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28 August 2014

Results for announcement to the market

Appendix 4D for the half year ended 30 June 2014

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 2014. The results are extracted from the accompanying Half Year Financial Report.

Since 1 July, with the completion of the acquisition of the balance of shares in Global Group Australia ("GGA"), the Company's transformation into a digital solutions group capable of delivering both sales and fulfilment capability is now well underway. The acquisition of GGA provides the Company with a strong platform in the digital solutions sector which it plans to build upon through both organic growth and acquiring or investing in businesses that are profitable and synergistic with the overall strategy. A number of conditional transactions as part of this transformation process were announced during July. Following completion of these transactions, Invigor expects to see increased revenue and improved profitability and to become strongly operating cash positive.

Extracted from the 30 June 2014 Half Year Financial Report	**Six months to 30 June 2014**	**Six months to 30 June 2013**	**Change**
	$A'000	$A'000	%
Revenue from ordinary activities	26	20	30.0
Net profit (loss) from ordinary activities after tax attributable to members[1]	(1,027)	(10,049)	89.8
Net profit (loss) after tax attributable to members[1]	(1,027)	(10,049)	89.8

1 Includes an $8.5 million impairment of other financial assets in the comparative reporting period.

The result for the current financial period includes legal costs incurred in managing the KIT digital situation ($175,000) and interest and borrowing costs ($179,000) incurred on convertible note and debt facilities.

The prior period comparative result included an impairment charge of $8.5 million against the exposure to KIT digital (2014 - $nil).

Please refer to the accompanying 30 June 2014 Half Year Financial Report for further information.

Dividends for the period ended 30 June 2014
No interim dividend has been declared or proposed (2013 – $nil).

Net Tangible Assets per Share

The net tangible assets at 30 June 2014 were ($0.01)[1] per share based on asset carrying amounts at that date (30 June 2013 - $0.06[2] per share).

1 Based on 112,226,906 ordinary shares

2 Based on 90,004,684 ordinary shares

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The remainder of the information requiring disclosure to comply with Listing Rule 4.3A is contained in the accompanying 30 June 2014 Half Year Financial Report.

For further information, please contact:

Gary Cohen
Executive Chairman
T: +61 2 8251 9600

About Invigor Group Limited

Invigor Group is a leading information technology and digital solutions company. It specialises in innovative business intelligence, big data solutions which are supported by strategic consulting, development and marketing services. Invigor delivers its products and services across a broad range of industries including: consumer electronics, automotive, financial and insurance, pharmaceuticals, apparel and home wares.

INVIGOR GROUP LIMITED

ACN 081 368 274

HALF YEAR FINANCIAL REPORT

PERIOD ENDED 30 JUNE 2014

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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 2014 and the Auditor's report thereon.

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

Directors	Appointed
Gary Cohen (Chairman)	19 July 2012
Gregory Cohen	19 July 2012
John Hayson	27 March 2014
Vic Lorusso	31 October 2012
Gary Munitz	31 October 2012
Daniel Sekers	31 October 2012

Principal Activity
The principal activity of the Consolidated Entity during the current reporting period was to operate as an investment company focused on the information and communication technologies sector. The Company invests its expertise and capital to transform innovative technology companies with outstanding management teams into successful international businesses in accordance with agreed business plans covering an appropriate timeframe. The Company intends to exit its investments at an appropriate time to maximise value and returns for shareholders. The Company announced on 18 March 2014 that it had begun the process of transforming into a digital solutions group capable of delivering both sales and fulfilment capability. The focus will initially be on digital media solutions and acquiring or investing in businesses that are profitable and synergistic with the overall strategy.

Significant Changes in the State of Affairs
There were no significant changes in the affairs of the Consolidated Entity during the financial period. The Company is transforming itself into a digital solutions group and has announced several proposed acquisitions and investments which have either completed after balance date or are still to complete. Details are provided throughout this Directors' Report.

The Company announced on 7 August 2014 an intention to seek to raise $7.0 million of equity. Please refer to the **Events Subsequent to Reporting Date** section below.

Operating and Financial Review

Result for the period
The net loss after tax of the Consolidated Entity for the half year ended 30 June 2014 was $1,027,000 (30 June 2013 - $10,049,000 loss).

The Company announced on 18 March 2014 that it had begun the process of transforming into a digital solutions group capable of delivering both sales and fulfilment capability. The first step in this transformation was to acquire the balance of shares in Global Group Australia ("GGA") not already owned by the Consolidated Entity. This acquisition completed on 1 July 2014. The acquisition of the balance of GGA provides the Company with a strong platform in the digital solutions sector which we plan to build through both organic growth and acquiring or investing in businesses that are profitable and synergistic with the overall strategy. A number of transactions as part of the transformation process have been announced. Please refer to the **Events Subsequent to Reporting Date** section below.

The result for the current financial period includes legal costs incurred in managing the KIT digital situation ($175,000) and interest and borrowing costs ($179,000) incurred on convertible note and debt facilities.

The prior period comparative result included an impairment charge of $8.5 million against the exposure to KIT digital (2014 - $nil).

Global Group Australia

Global Group Australia Pty Limited ("GGA") is an Australian incorporated company operating in the digital solutions technology industry. The Consolidated Entity acquired a 40.0 per cent interest in GGA on 17 October 2012.

The Consolidated Entity has accounted for the investment using the fair value through profit or loss method during the current and comparative reporting periods as it met the criteria of a venture capital organisation and is able to apply an exemption from adopting the equity method available under accounting standards.

In assessing the appropriateness of the carrying amount in GGA, the directors have had regard to a number of factors, including:

- The current business plan, including risks to those outcomes being achieved over the forecast period;
- Financial analysis taking into account current and forecast earnings over a 3 year forecast period reflecting the current business plan; and
- Timing of any future funding to be provided to GGA and the impact this has for the financial model.

The Consolidated Entity acquired all of the shares in GGA it did not already own on 1 July 2014. GGA will be consolidated as a member of the Consolidated Entity from 1 July 2014 and be renamed as Invigor Digital Solutions.

