27 March 2020

Results for announcement to the market

Appendix 4E for the year ended 31 December 2019

Invigor Group Limited (ASX: IVO) announces the following results for the Company and its controlled entities (together the Consolidated Entity) for the year ended 31 December 2019. The results are extracted from the Preliminary Financial Statements of the Consolidated Entity which remain subject to audit completion.

Extracted from the 31 December 2019 Preliminary Financial Statements which remain subject to audit completion	**Year to 31 December 2019** $A'000	**Year to 31 December 2018** $A'000	**Change** %
Revenue from ordinary activities[1]	3,635	3,441	6%
Earnings before Interest, Tax, Depreciation, Amortisation and Impairment ('EBITDAI')[1]	(4,672)	(4,005)	-17%
Net profit (loss) from ordinary activities after tax attributable to members[1]	(13,068)	(8,650)	-51%
Net profit (loss) after tax attributable to members	(13,068)	(12,334)	-6%

[1] Includes continuing operations only, and includes other income

The result for 2019 reflects:

- Revenue from sales, licence fees and services from continuing operations from the core Loyalty and Pricing divisions for the year was $965,000, down 23% on the $1,251,000 booked in 2018 due to one off deals in the prior year;
- $1,605,000 of revenue was booked from TillerStack Field Force Management in 2019, up 51% on the $1,066,000 revenue from 1 May 2018;
- Other income included R&D tax rebates of $1.1 million (2018: $1.1 million);
- A net loss before financing costs, tax, depreciation, amortisation and impairment (EBITDAI) from continuing operations of $4.7 million (2018: $4.0 million loss);
- A decision was made during the year to write down the carrying value of intellectual property, resulting in an impairment charge of $4,727,000, (as reported at 30 June 2019), booked against the Group's goodwill and intangible assets, in addition to $1,931,000 of depreciation and amortisation charges; and
- Interest and borrowing costs incurred on convertible note and debt facilities of $1.7 million (2018: $1.1 million).

Please refer to the attached 31 December 2019 Appendix 4E and Preliminary Financial Statements for further information.

Dividends for the year ended 31 December 2019
No final dividend has been declared or proposed (2018 – nil).

No interim dividend was declared or paid (2018 – nil).

Net Tangible Assets (Liabilities) per Share

	31 December 2019[1] $A	31 December 2018[2] $A
Net assets (liabilities) per share	(0.093)	(0.0010)
Less: Intangible assets per share	-	(0.0024)
Net tangible assets (liabilities) per share	(0.093)	(0.0034)

1 Based on 152,039,052 issued ordinary shares.
2 Based on 2,537,559,895 issued ordinary shares.

Details of entities over which control has been gained or lost during the period
None

Audit status
The Preliminary Financial Statements remain subject to completion of the audit by the Company's Auditor. The Auditor has indicated that, at this stage, the final audit report may contain an emphasis of matter on the following:

- Preparation of the financial statements on a going concern basis.

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The remainder of the information requiring disclosure to comply with Listing Rule 4.3A is contained in the accompanying 31 December 2019 Preliminary Financial Report.

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About Invigor Group Limited (ASX:IVO) – www.invigorgroup.com
Operating across Australia, Asian, and European markets, Invigor Group is a B2B data intelligence and analytics company that provide data driven solutions to enable brands, suppliers and retailers to understand customers behavior, grow revenue and margin and build loyalty through actionable insights.

As markets become more digitized and channels more fragmented, brands, retailers, and suppliers need to innovate and find new ways to engage customers, grow profitability and drive customer loyalty. Invigor has developed a suite of solutions to address this problem. The Company's solutions include a brand solution which is designed to better understand customer journeys, sales drivers and customer lifetime value as well as help brands overcome previous channel blockers by connecting direct to customers through loyalty driven capability. The Company also has a retail solution designed to find actionable insights from Point-of-Sale data for retailers to better understand customer purchase behaviour and promotional effectiveness. Separately the Company provides real time market pricing and competitor intelligence to assist Brands and retailers with more effective pricing strategies.

Preliminary Financial Report

31 December 2019

Contents:

Given to the Australian Securities Exchange under Listing Rule 4.3A

	Note	Consolidated 31 December 2019 $'000	Consolidated 31 December 2018 $'000
Revenue		2,570	2,317
Other revenue/income		1,065	1,124
Total revenue/other income	2(c)	**3,635**	**3,441**
Employee benefits expense		(5,191)	(4,109)
Professional fees		(710)	(1,128)
Impairment of goodwill and intangible assets	6	(4,727)	-
Legal settlement costs	12	(500)	-
Other operating costs		(1,956)	(2,240)
Profit/ (Loss) from Joint Venture		50	31
Total profit (loss) before financing costs, tax, depreciation and amortisation		**(9,399)**	**(4,005)**
Depreciation and amortisation		(1,931)	(3,557)
Total profit (loss) before financing costs and tax		**(11,330)**	**(7,562)**
Financing costs		(1,738)	(1,088)
Profit (loss) before income tax		**(13,068)**	**(8,650)**
Income tax benefit (expense)		-	-
Profit (loss) for the period from continuing operations		**(13,068)**	**(8,650)**
Discontinued operation			
Profit (loss) from discontinued operations, net of tax	3	-	(3,684)
Profit (loss) of the period		**(13,068)**	**(12,334)**
Other comprehensive income			
Foreign currency translation reserve		(32)	(139)
Total comprehensive income (loss) for the period		**(13,100)**	**(12,473)**
Earnings per share		**Cents**	**Cents**
Basic earnings (loss) per share attributable to ordinary equity holders		(0.61)	(0.93)
Diluted earnings (loss) per share attributable to ordinary equity holders		(0.61)	(0.93)
Earnings per share – continuing operations		**Cents**	**Cents**
Basic earnings (loss) per share attributable to ordinary equity holders		(0.61)	(0.65)
Diluted earnings (loss) per share attributable to ordinary equity holders		(0.61)	(0.65)

