
INVIGOR GROUP LIMITED

ACN 081 368 274

FINANCIAL REPORT

31 DECEMBER 2017

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DIRECTORS' REPORT

The Directors present their report together with the financial report of the Consolidated Entity comprising Invigor Group Limited ("the Company" or "Invigor") and its controlled entities (together "the Consolidated Entity") for the financial year ended 31 December 2017 and the Auditor's report thereon.

Directors

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

Directors	Appointed
Gary Cohen (resigned as Chairman – 3 July 2017)	19 July 2012
Roger Clifford	18 November 2015
Gregory Cohen	19 July 2012
Jeremy Morgan	2 March 2016
Robert McKinnon (Chairman)	3 July 2017
Jack Hanrahan	3 July 2017
Claire Mula	3 July 2017
John Hayson – retired 3 July 2017	27 March 2014
Anthony Sherlock – deceased 7 December 2017	5 November 2015

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

Robert (Bob) McKinnon

Chairman and Non-Executive Director

Bachelor of Commerce (Accounting/Finance/Systems), Chartered Accountant

Bob McKinnon brings more than 40 years of business, governance, finance and technology experience to Invigor. Having previously held CEO, COO, CFO and CIO roles in major companies in the retail and wholesale financial services, property and technology sectors, Bob remains actively immersed in the technology, innovation and digital economy space. He currently sits on the Cancer Council NSW IT Committee, is a Co-founder and Director of Mirin Group, Mirin Digital and Mirin Capital, Co-founder and Director of Cherrie Civil Engineering and a Non-Executive Director and Audit Committee Chair of Blue Chilli Technology.

Bob's previous experience includes holding Group Executive, Technology and CIO roles with both Westpac Banking Group and Commonwealth Bank of Australia. Outside the technology sector, Bob's senior executive and board roles have included Non-Executive Director and Audit Committee Chair of Alesco Corporation, Joint MD and CFO of Brookfield Multiplex Group, COO and CFO of MLC Group, and CFO of Lend Lease Corporation.

Other listed company directorships in the past 3 years: None

Gary Cohen

Chief Executive Officer

Masters of Laws (Honours 2nd), Bachelor of Laws and Bachelor of Commerce

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

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

Other listed company directorships in the past 3 years:

TAG Pacific Limited – 1999 to current

Roger Clifford

Non-Executive Director

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

Other listed company directorships in the past 3 years: None

Gregory Cohen

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

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

Other listed company directorships in the past 3 years: None

Jeremy Morgan

Non-Executive Director
Bachelor of Arts, Bachelor of Law

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

Other listed company directorships in the past 3 years: None

Jack Hanrahan

Non-Executive Director
Masters of Business (Management)

Jack Hanrahan has over 30 years of retail industry experience and a deep understanding of retail trends, technologies and strategies as well as a network of local and international contacts. He has previously been General Manager of Retailer Relations at Scentre Group Limited, an ASX listed company and owner of the Westfield brand in Australia and New Zealand. He is also on the Board of World Skills Australia; an organisation devoted to the development of skills within young Australians.

Previously, Jack served in a variety of Senior Executive roles in both public and private retail companies, with roles including General Manager of Vodafone Australia and CEO of Aquareuse (Aust) Limited, an unlisted public company.

Other listed company directorships in the past 3 years: None

Claire Mula

Chief Operating Officer
Bachelor of Commerce and Masters of International Business

Claire Mula has over 21 years of Commercial, Product and General Management experience in Digital Marketing, Media and FMCG and was co-founder and Executive Director of Invigor Asia Pte Limited (previously Spooki), a company that provided data-driven engagement and loyalty solutions for APAC major retailers, brands and shopping malls. Prior to founding Spooki, Claire held a number of management roles within large, blue-chip

digital companies and dynamic start-ups alike including General Manager, Multimedia Interactive Technologies for ASTRO (Malaysia), one of Asia's largest broadcasters, overseeing all Internet, mobile and Interactive TV products & services.

Claire has also held Senior Marketing and Product Development roles for Australia's premier publisher, Fairfax Digital Media, publisher of the Sydney Morning Herald, The Age and the Australian Financial Review (Australia) and Brand Management roles within FMCG retail marketing giant, Procter & Gamble (Europe).

Other listed company directorships in the past 3 years: None

Company Secretary

Leanne Ralph

Bachelor of Business majoring in Accounting and Finance

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

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

Director Meetings

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

Directors	Board Meetings		Audit & Risk Committee Meetings*		Remuneration Committee Meetings	
	A	B	A	B	A	B
Gary Cohen	16	16	0	0	0	0
Roger Clifford	16	16	0	0	0	0
Gregory Cohen	16	15	0	0	0	0
John Hayson	10	10	0	0	0	0
Jeremy Morgan	16	14	0	0	0	0
Anthony Sherlock	15	13	0	0	0	0
Robert McKinnon	7	7	0	0	0	0
Jack Hanrahan	7	7	0	0	0	0
Claire Mula	7	6	0	0	0	0

A - Number of meetings held during the time the director held office during the period.

B - Number of meetings attended.

n/a – not applicable.

*The Audit & Risk Committee and Remuneration Committee were formed in December 2017.

Environmental Regulation and Performance

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

Principal Activity

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

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

Significant Changes in the State of Affairs

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

Invigor Asia Pte Limited (previously Sprooki Pte Limited)

The Company acquired 100% of the issued share capital of Invigor Asia Pte Limited ("Invigor Asia" or "Sprooki") on 30 June 2017, with effective control from 1 May 2017. Sprooki's principal activities consist of mobile engagement, loyalty and customer relationship management software for retail sector clients. Sprooki operates primarily in Singapore and Australia.

Operating and Financial Review

Result for the period

The net loss after tax of the Consolidated Entity for the year ended 31 December 2017 was \$13,150,000 (31 December 2016 - \$6,775,000 loss).

The result for 2017 reflects:

- revenue from sales, licence fees, services and grants for the period of \$8.6 million (2016: \$8.5 million).
- impairment charges of \$6,950,000 raised against the Australian (IDS) goodwill, the TUXXE investment and the MVID patent (2016: \$1,469,000 impairment charges).
- interest and borrowing costs incurred on convertible note and debt facilities of \$1,112,000 (2016: \$336,000).
- the integration of Invigor Asia (previously Sprooki) which was acquired in May 2017.
- the continued investment in product development.

Product offerings

Data Intelligence and Analytics - Australasia

Following the acquisition of the Sprooki business in 2017, the Group's Australasian business has focused on two major complementary product suites within Data Intelligence and Analytics being Pricing and Loyalty. The business plan is to use the complementary suite of big data products to source, aggregate, analyse and publish insights and content for the benefit of businesses and consumers. The interconnected data sets enable enterprise clients including retailers, brands, shopping centres, transport hubs, large venues and government bodies to identify and better understand competitors, consumers, markets and demographics while providing the consumer with the best value for money. Using its current products and a pipeline of additional offerings, the Group will have the ability to provide an end-to-end solution spanning sales, product management, business intelligence, marketing, advertising, content creation and distribution, while monetising each step of the process.

This division has the following main products:

Pricing

- **Insights Retail:** a competitive market intelligence platform for retailers and brands. It provides online and offline pricing and promotional intelligence that allows businesses to increase revenue, margin and market share.
- **SpotLite:** an easy to use online price tracking solution for retailers and brands of any industry, size and geography. It provides competitive advantage and insights through a comprehensive dashboard, charts and a variety of personalised email reports that help businesses maximise margin, increase revenue and sales.

Loyalty

- **Loyalty:** provides solutions to help to engage customers in a personalised way to improve frequency, loyalty and spend. They enable our customers with actionable insights and automate recommendations that shape

future customer strategy. Invigor Loyalty includes a comprehensive range of solutions that cover full shopper journey lifecycle. These are Shopper Insights, Visitor, Campaign, Rewards and Predict Modules.

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

Condat

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

Workforce Management Solution

Skyware is a sophisticated mobile workforce management solution for companies with field staff in service and maintenance. Skyware enables companies with mobile workers conducting skilled, technical work processes (such as fixing infrastructure or maintaining assets) to more effectively and efficiently complete the task at hand. Skyware can integrate into the relevant customer interfaces including major ERP systems and legacy platforms to ensure a single source of truth. Skyware delivers customer satisfaction along with improved worker efficiency (more jobs completed per day) and reduction in travel time and costs. Skyware currently counts some of Europe's largest enterprises as customers, including Unity Media, Deutsche Bahn and Enetrag.

A year of significant growth and transformation

Invigor delivered solid operational progress across the group including securing new partnerships, launching and acquiring new businesses, locking in new contracts and multiple contract extensions, and strengthening its balance sheet with commitments received from new investors and existing shareholders throughout the year.

As a result of the decision to conduct a strategic review of the non-core operations during the year, Invigor announced on 27 February 2018 that it had reached an agreement to sell Condat AG, comprising the Media division for €2.4 million (\$3.75 million). As part of this divestment Invigor has established a subsidiary, TillerStack Ltd to acquire from Condat the Skyware workforce management division. The proceeds of this sale will be used to retire approximately \$3.6 million in debt and positions the Company for major growth with its two core divisions being Data Intelligence and Analytics and Workforce Management Solutions.

The decision to acquire Skyware follows on from the announcement in December to expand the Skyware Workforce Management Solution into the Asia Pacific region. Skyware's platform assists companies with their requirements around workforce mobility. Based on Skyware's strong performance in Europe and its recent new client wins, Skyware has considerable potential to grow in the Asia Pacific region.

Completion of the transformational Sprooki acquisition

Invigor's transformational acquisition of Singapore-based engagement and loyalty platform Sprooki was completed on 30 June 2017. Whilst Sprooki contributed \$279,000 of revenue in 2017, it has unlocked strong synergies between Invigor and Sprooki, giving the Company an established global customer footprint spanning Australia, Asia and Europe and significantly strengthened the Company's management ranks and the capabilities and experience of its Board. The acquisition also positions Invigor as a leader in the loyalty and data driven retail market currently undergoing transformation, with a comprehensive portfolio of data driven solutions for commerce that enable online and bricks and mortar retailers, brands and shopping malls to compete more effectively in this new world.