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

The Company continued to manage the KIT matters during the period. In June 2014, the US Bankruptcy Court ruled in favour of the Company's application for summary judgement dismissing claims made by KIT. The judge permitted that KIT have an opportunity to refile its claims. Piksel filed an amended complaint on 13 August 2014. The Company intends defending the allegations.

At 30 June 2014, the Consolidated Entity's exposure to Piksel is represented by:

- Amounts recoverable from claims as a creditor made by the Company; and
- Entitlements under the share sale agreement entered into in 2012, including the entitlement to receive warrants in Piksel.

Fair value of the Piksel exposure has been assessed at 30 June 2014 having regard to a number of factors including:

- the US Bankruptcy Court ruling in June 2014 in favour of Invigor's application for summary judgement dismissing Piksel's claims. As noted above, Piksel has filed an amended complaint which the Company intends defending.
- nature of the assets;
- the terms of the share sale agreement between the Company and KIT, including the value protection mechanism contained in that agreement for additional shares to be issued, at KIT's election;
- risk factors to Piksel not completing on its contractual obligations;
- KIT's Plan of Reorganization having been approved in August 2013 and implemented;
- the Piksel and KIT Creditors' Committee claims that remain to be finally determined;
- the Company's entitlement to warrants in Piksel and the likelihood of these being received;
- potential valuation range for shareholders of equity held in Piksel, including the potential value to Invigor if the warrants issued are received and then exercised by the Company; and
- likelihood of the Piksel warrants being exercised by the Company if received.

For accounting purposes, no carrying value is recorded for the warrants entitlement as the asset is contingent in nature, being dependent upon the number of warrants to be received, for which timing is unclear, and then the raising of funding to enable those warrants to be exercised. An asset will be recognised at fair value if the warrants are received and then exercised. A receivable for the assessed fair value of the unsecured creditor claims has been recognised. To be clear, the Board still considers that considerable value can be realised from a shareholding in Piksel if the warrants are received and then exercised. That no value has been recognised in the financial statements is a reflection only of the contingent nature of the asset and the uncertainty around timing of receiving the warrants and then raising funding for them to be exercised. It is considered more appropriate that an asset be recognised when the warrants are received and then exercised (which will then provide a cost base for the Piksel shareholding) rather than place a value on the contingent entitlement arising from the legal claim. The Company intends to continue pursuing recovery of the amounts and entitlements due to it.

Cash reserves
The Company had cash at bank of $122,000 at 30 June 2014. The Company announced on 7 August 2014 an intention to seek to raise $7.0 million of equity which will strengthen the Company's cash position upon completion. Please refer to the **Events Subsequent to Reporting Date** section below.

Borrowing and available facilities
The Company had a secured borrowing with an outstanding principal balance of $0.7 million from Partners for Growth III, LP. ("PFG") at 30 June 2014. The borrowing represents the outstanding amount at balance date under a convertible note facility (as amended) with PFG. The facility is expected to repaid by 30 September 2014.

The Company had unsecured convertible note facilities with an outstanding principal value of $2.3 million at 30 June 2014. The facilities are with entities associated with directors of the Company on terms approved by shareholders in March 2014. Each of these facilities has a 2 year term from 20 March 2014.

In August 2013, the Company entered into an interest bearing short term loan arrangement with Gary Cohen under which under which his company, Marcel Equity Pty Ltd, would make available up to $1,000,000 as and when required by the Company, subject to the terms of the loan arrangement. The facility amount was increased to $1,300,000 in April 2014 and the term extended to 31 March 2015. The facility limit was increased to $1,500,000 on 13 August 2014. An amount of $880,000 was outstanding at balance date under this loan arrangement. Additional amounts have been drawn on the facility subsequent to balance date.

Dividends
No final dividend for the 2013 financial year was proposed or declared.

No interim dividend has been proposed or declared for the period ended 30 June 2014.

A dividend reinvestment plan has not been activated.

Events subsequent to reporting date
On 1 July 2014, the Consolidated Entity completed the acquisition of the shares in Global Group Australia Pty Ltd ("GGA") which it did not already own. GGA and its controlled entities became members of the Consolidated Group from that date. Consideration for the transaction is:

- $900,000 cash ($200,000 paid at completion and $700,000 payable after 12 months);
- The balance in fully paid ordinary shares issued at 10.0 cents per share. The final number of shares to be issued will be determined upon preparation and agreement of completion financial statements in accordance with the terms of the Share Purchase Deed. The shares are expected to be issued during September 2014.

The deferred amount payable to the GGA Vendors ($700,000) is interest bearing at a rate of 7.5%pa, secured by an option held over GGA's issued shares and exercisable by the GGA Vendors in the event the deferred amount is not paid when due. The Company will also issue unlisted options over 1,600,000 shares in the Company to, together, Gary Munitz and Daniel Sekers consequent upon their becoming executives of the Consolidated Entity following completion of the GGA acquisition. The options will be issued on terms approved by shareholders at the Annual General Meeting held on 29 May 2014. The options are expected to be issued during September 2014.

On 17 July 2014, the Company announced it had reached conditional agreement to acquire up to a 20 per cent shareholding in My Verified ID Corp. ("My Verified"), a US based company specialising in the development and distribution of universal verified sign in technology to eliminate fraud, reduce costs and protect against identity theft. Consideration for the investment is $A3.0 million payable over a 12 month period commencing from 1 September 2014 subject to all conditions precedent being satisfied and other terms applicable to the Payment Schedule. My Verified will enter into an agreement with the Company for the provision of defined services by the Company over a 12 month period commencing 1 September 2014. Conditions precedent to completion of the investment include the Company completing due diligence to its satisfaction and raising required finance.

On 21 July 2014, the Company announced it had signed a Foundation Agreement to acquire the Search Results Group for $5.8 million through the acquisition of shares in the operator and associated entities. Search Results Group is an Australian online media agency offering simple and affordable search, web development and marketing products to assist small and medium enterprises to grow their business. The consideration is payable on deferred terms. Deferred payment amounts will be secured against assets of the Consolidated Entity. Conditions precedent to completion of the transaction include the Company completing due diligence to its satisfaction and raising required finance. The acquisition is expected to complete in September 2014 subject to satisfaction of the conditions precedent.