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

	Note	Consolidated 31 December 2019 $'000	Consolidated 31 December 2018 $'000
CURRENT ASSETS			
Cash and cash equivalents	5	3	155
Trade and other receivables		1,214	964
Total Current Assets		1,217	1,119
NON-CURRENT ASSETS			
Property, plant and equipment		21	11
Investments accounted for using the equity method		12	30
Intangible assets	6	-	6,015
Total Non-Current Assets		33	6,056
TOTAL ASSETS		**1,250**	**7,175**
CURRENT LIABILITIES			
Cash and cash equivalents	5	76	-
Trade and other creditors and accruals	7	4,559	2,281
Interest bearing loans and borrowings	8	10,168	7,227
Provisions		518	246
Total Current Liabilities		15,321	9,754
NON-CURRENT LIABILITIES			
Provisions		24	8
Total Non-Current Liabilities		24	8
TOTAL LIABILITIES		**15,345**	**9,762**
NET ASSETS (LIABILITIES)		**(14,095)**	**(2,587)**
EQUITY			
Issued capital	9	155,105	153,575
Reserves		2,792	2,762
Accumulated losses		(171,992)	(158,924)
TOTAL EQUITY		**(14,095)**	**(2,587)**

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

	Note	**Consolidated 31 December 2019** $'000	**Consolidated 31 December 2018*** $'000
Cash flows from operating activities			
Receipts from customers		3,057	4,337
Payments to suppliers and employees		(6,734)	(10,496)
Interest received		-	6
Other income received		1,041	1,099
Net cash from (used in) operating activities		**(2,636)**	**(5,054)**
Cash flows from investing activities			
Disposal of discontinued operations, net of cash disposed	3	195	2,379
Loans (to)/repaid from equity investments		66	(20)
Proceeds from sale of assets		77	-
Proceeds from claims receivable		-	56
Payments as deposit for acquisition of business operations	4	(250)	-
Net cash from (used in) investing activities		**88**	**2,415**
Cash flows from financing activities			
Proceeds from issue of shares	9	782	6,109
Proceeds for future share issues	10	-	237
Proceeds from issue of convertible notes		500	1,000
Proceeds from borrowings		5,579	4,625
Borrowing costs paid		(431)	(1,023)
Repayment of borrowings		(4,093)	(8,452)
Capital raising costs paid		(17)	(213)
Net cash flow from (used in) financing activities		**2,320**	**2,283**
Net increase (decrease) in cash and cash equivalents		(228)	(356)
Cash and cash equivalents at 1 January		155	511
Cash and cash equivalents at 31 December	5	**(73)**	**155**

* Including discontinued operations. Refer to Note 3.

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 2019	**153,575**	**(158,924)**	**2,762**	**(2,587)**
Profit (loss) for the period	-	(13,068)	-	(13,068)
Foreign currency translation reserve	-	-	(32)	(32)
Total comprehensive income (loss)	**-**	**(13,068)**	**(32)**	**(13,100)**
Transactions with owners in their capacity as owners:				
Issue of shares	1,617	-	-	1,617
Shares not yet issued reserve	-	-	(237)	(237)
Share based payments reserve	-	-	227	227
Options reserve	-	-	72	72
Capital raising costs reversed (incurred)	(87)	-	-	(87)
Balance at 31 December 2019	**155,105**	**(171,992)**	**2,792**	**(14,095)**
Balance at 1 January 2018	**146,582**	**(146,590)**	**3,464**	**3,456**
Profit (loss) for the period	-	(12,334)	-	(12,334)
Foreign currency translation reserve	-	-	(139)	(139)
Total comprehensive income (loss)	**-**	**(12,334)**	**(139)**	**(12,473)**
Transactions with owners in their capacity as owners:				
Issue of shares	7,386	-	-	7,386
Shares not yet issued reserve	-	-	(672)	(672)
Share based payments reserve	-	-	107	107
Options reserve	-	-	2	2
Capital raising costs reversed (incurred)	(393)	-	-	(393)
Balance at 31 December 2018	**153,575**	**(158,924)**	**2,762**	**(2,587)**

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

1. Significant accounting policies

This Preliminary Financial Report for the year ended 31 December 2019 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 preliminary financial report are set out below and have been consistently applied by each entity within 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 Preliminary Financial Report has been prepared in accordance with Australian Accounting Standards (AASB) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The preliminary 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 Preliminary Financial Report of Invigor Group Limited and subsidiaries for the year ended 31 December 2019 does not include all notes of the type that would normally be included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance and financial position of the Consolidated Entity as the full financial report.

This Report is based on the Annual Financial Report which is in the process of being audited. It has been prepared on the historical cost basis except for financial assets which are measured at fair value.

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.

Amounts 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. 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.

(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 2019 the Group incurred a net loss of $13.1m, (2018: $12.3m loss of which $8.7m loss was from continuing operations), had net cash outflows from operating activities of $2.6m (2018: $5.1m), and at that date the Group's current liabilities exceed its current assets by $14.1m (2018: $8.6m).

The financial report has been prepared on a going concern basis on the basis that the Company can raise additional debt and/or equity. See Note 8 and the accompanying table in relation to the current level of debt and proposals that the Company intends to undertake in relation thereto.

In determining that the going concern basis is appropriate, the directors have had regard to:

- The Company's increased focus on growth of the Retail Insights, Pricing Insights and Loyalty solutions targeted at both brands and retailers which will assist the Company's performance;
- The continued support of Marcel Equity, including the anticipated additional funding drawdown. Marcel Equity has expressed strong support for the Company, including extension of the facility in February 2020 to $7.5 million as per notes 8 and 12;
- The expected significant reduction of the Company's debt as a consequence of a debt to equity conversion which is to be considered for shareholder approval at a General Meeting expected to be called in May 2020;

- The continued support and extension of financing facilities provided by the Company's lenders and convertible note holders as per note 8;
- The continued support from the Company's creditors and staff in agreeing to scheduling payments;
- The plan to use the additional funding facilities to extinguish older payables and accruals and restore the payables balance to normal trading terms;
- The Company's intention to undertake a capital raising to retire debt, fund growth and provide sufficient working capital to ensure the reinstatement of market trading. The proposed General Meeting of shareholders in May will seek approval for the raising of up to $4 million in capital. The Company may decide to break up the capital raising into several tranches; and
- The Company's intention and commitment to explore strategic opportunities to further drive revenue growth and profitability, which will likely be required to ensure that the full amount of the fund-raising requirements is achieved.