Multiple contract wins and extensions

Invigor secured a string of major sales contract wins for its Pricing solution during the year. Industry-leading companies added to the Company's revenue-generating customer base including leading international liquor and wine brands.

The benefits of the Sprooki acquisition were demonstrated and reinforced with two pilots being commenced with two major Australian shopping mall groups. And again, in early December with Ayala Malls (a division of Ayala Land in the Philippines which owns and operates over 30 malls) deploying Invigor's Visitor insights solution as a pilot with a view to rolling the solution out across its network. In early January the Company signed an Agreement with Singaporean Group Mercatus Cooperative to use Loyalty in their three Singaporean Malls.

Full scale launch and scale up of SpotLite

During the first half of the year, Invigor undertook a full-scale launch of its market intelligence and price tracking solution SpotLite and subsequently launched the platform in the United States, Asia, the United Kingdom, Western Europe, South America and the Middle East.

By year end SpotLite subscription levels have grown significantly. Major new paid SpotLite customers now include leading Australian and International Brands, on-line retailers and Telcos.

International partnerships secured

During the year, Invigor entered into a series of partnerships with industry-leading international companies to accelerate sales growth and leverage synergies with highly-innovative third-party technology solutions. Major partnerships included Australia's largest digital out-of-home advertising provider VMO (Val Morgan Outdoor) where Invigor launched a free wi-fi technology showcase that has monetised the significant traffic flow through the world-famous Manly Wharf precinct.

A key development for the Company was the signing in late December of a new, binding Memorandum of Understanding (MoU) with Microsoft Pty Ltd following completion of a successful pilot project between the two companies.

Under the MoU, Microsoft and Invigor will collaborate to drive digital transformation in the retail industry, a key strategic vertical focus for both organisations. Microsoft will provide Invigor with co-marketing funds, technical training and development resources to support product development and accelerate the growth in customer adoption of Invigor's Shopper Insights and SpotLite solutions on Microsoft Azure.

A solid performance by Condat

Condat continued to deliver a steady financial performance. The business booked revenue of \$6.7 million (2016: \$7 million) and earnings before interest, tax, depreciation and amortisation (EBITDA) was \$947,000, an 85% increase on 2016 (\$512,000). Gross margin also grew to 21% an increase from 2016 gross margin of 18%.

Strengthening the balance sheet and funding future growth

The Company had cash reserves of \$511,000 at 31 December 2017 (31 December 2016: \$642,000).

In April 2017, shareholders approved a \$2.52 million Convertible Note issue and short-term loan funds were transferred to this facility. These notes are for 1 year and are now convertible at \$0.007 following subsequent capital raises.

In May 2017 Invigor raised \$1.1 million from sophisticated investors to fund the Sprooki acquisition. This was complemented by a \$1.34 million Convertible Note issue in October. These notes are for 1 year and are convertible at \$0.012.

In December 2017 Invigor completed a \$2.2 million capital raising, and a further \$1.15 million raise subsequent to year-end. This has allowed the Company to repay some debts and deliver greater financial flexibility.

Options approved on 27 February 2018 have raised an additional \$0.8 million of cash in March 2018, and also raised \$0.1 million used to settle debts of the Company to the date of this report.

As noted above the sale of the Media division of Condat will enable the reduction of approximately \$3.6 million in debts.

Dividends

No interim dividend for the 2017 financial year was proposed or declared. No final dividend for the 2016 financial year has been proposed or declared. A dividend reinvestment plan has not been activated.

Events subsequent to reporting date

On 14 February 2018 the Company established a wholly owned subsidiary TillerStack Ltd, a non-listed public company. TillerStack Ltd will acquire the Skyware workforce management division from Condat AG (see below).

On 22 February 2018 a binding term sheet was entered into for the sale of Condat AG. The contract is due for completion by 30 April 2018. Before this date, certain assets of Condat AG relating to the Skyware business are expected to be transferred to TillerStack Ltd.

On 27 February 2018 the issue of 151,297,571 shares to sophisticated investors and related parties of the Company was approved by shareholders. The shares were issued on 28 February 2018. 1,071,428 ordinary shares were also issued as placement fees on 7 March 2018.

In addition, on 27 February 2018, the issue of 169,424,287 options as described in note 20(d) were approved by shareholders. To the date of this report 114,035,000 ordinary shares have been issued on exercise of these options.

On 7 February 2018 and 27 March 2018, the Company has received from a Sophisticated Investor a total of \$1,000,000 for Convertibles Notes expiring on 7 May 2018, with an interest rate of 10% pa. These notes provide the Investor with the option to convert to a 10% cornerstone shareholding in TillerStack Ltd or to convert to shares in the Company at a conversion price of 1.0 cent per note subject to adjustments.

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

Likely Developments and Prospects

The Company is looking to leverage both existing and new partnerships to drive further growth across all business units. The Company expects to announce a number of key partnerships with market leading organisations that will significantly strengthen the distribution channels for both Pricing and Loyalty, and looking to expand Workforce Management in Europe, Australia and Asia.

The Company expects implementation of its business strategy to deliver improved financial results.

Share Options

(a) Entitlement Options

The Company issued options pursuant to a pro rata entitlement offer completed in April 2013. Additional options, on the same terms, were issued in December 2013, March 2014 and July 2016. There were 76,867,889 of these options ("Entitlement Options") on issue at 31 December 2017. Key terms of these options are:

Exercise price – 5.0 cents per Entitlement Option

Expiry – 1 July 2018

Entitlement – one fully paid ordinary share in the Company for each Entitlement Option exercised.

There are no vesting or exercise conditions.

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

Entitlement Options	#
Balance at 1 January 2017	76,867,889
Add: Options granted	-
Net balance at the date of this report	<u>76,867,889</u>

(b) Options granted under incentive plans

The Company provides benefits to defined employees of the Consolidated Entity (including executive directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares. Approved incentive plans for the granting of options to defined employees (including executive directors) ("Plans") are in place. At 31 December 2017, there were 42,235,528 options on issue under the Plans (2016 – 29,668,866). Options on issue under the Plans may have varying vesting dates. All options on issue under the Plans at 31 December 2017 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 2017 upon exercise of options as no previously granted options were exercised. The issue of shares upon the exercise of options will be governed by the terms of the relevant plan.

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

Date options granted	Expiry date	Exercise price	Balance at 1 January 2017	Issued during the period	Cancelled or Lapsed during the period	Exercised during the period	Balance at the end of the period *	Exercisable at the end of the period
		\$	#	#	#	#	#	#
22-Jul-13	22-Jul-18	0.10	7,198,855	-	-	-	7,198,855	7,198,855
24-Dec-13	24-Dec-18	0.10	270,015	-	-	-	270,015	270,015
17-Sep-14	17-Sep-19	0.10	3,866,663	-	(583,335)	-	3,283,328	3,283,328
26-Mar-15	26-Mar-20	0.10	3,750,000	-	(583,335)	-	3,166,665	2,499,998
1-Jul-15	1-Jul-20	0.10	6,583,333	-	-	-	6,583,333	4,416,667
29-Jul-15	29-Jul-20	0.10	1,250,000	-	(833,333)	-	416,667	416,667
1-Dec-15	1-Dec-20	0.10	1,250,000	-	(833,335)	-	416,665	416,665
12-Jul-16	12-Jul-21	0.05	5,000,000	-	(2,500,000)	-	2,500,000	2,500,000
30-Aug-16	30-Aug-21	0.05	500,000	-	(500,000)	-	-	-
20-May-17	20-May-22	0.05	-	8,400,000	(500,000)	-	7,900,000	-
22-Jun-17	22-Jun-22	0.03	-	1,000,000	-	-	1,000,000	-
3-Jul-17	3-Jul-22	0.05	-	2,000,000	-	-	2,000,000	-
1-Aug-17	1-Aug-22	0.05	-	8,250,000	(750,000)	-	7,500,000	-
Total			29,668,866	19,650,000	(7,083,338)	-	42,235,528	21,002,195

*Subsequent to the end of the period an additional 4,250,000 options have been forfeited. No additional incentive options have been issued under these Plans to the date of this report, and no options have been exercised to the date of this report.

(c) Other Options

The Company has granted options over shares ("Other Options") as part of fee arrangements for capital markets and other services pursuant to mandate letters with the firms providing the services and as part of the fee arrangements for convertible note facilities entered into in June 2015. The Company has also granted 750,000 options over shares to certain Non-Executive Directors of the Company pursuant to terms approved by shareholders on 25 May 2016 and a further 750,000 options over shares pursuant to terms approved by shareholders on 19 April 2017 and 5 July 2017.

Subsequent to the end of the period on 28 February 2018, the Company granted 169,424,287 options to sophisticated investors as part of the capital raising completed in December 2017, and pursuant to terms approved by shareholders on 27 February 2018.

Key terms of the Other Options are detailed in the table below:

Date options granted	Expiry Date	Exercise price	Balance at 1 January 2017	Issued during the period	Cancelled or Lapsed during the period	Exercised during the period	Balance at the end of the period*	Exercisable at the end of the period*
		\$	#	#	#	#	#	#
18-Aug-14	5-Aug-19	0.10	5,000,000	-	-	-	5,000,000	5,000,000
1-May-15	1-May-18	0.10	5,000,000	-	-	-	5,000,000	5,000,000
14-Jul-15	16-Jul-18	0.10	3,000,000	-	-	-	3,000,000	3,000,000
17-Jun-16	17-Jun-21	0.10	750,000	-	-	-	750,000	750,000
17-Jun-16	17-Jun-19	0.045	10,000,000	-	-	-	10,000,000	10,000,000
19-Apr-17	19-Apr-22	0.05	-	750,000	-	-	750,000	750,000
5-Jul-17	5-Jul-22	0.03	-	500,000	-	-	500,000	-
5-Jul-17	5-Jul-22	0.05	-	250,000	-	-	250,000	-
Total			23,750,000	1,500,000	-	-	25,250,000	24,500,000

* 169,424,287 options issued on 28 February 2018 have an exercise price of \$0.07 and expire on 31 March 2018. To the date of this report 114,035,000 ordinary shares have been issued on exercise of these options.

