017. Subsequent to 30 June 2017, the Company is of the view that the purchase consideration will be reduced. This adjustment, has yet to be finalised and agreed but if accepted, will reduce the amount of deferred cash consideration payable and the amount of goodwill on acquisition. An adjustment to the carrying values has not yet been made pending acceptance of the adjustment by vendors.

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

Sprooki contributed operating revenue of $61,000 for the period 1 May 2017 to 30 June 2017. The net loss before tax contributed for this period was $0.2 million. These results are included in the results of the Consolidated Entity.

4. Revenue

	30 June 2017 $'000	30 June 2016 $'000
Revenue from sales, licence fees and services	3,507	3,569
Research and Development Tax rebate	1,173	985
Total revenue	**4,680**	**4,554**

5. Receivables

	30 June 2017 $'000	31 December 2016 $'000
Claims recoverable at fair value	425	425
Provision for impairment	(425)	(425)
Trade debtors	644	663
Work in progress	622	258
Research and development tax rebate	1,173	-
Sundry debtors and other receivables	442	494
Prepayments	133	216
Current	**3,014**	**1,631**

"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.

6. Assets held for sale and Other financial assets

	30 June 2017 $'000	31 December 2016 $'000
Assets held for sale	-	1,480
Provision for impairment	-	(1,469)
Current	**-**	**11**
Other financial assets, at fair value through profit or loss[a]	1,750	1,750
Provision for impairment	(1,400)	-
Non-current	**350**	**1,750**

(a) 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. Following a review of Tuxxe's most recent business plan and financial model the potential market value of the company is expected to be circa $2,000,000, this would value the company's investment (17.5%) at $350,000. 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 $1,400,000 has been recognised.

7. Dividends

There were no dividends paid or proposed during the period (2016 - $nil). The directors have not proposed the payment of an interim dividend since the period end (2016 - $nil).

8. Income Tax Losses

	30 June 2017 $'000	31 December 2016 $'000
Unused tax losses for which no deferred tax asset has been recognised:		
Income tax losses	16,069	15,897
Capital losses	45,060	45,060
Potential benefit at 30%		
Income tax losses	4,821	4,769
Capital losses	13,518	13,518

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

Condat AG had aggregated corporate and trading 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.

9. Intangible assets

	30 June 2017 $'000	31 December 2016 $'000
Software and technology		
Cost (gross carrying amount)	1,906	1,854
Additions	-	600
Disposals	(1,078)	-
Accumulated amortisation	(134)	(1,626)
Impairment	(450)	-
Net carrying amount	244	828
Goodwill		
Cost (gross carrying amount)	15,300	11,296
Impairment	(4,600)	-
Net carrying amount	10,700	11,296
Capitalised development expenditure		
Cost (gross carrying amount)	4,336	3,894
Accumulated amortisation	(510)	(643)
Net carrying amount	3,826	3,251
Total intangible assets		
Cost (gross carrying amount)	21,542	17,044
Additions	-	600
Disposals	(1,078)	-
Accumulated amortisation	(644)	(2,267)
Impairment	(5,050)	-
Net carrying amount	**14,770**	**15,375**

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

	30 June 2017 $'000	31 December 2016 $'000
Software and technology		
Net carrying amount at the beginning of the period	828	754
Additions	-	600
Amortisation charge	(134)	(526)
Impairment	(450)	-
Net carrying amount at the end of the period	244	828
Goodwill		
Net carrying amount at the beginning of the period	11,296	11,296
Additions	4,004	-
Impairment	(4,600)	-
Net carrying amount at the end of the period	10,700	11,296
Capitalised development expenditure		
Net carrying amount at the beginning of the period	3,251	1,319
Additions	1,085	2,575
Amortisation charge	(510)	(643)
Net carrying amount at the end of the period	3,826	3,251
Total intangibles		
Net carrying amount at the beginning of the period	15,375	12,983
Additions	5,089	3,177
Amortisation charge	(644)	(1,169)
Impairment	(5,050)	-
Net carrying amount at the end of the period	**14,770**	**15,375**

Software and technology

An intangible asset is recognised for software and technology owned by the Consolidated Entity. Software and technology acquired under a business combination has been recognised at fair value at acquisition date. Fair value has been established using appropriate analysis and having regard to the relevant contractual terms of the transactions. The software and technology was acquired following completion of the acquisitions of Global Group Australia and Amethon Solutions in 2014 and the acquisition of Condat during 2015. The Software and technology assets are recognised at cost less accumulated amortisation and impairment losses, if any. Refer Notes 1(g).