The uncertainty of the current economic environment caused by Covid-19 may impact the timing of cash flows and potentially delay the ability to raise capital. However, as a counterbalance to this there are various government stimulus initiatives and legal and regulatory reliefs which the Company may avail.

While past performance is no guarantee of future results, the Company has previously been successful in managing the above uncertainties so that the Company can continue on a going concern basis. After considering all available information, the Directors have concluded it is appropriate to prepare the preliminary financial report on a going concern basis.

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 is unlikely 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 in the normal course of business 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, Intangible assets, Tax losses, and Interest-bearing loans and borrowings.

(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 2019 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 from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Consolidated Entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Consolidated Entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimate of variable consideration and the time value of money; allocates the transaction price to the separate performance

obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customers of the goods or services promised.

Licence subscription revenue
Licence subscription revenue, which includes support services, is accounted for as a separate performance obligation. Sales of licence subscriptions provide the customer with a right of use of the group's software as it exists throughout the licence period. Revenue is typically paid in advance on an annual, quarterly or monthly basis. Revenue is recognised evenly over the non-cancellable term of the contract. Revenue received in advance of the performance of services is deferred and recognised as contract liabilities.

Licence set-up
Rendering of services being set-up and development of customised software or applications typically does not result in the customer receiving a good or service which is distinct from the rendering of associated licence subscription services. As a result, any revenue separately attributable to set-up or development is recognised evenly over the non-cancellable term of the contract as described above.

Projects (including pilot programs)
Project revenue, which includes delivery of customised data and reports, and pilot programs for licence subscription, is recognised when the performance obligations have been satisfied with reference to the stage of completion. Stage of completion refers to contractual milestones or deliverables, and revenue is recognised at a point in time when the milestone or deliverable has been satisfied.

Sale of goods (including customised hardware)
Sale of goods revenue is recognised when the performance obligation to transfer control of the goods to the customer is satisfied, which occurs either at the point of sale or when delivery is completed by way of shipping the product to the location specified by the customer, and the ownership risks have therefore passed to the customer pursuant to the contract. Amounts disclosed are net of sales returns and trade discounts.

Maintenance and support
Maintenance and support revenue is accounted for as a separate performance obligation. Revenue is typically paid in advance on an annual, quarterly or monthly basis. Revenue is recognised evenly over the non-cancellable term of the contract. Revenue received in advance of the performance of services is deferred and recognised as contract liabilities.

Interest income
Interest income is recognised in the income statement on an accrual 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.

(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) Leases

This note describes the nature and effect of the adoption of *AASB 16: Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

Policy

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie leases with a remaining term of 12 months or less) and leases of low value assets are recognised as operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability is as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement day and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

<u>Initial application</u>
The Group has adopted *AASB 16: Leases* retrospectively from 1 January 2019. In accordance with AASB 16.C7 the comparatives for the 2018 reporting period have not been restated. The Group has recognised a lease liability and right-of-use asset for all leases recognised as operating leases under *AASB 117: Leases* where the Group is the lessee.

The following practical expedients have been used by the Group in applying *AASB 16* for the first time:

- Leases that have remaining lease term of less than 12 months as at 1 January 2019 have been accounted for in the same was as short-term leases.
- The use of hindsight to determine lease terms on contracts that have options to extend or terminate.
- Applying AASB 16 to leases previously identified as leases under *AASB 117: Leases* and *Interpretation 4: Determining whether an arrangement contains a lease* without reassessing whether they are, or contain, a lease at the date of initial application.
- Not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

The operating lease commitments of the Group at 31 December 2018 were $102,000. As these commitments relate to short term leases, no lease liability has been recognised on adoption of AASB 16.

(j) Research and development expenditure
Research expenditure is expensed as incurred.

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

(k) Income tax

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

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

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

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

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

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

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

Financial assets are recognised when the rights to receive cash flows and the risks and rewards of ownership are transferred to the Consolidated Entity. Financial assets are derecognised when the rights to receive cash flows from these assets have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership.
Financial liabilities are recognised if the Consolidated Entity becomes a party to the contractual provisions of a financial instrument. Financial liabilities are derecognised if the Consolidated Entity's obligations specified in the contract expire or are discharged or cancelled.

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

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

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

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

Loans and receivables

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

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.

<u>Impairment</u>
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

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

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

(w) New and revised accounting standards

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Consolidated Entity.
Standards and amendments that are not yet effective and have not been adopted early by the Group include:

- IFRS 17 Insurance Contracts
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Conceptual Framework for Financial Reporting

These amendments are not expected to have a significant impact on the financial statements in the period of initial application.

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 chief operating decision maker is considered to be the Board of Directors.

The Consolidated Entity has identified TillerStack GmbH, Condat AG (discontinued in 2018) and Australia & South-East Asia as separately identifiable operating segments. TillerStack GmbH previously formed part of the Condat AG segment, and has been considered a separately identified segment from 1 May 2018.