On 30 July 2014, the Company entered into a Deed of Amendment for a convertible note facility with Partners for Growth III, LP whereby the maturity date of the facility was varied to be the earlier of the date of (i) settlement of the KIT digital matter, (ii) 30 September 2014 and (iii) the date the Company successfully completes an equity capital raising which results in $2,000,000 or more in net proceeds being received.

On 7 August 2014 the Company announced it would seek to raise $7.0 million of equity intended to be by way of

- a share placement to various sophisticated, professional or institutional investors and certain related parties ("Placement"). The Placement will be priced at the higher of 8.0 cents per share or the amount per share which equates to 80% of the average closing price for shares calculated over the last 5 days on which sales of shares were recorded before the date on which the Placement shares are issued (subject to certain specified exclusions); and
- a share purchase plan ("SPP") offer, conditional on completion of the Placement, to eligible shareholders to enable those shareholders to acquire additional shares in the Company on the terms of the SPP if they elect to do so.

Funds raised will be used to:

- finance the initial payment required upon completion of the proposed acquisition of Search Results Group;
- finance the proposed investment in My Verified ID Corp;
- fund the deferred payment obligations in respect of its acquisition of the balance of issued capital of Global Group Australia Pty Ltd;
- retire outstanding debt financing obligations; and
- provide working capital required to grow the Company's business.

A general meeting of shareholders to consider required resolutions in connection with the proposed capital raising is scheduled to be held on 11 September 2014.

The Company also announced that it had appointed BBY Limited to provide marketing services and assist in undertaking, arranging and managing the capital raising as Lead Manager pursuant to a mandate letter dated 5 August 2014. BBY's fee for providing the services to the Company includes 5,000,000 unlisted options in the Company with an exercise price of 10.0 cents per option and a term of 5 years from 5 August 2014. BBY received 2,500,000 options as a signing fee with the balance to be issued upon completion of the capital raising. The options to be issued to BBY are not subject any vesting conditions. BBY will also receive cash fees usual for the services to be provided and a capital raising.

In July 2014, KIT digital filed a motion seeking to extend the deadline for objections to be made to creditor claims to 9 February 2015. The motion has been approved. This may impact the timing and quantum of any distribution received by the Company's for its claims.

On 13 August 2014, Piksel filed an amended complaint in connection with the Securities Purchase Agreement between the parties entered into during 2012. This follows the dismissal of the claim by the US Bankruptcy Court in June 2014. The amended complaint repeats previous assertions made by Piksel against the Company, including allegations against the Company in relation to its conduct during the sale negotiations in 2012. The Company denies liability and intends vigorously defending the allegations.

On 13 August 2014, the limit on the short term loan arrangement with Marcel Equity Pty Ltd was increased by $200,000 to $1,500,000.

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

Likely Developments and Prospects

The Company is continuing the process of transforming into a digital solutions group capable of delivering both sales and fulfilment capability as announced on 18 March 2014. The focus will initially be on digital media solutions and acquiring or investing in businesses that are profitable and synergistic with the overall strategy. The Company expects implementation of the strategy to deliver improved financial results. A number of conditional acquisitions and investments have been announced as part of the transformation strategy. The Company announced on 7 August 2014 an intention to seek to raise $7.0 million of equity which will strengthen the Company's cash position upon completion and fund the business strategy. If the Company is unable to successfully complete the capital raising it may not be able to pursue its business objectives and will have difficulty continuing to operate as a going concern.

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 2014.

Rounding off

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

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

Gary Cohen
Director

Dated at Sydney this 28th day of August 2014 nexia australia

the next solution

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 2014, 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.

NEXIA MELBOURNE
ABN 16 847 721 257

GEORGE S DAKIS
Partner
Audit & Assurance Services

Melbourne

28 August 2014

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	Note	30 June 2014 $'000	30 June 2013 $'000
Revenue		26	20
Employee benefits expense		(331)	(559)
Professional fees		(396)	(736)
Impairment of Other financial assets		-	(8,549)
Other operating costs		(139)	(305)
Total profit (loss) before financing costs, tax, depreciation and amortisation		(840)	(10,129)
Depreciation and amortisation		(8)	(1)
Total profit (loss) before financing costs and tax		(848)	(10,130)
Financing costs recovered (incurred)		(179)	81
Profit (loss) before income tax		(1,027)	(10,049)
Income tax benefit (expense)		-	-
Profit (loss) for the period		**(1,027)**	**(10,049)**
Other comprehensive income		-	-
Total comprehensive income (loss) for the period		**(1,027)**	**(10,049)**

Total:	**Cents**	**Cents**
Basic earnings (loss) per share attributable to ordinary equity holders	(0.96)	(17.40)
Diluted earnings (loss) per share attributable to ordinary equity holders	(0.96)	(17.40)

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

	Note	30 June 2014 $'000	31 December 2013 $'000
CURRENT ASSETS			
Cash and cash equivalents		122	144
Receivables	3	1,439	1,265
Other financial assets	4	-	-
Total Current Assets		1,561	1,409
NON-CURRENT ASSETS			
Other financial assets	4	2,635	2,238
Property, plant and equipment		115	16
Total Non-Current Assets		2,750	2,254
TOTAL ASSETS		4,311	3,663
CURRENT LIABILITIES			
Other creditors		1,340	2,142
Interest bearing loans and borrowings	7	3,894	1,986
Provisions		9	-
Total Current Liabilities		5,243	4,128
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	7	-	-
Total Non-Current Liabilities		-	-
TOTAL LIABILITIES		5,243	4,128
NET ASSETS		(932)	(465)
EQUITY			
Issued capital	8	117,996	117,436
Reserves	9	1,527	1,527
Accumulated losses		(120,455)	(119,428)
TOTAL EQUITY		(932)	(465)