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

Directors' interests

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

Ordinary shares	Balance at 1 January 2017 #	Purchases #	Transfers in (out) upon becoming (ceasing to be) a director #	Balance at 31 December 2017 #	Net purchased from 31 Dec 2017 to date of this report #	Balance at the date of this report #
Roger Clifford	3,750,000	-	-	3,750,000	7,559,524	11,309,524
Gary Cohen	24,988,951	-	-	24,988,951	10,714,286	35,703,237
Gregory Cohen	26,324,232	-	-	26,324,232	10,714,286	37,038,518
John Hayson	52,478,732	-	(52,478,732)	-	-	-
Anthony Sherlock	-	-	-	-	-	-
Jeremy Morgan	-	-	-	-	6,547,619	6,547,619
Bob McKinnon	-	787,503	-	787,503	7,142,857	7,930,360
Jack Hanrahan	-	590,627	-	590,627	2,678,571	3,269,198
Claire Mula	-	36,448,942	-	36,448,942	5,357,143	41,806,085

Entitlement Options	Balance at 1 January 2017 #	Purchases (Disposals) #	Transfers in (out) upon becoming (ceasing to be) a director #	Balance at 31 December 2017 #
Roger Clifford	-	-	-	-
Gary Cohen	6,506,250	-	-	6,506,250
Gregory Cohen	6,630,389	-	-	6,630,389
John Hayson	11,111,111	-	(11,111,111)	-
Anthony Sherlock	-	-	-	-
Jeremy Morgan	-	-	-	-
Bob McKinnon	-	-	-	-
Jack Hanrahan	-	-	-	-
Claire Mula	-	-	-	-

Incentive Plan Options	Balance at 1 January 2017 #	Net granted (cancelled) during the financial year #	Transfers in (out) upon becoming (ceasing to be) a director #	Balance at 31 December 2017 #
Roger Clifford	-	-	-	-
Gary Cohen	8,999,284	-	-	8,999,284
Gregory Cohen	2,899,857	-	-	2,899,857
John Hayson	-	-	-	-
Anthony Sherlock	-	-	-	-
Jeremy Morgan	-	-	-	-
Bob McKinnon	-	-	-	-
Jack Hanrahan	-	-	-	-
Claire Mula	-	2,000,000	-	2,000,000

Other Options	Balance at 1 January 2017 #	Net granted (cancelled) during the financial year #	Transfers in (out) upon becoming (ceasing to be) a director #	Balance at 31 December 2017 #	Net granted from 31 Dec 2017 to date of this report #	Net (exercised) from 31 Dec 2017 to date of this report #	Balance at the date of this report #
Roger Clifford	250,000	250,000	-	500,000	3,779,762	-	4,279,762
Gary Cohen	-	-	-	-	3,571,429	(3,571,429)	-
Gregory Cohen	-	-	-	-	3,571,429	(3,571,429)	-
John Hayson	-	-	-	-	-	-	-
Anthony Sherlock	250,000	250,000	(500,000)	-	-	-	-
Jeremy Morgan	250,000	250,000	-	500,000	3,273,809	-	3,773,809
Bob McKinnon	-	500,000	-	500,000	3,571,428	-	4,071,428
Jack Hanrahan	-	250,000	-	250,000	892,857	(892,857)	250,000
Claire Mula	-	-	-	-	1,785,714	(1,785,714)	-

Remuneration Report

The Remuneration Report for the year ended 31 December 2017 is set out on page 14 and forms part of this Directors' Report.

Indemnification and Insurance of Officers

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

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

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

Audit and Non-Audit Services

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

	2017 \$	2016 \$
Audit services	77,087	70,621
Other services	-	-
	<u>77,087</u>	<u>70,621</u>

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

Audit services	129,194	114,130
Other services	52,358	82,117
	<u>181,552</u>	<u>196,247</u>
Total	<u>258,639</u>	<u>266,868</u>

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

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

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

The lead auditor's independence declaration is set out on page 19 and forms part of the Directors' Report for the year ended 31 December 2017.

Rounding off

In accordance with the Australian and Securities Investments Commissions Corporation (Rounding in Financial/Directors Reports) Instrument 2016/191, amounts in the financial report and Directors' Report are rounded to the nearest thousand dollars unless otherwise stated.

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



Bob McKinnon
Chairman



Gary Cohen
Director and CEO

Dated at Sydney this 28th day of March 2018

REMUNERATION REPORT - AUDITED

Principles used to determine the nature and amount of remuneration

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

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

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

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

Long term incentive plans

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

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

Non-executive directors

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

Non-executive director fees have been set at \$25,000 per annum each since July 2012. The non-executive Chairman's fees have been set at \$54,750 from July 2017. Directors who are members of the Audit & Risk Committee or Remuneration Committee do not receive additional fees.

Key Management Personnel (KMP) remuneration (Company and Consolidated)

Year ended 31 December 2017	Short Term				Post-Employment	Other Long-Term Benefits	Share Based Payments		Total	Proportion of rem. performance related
	Cash salary, fees and compensated absences	Cash Bonus	Non-monetary benefits	Super-annuation	Termination benefits	Long Service Leave	Cash settled	Options and Shares		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Directors										
Roger Clifford	25,000	-	-	-	-	-	-	1,775	26,775	-
Gary Cohen	300,000	-	-	19,570	-	-	-	74,550	394,120	-
Gregory Cohen	269,616	-	-	-	-	-	-	33,133	302,749	-
John Hayson ¹	-	-	-	-	-	-	-	-	-	-
Jeremy Morgan	25,000	-	-	-	-	-	-	1,775	26,775	-
Anthony Sherlock ²	24,458	-	-	542	-	-	-	1,775	26,775	-
Bob McKinnon ³	27,163	-	-	-	-	-	-	675	27,838	-
Jack Hanrahan ⁴	13,688	-	-	-	-	-	-	292	13,980	-
Claire Mula ⁵	128,791	-	-	9,500	-	-	-	2,333	140,624	-
Executives⁷										
Christof Peltason	226,543	-	-	31,788	-	-	-	-	258,331	-
Michael Stone ⁶	192,568	-	-	17,182	-	-	-	12,338	222,088	-
Total	1,232,827	-	-	78,582	-	-	-	128,646	1,440,055	

1 John Hayson had previously waived his entitlement to directors' fees, and retired as a Director on 3 July 2017

2 Deceased 7 December 2017

3 Chairman and Non-executive Director from 3 July 2017

4 Non-executive Director from 3 July 2017

5 KMP, COO from 1 May 2017, and Executive Director from 3 July 2017

6 KMP, Executive (Director of Products) from 1 January 2017

7 Preethi Narayanan ceased to be KMP from 1 January 2017

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

1 John Hayson waived his entitlement to directors' fees

2 Non-executive director from March 2016

3 David Neufeld resigned as CFO and Company Secretary on 31 October 2016

Options granted to key management personnel

Incentive Option plan

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 2017, there were 42,235,528 options granted under the Plans (2016 – 29,668,866) of which 15,149,141 were granted to key management personnel (2016 – 11,899,141). Options granted under the Plans may have varying vesting dates. All options granted under the Plans at 31 December 2017 expire 5 years from the applicable grant date. A share based payment expense of \$256,000 (2016 - \$372,000) was recognised during the year for incentive options of which \$122,354 related to incentive options granted to key management personnel (2016 - \$174,480).

The Company did not issue any ordinary shares to participants during the year ended 31 December 2017 upon exercise of incentive options as no previously granted incentive options were exercised (2016 – nil). The issue of shares upon exercise of incentive options will be governed by the terms of the relevant Plan.

Terms of Issue

Exercise price: Options issued in 2013 and 2015; 10.0 cents per option, Options issued in 2017; 5.0 cents per option.

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

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

Fair values: Options issued in 2017 to Claire Mula have a grant date fair value of 0.7 cents per option, Options issued in 2017 to Michael Stone have a grant date fair value of 0.92 cents per option.