The TillerStack GmbH and Condat AG segments operate primarily in Germany. The Australia & South-East Asia segment operates primarily in Australia and Singapore.

a) Segment results

Year ended 31 December 2019	**TillerStack GmbH** $'000	**Condat AG (discontinued)** $'000	**Australia & SE Asia** $000	**Consolidated Total** $'000
Revenue from external customers	1,605	-	965	2,570
Other revenue/income[1]	-	-	1,065	1,065
Total segment revenue/income	**1,605**	**-**	**2,030**	**3,635**
EBITDA (before impairment)	147	-	(4,819)	(4,672)
Finance costs	(342)	-	(1,396)	(1,738)
Depreciation and amortisation	(39)	-	(1,892)	(1,931)
Year ended 31 December 2018				
Revenue from external customers	1,066	2,376	1,251	4,693
Other revenue/income[1]	-	-	1,124	1,124
Total segment revenue/income	**1,066**	**2,376**	**2,375**	**5,817**
EBITDA (before impairment)	(480)	187	(3,525)	(3,818)
Finance costs	(70)	(35)	(1,018)	(1,123)
Depreciation and amortisation	(45)	(128)	(3,512)	(3,685)

[1] *Other revenue includes the Research & Development Tax Rebate, and profit/recoveries from sale and liquidation of other assets*

Consolidated **Consolidated**

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

	2019 $'000	2018 $'000
Total EBITDA for reportable segments	**(4,672)**	**(3,818)**
Depreciation and amortisation for reportable segments	(1,931)	(3,685)
Impairment charges	(4,727)	-
Finance costs for reportable segments	(1,738)	(1,123)
Elimination of discounted operations	-	(24)
Profit (loss) for the period from continuing operations	**(13,068)**	**(8,650)**

c) Revenue & other income by geographical region	**Consolidated 2019** $'000	**Consolidated 2018** $'000
Australia	1,782	2,107
Asia (Singapore & Indonesia)	248	268
Germany (including four months of discontinued operations from Condat AG segment in 2018)	1,605	3,442
Total revenue & other income	**3,635**	**5,817**

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. Discontinued operations

Condat AG

On 7 May 2018 the Consolidated Entity sold 100% of the issued share capital of its German operating subsidiary Condat AG ("Condat") for €1.8 million ($2,873,000). Prior to the sale, certain assets of Condat relating to the Skyware business were transferred to another subsidiary of the Company (TillerStack GmbH, previously Invigor Germany (Holdings) GmbH).

Condat was not previously classified as held-for-sale or as a discontinued operation. The financial results of Condat for the prior period have been presented as a Discontinued Operation in the financial report.

a) Results of discontinued operation	**31 December 2018** $'000
Revenue	2,376
Expenses	(2,352)
Results from operating activities	24
Income tax	-
Results from operating activities, net of tax	24
Gain (loss) on sale of discontinued operation	(3,534)
Transaction costs relating to discontinued operations	(174)
Income tax on gain (loss) on sale of discontinued operation	-
Profit (loss) for the period	**(3,684)**
Basic and diluted earnings (loss) per share (cents)	**(0.28)**

b) Cash flows from (used in) discontinued operation	**31 December 2018** $'000
Net cash used in operating activities	(100)
Net cash from Investing activities	(65)
Net cash from financing activities	117
Net cash flow for the period	**(48)**

c) Effect of disposal on the financial position of the Group	**31 December 2019** $000	**31 December 2018** $'000
Intangible assets[1]		1,393
Property, plant and equipment		54
Trade and other receivables		2,222
Cash and cash equivalents		65
Provisions		(90)
Trade and other payables		(2,982)
Net assets and liabilities		**662**

	31 December 2019 $000	**31 December 2018** $'000
Consideration received, satisfied in cash (December 2019: deferred consideration received)	195	2,444
Cash and cash equivalents disposed of	-	(65)
Net cash inflow	**195**	**2,379**

The loss in the prior period from discontinued operations was attributable entirely to the owners of the Company.

4. Sun Asia transaction

On 22 May 2019 the Company signed a binding Heads of Agreement to acquire the business of Sun Asia Group Pty Limited ("Sun Asia"), comprising the IP, the customers and key contracts, the know-how and key staff for potential total consideration of up to $2 million. The Sun Asia business has developed relationships with farmers of various produce as well as having its own farms.

A $250,000 deposit was paid on 18 June 2019. Further consideration in the form of shares was subject to approval from the Company's shareholders before issue. A General Meeting was held on 26 September 2019 at which the issue of shares was approved. However, no shares were issued in the period, and subsequent to year-end the Company engaged in negotiations with the vendor to dissolve the Heads of Agreement.

The Company expects the amount paid as a deposit will be recoverable.

5. Cash and cash equivalents

	31 December 2019 $'000	**31 December 2018** $'000
Cash at bank and on hand, presented as a current asset	3	155
Bank overdrafts, drawn at period end, presented as a current liability	(76)	-
Cash and cash equivalents per statement of cash flows	**(73)**	**155**

6. Goodwill & intangible assets

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

	31 December 2019 '$000	31 December 2018 '$000
Software and technology		
Net carrying amount at the beginning of the period	2,572	3,482
Acquisitions through business combinations	-	303
Amortisation charge for the year	(799)	(1,201)
Impairment	(1,773)	-
Disposal	-	(12)
Net carrying amount at the end of the period	-	2,572
Goodwill		
Net carrying amount at the beginning of the period	951	6,696
Disposal	-	(5,745)
Impairment	(951)	-
Net carrying amount at the end of the period	-	951
Capitalised development expenditure		
Net carrying amount at the beginning of the period	2,492	4,636
Additions	629	1,723
Amortisation charge for the year	(1,118)	(2,488)
Impairment	(2,003)	-
Disposal	-	(1,379)
Net carrying amount at the end of the period	-	2,492
Total intangibles		
Net carrying amount at the beginning of the period	6,015	14,814
Additions	629	1,723
Acquisitions through business combinations	-	303
Amortisation charge for the year	(1,917)	(3,689)
Impairment expense	(4,727)	-
Disposal	-	(7,136)
Net carrying amount at the end of the period	**-**	**6,015**

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 were acquired following completion of the acquisitions of Global Group Australia, Amethon Solutions in 2014 and Invigor Asia (Sprooki) in 2017.