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

	Note	30 June 2014 $'000	30 June 2013 $'000
Cash flows from operating activities			
Receipts from customers		-	-
Payments to suppliers and employees		(950)	(1,257)
Interest received		19	7
Other income received		-	9
Net cash from (used in) operating activities		(931)	(1,241)
Cash flows from investing activities			
Payments for acquisition of convertible notes		(397)	(350)
Payments for property, plant and equipment		(247)	(1)
Deposits paid		(10)	-
Net cash from (used in) investing activities		(654)	(351)
Cash flows from financing activities			
Proceeds from the issue of shares		-	1,944
Proceeds from borrowings and issue of convertible notes		2,230	400
Repayment of borrowings and redemption of convertible notes		(500)	(400)
Borrowing costs paid		(72)	(124)
Payment of capital raising costs		(95)	(170)
Net cash flow from (used in) financing activities		1,563	1,650
Net increase (decrease) in cash and cash equivalents		(22)	58
Cash and cash equivalents at 1 January		144	27
Net foreign exchange differences		-	-
Cash and cash equivalents at 30 June		122	85

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

Consolidated	Issued Capital $'000	Accumulated Losses $'000	Reserves $'000	Total $'000
Balance at 1 January 2014	**117,436**	**(119,428)**	**1,527**	**(465)**
Profit (loss) for the period	-	(1,027)	-	(1,027)
Total comprehensive income	-	(1,027)	-	(1,027)
Transactions with owners in their capacity as owners:				
Issue of shares	595	-	-	595
Capital raising costs incurred	(35)	-	-	(35)
Balance at 30 June 2014	**117,996**	**(120,455)**	**1,527**	**(932)**
Balance at 1 January 2013	**114,885**	**(103,476)**	**1,527**	**12,936**
Profit (loss) for the period	-	(10,049)	-	(10,049)
Total comprehensive income	-	(10,049)	-	(10,049)
Transactions with owners in their capacity as owners:				
Issue of shares and conversion of entitlement options	2,500	-	-	2,500
Capital raising costs incurred	(283)	-	-	(283)
Balance at 30 June 2013	**117,102**	**(113,525)**	**1,527**	**5,104**

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

1. Significant accounting policies

This general purpose consolidated financial report for the half-year ended 30 June 2014 comprises Invigor Group Limited ("the Company" or "Invigor"), and its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interests in associates and jointly controlled entities.

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

The half-year financial report was approved by the Board of Directors on 28 August 2014.

The principal activity of the Consolidated Entity during the current and comparative reporting periods was to operate as an investment company focused on the information and communication technologies sector. The Company invests its expertise and capital to transform innovative technology companies with outstanding management teams into successful international businesses in accordance with agreed business plans covering an appropriate timeframe. The Company intends to exit its investments at an appropriate time to maximise value and returns for shareholders. The Company announced on 18 March 2014 that it had begun the process of transforming into a digital solutions group capable of delivering both sales and fulfilment capability. The focus will initially be on digital media solutions and acquiring businesses that are profitable and synergistic with the overall strategy.

(a) Statement of compliance

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

This consolidated half-year financial report does not include all of the information required for a full annual financial report. Accordingly, this report is to be read in conjunction with the 31 December 2013 consolidated financial report and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

(b) Basis of preparation

The accounting policies applied by the Consolidated Entity in this consolidated half-year financial report are the same as those applied by the Consolidated Entity in its 31 December 2013 consolidated financial report.

(c) Use of estimates and judgements

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

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the remainder of this financial year and the next financial year are the measurement of Receivables (Note 3), Other financial assets (Note 4), Tax losses (Note 6), Interest bearing loans and borrowings (Note 7) and assessment of any potential claims under the sale transaction with KIT digital, Inc. (Note 11).

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

The consolidated financial statements have been prepared on the going concern basis. In determining that the going concern basis is appropriate, the directors have had regard to the:

- effect on the financial position of the Consolidated Entity following a review of the amount and terms of forecast investment, financial and operating commitments for the next 12 months;
- funding available under the short term funding facility with Marcel Equity Pty Ltd and the terms of that facility;
- the proposed $7.0 million equity raising announced on 7 August 2014, including commitments received to date towards the proposed share placement. A meeting of shareholders seeking required approvals is scheduled to be held on 11 September 2014; and
- anticipated timing and amounts expected to be received from realisation of the exposure to KIT digital, Inc. (now Piksel). Refer Notes 4 and 12.

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

(e) 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 financial assets as either loans and receivables at amortised cost or financial assets through profit or loss. The classification depends on the purpose for which the financial assets 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 statement of profit or loss.

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 statement of profit or loss.

(f) New and revised accounting standards

For the half-year reporting period ended 30 June 2014, a number of new and revised Accounting Standard requirements became mandatory for the first time, some of which are relevant to the Consolidated Entity. Details of the new and revised requirements are summarised below.

Interpretation 21: Levies is mandatorily applicable for annual financial reporting periods commencing 1 January 2014. The Interpretation clarifies that a liability to pay a government levy should be recognised when the activity triggering the payment has occurred.

The Consolidated Entity has considered the implications of new or amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

2 Segment reporting

The Consolidated Entity has adopted *AASB 8 Operating Segments* from 1 January 2009 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 did not have any reportable operating segments during the current or comparative reporting periods. Details of investments held by the Consolidated Entity are contained throughout this Financial Report, including Note 4. The business activities of these investments were not considered to be reportable operating segments during the reporting period.

3 Receivables

	30 June 2014	31 December 2013
	$'000	$'000
Claims recoverable at fair value (Refer Note 4)	1,150	1,150
Sundry debtors and receivables	244	44
Prepayments	45	71
Current	1,439	1,265

4 Other financial assets

	30 June 2014	31 December 2013
	$'000	$'000
Other financial assets, at fair value through profit or loss[a]	12,399	12,399
Provision for impairment	(12,399)	(12,399)
Current	-	-
Other financial assets, at fair value through profit or loss[b]	2,635	2,238
Non-current	2,635	2,238

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

The Company entered into a Securities Purchase Agreement with KIT digital Inc. (now Piksel Inc.) ("KIT" or "Piksel") for the sale to KIT of operating subsidiary entities which completed in June 2012. Consideration for the transaction included cash and shares in KIT (some of which were subject to trading restrictions for a period of time). The final quantum of the consideration to be received was to be determined in accordance with a mechanism for additional cash to be paid or shares to be issued to the Company by KIT if the share price of KIT fell below a specified threshold level at the relevant trigger date. The Company had been expecting eligible shares to be released from the trading restrictions on 22 December 2012, being six months after the transaction completed, and the top-up mechanism calculation to be undertaken and any required additional cash paid or shares issued at that date. KIT advised the Company in November 2012 that it would not release the shares held in escrow or allow removal of the trading restrictions until the earlier of 22 June 2013 or it made current its filing of financial results and that it would not undertake the top-up mechanism calculation before then. The Company challenged this view and commenced an action against KIT in January 2013 seeking $15.2 million for misrepresentation and breaches of contract. This action was commenced as an alternative to recovery of the additional cash or KIT shares. KIT filed its response to the action on 6 March 2013. The matter will now not be heard for the reasons described below.