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

2017 Incentive Plan Options	Balance at 1 January 2017 #	Granted during the financial year #	Cancelled during the financial year #	Transfers in / (Transfers out)¹ #	Balance at 31 December 2017 #	Vested during the financial year #	Vested and exercisable at 31 December 2017 #
Directors							
Roger Clifford	-	-	-	-	-	-	-
Gary Cohen	8,999,284	-	-	-	8,999,284	1,500,000	7,499,284
Gregory Cohen	2,899,857	-	-	-	2,899,857	666,667	2,233,191
John Hayson ²	-	-	-	-	-	-	-
Jeremy Morgan	-	-	-	-	-	-	-
Anthony Sherlock ³	-	-	-	-	-	-	-
Bob McKinnon ⁴	-	-	-	-	-	-	-
Jack Hanrahan ⁵	-	-	-	-	-	-	-
Claire Mula ⁶	-	2,000,000	-	-	2,000,000	-	-
Executives							
Preethi Narayanan ⁷	750,000	-	-	(750,000)	-	-	-
Michael Stone ⁸	-	750,000	(250,000)	750,000	1,250,000	250,000	500,000
Christof Peltason	-	-	-	-	-	-	-

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

² John Hayson retired as Director on 3 July 2017

³ Deceased 7 December 2017

⁴ Chairman and Non-executive Director from 3 July 2017

⁵ Non-executive Director from 3 July 2017

⁶ COO from 1 May 2017, and Executive Director from 3 July 2017

⁷ Preethi Narayanan ceased to be KMP from 1 January 2017

⁸ KMP, Executive (Director of Products) from 1 January 2017

2016 Incentive Plan Options	Balance at 1 January 2016 #	Granted during the financial year #	Cancelled during the financial year #	Transfers in / (Transfers out) ² #	Balance at 31 December 2016 #	Vested during the financial year #	Vested and exercisable at 31 December 2016 #
Directors							
Roger Clifford	-	-	-	-	-	-	-
Gary Cohen	8,999,284	-	-	-	8,999,284	2,999,762	5,999,284
Gregory Cohen	2,899,857	-	-	-	2,899,857	966,620	1,566,524
John Hayson	-	-	-	-	-	-	-
Jeremy Morgan	-	-	-	-	-	-	-
Anthony Sherlock	-	-	-	-	-	-	-
Executives							
Brian Cohen	899,857	-	-	(899,857)	-	-	-
Preethi Narayanan	750,000	-	-	-	750,000	250,000	250,000
David Neufeld ¹	1,899,857	-	-	(1,899,857)	-	-	-
Christof Peltason	-	-	-	-	-	-	-

¹ David Neufeld resigned as CFO and Company Secretary on 31 October 2016

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

Other Option plan

The Company also provides other option entitlements to non-executive directors. All grants are in accordance with terms approved by shareholders. 1,750,000 other options were held by non-executive directors at 31 December 2017 (31 December 2016 – 750,000). A share-based payment expense of \$6,292 was recognised in the year (31 December 2016 - \$15,000).

Other Options	Balance at 1 January 2017 #	Net granted (cancelled) during the financial year #	Transfers in (out) upon becoming (ceasing to be) a director #	Balance at 31 December 2017 #	Vested during the financial year #	Vested and exercisable at 31 December 2017 #
Roger Clifford	250,000	250,000	-	500,000	250,000	500,000
Gary Cohen	-	-	-	-	-	-
Gregory Cohen	-	-	-	-	-	-
John Hayson	-	-	-	-	-	-
Anthony Sherlock	250,000	250,000	(500,000)	-	-	-
Jeremy Morgan	250,000	250,000	-	500,000	250,000	500,000
Bob McKinnon	-	500,000	-	500,000	-	-
Jack Hanrahan	-	250,000	-	250,000	-	-
Claire Mula	-	-	-	-	-	-

Options issued to key management personnel including non-executive directors in February 2018 represent transactions with shareholders and therefore no share-based payment expense will be recognised in relation to these grants.

Employment arrangements for executive key management personnel

The executive key management personnel during 2017 were:

Gary Cohen	Chief Executive Officer (resigned as Chairman on 3 July 2017)
Gregory Cohen	Executive Director – Finance and Operations
Claire Mula	Executive Director, Spooki – from 1 May 2017, Chief Operating Officer, Invigor Group – from 1 July 2017
Michael Stone	Director of Product – from 1 January 2017
Christof Peltason	Chief Executive Officer, Condat AG

The remuneration arrangements for each of these key management personnel during 2017 were:

- Employment agreements:
 - Gary Cohen's base remuneration was \$300,000 per annum plus superannuation. The notice period for Gary Cohen is six months, and no termination payments are provided for under the employment agreement.
 - Gregory Cohen's base remuneration was \$269,616 per annum. Gregory Cohen's arrangements are in place via a consultancy agreement with a personally related entity. The notice period under this agreement is six months.
 - Claire Mula's base remuneration from 30 June 2017 was \$200,000 per annum plus superannuation. The initial term of Claire Mula's agreement is 12 months with an option to renew. The notice period under this agreement is three months.
 - Michael Stone's base remuneration was \$190,000 per annum plus superannuation. The notice period under the employment agreement is one month.
- Entitlement to participate in long term incentive arrangements as detailed above.
- Short term bonus arrangements ("Bonus"). Bonus payments are discretionary and based on the Company being profitable. Bonuses will be calculated in accordance with the following principles:
 - A Group Bonus Pool will be determined first on the Company reaching its Target EBITDA ("Target").
 - If EBITDA is less than 90% of the Target, the Group Bonus Pool will not be activated.
 - If EBITDA is between 90% and 100% of the Target, the Bonus Pool will grow from 50% to 100% pro rata.
 - If there is overachievement of the Target, an additional 33% Group Bonus Pool will be added pro rata up to a maximum Target of 150% overachievement.
 - Generally Key Management Personnel will be entitled to 100% of their base remuneration (not including superannuation) for Over Target Earnings. Separate bonus arrangements exist for Christof Peltason based on the performance of Condat AG.
 - If the Group Bonus Pool is not activated, then no Key Management Personnel will be entitled to a Bonus.
 - Bonuses will be paid in cash unless there is an election by the executive to receive up to 50% of the Bonus in shares in the Company.

No Bonuses were paid or are payable to key management personnel for the 2017 financial year (2016: nil).

Moore Stephens Audit (Vic)

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

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2017, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



MOORE STEPHENS AUDIT (VIC)

ABN 16 847 721 257



ANDREW JOHNSON

Partner

Audit & Assurance Services

Melbourne, Victoria

28 March 2018

		Consolidated 31 December 2017 \$'000	Consolidated 31 December 2016 \$'000
	Note		
Revenue	4	7,449	7,515
Other revenue/income	4	1,150	985
Total revenue/other income		8,599	8,500
Employee benefits expense	5	(7,735)	(7,757)
Professional fees		(1,005)	(1,333)
Impairment of goodwill and intangible assets	14	(5,200)	-
Impairment of other financial assets	11	(1,750)	(1,469)
Other operating costs	6	(3,113)	(3,175)
Profit/ (Loss) from Joint Venture	10	(47)	(35)
Profit/ (Loss) on non-current assets		(13)	(320)
Total profit (loss) before financing costs, tax, depreciation and amortisation		(10,264)	(5,589)
Depreciation and amortisation	13,14	(1,768)	(837)
Total profit (loss) before financing costs and tax		(12,032)	(6,426)
Financing costs		(1,112)	(336)
Profit (loss) before income tax		(13,144)	(6,762)
Income tax benefit (expense)	7	(6)	(13)
Profit (loss) for the period		(13,150)	(6,775)
Other comprehensive income			
Foreign currency translation reserve		(10)	(92)
Total comprehensive income (loss) for the period		(13,160)	(6,867)
Earnings per share		Cents	Cents
Basic earnings (loss) per share attributable to ordinary equity holders	30	(2.16)	(1.68)
Diluted earnings (loss) per share attributable to ordinary equity holders	30	(2.16)	(1.68)

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

		Consolidated 31 December 2017 \$'000	Consolidated 31 December 2016 \$'000
Note			
CURRENT ASSETS			
	Cash and cash equivalents	8 511	642
	Trade and other receivables	9 1,952	1,631
	Assets held for sale and Other financial assets	11 -	11
	Total Current Assets	2,463	2,284
NON-CURRENT ASSETS			
	Other financial assets	11 -	1,750
	Property, plant and equipment	13 80	152
	Investments accounted for using the equity method	10 9	-
	Intangible assets	14 14,814	15,375
	Total Non-Current Assets	14,903	17,277
	TOTAL ASSETS	17,366	19,561
CURRENT LIABILITIES			
	Other creditors and accruals	15 2,427	2,156
	Investments accounted for using the equity method	10 -	1
	Interest bearing loans and borrowings	16 8,816	7,251
	Provisions	17 345	146
	Total Current Liabilities	11,588	9,554
NON-CURRENT LIABILITIES			
	Interest bearing loans and borrowings	16 2,301	353
	Provisions	17 21	85
	Total Non-Current Liabilities	2,322	438
	TOTAL LIABILITIES	13,910	9,992
	NET ASSETS	3,456	9,569
EQUITY			
	Issued capital	19 146,582	140,848
	Reserves	21 3,464	2,161
	Accumulated losses	22 (146,590)	(133,440)
	TOTAL EQUITY	3,456	9,569

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

		Consolidated 31 December 2017 \$'000	Consolidated 31 December 2016 \$'000
	Note		
Cash flows from operating activities			
Receipts from customers		8,332	9,479
Payments to suppliers and employees		(14,500)	(15,379)
Interest received		8	6
Other income received		1,150	985
Net cash from (used in) operating activities	31	(5,010)	(4,909)
Cash flows from investing activities			
Payments for property, plant and equipment		(5)	(44)
Payments for acquisition of investments and convertible notes		(59)	(34)
Payments for other assets		-	849
Net cash outflow upon acquisition of business operations, net of cash acquired	3	(60)	(970)
Net cash from (used in) investing activities		(124)	(199)
Cash flows from financing activities			
Proceeds from issue of shares	19	2,309	2,461
Proceeds for future share issues		646	-
Proceeds from issue of convertible notes		3,860	-
Proceeds from borrowings		6,601	7,020
Borrowing costs paid		(1,043)	(389)
Repayment of borrowings		(7,337)	(4,054)
Capital raising costs paid		(33)	(388)
Net cash flow from (used in) financing activities		5,003	4,650
Net increase (decrease) in cash and cash equivalents		(131)	(458)
Cash and cash equivalents at 1 January		642	1,100
Cash and cash equivalents at 31 December		511	642

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

	Issued Capital	Accumulated Losses	Reserves	Total
Consolidated	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2017	140,848	(133,440)	2,161	9,569
Profit (loss) for the period	-	(13,150)	-	(13,150)
Foreign currency translation reserve	-	-	(10)	(10)
Total comprehensive income (loss)	-	(13,150)	(10)	(13,160)
Transactions with owners in their capacity as owners:				
Issue of shares	5,893	-	-	5,893
Shares not yet issued reserve	-	-	909	909
Share based payments reserve	-	-	256	256
Options reserve	-	-	148	148
Capital raising costs reversed (incurred)	(159)	-	-	(159)
Balance at 31 December 2017	146,582	(146,590)	3,464	3,456
Balance at 1 January 2016	137,351	(126,665)	1,750	12,436
Profit (loss) for the period	-	(6,775)	-	(6,775)
Foreign currency translation reserve	-	-	(92)	(92)
Total comprehensive income (loss)	-	(6,775)	(92)	(6,867)
Transactions with owners in their capacity as owners:				
Issue of shares	3,885	-	-	3,885
Share based payments reserve	-	-	372	372
Options reserve	-	-	131	131
Capital raising costs incurred	(388)	-	-	(388)
Balance at 31 December 2015	140,848	(133,440)	2,161	9,569

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies

This general purpose consolidated financial report for the year ended 31 December 2017 comprises Invigor Group Limited ("the Company" or "Invigor"), its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interests in associates and jointly controlled entities. The principal accounting policies adopted in the preparation of the consolidated financial report are set out below and have been consistently applied by each entity in the Consolidated Entity for all periods presented, unless otherwise stated.