The Software and technology assets are recognised at cost less accumulated amortisation and impairment losses, if any. An impairment expense of $1,773,000 was been recognised during the period following a review of the value in use, and considering the current negative cashflows of the Company.

Capitalised development expenditure
During the period, the Company determined that development expenditure will not be capitalised while the Company has negative cashflow from the related operating activities. As a result, the balance of previously capitalised development expenditure of $2,003,000 was fully impaired.

Goodwill
Goodwill is allocated to the Consolidated Entity's cash generating units (CGUs). At 31 December 2019, the goodwill balance related to the Australia & South-East Asia CGU, comprising the Australian businesses acquired in prior periods (including Invigor Digital Solutions "IDS") and the Asian Sprooki business acquired in 2017. The goodwill was fully impaired during the period based on the value in use assessment prepared by the Company. The total impairment expense against goodwill is $951,000.

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.

Impairment testing

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

	31 December 2019 $'000	31 December 2018 $'000
Australia & South-East Asia	-	951
TillerStack (previously Condat)[1]	-	-
Total	**-**	**951**

[1] Goodwill relating to the TillerStack CGU carved out from Condat was provisionally recognised at 30 June 2018. Following the finalisation of the disposal accounting per note 3, no goodwill has been allocated to TillerStack CGU.

Following the impairment of goodwill and intangible assets at 30 June 2019, no further impairment testing has been performed at 31 December 2019.

7. Trade and other creditors and accruals

	Consolidated 2019 $'000	Consolidated 2018 $'000
Trade creditors	1,579	919
Other creditors and accrued expenses	2,870	1,053
Contract liabilities (Unearned revenue)	110	309
Current	**4,559**	**2,281**

Included in trade creditors are invoices totalling $321,000 (2018 - $nil) payable at balance date under cost recovery agreements with Marcel Equity Pty Ltd (and associated entities), and payable under consultancy arrangements with other related parties.

Included in other creditor and accrued expenses are accruals of $575,000 for other interest and fees payable to Marcel Equity Pty Ltd. These amounts are unsecured.

8. Interest bearing loans and borrowings

	Consolidated 2019 $'000	Consolidated 2018 $'000
Unsecured borrowings – convertible notes	1,500	1,000
Unsecured borrowings – loan and overdraft facilities	4,754	3,377
Unsecured borrowings – employees	187	-
Secured borrowings - loan facilities	3,727	2,850
Current	**10,168**	**7,227**

Current

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 notwithstanding the remaining terms to maturity under the facilities.

2018 Convertible notes issue

During February and March 2018, the Company received a total of $1,000,000 funds from three sophisticated investors as an initial investment in TillerStack (Skyware) with the option of converting to shares in the Company at $0.01. It was subsequently agreed to extend the facility as a Convertible Note in the Company on the terms listed below, subject to shareholder approval, with a right to invest in TillerStack.

The key terms of the facility are:

- Convertible notes on issue at 31 December 2019 – 12,500,000 at $0.08 per share (previously 250,000,000 at $0.004 per share before share consolidation by the Company in October 2019)
- Maturity dates – 7 May 2019, extended to 31 December 2019 during the year. These notes are now due on demand, with discussions between note holders and the Company ongoing. The Company will seek approval at a General Meeting expected to be called in May 2020 for the conversion of 50% of this debt to equity through the issue of ordinary share capital, and the extension of the balance for a further 12 months term at $0.02 per share. This is subject to shareholder approval.
- Ranking – unsecured
- Conversion price - the convertible notes may be converted into shares at the conversion price of $0.08 per share
- Interest – 17 per cent per annum, payable on maturity
- 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.

2019 Convertible Notes issue

On 29 May 2019 the Company issued a Convertible Note and in June received $500,000 of funds from a sophisticated investor. The key terms of the facility are:

- Convertible notes on issue at 31 December 2019 – 5,000,000 at $0.10 per share (previously 100,000,000 at $0.005 per share before share consolidation by the Company in October 2019)
- Maturity dates – 29 May 2020
- Ranking – unsecured
- Conversion price - the convertible notes may be converted into shares at the conversion price of $0.10 per share (subject to any adjustment in accordance with the terms and conditions of those notes)
- Interest – 12.0 per cent per annum, payable on quarterly in arrears
- 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

Marcel Equity facility

In February 2016, the Company entered into an interest-bearing short-term loan arrangement with Marcel Equity Pty Ltd ("Marcel"), an entity associated with Gary Cohen and Gregory Cohen (Directors of the Company), 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 was available until 31 March 2018. In September 2017, this arrangement was renewed and extended with a drawdown limit of $2,000,000 and was available until 30 September 2018. On 29 June 2018, this arrangement was renewed and extended with a drawdown limit $2,600,000, and was available until 31 December 2019. On 30 November 2018, this arrangement was renewed and extended with a drawdown limit of $3,000,000, available until 31 December 2019. On 1 May 2019, this arrangement was renewed with a drawdown limit of $4,000,000, available until 31 December 2019. On 7 October 2019, the arrangement was renewed with a drawdown limit of $5,000,000, available until 31 December 2020.

Refer to note 13 for events subsequent to year end.

An amount of $3,990,000 (31 December 2018: $2,588,000) has been drawn as at 31 December 2019. $2,400,000 of borrowings under the facility incur interest at a rate of 10.3% per annum, being a rate equivalent to a bank overdraft facility at the time the arrangement was entered into; $680,000 of borrowings ($680,000 drawn at 31 December 2019) incur a rate of 12% per annum; and $600,000 of borrowings ($600,000 drawn at 31 December 2019) incur interest at a rate of 15% per annum.

The terms of the facility are that it only repayable from the Company's available cash flow (principal and interest).

German facilities

A €120,000 loan facility with an investor/consultant of the Company, Mr. Peter Hermann was repaid in full in May 2019. The amount outstanding at 31 December 2019 is nil, (31 December 2018: €120,000 ($189,000)).