In April 2013, KIT entered into a Plan Support Agreement ("PSA") with a group of "Sponsors", including parties associated with major shareholders and KIT management. The PSA contemplated that the Sponsors will restructure KIT's indebtedness by providing approximately US$25 million of new equity and a US$3 million debtor-in-possession loan subject to a number of conditions, including approval by the US Bankruptcy Court. The PSA also contemplated that existing equity holders in KIT would receive warrants to invest in the new capital structure of KIT on the same terms as the Sponsors and that existing shares held in KIT will be cancelled upon the PSA being approved. KIT's Plan of Reorganization ("Plan") was finally approved by the US Bankruptcy Court in August 2013. The judge ruled that Invigor's claim under the top-up mechanism, if allowed by the Court, will be subordinated to the level of the equity claims. Consequently, upon resolution of the top-up claim, the Company may have an entitlement to warrants in the reorganised Piksel. The US Bankruptcy Court dismissed the claims asserted by Piksel in June 2014, including allegations against the Company in relation to its conduct during the sale negotiations in 2012. Piksel filed an amended complaint on 13 August 2014. The Company intends defending the allegations.

At 30 June 2014, the Consolidated Entity's exposure to Piksel is represented by:

- Amounts recoverable from claims as a creditor made by the Company (Refer Note 3); and
- Entitlements under the share sale agreement entered into in 2012, including the entitlement to receive warrants in Piksel.

Fair value of the Piksel exposure has been assessed at 30 June 2014 having regard to a number of factors including:

- the US Bankruptcy Court ruling in June 2014 in favour of Invigor's application for summary judgement dismissing Piksel's claims. As noted above, Piksel has filed an amended complaint which the Company intends defending;
- nature of the assets as described above;
- the terms of the share sale agreement between the Company and KIT, including the value protection mechanism contained in that agreement for additional shares to be issued, at KIT's election;
- risk factors to Piksel not completing on its contractual obligations;
- KIT's Plan of Reorganization having been approved in August 2013 and implemented;
- the Piksel and KIT Creditors' Committee claims that remain to be finally determined;
- the Company's entitlement to warrants in Piksel and the likelihood of these being received;
- potential valuation range for shareholders of equity held in Piksel, including the potential value to Invigor if the warrants issued are received and then exercised by the Company; and
- likelihood of the Piksel warrants being exercised by the Company if received.

For accounting purposes, no carrying value is recorded for the warrants entitlement as the asset is contingent in nature, being dependent upon the number of warrants to be received, for which timing is unclear, and then the raising of funding to enable those warrants to be exercised. An asset will be recognised at fair value if the warrants are received and then exercised.

(b) Global Group Australia Pty Ltd

Global Group Australia Pty Limited ("GGA") is an Australian incorporated company operating in the digital solutions technology industry. The Consolidated Entity acquired a 40.0 per cent interest in GGA on 17 October 2012. The Consolidated Entity also has a $2.0 million convertible note facility with GGA that is able to be drawn over a 3 year period. Refer Note 10. GGA has a 30 June balance date.

The Consolidated Entity has accounted for the investment using the fair value through profit or loss method during the current and comparative reporting periods as it met the criteria of a venture capital organisation and is able to apply an exemption from adopting the equity method available under accounting standards.

In assessing the appropriateness of the carrying amount in GGA, the directors have had regard to a number of factors, including:

- The current business plan, including risks to those outcomes being achieved over the forecast period;
- Financial analysis taking into account current and forecast earnings over a 3 year forecast period reflecting the current business plan; and
- Timing of any future funding to be provided to GGA and the impact this has for the financial model.

The investment in GGA is represented by:

	30 June 2014 $'000	**31 December 2013** $'000
Shares	1,760	1,760
Convertible notes	875	478
	2,635	2,238

The Consolidated Entity acquired all the shares in GGA it did not already own on 1 July 2014. GGA will be consolidated as a member of the Consolidated Entity from 1 July 2014. Refer Note 12.

5 Dividends

There were no dividends paid or proposed during the period (2013 - $nil). The directors have not proposed the payment of an interim dividend since the period end (2013 - $nil).

6 Income Tax Losses

	30 June 2014 $'000	31 December 2013 $'000
Unused tax losses for which no deferred tax asset has been recognised:		
Income tax losses	6,996	6,096
Capital losses	32,360	32,360
Potential benefit at 30%		
Income tax losses	2,099	1,829
Capital losses	9,708	9,708

The benefit of all losses can only be utilised if the requirements of the Income Tax Assessment Act are satisfied at the time the Company seeks to utilise the available losses. This will include the requirement to meet either the continuity of ownership test or the same business test at that time.

Deferred tax assets have not been recognised for deductible temporary differences and unused tax losses as it is not presently probable that future taxable amounts will be available to utilise those temporary differences and losses.