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

(a) Statement of compliance

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

(b) Basis of preparation

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

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

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

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 2017 the Group incurred a net loss of \$13.2m (2016: \$6.8m), had net cash outflows from operating activities of \$5.0m (2016: \$4.9m), and at that date the Group's current liabilities exceed its current assets by \$9.1m (2016: \$7.3m).

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

- effect on the financial position of the Consolidated Entity following a review of the amount of expected revenue and terms of forecast investment, financial and operating commitments for the next 12 months, including short to medium term funding requirements which will need to be met through raising additional debt or equity;
- funds raised since year-end totalling \$1.95m, from capital raise (\$0.15m), conversion of options (\$0.8m) and issue of short-term convertible notes (\$1.0m);
- repayment of debts and other liabilities of \$0.3m since year-end;
- anticipated conversion of Convertible Notes (total \$2.45m) in April 2018 at \$0.007;

- terms of financing facilities, including undrawn borrowing capacity available to the Company and the likelihood of these being extended, if required (refer Note 16);
- binding term sheet relating to the sale of Condat for €2.4m (approximately \$3.8m) as announced on 27 February 2018. Refer Note 32;
- the value expected to be recovered from the partial sell-down of the TillerStack investment which includes Skyware. TillerStack has an initial valuation of \$10m as announced on 9 February 2018 and 20 March 2018; and
- the ability of the Group to scale back part of its operations and reduce expenditure if required.

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

(d) Use of estimates and judgements

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

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

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

(e) Principles of consolidation

Subsidiaries

The consolidated financial statements of Invigor Group Limited incorporate the assets and liabilities of all entities controlled by the Company as at 31 December 2017 and the results of all controlled entities for the year then ended. Control exists when the Consolidated Entity has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Associates and jointly controlled entities

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

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

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

Where the equity method is applied, the consolidated financial statements include the Consolidated Entity's share of the total recognised gains and losses of associates or jointly controlled entities on an equity accounted

basis, from the date that significant influence commences until the date that significant influence ceases. When the Consolidated Entity's share of losses exceeds its interest in an associate or jointly controlled entity, the Consolidated Entity's carrying amount is reduced to \$nil and recognition of further losses is discontinued except to the extent that the Consolidated Entity has incurred obligations or made payments on behalf of the associate or jointly controlled entity.

Transactions eliminated on consolidation

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

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

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

(f) Foreign currency translation

Foreign currency transactions and balances

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

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

Foreign operations

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

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

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

(g) Revenue

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

Interest income

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

Dividend income

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

Development projects and rendering of professional services

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

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

(h) Financing costs

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

(i) Operating leases

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

(j) Research and development expenditure

Research expenditure is expensed as incurred.

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

(k) Income tax

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

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

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

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

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

Tax consolidation

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

(I) 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 through profit or loss, any directly attributable transaction costs, except as described below.

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

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

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

Loans and receivables

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

Financial assets at fair value through profit or loss

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

Cash and cash equivalents

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

Impairment

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

Loans and receivables

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

Financial assets at fair value through profit or loss

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

(m) Property, plant and equipment

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

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

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

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

(n) Intangible assets

Goodwill

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

Identifiable intangible assets

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

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

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets other than goodwill which is not amortised. Other intangible assets are amortised from the date they are available for use. The useful lives of intangible assets are reviewed, and adjusted if appropriate, at each balance date. The estimated useful life of software and technology intangible assets is 3 – 5 years.

(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. The Consolidated Entity has decided not to early adopt any of the new and amended pronouncements. The Consolidated Entity's assessment of the new and amended pronouncements that are relevant to the Consolidated Entity but applicable in future reporting periods is set out below:

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

The standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge

accounting. The key changes that may affect the Consolidated Entity on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. The directors anticipate that the adoption of AASB 9 will not have a material impact on the Consolidated Entity's financial instruments.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2017)

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

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

The Directors anticipate that the adoption of AASB 15 will not have a material impact on the Consolidated Entity.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

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

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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 Condat AG and Australasia as separately identifiable operating segments. The Condat segment operates primarily in Germany. The Australasia segment operates primarily in Australia and Singapore.

a) Segment results

	Condat AG	Australasia	Consolidated Total
Year ended			
31 December 2017	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Revenue from external customers	6,728	721	7,449
Other revenue/income	-	1,150	1,150
Total segment revenue/income	6,728	1,871	8,599
EBITDA (before impairment)	947	(4,261)	(3,314)
Finance costs	(91)	(1,021)	(1,112)
Depreciation and amortisation	(321)	(1,447)	(1,768)
Year ended			
31 December 2016			
Revenue from external customers	7,056	459	7,515
Other revenue/income	-	985	985
Total segment revenue/income	7,056	1,444	8,500
EBITDA (before impairment)	512	(4,632)	(4,120)
Finance costs	(109)	(227)	(336)
Depreciation and amortisation	(164)	(673)	(837)

b) Reconciliation of segment EBITDA to profit (loss) before income tax

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Segment EBITDA - Condat	947	512
Segment EBITDA - Australasia	(4,261)	(4,632)
Depreciation and amortisation	(1,768)	(837)
Impairment charges	(6,950)	(1,469)
Finance costs	(1,112)	(336)
Profit (loss) before income tax	(13,144)	(6,762)

c) Revenue & other income by geographical region

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Australia	1,665	1,444
Asia (Singapore, Thailand, Vietnam)	206	-
Germany	6,728	7,056
Total revenue & other income	8,599	8,500

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

3 Business Combinations

Invigor Asia Pte Limited (previously Sprooki Pte Limited)

a) Summary of acquisition

The Consolidated Entity acquired the issued shares of Invigor Asia Pte Limited ("Sprooki") on 27 April 2017 with effective control occurring from 1 May 2017. The Company's principal activities consist of mobile engagement, loyalty and customer relationship management software for retail sector clients. Sprooki operates primarily in Singapore and Australia.

b) Purchase consideration and summary of cash movement

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

The acquisition has a potential total consideration of \$10 million through the issue of IVO shares to the Sprooki vendors in several tranches, based largely on growth milestones being achieved. The first tranche of 169,841,137 fully paid ordinary IVO shares at \$0.015 per share have been issued on 6 July 2017, with 109,090,147 shares subject to a 12-month escrow period from 30 June 2017, and the remaining 60,750,990 shares to pay back Sprooki's liabilities. A further 61,514,047 fully paid IVO shares at \$0.015 per share were issued on 31 October 2017 for settlement of the second tranche of consideration which included an adjustment for the net assets.

Additional contingent consideration may be payable before April 2019 if certain performance conditions relating to 2018 are achieved. The fair value of the contingent consideration has been assessed as nil at 31 December 2017.

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

c) Fair value of net assets acquired

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

The intangibles acquired relate to the software platform developed by Sprooki which has been marketed by the Consolidated Entity in Australia and Asia in 2017.

Sprooki contributed operating revenue of \$0.2 million for the period 1 May 2017 to 31 December 2017. The net loss before tax contributed for this period was \$0.7 million. These results are included in the results of the Consolidated Entity.

4 Revenue & other income

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Revenue from sales, licence fees and services	7,449	7,515
Other income - Research and Development Tax rebate	1,150	985
	8,599	8,500

5 Employee benefits expense

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Employee benefits	7,479	7,385
Share based payments	256	372
	<u>7,735</u>	<u>7,757</u>

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

The Company recognised as an expense \$259,596 relating to defined contribution payments in 2017 (2016 - \$174,686). This amount is included in total employee benefits expense disclosed above.

6 Other operating costs

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
IT and network costs	631	520
Marketing costs	215	220
Property costs	781	920
Other operating costs	1,486	1,515
	<u>3,113</u>	<u>3,175</u>

7 Income Tax

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

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Current tax	(6)	(13)
Total income tax benefit (expense)	<u>(6)</u>	<u>(13)</u>

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

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Profit (loss) for the year before tax	(13,144)	(6,762)
Income tax at the Australian tax rate of 30% (2016 – 30%)	(3,943)	(2,029)
Non-deductible expenses	3,110	864
Non-assessable income	(345)	-
Other timing differences	(182)	(176)
Foreign operations	(66)	(145)
Correction from prior years	-	78
Unrealised losses	1,420	1,395
Total income tax benefit (expense)	<u>(6)</u>	<u>(13)</u>

(c) Tax losses

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

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Income tax losses	18,506	15,897
Capital losses	45,036	45,060
Potential benefit at 30%		
Income tax losses	5,552	4,769
Capital losses	13,511	13,518

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

Condat AG had aggregated corporate and trade tax losses of approximately EUR 2.4 million (gross) anticipated to be available to be utilised after its change of ownership in December 2015. A final review of the available losses is still to be completed. No future benefit has been recognised and these losses are not included in the available losses shown above pending completion of the review. Deferred tax liabilities of approximately EUR 0.8 million have not been recognised pending completion of the tax loss review as it is expected that these liabilities will be capable of being offset against available losses so that no tax amounts will become payable.