Other loan facilities

On 31 October 2018, the Company received $300,000 from a sophisticated investor as a convertible note, expiring on 31 December 2018. The convertible note had zero interest, and a $50,000 redemption provision should the note not convert. As the investor had not converted the note as at 31 December 2018, the Company have recognised a $350,000 loan liability. $116,667 of this balance was repaid in January 2019. The balance at 31 December 2019 is $233,333. During the year, the repayment date was extended to 31 December 2019. Interest accrues at 20% per annum. This loan is now due on demand, with discussions between the investor and the Company ongoing for a rescheduled due date later in 2020. The Company will seek approval at a General Meeting expected to be called in May 2020 for the conversion of 50% of this debt to equity through the issue of ordinary share capital, and the extension of the balance for a further 12 months term as a convertible note at $0.02 per share. This is subject to shareholder approval.

On 26 June 2019, the Company entered into a $500,000 loan facility with a sophisticated investor. This facility has been fully drawn at 31 December 2019. The repayment date was 31 December 2019, and the loan is now repayable on demand and discussions are ongoing between the Company and the investor. Interest accrues at 3% per month.

Credit card facilities relating to the group were drawn to $30,000 at 31 December 2019.

Unsecured borrowings – employees

In November 2019 the Company entered into unsecured loan agreements with certain employees. At 31 December 2019 the balance is $187,000 (31 December 2018: nil). Interest accrues at 15% per annum. The loans were repayable by 28 February 2020. Subsequent to year-end, the repayment dates have been extended to 30 April 2020.

Secured borrowings

R&D loans

During 2018, the Company entered into a Prepayment Loan Agreement with Karoo Investment Group Pty Ltd under which the lender made available a facility in the amount of $1,320,000 at an interest rate 15% - 22% p.a. The facility was primarily used to fund the Company's research and development activities. $953,000 was repaid in 2019 on receipt of the research and development tax rebate amount for the year ended 31 December 2018. The balance of $367,000 at 31 December 2019 remains as a short-term loan and is repayable on demand and discussions are ongoing between the Company and the lender for an extension to the repayment date for later in 2020.

In December 2019, the Company entered into a new Prepayment Loan Agreement with Finarch Holdings Pty Limited under which the lender has made available a facility in the amount of $710,000 at an interest rate 20% p.a. Interest has been prepaid in full. The facility is being used to fund the Company's research and development activities. The facility is fully drawn at 31 December 2019, and is repayable by the earlier of 30 June 2020 (with a four-month extension available), or on receipt of the research and development tax rebate amount for the year ended 31 December 2019. Amounts drawn under the facility are secured against the grant receivable.

Glowaim facility

On 28 February 2019, the Company entered into a $1,000,000 loan facility with Glowaim Pty Ltd. This was extended to $1,400,000 in November 2019. The facility is fully drawn at 31 December 2019, with repayment due on 28 February 2020, and discussions are ongoing between the Company and the lender for an extension to the repayment date for later in 2020. Interest accrues at 20% per annum.

PFG facility

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 a warrant over 3.33 million shares to the firm exercisable at 60 cents per share (previously over 66.6 million shares exercisable at 3.0 cents per share before share consolidation) on 19 April 2017 which expire in 2021. $0.5 million was repaid in February 2019, and a further $0.25 million was repaid in June 2019. In December 2019, Gary Cohen, a Directors of the Company repaid $1.05 million of the loan on behalf of the Company ($1 million principal repayment and $50,000 deposit). The net balance remaining at 31 December 2019 of $200,000 is repayable progressively by 31 May 2020. Interest accrues at 16% per annum on the balance.

The Company issued an additional warrant to PFG over 2.5 million shares (previously over 50,000,000 shares before share consolidation) on 26 April 2019. The warrant is exercisable at 8 cents (previously 0.4 cents) per share and expires after three years.

Gary Cohen (Director) facility

As noted above, in December 2019, Gary Cohen paid out $1,050,000 to PFG on behalf of the Company. The Company has agreed to a loan agreement with Gary Cohen on the same terms as PFG, being a secured charge, and interest at 16% per annum. The loan is repayable by 31 December 2021.

Other available overdraft facilities

The Company has a $100,000 interest bearing overdraft facility with National Australia Bank which was drawn to $76,000 at 31 December 2019 (31 December 2018 – fully available). The facility is secured by guarantees provided by entities associated with Gary Cohen and Gregory Cohen.

Further Information on Facilities and Plans

Please refer to the table below for further information and discussion on the facilities and the planned extensions and further capital raising:

Debt/Equity Facility	**Assumptions and risks discussion**
2018 Convertible Notes In February and March 2018, a $1,000,000 loan to the Company was extended as a convertible note. The convertible note matured on 31 December 2019 and is now payable on demand. A further $300,000 was received from a different investor as a convertible note on 31 October 2018. This amount is recognised by the Company as a loan liability. At as 31 December 2019 $233,333 remains owing. The investor has agreed to an extension to 30 June 2020.	The Company is currently in discussions with the noteholders. To date, no formal agreement has been reached. The Company is seeking the noteholders agreement to convert 50% of this debt to equity and have the remaining 50% as a loan with an extension. The conversion of 50% of the debt to equity will require shareholder approval. The Company is aiming to seek shareholder approval at a General Meeting expected to be called in May 2020. The Company will require (and reasonably expects it will receive) the support of these noteholders and shareholders for this conversion to occur. If this conversion does not occur, the Company's ability to continue as a going concern will be impacted.
2019 Convertible Notes In May 2019 the Company issued a Convertible Note and in June 2019 received $500,000 in funds. This Convertible Note will mature on 29 May 2020.	The Company is currently in discussions with the investor to extend the term of the Convertible Note for a further 12 months to 29 May 2021. This will be subject to shareholder approval.
Marcel Facility On 11 February 2020 the Company's loan arrangement with Marcel Equity (see note 8) was increased to a maximum available amount to draw down of $7,500,000. As at 21 December 2019, the Company has drawn down $3,990,000. This facility will become due for payment when the Company has available cash flow.	Marcel Equity has expressed strong support for the Company, including an extension of the facility in February 2020 from $5 million to $7.5 million as per notes 8 and 12. As part of this agreement, Marcel will convert $5 million of the debt into equity in the Company (pending shareholder approval). Marcel has also agreed to extend the outstanding $2.5 million loan to 31 December 2021.