7 Interest bearing loans and borrowings

	30 June 2014 $'000	31 December 2013 $'000
Secured borrowings – convertible notes	741	1,241
Unsecured borrowings – convertible notes	2,273	595
Unsecured borrowings – loan facility	880	150
Current	3,894	1,986
Unsecured borrowings – convertible notes	-	-
Non-current	-	-

Secured borrowings – convertible notes

Secured borrowings represent the outstanding balance at 30 June 2014 under a convertible note facility (as amended) with Partners for Growth III, LP. ("PFG"). The Company entered into a $3.0 million facility in March 2012 which was fully drawn. Partial repayments and redemption of notes have been made at various times from June 2012 onwards. The terms of the facility were amended in June 2012 upon consent being obtained from PFG to the sale of subsidiaries and business assets to KIT digital, Inc. Further amendments have been agreed from time to time. Key terms are:

- Convertible notes on issue at balance date – 741,214 (31 December 2013 – 1,241,214)
- Conversion price – lower of $A0.55 and a 20% premium to the 10 day VWAP prior to conversion date
- Interest – 8.75% pa.
- Term – initially 60 months from date of drawdown. The term was amended in June 2012 to have a maturity date of six months after the Deed of Amendment and Restatement took effect. This was to align the maturity with the release from escrow of the shares held in KIT digital, Inc. at which time repayment was expected to be made. The Company and PFG reached agreement in March 2013 to extend the maturity date to the earlier of 12 months from the date documents were executed (5 April 2013) and the

date that the Company receives any settlement proceeds and/or other consideration or top-up shares from KIT digital, Inc. Further amending documentation has subsequently been executed extending the maturity date to the earlier of:

(i) the date of settlement of the Piksel/KIT matter (Refer Note 4);

(ii) 30 September 2014; and

(iii) the date the Company successfully completes an equity capital raising which results in $2,000,000 or more in net proceeds being received.

Deferral and extension fees may become payable to PFG under the terms of the amended agreement. A liability for these fees has been accrued at balance date.

- Security - The convertible notes are secured against the assets of the Company. PFG also has a make good agreement with KIT digital, Inc. for up to $1.8 million in the event of a shortfall in value upon issue and release from escrow of the KIT digital shares (Refer Note 4). In March 2013, PFG entered into a Put Option arrangement with Gary Cohen and Gregory Cohen whereby Gary Cohen and Gregory Cohen, or their related entities, have agreed to accept an assignment or assumption from PFG of the debt amount outstanding at the exercise date. The terms of the Put Option have subsequently amended such that at the date of this report the Put Option is capable of being exercised no earlier than 30 September 2014 or the date the Company successfully completes an equity capital raising which results in $2,000,000 or more in net proceeds being received.

Unsecured borrowings – convertible notes

The Company raised $595,000 by way of an issue of 13,222,222 redeemable convertible notes to H Investments International Pty Ltd <atf the H Investments Trust> in December 2013. The notes were converted into shares on 18 March 2014 after conditions precedent to conversion were satisfied.

The Company raised $1,500,000 by way of an issue of redeemable convertible notes to H Investments International Pty Ltd <atf the H Investments Trust> in March 2014. Key terms are:

- Convertible notes on issue at balance date – 15,000,000 (31 December 2013 – nil)
- Term – 2 years from date of issue (20 March 2014)
- Ranking – unsecured
- Conversion price – The convertible notes may be converted into shares at the conversion price of $0.10 per share (subject to any adjustment in accordance with the terms and conditions of those notes).
- Interest – 9.0 per cent per annum from the date of issue on the principal amount outstanding payable quarterly in arrears and ending on the earlier of the redemption date or conversion date. Any unpaid interest will capitalise on a quarterly basis.
- Redemption – on the maturity date or if the noteholder gives a notice requiring redemption after the occurrence of a defined event of default.

The Company issued redeemable convertible notes with a face value of $773,000 to Marcel Equity Pty Ltd in March 2014 upon conversion of part of a liability to Marcel Equity Pty Ltd incurred under a Service Agreement between the companies. Key terms are:

- Convertible notes on issue at balance date – 773,000 (31 December 2013 – nil)
- Term – 2 years from date of issue (20 March 2014)
- Ranking – unsecured
- Conversion price – The convertible notes may be converted into shares at the conversion price of $0.10 per share (subject to any adjustment in accordance with the terms and conditions of those notes).
- Interest – 9.0 per cent per annum from the date of issue on the principal amount outstanding payable quarterly in arrears and ending on the earlier of the redemption date or conversion date. Any unpaid interest will capitalise on a quarterly basis.

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

The unsecured convertible notes are required to be converted into equity upon a valid conversion notice being received by the Company. A minimum 5 business days notice to convert must be provided. The unsecured convertible notes are shown as a current liability because the note holders have a current right to issue a conversion notice and notwithstanding that the convertible notes have a 2 year term to maturity.

Unsecured borrowings – loan facility

In August 2013, the Company entered into an interest bearing short term loan arrangement with Gary Cohen under which under which his company, Marcel Equity Pty Ltd, would make available up to $1,000,000 as and when required by the Company, subject to the terms of the loan arrangement. The facility amount was increased to $1,300,000 in April 2014 and the term extended to 31 March 2015. The facility limit was further increased to $1,500,000 on 13 August 2014. An amount of $880,000 was outstanding at balance date under this loan arrangement. Additional amounts have been drawn on the facility subsequent to balance date. Interest is incurred at a rate of 10.8%pa, being a rate equivalent to a bank overdraft facility at the time the arrangement was entered into. The Company's expectation is that the amount outstanding at balance date will be repaid within 12 months.

8 Issued capital and share options

	30 June 2014 Shares	31 December 2013 Shares	30 June 2014 $'000	31 December 2013 $'000
Ordinary shares, fully paid	112,226,906	99,004,684	117,996	117,436
Movement in ordinary share capital				
Fully paid shares				
Balance at the beginning of the period	99,004,684	34,449,128	117,436	114,885
Issue of shares – 18 March 2014	13,222,222	-	595	-
Issue of shares in July 2013 upon partly paid shares becoming fully paid	-	55,555,556	-	2,500
Issue of shares – 12 December 2013	-	9,000,000	-	405
Capital raising costs incurred	-	-	(35)	(354)
Net balance at end of period	112,226,906	99,004,684	117,996	117,436
Movement in ordinary share capital				
Partly paid shares				
Balance at beginning of period	-	55,555,556	-	2,217
Transfer to fully paid shares	-	(55,555,556)	-	(2,217)
Net balance at end of period	-	-	-	-

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.

On 18 March 2014, the Company issued 13,222,222 ordinary shares upon conversion of convertible notes (Refer Note 7).