8 Cash and cash equivalents

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Cash at bank and on hand	511	642
Current	511	642

9 Receivables

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Trade debtors	752	663
Provision for doubtful debts	(39)	-
Work in progress	689	258
Sundry debtors and other receivables	379	494
Prepayments	171	216
Current	1,952	1,631

10 Associates and Joint Arrangements

MI Ventures Pty Ltd ATF MI Ventures Unit Trust

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

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

11 Assets held for sale and Other financial assets

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Assets held for sale	1,469	1,480
Provision for impairment	(1,469)	(1,469)
Current	-	11
Other financial assets, at fair value through profit or loss ^(a)	1,750	1,750
Provision for impairment	(1,750)	-
Non-current	-	1,750

(a) Tuxxe Pty Ltd ("TUXXE")

The Consolidated Entity acquired a 17.5% investment in TUXXE in 2015. TUXXE's business plan has been developed and a Minimum Viable Product is in the latter stages of development. TUXXE is considered to be of a venture capital nature. Guidelines issued by the Australian Private Equity and Venture Capital Association Limited have been considered in assessing fair value. Assessment of fair value has been undertaken through consideration of TUXXE's business plan and 3-year financial model to assess if the business model is achievable and capable of being delivered over a realistic timeframe. Assessment using a discounted cash flow model is not considered appropriate given the early stage of TUXXE's business.

Following a review of TUXXE's most recent business plan and financial model the potential market value of the company is uncertain, and the Company is of the view that it is considered prudent that a provision for impairment be raised. An impairment expense of \$1,750,000 has been recognised in 2017.

12 Fair values of financial instruments

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

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

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

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

Estimation of fair values

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

Financial assets at fair value through profit or loss

Fair values for listed securities are based on the quoted market price at balance date without any deduction for transaction costs. The Consolidated Entity held no listed securities at balance date.

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

Interest-bearing borrowings

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

Trade and other receivables and payables

The carrying amounts represent fair value because of their short term to maturity.

Contingent consideration

Fair values for contingent consideration arising from business combinations is estimated using financial models and supporting analysis based on the terms of the purchase agreement. The contingent consideration for the Spooki acquisition is estimated with reference to the 2018 financial performance conditions and the anticipated achievement of these conditions as at 31 December 2017.

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

Fair value hierarchy

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

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

Consolidated	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2017				
Financial assets designated at fair value through profit or loss	-	-	-	-
	-	-	-	-
Interest-bearing borrowings	-	11,117	-	11,117
	-	11,117	-	11,117
31 December 2016				
Financial assets designated at fair value through profit or loss	-	-	1,750	1,750
	-	-	1,750	1,750
Interest-bearing borrowings	-	7,604	-	7,604
	-	7,604	-	7,604

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

13 Property, plant and equipment

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
<i>Plant and equipment</i>		
Cost	2,499	2,384
Accumulated depreciation	(2,473)	(2,340)
Net carrying amount	26	44
<i>Computer equipment and software</i>		
Cost	581	540
Accumulated depreciation	(527)	(432)
Net carrying amount	54	108
<i>Total property, plant and equipment</i>		
Cost	3,080	2,924
Accumulated depreciation	(3,000)	(2,772)
Net carrying amount	80	152

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

<i>Plant and equipment</i>		
Net carrying amount at the beginning of the period	44	116
Additions	28	9
Acquisitions through business combinations (net)	-	-
Depreciation charge for the year	(46)	(81)
Net carrying amount at the end of the period	26	44
<i>Computer equipment</i>		
Net carrying amount at the beginning of the period	108	140
Additions	8	80
Acquisitions through business combinations (net)	20	-
Depreciation charge for the year	(82)	(112)
Net carrying amount at the end of the period	54	108
<i>Total property, plant and equipment</i>		
Net carrying amount at the beginning of the period	152	256
Additions	36	89
Acquisitions through business combinations (net)	20	-
Depreciation charge for the year	(128)	(193)
Net carrying amount at the end of the period	80	152

14 Intangible assets

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
<i>Software and technology</i>		
Cost (gross carrying amount)	5,249	2,454
Accumulated amortisation & impairment	(1,767)	(1,626)
Net carrying amount	<u>3,482</u>	<u>828</u>
<i>Goodwill</i>		
Cost (gross carrying amount)	11,296	11,296
Accumulated impairment	(4,600)	-
Net carrying amount	<u>6,696</u>	<u>11,296</u>
<i>Capitalised development expenditure</i>		
Cost (gross carrying amount)	6,279	3,894
Accumulated amortisation	(1,643)	(643)
Net carrying amount	<u>4,636</u>	<u>3,251</u>
<i>Total intangible assets</i>		
Cost (gross carrying amount)	22,824	16,544
Accumulated amortisation & impairment	(8,010)	(1,169)
Net carrying amount	<u>14,814</u>	<u>15,375</u>

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

<i>Software and technology</i>		
Net carrying amount at the beginning of the period	828	754
Additions	-	600
Acquisitions through business combinations	4,004	-
Amortisation charge for the year	(540)	(526)
Impairment	(600)	-
Transfer (to)/from other category	(210)	-
Net carrying amount at the end of the period	<u>3,482</u>	<u>828</u>
<i>Goodwill</i>		
Net carrying amount at the beginning of the period	11,296	11,296
Impairment expense	(4,600)	-
Net carrying amount at the end of the period	<u>6,696</u>	<u>11,296</u>
<i>Capitalised development expenditure</i>		
Net carrying amount at the beginning of the period	3,251	1,319
Additions	2,246	2,575
Amortisation charge for the year	(1,100)	(643)
Transfer (to)/from other category	210	-
Foreign exchange	29	-
Net carrying amount at the end of the period	<u>4,636</u>	<u>3,251</u>
<i>Total intangibles</i>		
Net carrying amount at the beginning of the period	15,375	12,983
Additions	2,246	3,177
Acquisitions through business combinations	4,004	-
Amortisation charge for the year	(1,640)	(1,169)
Impairment expense	(5,200)	-
Foreign exchange	29	-
Net carrying amount at the end of the period	<u>14,814</u>	<u>15,375</u>

Software and technology

An intangible asset is recognised for software and technology owned by the Consolidated Entity. Software and technology acquired under business combinations 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 has been acquired following completion of the acquisitions of Global Group Australia and Amethon Solutions in 2014, Condat during 2015, and Invigor Asia (Sprooki) in 2017. The Software and technology assets are recognised at cost less accumulated amortisation and impairment losses, if any. Refer Notes 1(n) and 1(t). An impairment loss of \$600,000 was recognised in profit or loss in the year relating to the MVID patent intangible. The carrying value of this asset is nil at 31 December 2017.

Goodwill

Goodwill is allocated to the Consolidated Entity's cash generating units (CGUs). At 31 December 2017, the goodwill balance related to the Australasian CGU, comprising the Australian businesses acquired in prior periods (including Invigor Digital Solutions "IDS") and the Asian Sprooki business acquired in 2017, and to the German CGU comprising the entity's German operation Condat AG which was acquired during 2015. Goodwill is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

The recoverable amount of goodwill has been assessed by reference to both fair value less costs to sell and value in use methodologies. Where possible, relevant comparable information is used from an active market and where such information is not readily available a combination of market accepted valuation techniques are used to estimate the amount available from the sale of assets in arm's-length transactions between knowledgeable and willing parties.

Impairment

At 30 June 2017, an impairment loss of \$4,600,000 was recognised in profit or loss relating to goodwill. This was a result of impairment testing undertaken whereby the carrying amount of the Australasia CGU exceeded the recoverable amount based on long term forecasts. The integration of the Sprooki products into this CGU since 30 June 2017 has positioned this division for future growth.

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

	2017	2016
	\$'000	\$'000
Australasia	951	5,551
Condat (Germany)	5,745	5,745
Total	6,696	11,296

For the value in use assessment, a 5-year discounted cash flow model was utilised for the Australian CGU based on the 2018 Budget, with the following key assumptions in years 1 to 5:

	Australasia
Discount rate	17%
Annual revenue growth rate (Year 1 to 2)	85%
Annual revenue growth rate (Years 2 to 5)	15%
Terminal growth rate	3%

The Condat CGU was assessed with reference to its fair value less costs to sell utilising an independent valuation of the Skyware product division of Condat, and the anticipated sale price of a comparable company to the remaining Media division of Condat.

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

	2017
	\$'000
Australasia	8,100
Condat	6,300

Significant estimate: Impact of possible change in key assumptions - Australasian CGU

The value in use amount of the Australasian CGU is estimated to be \$15 million. This exceeds the carrying amount of the CGU at 31 December 2017 by \$8 million. The recoverable amount of this CGU would equal its carrying amount if revenue was reduced by 11% each year with no change in forecast costs, and would be fully impaired if revenue was reduced by 20% each year with no change in forecast costs.

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

Capitalised development expenditure

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

15 Other creditors and accruals

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Other creditors and accrued expenses	2,042	1,605
Deferred consideration payable on acquisitions	-	264
Unearned revenue	385	287
Current	2,427	2,156

Included in other creditors and accrued expenses are amounts totalling \$nil (2016 - \$1,797) payable at balance date under cost recovery agreements with Marcel Equity Pty Ltd and associated entities. Refer Note 27. These amounts are unsecured.

16 Interest bearing loans and borrowings

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Unsecured borrowings – convertible notes	3,780	1,050
Unsecured borrowings – loan and overdraft facilities	3,877	5,064
Unsecured borrowings - employees	459	437
Secured borrowings - loan facilities	700	700
Current	8,816	7,251
Secured borrowings – loan facilities	2,000	-
Unsecured borrowings – loan facilities	301	353
Non-current	2,301	353

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.