	The conversion of $5 million of the debt to equity will require shareholder approval. The Company is aiming to seek shareholder approval at a General Meeting expected to be called in May 2020. The Company has the ability to utilise the Marcel Equity facility to meet ongoing working capital requirements.
Capital Raise The Company intends to undertake a capital raising to retire debt, fund growth and provide sufficient working capital to ensure the reinstatement of market trading. The Company may decide to break up the capital raising into several tranches.	The proposed General Meeting of shareholders in May 2020 will seek approval for the raising of up to $4 million in capital. This capital raise is important to the Company's ability to continue as a going concern over the next 12 months. The Directors believe there are reasonable grounds that shareholder approval will be obtained however, market conditions (as at March 2020) leaves some uncertainty regarding the timing of the capital raise and the market's receptiveness.
Other Loans The Company has several other secured borrowings including: - Glowaim facility - $1,400,000 loan with repayment due on 28 February 2020 - R&D loan of $710,000 from Finarch Holdings Pty Limited payable 30 June 2020 - Outstanding R&D loan of $367,000 from Karoo Investment Group Pty Ltd, repayable on demand	Discussions are ongoing with these lenders for an extension to the repayment dates for these loans. Although there is no guarantee that these loans will be extended, the Company has reasonable grounds to believe the repayment dates for these loans will be extended.

9. Issued capital

	Company	Company	Company	Company
	2019	**2018**	**2019**	**2018**
	Shares	Shares	$'000	$'000
Ordinary shares, fully paid	152,039,052	2,537,559,895	155,105	153,575
Movement in ordinary share capital				
Balance at the beginning of the period	2,537,559,895	956,720,314	153,575	146,582
Issues of new fully paid shares	503,211,001	452,118,998	1,617	2,446
Reduction in shares due to share consolidation[1]	(2,888,731,544)	-	-	-
Issue of shares on conversion of convertible notes	-	986,832,012	-	3,947
Issue of shares on exercise of Options	-	141,888,571	-	993
Capital raising costs incurred	-	-	(87)	(393)
Net balance at end of period	**152,039,352**	**2,537,559,895**	**155,105**	**153,575**

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 2019 to date, the Company has issued:
- 55,955,581 ordinary shares on 15 January 2019 to sophisticated investors as part of a share purchase plan;

- 872,086 ordinary shares on 29 March 2019 to vendors on final settlement of the acquisition of Invigor Asia Pte Limited (formerly Sprooki Pte Limited)
- 66,800,000 ordinary shares on 15 April 2019 to a sophisticated investor
- 125,000,000 ordinary shares on 29 May 2019 to a sophisticated investor
- 62,500,000 ordinary shares on 31 May 2019 to sophisticated investors as a bonus issue[2]
- 8,750,000 ordinary shares on 26 June 2019 to a sophisticated investor, payment in lieu of broker fees
- 183,333,334 ordinary shares on 25 September 2019 to a sophisticated investor
- 807 ordinary shares on 10 October 2019 to various shareholders following a 20:1 consolidation of the Company's shares[1]

[1] At a General Meeting on 26 September 2019 the Company's shareholders approved a consolidation of the Company's ordinary share capital, and other equity instruments including incentive options and convertible notes, in the ratio of 20:1. The consolidation was completed on 10 October 2019, and as a result, an additional 807 ordinary shares were issued due to rounding.
[2] The issue of 62,500,000 ordinary shares on 31 May 2019 represented a guarantee to a sophisticate investor, no consideration was received or receivable for the issue.

The movement in issued shares (excluding capital raising costs) is reconciled to cash proceeds from share issues as follows:

	Company 31 Dec 2019 $'000	Company 31 Dec 2018 $'000
Cash received from share issues in 2019	782	2,162
Gross up for conversion of convertible notes	-	3,947
Gross movement for fully paid shares issued for cash	782	6,109
Issue of shares other than for cash[1]	835	1,277
Issues of new fully paid shares	**1,617**	**7,386**

[1] *$835,000 in 2019 includes $237,000 received in cash in 2018 (see note 10), and $550,000 receivable at 31 December 2019*

10. Shares not yet issued reserve

In December 2018, $236,800 was recognised in reserves for shares not yet issued at 31 December 2018. This amount was received in cash in December 2018 pursuant to a Share Purchase Plan of the Company in December 2018 and January 2019. A further $15,000 in cash was received in January 2019. On 15 January 2019, 55,955,581 ordinary shares were issued for the $251,800 total cash received.

11. Share Options

(a) Warrants

The Company has issued Warrants as approved by Shareholders on 19 April 2017, 23 June 2017 and 26 April 2019 as follows (note that the adjusted number of shares and exchange price shown is post share consolidation in October 2019):

- A warrant over 3,333,334 (previously 66,666,667) fully paid ordinary shares for an exchange price of 60 cents per share (previously 3 cents per share) to Partners for Growth IV, L.P. The warrant is for a term of 5 years and expires on 19 April 2022.
- A warrant over 1,333,334 (previously 26,666,667) fully paid ordinary shares for an exchange price of 40 cents per share (previously 2 cents per share) to Allectus Capital Limited. The warrant is for a term of 5 years and expires on 23 June 2022.
- A warrant over 2,500,000 (previously 50,000,000) fully paid ordinary shares for an exchange price of 8 cents per share (previously 0.4 cents per shares) to Partners for Growth IV, L.P. The warrant is for a term of 3 years and expires on 26 April 2022.