In July 2016 Invigor acquired a US patent from MVID for $600,000 by way of a reduction of debt. At 30 June 2017, independent advice was sought as to the present value of the patent. Following a review of this information it was determined that the sale of the patent would provide a return of $150,000. 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 $450,000 has been recognised.

Goodwill

Goodwill is allocated to the Consolidated Entity's cash generating units. At 30 June 2017, the goodwill balance related to the Invigor Digital Solutions division, following the acquisitions of Global Group Australia and Amethon Solutions during 2014, to the entity's German operation Condat AG which was acquired during 2015 and to the Groups most recent acquisition; Sprooki Pte Limited which was acquired in May 2017. 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.

At 30 June 2017, the Group recognised a loss of $4,600,000 in respect of an impairment of the goodwill of Invigor Digital Solutions.

For the purposes of impairment testing, goodwill is allocated to the Group's cash-generating units as follows:

	30 June 2017 $'000	31 December 2016 $'000
Invigor Digital Solutions	951	5,551
Condat	5,745	5,745
Sprooki	4,003	-
Total	**10,699**	**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), Condat and Sprooki which included the following assumptions:

	Invigor Digital Solutions	Condat
Discount rate	17%	17%
Annual growth rate	15%	15%
Terminal growth rate	10%	3%

The estimated recoverable amount exceeded/(did not exceed) the carrying value for each CGU by the following amounts:

	30 June 2017 $'000	31 December 2016 $'000
Invigor Digital Solutions	(4,600)	2,939
Condat	10,477	28,634

For Goodwill arising from the acquisition of Sprooki which was completed in July 2017 (effective 1 May 2017 for control purposes), the Goodwill balance is provisionally accounted for using amounts from the audited completion balance sheet. Refer note 3.

Capitalised development expenditure

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

10. Other creditors and accruals

	30 June 2017 $'000	31 December 2016 $'000
Other creditors and accrued expenses	2,741	1,449
Deferred consideration payable on acquisitions	2,590	264
Unearned revenue	448	287
Current	**5,779**	**2,000**

Included in other creditors and accrued expenses are amounts totalling $29,897 (2016 - $1,040) payable at balance date under cost recovery agreements with Marcel Equity Pty Ltd and associated entities. These amounts are unsecured.

11. Interest bearing loans and borrowings

	30 June 2017 $'000	31 December 2016 $'000
Unsecured borrowings – convertible notes	2,520	1,050
Unsecured borrowings – loan and overdraft facilities	5,583	5,064
Unsecured borrowings – employees	466	437
Secured borrowings - loan facilities	900	700
Current	**9,469**	**7,251**
Unsecured borrowings – loan facilities	327	353
Non-current	**327**	**353**

Unsecured borrowings – convertible notes

During November and December 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. The total funds received were $2,520,000. These funds were converted on Convertible Notes on 19 April 2017. The key terms of the facility are:

- Convertible notes on issue – 84,000,000 at $0.03 cents (31 December 2015 – Not Applicable)
- Maturity Dates – 12 months from the 1st note issue date with the option to extend for a further 6 months by mutual consent
- Ranking – unsecured
- Conversion price – the convertible notes may be converted into shares at the conversion price of $0.03 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.

  Under the terms of the Convertible Note Plan approved on April 19 2017, if the Company raises further funds greater than $500,000 during their term, the conversion price of the $2.52 million Convertible Notes that were approved and issued on April 19 2017 will reduce from 3 cents per note to 1.2 cents per note if the holder elects to convert at any time before April 19 2018. The proposed $2.5 million Convertible Note will trigger this condition if approved by Shareholders at General Meeting to be held on 29 September 2017.

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 $415,358 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 (€350,000) with Berliner Sparkasse and Berliner Volksbank (€50,000) drawn to an aggregate equivalent to €522,906 ($A776,977) 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.