2017 convertible notes issues

Issue 1

During November and December 2016, the Company received funds from a number of sophisticated investors with the intention of gaining shareholder approval for this funding to be in the form of Convertible Notes. The

total funds received were \$2,520,000. These funds were approved and issued as Convertible Notes on 19 April 2017. \$70,000 has been repaid in 2017 by mutual agreement, with the balance of Convertible Notes at 31 December 2017 being \$2,450,000. The key terms of the facility are:

- Convertible notes on issue at 31 December 2017 – 81,666,667 at \$0.03 per share
- Maturity Dates – 12 months from the 1st note issue date with the option to extend for a further 6 months by mutual consent
- Ranking – unsecured
- Conversion price – the convertible notes may be converted into shares at the conversion price of \$0.03 per share (subject to any adjustment in accordance with the terms and conditions of those notes).
- Interest – 10.0 per cent per annum, compounded monthly on the principal amount outstanding of each convertible note, and payable 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.

Under the terms of the Convertible Note Plan approved on 19 April 2017, if the Company raises further funds greater than \$500,000 during their term, the conversion price of the \$2.52 million Convertible Notes that were approved and issued on 19 April 2017 will reduce from \$0.03 per note to \$0.007 per note if the holder elects to convert at any time before 19 April 2018. This condition has been triggered by the issue of the most recent placement in December 2017 at \$0.007.

Issue 2

During June, July and August 2017, the Company received funds from a number of sophisticated investors with the intention of gaining shareholder approval for this funding to be in the form of Convertible Notes. The total funds received were \$1,390,000. \$1,340,000 of these funds were approved and issued as Convertible Notes on 3 October 2017. \$10,000 of Convertible Notes have been converted to ordinary shares by the holder in 2017, with the balance of Convertible Notes at 31 December 2017 being \$1,330,000.

The key terms of the facility are:

- Convertible notes on issue at 31 December 2017 – 110,833,334 at \$0.012 per share
- Maturity Dates – 12 months from the 1st note issue date with the option to extend for a further 6 months by mutual consent
- Ranking – unsecured
- Conversion price – the convertible notes may be converted into shares at the conversion price of \$0.012 per share (subject to any adjustment in accordance with the terms and conditions of those notes).
- Interest – 10.0 per cent per annum, compounded monthly on the principal amount outstanding of each convertible note, and payable 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

In February 2016, the Company entered into an interest bearing short term loan arrangement with Marcel Equity Pty Ltd (“Marcel”), an entity associated with Gary Cohen and Gregory Cohen, under which Marcel will make available up to \$700,000 as and when required by the Company, subject to the terms of the loan arrangement. 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 again renewed and extended with a drawdown limit of \$2,000,000 and is now available until 30 September 2018. An amount of \$1,124,000 (31 December 2016 - \$606,000) has been drawn as at 31 December 2017. 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.

Condat AG has unsecured loan (€250,000) and overdraft facilities (€350,000) with Berliner Sparkasse and Berliner Volksbank (€250,000) drawn to an aggregate equivalent to €655,200 (\$1,003,369) at balance date (31

December 2016 - €447,578 (\$651,307)). The unsecured loan facility will be repaid over 5 years at an interest rate of 4.75%. An interest of 9% per annum applies to the overdraft facilities of €350,000, and an interest rate of 3.97% per annum applies to the overdraft facilities of €250,000. The unsecured loan includes \$301,000 presented as non-current at 31 December 2017.

In October 2016 Invigor Holdings (Germany) GmbH entered into an unsecured 14-month loan facility of €1,000,000 with an investor/consultant of the Company, Mr. Peter Hermann. In July 2017, the loan was extended to €1,300,000 and the term was extended to 31 December 2018. The loan accrues interest at a rate of 9% per annum. The amount outstanding at balance date was €1,300,000 (\$1,990,812) (31 December 2016 – €1,000,000 (\$1,455,000)).

Unsecured borrowings – employees

Condat AG entered into unsecured borrowings with certain employees prior to its acquisition by the Company. At balance date the amount outstanding was €300,000 (\$459,418) (31 December 2016 – €300,000 (\$436,554)). The borrowings accrue interest at 10.0% per annum.

Secured borrowings

On 31 October 2017, the Company entered into a new Prepayment Loan Agreement under which the lender has made available a facility in the amount of \$700,000 at an interest rate of 15% p.a. The facility is being used to fund the Company's research and development activities. The facility is presently fully drawn and is repayable by the earlier of 31 October 2018 or on receipt of the research and development tax rebate amount for the year ended 31 December 2017. Amounts drawn under the facility are secured against the grant receivable.

Credit card facilities relating to the group were drawn to \$19,406 at 31 December 2017.

Non-current

Secured borrowings

Invigor Group Limited secured a A\$2 million loan facility with Partners for Growth (PFG) in February 2017. Under the terms of the agreement, Partners for Growth's funding is for 2 years at a 10% annual interest rate. IVO issued 66.6 million warrants to the firm exercisable at 3.0 cents on 19 April 2017 which expire in 2021.

During the period, the Company failed to meet one quarter's financial covenant of the PFG loan facility. A waiver was provided by PFG before year-end confirming no breach event. The facility has therefore been classified as non-current.

Other available overdraft facilities

The Consolidated Entity has a \$100,000 interest bearing overdraft facility with National Australia Bank which was fully available at 31 December 2017 (31 December 2016 – fully available). The facility is secured by guarantees provided by entities associated with Gary Cohen and Gregory Cohen. Refer to Note 27.

17 Provisions

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Other provisions	86	-
Employee benefits	259	146
Current	345	146
Employee benefits	21	85
Non-Current	21	85
Reconciliation of carrying amounts at the beginning and end of the period:		
<i>Employee benefits</i>		
Balance at the beginning of the period	231	161
Provisions raised (reversed)	49	70
Balance at the end of the period	280	231

Total provisions

Balance at the beginning of the period	231	161
Provisions raised (reversed)	135	70
Balance at the end of the period	366	231

Employee benefits

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

18 Financial risk management, objectives and processes

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

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

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

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

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

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

Market risk

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

(i) Foreign currency risk

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

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

The Consolidated Entity completed the acquisition of Invigor Asia Pte Limited (Sprooki) in June 2017 but with effect from 1 May 2017. Sprooki operates mainly in Singapore. Sprooki's business transactions are primarily denominated in Singapore Dollar (SGD) and its accounting records are kept in that currency. Exposure to (SGD)

is subject to exchange variations upon the provision of any required funding to the subsidiary and to exchange variations resulting from the translation to Australian dollars on consolidation of Sprooki's statement of financial position and statement of comprehensive income at closing and average rates respectively.

At 31 December 2017, the Consolidated Entity did not have any other material net foreign currency risk in respect of transactions in currencies other than the functional currency except as described above (31 December 2016 - nil).

(ii) Interest rate risk

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

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

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Financial assets		
Cash and cash equivalents	511	642
Other financial assets, at fair value through profit or loss	-	1,750
Financial liabilities		
Unsecured borrowings	8,417	6,904
Secured borrowings	2,700	700

Sensitivity Analysis

At 31 December 2017, if interest rates had changed by +/- 1% from the year-end rates, with all other variables held constant, and this change was applied to cash and cash equivalents, the effect on profit (loss) after tax for the year would be \$5,110 (2016: \$6,420). If the same sensitivity is applied to borrowings, the result would be a higher/lower interest expense of approximately \$111,170 (2016 - \$76,040).

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

(iii) Equity price risk

The Consolidated Entity was not exposed to equity securities price risk arising from investments in listed securities during the 2017 financial year as it had no exposure to listed securities during 2017 or at balance date (2016 – not applicable).

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

Sensitivity analysis

No sensitivity analysis for listed equities is required at 31 December 2017 as the Consolidated Entity did not have an exposure to equity price risk of listed securities at that date (2016 – not applicable).

A 10% increase or decrease to the ascribed fair value of the shares and convertible notes held in unlisted entities at balance date would change the carrying amount upward or downward by an aggregate \$nil (2016 – \$176,000).

Credit risk

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

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

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

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

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

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

Ageing of financial assets

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

Consolidated	Cash and cash equivalents \$'000	Receivables \$'000	Other financial assets \$'000
2017			
Neither past due or impaired	511	1,242	-
Past due but not impaired:			
< 30 days	-	600	-
30-60 days	-	66	-
60-90 days	-	21	-
> 90 days	-	62	-
Collectively impaired	-	-	-
Individually impaired	-	(39)	-
Total	511	1,952	-
2016			
Neither past due or impaired	642	967	1,750
Past due but not impaired:			
< 30 days	-	580	-
30-60 days	-	6	-
60-90 days	-	8	-
> 90 days	-	495	-
Collectively impaired	-	-	-
Individually impaired	-	(425)	-
Total	642	1,631	1,750

Liquidity risk

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

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

Details of debt funding terms and facilities that the Consolidated Entity has in place are disclosed in Note 16.

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

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

Consolidated	Creditors and payables \$'000	Unsecured borrowings \$'000
2017		
Contractual cash flows	2,427	8,417
Residual contract maturities:		
6 months or less	2,393	2,509
6 – 12 months	34	5,607
1 – 2 years	-	-
2 – 5 years	-	301
More than 5 years	-	-
Total carrying amount	2,427	8,417
2016		
Contractual cash flows	2,156	6,904
Residual contract maturities:		
6 months or less	2,156	2,277
6 – 12 months	-	4,274
1 – 2 years	-	-
2 – 5 years	-	353
More than 5 years	-	-
Total carrying amount	2,156	6,904

Capital risk management

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

The Company completed several capital raisings during 2017, and to the date of this report. Details are set out in Notes 19 and 32. The Company also raised funds through loans facilities. Refer Note 16.