The Company undertook a capital raising by way of a pro rata entitlement offer that closed on 9 April 2013. The Company raised $2.5 million, before transaction costs and expenses, of which $1.94 million was received on application and $0.56 million was received during July 2013 (after the final instalment was called for payment by the Company on 19 June 2013). Following completion of the capital raising, the Company issued 55,555,556 partly paid ordinary shares and 27,777,778 Entitlement Options. Partly paid shares converted to fully paid following payment of the call.

On 12 December 2013, the Company issued 9,000,000 ordinary shares at $0.045 per share by way of a share placement and 4,500,000 Entitlement Options.

Entitlement Options

Key terms of Entitlement Options issued on 15 April 2013 as part of the pro rata entitlement offer and 12 December 2013 as part of the transaction with H Investments International Pty Ltd are:
Exercise price – 5.0 cents per Entitlement Option
Expiry – 1 July 2018
Entitlement – one fully paid ordinary share in the Company for each Entitlement Option exercised.
There are no vesting or exercise conditions.

Movement in Entitlement Options	**30 June 2014** Entitlement Options	**31 December 2013** Entitlement Options
Balance at beginning of period	32,258,778	27,758,778
Issue of Options – 12 December 2013	-	4,500,000
Exercised during the period	-	-
Net balance at end of period	32,258,778	32,258,778

EPOP 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"). At 30 June 2014, there were 7,468,870 options (“EPOP Options”) on issue under the Employee Performance Option Plan (“Plan”) (31 December 2013 – 8,998,949). EPOP Options on issue under the Plan may have varying vesting dates. All EPOP Options on issue at 30 June 2014 expire 5 years from the applicable grant date. No share based payment expense was required to be recognised during the period as the Plan was assessed to have no value at balance date (2013 - $nil).

No share options were granted during the period ended 30 June 2014. The Company did not grant any ordinary shares to employees during the period ended 30 June 2014 as no previously issued options were exercised.

The key terms of the EPOP Options on issue at 30 June 2014 are:
Exercise price - 10 cents per option.
Vesting and exercise period - One-third of the options granted to each of the recipients will vest on each anniversary of the issue 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 issue 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 Plan.

Details of EPOP Options on issue under the Plan at 30 June 2014 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	-
24 Dec 2013	24 Dec 2018	0.10	1,800,094	-	(1,530,079)	-	270,015	-
Total			8,998,949	-	(1,530,079)	-	7,468,870	-

The Company will also issue options over 1,600,000 shares in the Company to, together, Gary Munitz and Daniel Sekers consequent upon their becoming executives of the Consolidated Entity following completion of the acquisition of the shares in Global Group Australia not already owned by the Consolidated Entity on 1 July 2014. The options will be issued on terms approved by shareholders at the Annual General Meeting held on 29 May 2014. The options are expected to be issued during September 2014.

Other Options

The Company committed pursuant to a mandate letter dated 5 August 2014 to issue to BBY Limited 5,000,000 unlisted options in the Company with an exercise price of 10.0 cents per option and a term of 5 years from 5 August 2014. Refer Note 12.

9 Reserves

	30 June 2014 $'000	31 December 2013 $'000
Employee equity benefits reserve		
Opening balance	1,527	1,527
Share based payments	-	-
Total employee benefits reserve	1,527	1,527
Total reserves	1,527	1,527

10 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 2014 $'000	31 December 2013 $'000
Within one year	-	41
Later than one year but not later than five years	-	268
Later than five years	-	-
	-	309
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	-	-

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

The terms of the share sale agreement with KIT digital, Inc. (“KIT”) required that obligations of the Company under certain lease agreements, either as a lessee or guarantor, be assigned or novated to one of the companies sold to KIT. Such assignment in respect of a leased property at 92 Albert Street Auckland, New Zealand (“the New Zealand Lease”) did not occur as provided for in the share sale agreement. The Company asserted a claim against KIT in the litigation commenced in January 2013 based upon KIT’s failure to assume the New Zealand Lease obligations. On 6 March 2013, KIT filed its response denying this claim by the Company. This legal action was automatically stayed while the KIT Chapter 11 bankruptcy process was completed and will now not be heard following approval of the KIT Plan of Reorganization. The Company submitted a claim in the KIT bankruptcy proceeding for the amount owed under the New Zealand Lease. Any objections to this claim are still to be heard and determined. Refer Note 12. This claim may or may not be paid in full and may be subject to offset. A receivable has been recognised for the fair value of the claim amount (refer Note 3).

Other commitments
On 17 October 2012, the Consolidated Entity entered into a convertible note facility with Global Group Australia Pty Limited to provide, over a 3 year period, up to $2.0 million of funding for Global Group’s business operations if drawn down by Global Group. Issued Convertible Notes will convert into ordinary shares in Global Group at the end of the 3 year availability period (or later, if agreed). Convertible Notes issued bear interest at the rate of 7.5%pa. Approximately $1.13 million remained available to be drawn under the facility at 30 June 2014 (31 December 2013 - $1.52m). The facility became an internal commitment upon completion of the acquisition of the balance of the issued shares of Global Group on 1 July 2014.

Details of options over shares committed to be issued by the Company are set out in Notes 8 and 12.

11 Contingent Liabilities

The Company was subject to possible warranty claims under the terms of the Securities Purchase Agreement entered into with KIT digital, Inc. (now Piksel Inc.) (“KIT” or “Piksel”) which, in the first instance, could have impacted the final number of shares received under the top-up formula as warranty claims were restricted to the value of the 10 per cent of KIT shares specifically held in escrow as a reserve against any warranty claims. Following the release in August 2013 from escrow of all KIT shares held by the Company, the Company is of the view that any warranty claims are limited by the value of the shares previously held in escrow. KIT raised with the Company a potential issue regarding responsibility under the share sale agreement for prior period tax liabilities of former subsidiary companies payable under an instalment plan agreed with the Australian Taxation Office. On 6 March 2013, KIT filed its response to the legal action commenced by the Company in January 2013 and counterclaimed on this matter for approximately $1.0 million. The US Bankruptcy Court dismissed the claims asserted by Piksel in June 2014, including allegations against the Company in relation to its conduct during the sale negotiations in 2012. Piksel filed an amended complaint on 13 August 2014. Refer Note 12. The Company denies liability for these allegations, including the allegations that it is responsible for the tax liability and the other allegations made against it, and intends defending the allegations.