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 Herrmann. 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 $A1,485,884 (31 December 2016 – €1,000,000 or $A1,455,000).

In July 2017, the Company successfully renegotiated the terms of this loan resulting in an extension of 12 months to 31 December 2018 and an increase in the facility of €300,000. The interest rate remains at 9% per annum.

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 issued 66.6 million warrants to the firm exercisable at 3.0 cents, expiring in 2021, on 19 April 2017.

In June 2017, 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 $900,000. Subject to shareholder approval at an upcoming General Meeting, key terms of the facility are to be:

- Proposed convertible notes on issue – 208,333,333 at $0.012 cents (31 December 2016 – Not Applicable)
- Maturity Dates – 12 months after the Note Issue Date with early conversion at the option of the Noteholder.
- Ranking – unsecured
- Conversion price – the convertible notes may be converted into shares at the conversion price of $0.012 per share (subject to any adjustment in accordance with the terms and conditions of those notes).
- Interest – 10.0 per cent per annum on the Principal Amount outstanding for each Convertible Note, which will accrue on a daily basis and payable quarterly in arrears.
- Redemption – on the maturity date, or at a later date when the noteholder gives a notice requiring redemption after the occurrence of a defined event of default.

On July 6 2017, a loan agreement was agreed with Get2Volume Pte Ltd for the payout of the remaining S$285,900 of its debt inherited as part of the acquisition of Sprooki Pte Limited. The agreement specifies a loan repayment of S$145,000 plus interest accrued at 10% per annum on 30 September, and S$140,900 on December 31 2017 plus accrued interest.

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 ($A445,765). 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.

On review of the proposed 31 December 2016 tax return, R&D capital agreed in June 2017 to extend this facility under the same terms by $200,000 bringing the total amount due on receipt of the tax rebate to $900,000.

Other available overdraft facilities

The Consolidated Entity has a $100,000 interest bearing overdraft facility with National Australia Bank which was fully available at 30 June 2017 (31 December 2016 – fully available). The facility is secured by guarantees provided by entities associated with Gary Cohen and Gregory Cohen.

Credit card facilities relating to the group were drawn to $22,704 at 30 June 2017.

12. Issued capital and share options

	30 June 2017	**Company 31 December 2016**	**30 June 2017**	**Company 31 December 2016**
	Shares	Shares	$'000	$'000
Ordinary shares, fully paid	**528,230,798**	**461,564,131**	**141,787**	**140,848**

Movement in ordinary share capital **Fully paid shares**				
Balance at the beginning of the period	461,564,131	348,082,663	140,848	137,351
Issue of fully paid shares	66,666,667	113,481,468	1,000	3,885
Issue of shares on conversion of Entitlement Options	-	-		-
Capital raising costs recovered (incurred)	-	-	(61)	(388)
Net balance at end of period	**528,230,798**	**461,564,131**	**141,787**	**140,848**

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 2017 to date, the Company has issued:

- 66,666,667 ordinary shares on 4 May 2017 in a share placement to Allectus Capital Limited

A further 178,591,137 shares were issued after balance sheet date. Refer Note 16.

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 30 June 2017. 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.

Movement in Entitlement Options	30 June 2017 Entitlement Options	31 December 2016 Entitlement Options
Balance at beginning of period	76,867,889	38,867,889
Issue of Options during the period	-	38,000,000
Net balance at end of period	**76,867,889**	**76,867,889**

Warrants
The Company has issued Warrants as approved by Shareholders on April 19 2017 and June 23 2017 as follows:

- A warrant over 66,666,667 fully paid ordinary shares for an exchange price of 3 cents per share to Partners for Growth IV, L.P. The warrant is for a term of 5 years and expires on April 19 2022.
- A warrant over 26,666,667 fully paid ordinary shares for an exchange price of 2 cents per share to Allectus Capital Limited. The warrant is for a term of 5 years and expires on June 23, 2022.