(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 ("equity-settled transactions"). Approved incentive plans for the granting of options to defined employees (including executive directors) ("Plans") are in place. At 31 December 2019, there were 7,628,379 options on issue under the Plans (2018 – 173,183,325). As per note 8, a consolidation of the Company's equity instruments occurred in October 2019, which reduced the number of incentive options on issue at that time in the ratio of 20:1.

Options on issue under the Plans may have varying vesting dates. All options on issue under the Plans at 31 December 2019 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 2019 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[1] $	Balance at start of the period #	Issued during the period #	Cancelled or Lapsed during the period #	Impact of share consolidation #	Exercised during the period #	Balance at end of the period #	Exercisable at end of the period #
17-Sep-14	17-Sep-19	2.00	3,283,328	0	(3,823,328)	0	0	0	0
26-Mar-15	26-Mar-20	2.00	3,166,665	0	0	(3,008,328)	0	158,337	158,337
1-Jul-15	1-Jul-20	2.00	6,583,333	0	0	(6,254,164)	0	329,169	329,169
29-Jul-15	29-Jul-20	2.00	416,667	0	0	(395,833)	0	20,834	20,834
1-Dec-15	1-Dec-20	2.00	416,665	0	0	(395,830)	0	20,835	20,835
12-Jul-16	12-Jul-21	1.00	2,500,000	0	(2,500,000)	0	0	0	0
20-May-17	20-May-22	1.00	5,816,667	0	(416,667)	(5,129,990)	0	270,010	196,674
22-Jun-17	22-Jun-22	0.60	1,000,000	0	0	(949,996)	0	50,004	33,336
3-Jul-17	3-Jul-22	1.00	2,000,000	0	0	(1,899,998)	0	100,002	66,668
1-Aug-17	1-Aug-22	1.00	2,250,000	0	(416,667)	(1,741,659)	0	91,674	75,006
3-Apr-18	3-Apr-23	1.00	750,000	0	0	(712,500)	0	37,500	12,500
4-Dec-18	4-Dec-23	0.20	145,000,000	0	(14,000,000)	(124,449,986)	0	6,550,014	2,183,338
Total			**173,183,325**	**0**	**(20,616,662)**	**(144,938,284)**	**0**	**7,628,379**	**3,096,698**

[1] The exercise price of each option has been adjusted following the share consolidation in the ration 20:1.

The Weighted Average Exercise Price of options on issue under incentive plans at balance date is $0.40 (2018: $0.02).

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

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

The weighted average contractual life of all options on issue under incentive plans outstanding at 31 December 2019 was 1,308 days (2018 – 1,643 days).

(c) Other Options

The Company has granted options over shares ("Other Options") as part of fee arrangements for capital markets and other services; to non-executive Directors; and to sophisticated investors as detailed in the table below.

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

Date options granted	Expiry Date[1]	Exer-cise price[2]	Balance at start of the period	Issued during the period	Cancelled or Lapsed during the period	Impact of share consolidation	Exer-cised during the period	Balance at the end of the period	Exercisable at the end of the period
		$	#	#	#	#	#	#	#
18-Aug-14	5-Aug-19	2.00	5,000,000	0	(5,000,000)	0	0	0	0
17-Jun-16	17-Jun-21	2.00	750,000	0	0	(712,500)	0	37,500	37,500
17-Jun-16	1-Jul-19	2.00	10,000,000	0	(10,000,000)	0	0	0	0
19-Apr-17	19-Apr-22	1.00	750,000	0	0	(712,500)	0	37,500	37,500
5-Jul-17	5-Jul-22	0.60	500,000	0	0	(474,998)	0	25,002	16,668
5-Jul-17	5-Jul-22	1.00	250,000	0	0	(237,499)	0	12,501	8,334
28-Feb-19	28-Feb-20	0.08	0	25,000,000	0	(23,750,000)	0	1,250,000	1,250,000
29-May-19	29-May-20	0.10	0	50,000,000	0	(47,500,000)	0	2,500,000	2,500,000
25-Sep-19	28-Feb-20	0.08	0	93,750,000	0	(89,062,500)	0	4,687,500	4,687,500
25-Sep-19	28-Feb-20	0.08	0	15,625,000	0	(14,843,750)	0	781,250	781,250
27-Nov-19	31-Dec-20	0.08	0	21,250,000	0	0	0	21,250,000	21,250,000
Total			**17,250,000**	**205,625,000**	**(15,000,000)**	**(177,293,747)**	**0**	**30,581,253**	**30,568,752**

[1] Subsequent to balance date, 6,718,750 other options have expired and lapsed.

[2] The exercise price of each option has been adjusted following the share consolidation in the ration 20:1.

12. Convertible Note dispute

On 19 September 2019, the Company announced a settlement with a former convertible note holder Raus Capital Fund Limited ('Raus'). The Company agreed to pay Raus $500,000 plus legal fees and interest. At 31 December 2019, an amount of $259,000 remained payable to Raus. Subsequent to year end, the Company has paid an additional $100,000 to Raus with the balance due by 31 March 2020.

13. Events Subsequent to Balance Date

As per note 12, since balance date, the Company have repaid an additional $100,000 to Raus toward the convertible note dispute settlement.

In February 2020, the Company extended the term and amount of the loan facility agreement with Marcel Equity Pty Ltd to 31 December 2021, and $7.5 million (from $5 million at 31 December 2019) with 15% pa interest. It is intended that a significant portion of the Marcel Equity facility will be converted to equity subject to shareholder approval. See below under 'Planned General Meeting'.

In February 2020, the Company also extended the term of the employee loan facilities to 30 April 2020.

Planned General Meeting

The Company is finalising resolutions and the required Notices, and intends to call a General Meeting of shareholders in May 2020. The resolutions seek approval for transactions including:

- the conversion of substantial debt from Marcel Equity and convertible note holders into equity;
- the extension of existing convertible notes; and
- a significant capital raise through the issue of ordinary shares.

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.