12 Events Subsequent to Balance Date

On 1 July 2014, the Consolidated Entity completed the acquisition of the shares in Global Group Australia Pty Ltd (“GGA”) which it did not already own. GGA and its controlled entities became members of the Consolidated Group from that date. Consideration for the transaction is:

- $900,000 cash ($200,000 paid at completion and $700,000 payable after 12 months);
- The balance in fully paid ordinary shares issued at 10.0 cents per share. The final number of shares to be issued will be determined upon preparation and agreement of completion financial statements in accordance with the terms of the Share Purchase Deed. The shares are expected to be issued during September 2014.

The deferred amount payable to the GGA Vendors ($700,000) is interest bearing at a rate of 7.5%pa, secured by an option held over GGA’s issued shares and exercisable by the GGA Vendors in the event the deferred amount is not paid when due. The Company will also issue unlisted options over 1,600,000 shares in the Company to, together, Gary Munitz and Daniel Sekers consequent upon their becoming executives of the

Consolidated Entity following completion of the GGA acquisition. The options will be issued on terms approved by shareholders at the Annual General Meeting held on 29 May 2014. The options are expected to be issued during September 2014.

On 17 July 2014, the Company announced it had reached conditional agreement to acquire up to a 20 per cent shareholding in My Verified ID Corp. ("My Verified"), a US based company specialising in the development and distribution of universal verified sign in technology to eliminate fraud, reduce costs and protect against identity theft. Consideration for the investment is $A3.0 million payable over a 12 month period commencing from 1 September 2014 subject to all conditions precedent being satisfied and other terms applicable to the Payment Schedule. My Verified will enter into an agreement with the Company for the provision of defined services by the Company over a 12 month period commencing 1 September 2014. Conditions precedent to completion of the investment include the Company completing due diligence to its satisfaction and raising required finance.

On 21 July 2014, the Company announced it had signed a Foundation Agreement to acquire the Search Results Group for $5.8 million through the acquisition of shares in the operator and associated entities. Search Results Group is an Australian online media agency offering simple and affordable search, web development and marketing products to assist small and medium enterprises to grow their business. The consideration is payable on deferred terms. Deferred payment amounts will be secured against assets of the Consolidated Entity. Conditions precedent to completion of the transaction include the Company completing due diligence to its satisfaction and raising required finance. The acquisition is expected to complete in September 2014 subject to satisfaction of the conditions precedent.

On 30 July 2014, the Company entered into a Deed of Amendment for a convertible note facility with Partners for Growth III, LP whereby the maturity date of the facility was varied to be the earlier of the date of (i) settlement of the KIT digital matter, (ii) 30 September 2014 and (iii) the date the Company successfully completes an equity capital raising which results in $2,000,000 or more in net proceeds being received.

On 7 August 2014 the Company announced it would seek to raise $7.0 million of equity intended to be by way of

- a share placement to various sophisticated, professional or institutional investors and certain related parties ("Placement"). The Placement will be priced at the higher of 8.0 cents per share or the amount per share which equates to 80% of the average closing price for shares calculated over the last 5 days on which sales of shares were recorded before the date on which the Placement shares are issued (subject to certain specified exclusions); and
- a share purchase plan ("SPP") offer, conditional on completion of the Placement, to eligible shareholders to enable those shareholders to acquire additional shares in the Company on the terms of the SPP if they elect to do so.

Funds raised will be used to:

- finance the initial payment required upon completion of the proposed acquisition of Search Results Group;
- finance the proposed investment in My Verified ID Corp;
- fund the deferred payment obligations in respect of its acquisition of the balance of issued capital of Global Group Australia Pty Ltd;
- retire outstanding debt financing obligations; and
- provide working capital required to grow the Company's business.

A general meeting of shareholders to consider required resolutions in connection with the proposed capital raising is scheduled to be held on 11 September 2014.

The Company also announced that it had appointed BBY Limited to provide marketing services and assist in undertaking, arranging and managing the capital raising as Lead Manager pursuant to a mandate letter dated 5 August 2014. BBY's fee for providing the services to the Company includes 5,000,000 unlisted options in the Company with an exercise price of 10.0 cents per option and a term of 5 years from 5 August 2014. BBY received 2,500,000 options as a signing fee with the balance to be issued upon completion of the capital raising. The options to be issued to BBY are not subject any vesting conditions. BBY will also receive cash fees usual for the services to be provided and a capital raising.

In July 2014, KIT digital filed a motion seeking to extend the deadline for objections to be made to creditor claims to 9 February 2015. The motion has been approved. This may impact the timing and quantum of any distribution received by the Company's for its claims (Refer Notes 3 and 4).

On 13 August 2014, Piksel filed an amended complaint in connection with the Securities Purchase Agreement between the parties entered into during 2012. This follows the dismissal of the claim by the US Bankruptcy Court in June 2014. The amended complaint repeats previous assertions made by Piksel against the Company, including allegations against the Company in relation to its conduct during the sale negotiations in 2012. The Company denies liability and intends vigorously defending the allegations.

On 13 August 2014, the limit on the short term loan arrangement with Marcel Equity Pty Ltd was increased by $200,000 to $1,500,000.

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 25 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2014 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 28th day of August 2014

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 2014, the condensed income statement, 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 2014 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.

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Independence

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

Conclusion

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

a. giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and

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

Emphasis of Matter – Going Concern

Without qualifying our conclusion, we draw attention to Note 1(d) in the financial report, regarding the ability of the company to continue as a going concern. In determining that the going concern assumption is appropriate, the directors have made a number of assumptions and judgements, which are detailed in this note.

Emphasis of Matter – Piksel Inc. (formerly KIT digital Inc.)

Without qualifying our conclusion, we draw attention to Notes 4, 11 and 12 in the financial report, regarding the legal dispute with Piksel Inc. including the recoverability of the receivable disclosed in Note 3, and the status of the company's claims against Piksel Inc. and Piksel Inc.'s counter claims against the company.

NEXIA MELBOURNE
ABN 16 847 721 257

GEORGE S DAKIS
Partner
Audit & Assurance Services

Melbourne

28 August 2014