Options issued under incentive plans ("Incentive Options")

The Company provides benefits to defined employees of the Consolidated Entity (including executive directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions"). Approved incentive plans for the issue of options to defined employees (including executive directors) ("Plans") are in place. At 30 June 2017, there were 33,235,528 Incentive Options on issue under the Plans (31 December 2016 – 29,668,866). Options on issue under the Plans may have varying vesting dates. All options on issue under the Plans at 30 June 2017 expire 5 years from the applicable grant date.

The Company did not issue any ordinary shares to participants in the Plans during the period ended 30 June 2017 upon exercise of Incentive Options as no previously granted options were exercised. The issue of shares upon the exercise of options will be governed by the terms of the relevant plan.

The key terms of the Incentive Options on issue at 30 June 2017 are:
Exercise price – Options issued prior to 31 December 2015; $0.10, Options issued in May 2017; $0.05 and Options issued in June 2017; $0.03.
Vesting and exercise period - One-third of the options granted to each of the recipients will vest on each anniversary of the grant date (provided that the recipient remains employed by the Company or unless otherwise approved by the Board). The options are exercisable at any time commencing from the relevant vesting date and ending on the 5th anniversary of the date of grant of the options (i.e. expiry date). The issue of shares upon the exercise of the options will be governed by the terms of the Plans.

Details of Incentive Options on issue under the Plans at 30 June 2017 are shown in the following table.

Date options granted	Expiry date	Exercise price $	Balance at start of the period #	Issued during the period #	Cancelled or Lapsed during the period #	Exercised during the period #	Balance at end of the period #	Exercisable at end of the period #
22 July 2013	22 July 2018	0.10	7,198,855	-	-	-	7,198,855	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	-	(583,335)	-	3,283,328	3,033,328
26 March 2015	26 March 2020	0.10	3,750,000	-	(583,335)	-	3,166,665	2,499,998
1 July 2015	1 July 2020	0.10	6,583,333	-	-	-	6,583,333	2,250,000
29 July 2015	29 July 2020	0.10	1,250,000	-	(833,333)	-	416,667	416,667
1 Dec 2015	1 Dec 2020	0.10	1,250,000	-	(833,335)	-	416,665	416,665
12 July 2016	12 July 2021	0.05	5,000,000	-	(2,500,000)	-	2,500,000	2,500,000
30 Aug 2016	30 Aug 2021	0.05	500,000	-	(500,000)	-	-	-
20 May 2017	20 May 2022	0.05	-	8,400,000	-	-	8,400,000	-
22 Jun 2017	22 Jun 2022	0.03	-	1,000,000	-	-	1,000,000	-
Total			**29,668,866**	**9,400,000**	**(5,833,338)**	**-**	**33,235,528**	**18,585,528**

A further 10,250,000 options were granted after balance date. Refer Note 16.

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.

The Company has also granted 750,000 options over shares to certain Non-Executive Directors of the Company pursuant to terms approved by shareholders on 25 May 2016 and a further 750,000 options over shares pursuant to terms approved by shareholders on 19 April 2017.

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, Options issued on 19 April 2017; $0.05
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; 750,000 options expire 19 April 2022
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 2017** Other Options	**Company** **31 December 2016** Other Options
Balance at beginning of period	23,750,000	13,000,000
Issue of Other Options during the financial year	750,000	10,750,000
Net balance at end of period	24,500,000	23,750,000

A further 750,000 options were granted after balance date. Refer Note 16.

13. Reserves

	30 June 2017 $'000	31 December 2016 $'000
Employee equity benefits reserve		
Opening balance	2,080	1,708
Share based payments	249	372
Total employee benefits reserve	2,329	2,080
Foreign currency translation reserve		
Opening balance	(147)	(55)
Exchange differences arising on the translation of the financial statements of foreign subsidiaries	52	(92)
Total foreign currency translation reserve	(95)	(147)
Options reserve		
Opening balance	228	97
Options expense	49	131
Total options reserve	277	228
Total reserves	**2,511**	**2,161**

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 12.

14. Commitments

Leases

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

	30 June 2017 $'000	31 December 2016 $'000
Within one year	391	406
Later than one year but not later than five years	1,564	1,564
Later than five years	1,596	1,792
	3,551	**3,762**

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

Other commitments

The directors are not aware of any other commitments at balance date or arising since the end of the financial period that have significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial periods.

15. 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.

16. Events Subsequent to Balance Date

On 3 July 2017 Gary Cohen stepped down as Chairman of the Invigor Group Limited Board, Mr Robert McKinnon was appointed as the new Chairman. Gary Cohen will continue in his role as Director and Chief Executive Officer of the Group.

On 3 July 2017 Ms Claire Mula, Mr Robert McKinnon and Mr Jack Hanrahan were appointed as Directors of Invigor Group Limited.

On 3 July 2017 Mr John Hayson stepped down as a Director of Invigor Group Limited.

Invigor Group Limited completed the Share Purchase Agreement for the acquisition of Sprooki Pte Limited on 30th June 2017, as reported to shareholders on 27 April 2017, with the agreement being finalised on 6 July 2017. The completion of the SPA follows the Company receiving shareholder approval for the transaction at the Annual General Meeting held on 23 June 2017.
Following the completion of the Share Purchase Agreement, on July 6 2017, Invigor Group issued 169,841,137 fully paid ordinary IVO shares to Sprooki's vendors with 109,090,147 shares subject to a 12-month escrow period from 30 June 2017.

The Company granted 3,000,000 options under the incentive plan on 6 July 2017 and a further 6,750,000 on 1 August 2017 and 1,000,000 on 10 August 2017. These options will vest subject to achievement of specified performance conditions and have an exercise price of 5.0 cents each. The expiry dates are 3 July 2022 and 1 and 10 August 2022 respectively.

The Company granted unlisted options to Directors of 250,000 at an exercise price of 5.0 cents each and 500,000 options at an exercise price of 3.0 cents each. The options are exercisable at any time commencing from the grant date and ending on the 5th anniversary of the date of the grant of the option.

A further $186,417 has been drawn against the Marcel loan facility subsequent to the balance date, bringing total liabilities to Marcel of $601,775.

In July 2017, the Company received a loan extension of €300,000 to the existing facility held with Peter Herrmann, bringing the total loan amount to €1,300,000. This facility was also extended for a further 12 months to December 2018.

On 28 July 2017 Sprooki Pte Limited legally changed its name to Invigor Asia Pte Limited.

On June 23 2017, the Company announced its plan to raise up to $2.5m of further funding by the issue of Convertible Notes. The Notes are to be issued for a 12-month term, with an interest rate of 10% and are convertible to ordinary shares at 1.2 cents. The Convertible Note is subject to shareholder approval at a General Meeting scheduled for 29 September 2017. A Notice of Meeting has been sent to Shareholders containing all the resolutions for approval.
Under the terms of the Convertible Note Plan approved on April 19 2017, if the Company raises further funds greater than $500,000 during their term, the conversion price of the $2.52 million Convertible Notes that were approved and issued on April 19 2017 will reduce from 3 cents per note to 1.2 cents per note if the holder elects to convert at any time before April 19 2018. The proposed $2.5 million Convertible Note will trigger this condition if approved by Shareholders at the General Meeting to be held on 29 September 2017.

On July 26 2017 the Company raised $100,000 from a share placement at 1.2 cents to a sophisticated investor and current shareholder in place of a commitment to the Convertible Note programme as they preferred an immediate share issue.

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

In the opinion of the Directors of Invigor Group Limited:

(a) The consolidated financial statements and notes set out on pages 9 to 29 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2017 and its performance for the six-month period ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

(b) There are reasonable grounds to believe that Invigor Group Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Gary Cohen
Director

Dated at Sydney this 30th day of August 2017

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Invigor Group Limited (**the company**), which comprises the condensed statement of financial position as at 30 June 2017, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

a. giving a true and fair view of the company's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and

b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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

Independence

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

MOORE STEPHENS

Conclusion

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

a. giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and

b. complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(d) in the financial statements, which identifies that during the period ended 30 June 2017 the Group incurred a net loss of $8.5m, had net cash outflows from operating activities of $2.3m, and that the Group's current liabilities exceed its current assets by $12.5m. As stated in Note 1(d), these events or conditions, along with other matters as set forth in Note 1(d), 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.

Moore Stephens

MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257

ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

30 August 2017