19 Issued capital

	Company 2017 Shares	Company 2016 Shares	Company 2017 \$'000	Company 2016 \$'000
Ordinary shares, fully paid	956,720,314	461,564,131	146,582	140,848
Movement in ordinary share capital				
Balance at the beginning of the period	461,564,131	348,082,663	140,848	137,351
Issues of new fully paid shares	494,322,850	113,481,468	5,883	3,885
Issue of shares on conversion of convertible notes	833,333	-	10	-
Issue of shares on conversion of Entitlement Options	-	-	-	-
Capital raising costs incurred	-	-	(159)	(388)
Net balance at end of period	956,720,314	461,564,131	146,582	140,848

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and the amounts paid on the shares held.

During 2017 to date, the Company has issued:

- 66,666,667 ordinary shares on 4 May 2017 in a share placement to Allectus Capital Limited
- 169,841,137 ordinary shares on 6 July 2017 to settle outstanding liabilities to vendors and lenders as part of the acquisition of Invigor Asia Pte Limited (formerly Sprooki Pte Limited)
- 8,750,000 ordinary shares on 27 July 2017 in a share placement to a sophisticated investor
- 833,333 ordinary shares on 9 October 2017 on conversion of convertible notes issued on 3 October 2017
- 61,514,047 ordinary shares to settle outstanding liabilities to vendors as part of the acquisition of Invigor Asia Pte Limited (formerly Sprooki Pte Limited)
- 72,608,143 ordinary shares on 11 December 2017 in a share placement to sophisticated investors
- 114,942,856 ordinary shares on 27 December 2017 in a share placement to sophisticated investors

On 28 February 2018, 151,297,571 ordinary shares were issued to sophisticated investors and related parties of the Company, see note 32. 1,071,428 ordinary shares were issued for placement fees in March 2018. In addition, during February and March 2018, a further 114,035,000 shares have been issued to sophisticated investors and related parties on conversion of other option entitlements.

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

	Company 31 December 2017 \$'000	Company 31 December 2016 \$'000
Cash received from share issues	2,309	2,461
Gross up for capital raising costs offset against cash proceeds	-	-
Gross movement for fully paid shares issued for cash	2,309	2,461
Issue of shares other than for cash	3,574	1,424
Conversion of convertible notes	10	-
Issues of new fully paid shares	5,893	3,885

20 Share Options

(a) Entitlement Options

The Company issued options pursuant to a pro rata entitlement offer completed in April 2013. Additional options, on the same terms, were issued in December 2013, March 2014 and July 2016. There were 76,867,889 of these options ("Entitlement Options") on issue at 31 December 2017. Key terms of these options are:

Exercise price – 5.0 cents per Entitlement Option

Expiry – 1 July 2018

Entitlement – one fully paid ordinary share in the Company for each Entitlement Option exercised.

There are no vesting or exercise conditions.

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

Movement in Entitlement Options	Company 31 December 2017 Entitlement Options	Company 31 December 2016 Entitlement Options
Balance at beginning of period	76,867,889	38,867,889
Issue of Options during the period	-	38,000,000
Net balance at end of period	<u>76,867,889</u>	<u>76,867,889</u>

(b) Warrants

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

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

(c) Options granted under incentive plans

The Company provides benefits to defined employees of the Consolidated Entity (including executive directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares. Approved incentive plans for the granting of options to defined employees (including executive directors) ("Plans") are in place. At 31 December 2017, there were 42,235,528 options on issue under the Plans (2016 – 29,668,866). Options on issue under the Plans may have varying vesting dates. All options on issue under the Plans at 31 December 2017 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 2017 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.

Key terms of the Incentive Options are detailed in the table below:

Date options granted	Expiry Date	Exercise price	Balance at 1 January 2017	Issued during the period	Cancelled or Lapsed during the period	Exercised during the period	Balance at the end of the period	Exercisable at the end of the period
		\$	#	#	#	#	#	#
22-Jul-13	22-Jul-18	0.10	7,198,855	0	0	0	7,198,855	7,198,855
24-Dec-13	24-Dec-18	0.10	270,015	0	0	0	270,015	270,015
17-Sep-14	17-Sep-19	0.10	3,866,663	0	(583,335)	0	3,283,328	3,283,328
26-Mar-15	26-Mar-20	0.10	3,750,000	0	(583,335)	0	3,166,665	2,499,998
1-Jul-15	1-Jul-20	0.10	6,583,333	0	0	0	6,583,333	4,416,667
29-Jul-15	29-Jul-20	0.10	1,250,000	0	(833,333)	0	416,667	416,667
1-Dec-15	1-Dec-20	0.10	1,250,000	0	(833,335)	0	416,665	416,665
12-Jul-16	12-Jul-21	0.05	5,000,000	0	(2,500,000)	0	2,500,000	2,500,000
30-Aug-16	30-Aug-21	0.05	500,000	0	(500,000)	0	0	0
20-May-17	20-May-22	0.05	0	8,400,000	(500,000)	0	7,900,000	0
22-Jun-17	22-Jun-22	0.03	0	1,000,000	0	0	1,000,000	0
3-Jul-17	3-Jul-22	0.05	0	2,000,000	0	0	2,000,000	0
1-Aug-17	1-Aug-22	0.05	0	8,250,000	(750,000)	0	7,500,000	0
Total			29,668,866	19,650,000	(7,083,338)	0	42,235,528	21,002,195

The Weighted Average Exercise Price of options on issue under incentive plans at balance date is \$0.07 (2016: \$0.10).

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

- (i) The Board is responsible for determining the number of options granted to each eligible employee;
- (ii) Vesting conditions in relation to options are determined by the Board at the time of determination of option entitlements;
- (iii) Options which have not vested when an employee ceases their employment will lapse unless an employee ceases to be employed through death, retirement or disablement, in which case special provisions apply or if the Board otherwise determines;
- (iv) The share option exercise price is determined by the Board;
- (v) The acquisition price of the options 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 2017 was 1,098 days (2016 – 1,352 days).

(d) Other Options

The Company has granted options over shares (“Other Options”) as part of fee arrangements for capital markets and other services pursuant to mandate letters with the firms providing the services and as part of the fee arrangements for convertible note facilities entered into in June 2015.

The Company has also granted 750,000 options over shares to certain Non-Executive Directors of the Company pursuant to terms approved by shareholders on 25 May 2016 and a further 750,000 options over shares pursuant to terms approved by shareholders on 19 April 2017 and 5 July 2017.

Key terms of the Other Options are detailed in the table below:

Date options granted	Expiry Date	Exercise price	Balance at 1 January 2017	Issued during the period	Cancelled or Lapsed during the period	Exercised during the period	Balance at the end of the period	Exercisable at the end of the period
		\$	#	#	#	#	#	#
18-Aug-14	5-Aug-19	0.10	5,000,000	0	0	0	5,000,000	5,000,000
1-May-15	1-May-18	0.10	5,000,000	0	0	0	5,000,000	5,000,000
14-Jul-15	16-Jul-18	0.10	3,000,000	0	0	0	3,000,000	3,000,000
17-Jun-16	17-Jun-21	0.10	750,000	0	0	0	750,000	750,000
17-Jun-16	17-Jun-19	0.045	10,000,000	0	0	0	10,000,000	10,000,000
19-Apr-17	19-Apr-22	0.05	0	750,000	0	0	750,000	750,000
5-Jul-17	5-Jul-22	0.03	0	500,000	0	0	500,000	0
5-Jul-17	5-Jul-22	0.05	0	250,000	0	0	250,000	0
Total			23,750,000	1,500,000	0	0	25,250,000	24,500,000

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

An additional 169,424,287 unlisted other options were approved on 27 February 2018. These options have an exercise price of \$0.007 and an expiry date of 31 March 2018. To the date of this report 114,035,000 ordinary shares have been issued on the exercise of these options.

21 Reserves

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Employee equity benefits reserve		
Opening balance	2,080	1,708
Share based payments expense (Note 5)	256	372
Total employee equity benefits reserve	2,336	2,080
Foreign currency translation reserve		
Opening balance	(147)	(55)
Exchange differences arising on the translation of the financial statements of foreign subsidiaries	(10)	(92)
Total foreign currency translation reserve	(157)	(147)
Options reserve		
Opening balance	228	97
Options expense	148	131
Total options reserve	376	228
Shares not yet issued reserve		
Opening balance	-	-
Cash received and liabilities settled for shares not issued at reporting date	909	-
Total shares not yet issued reserve	909	-
Total reserves	3,464	2,161

The employee equity benefits reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The options reserve is used to record the value of options issued as part of contracted fee arrangements for services to be provided by third parties, and options granted to non-executive Directors. Refer Note 20.

The shares not yet issued reserve is used to record the value of cash received and liabilities settled for ordinary shares not yet issued at period end. \$909,083 has been recognised in reserves for shares not yet issued at 31 December 2017 (31 December 2016 – nil). Of this amount \$646,000 was received in cash before the end of the period, and the balance was used to settle liabilities of the Company. On 27 February 2018, shareholders of the Company approved the issue of 129,869,000 ordinary shares for the \$909,083 received.

22 Retained profits (accumulated losses)

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Opening balance	(133,440)	(126,665)
Net profit (loss) for the year	(13,150)	(6,775)
Dividends paid	-	-
	(146,590)	(133,440)

23 Dividends

No dividends were proposed or paid during the financial year (2016 - \$nil). No final dividend has been proposed for payment (2016 - \$nil).

The Company has no franking credits available for subsequent years (2016 - \$nil).

24 Commitments

Leases

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

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Within one year	442	406
Later than one year but not later than five years	1,689	1,564
Later than five years	1,513	1,792
	3,644	3,761

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

25 Contingent Liabilities

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

26 Parent Entity Disclosures

As at, and throughout the financial year ending 31 December 2017, the parent Company of the Consolidated Entity was Invigor Group Limited.

	Company 2017 \$'000	Company 2016 \$'000
Result of the parent entity		
Profit (loss) for the period	(13,298)	(8,796)
Other comprehensive income (expense)	-	-
Total comprehensive income (expense) for the period	(13,298)	(8,796)
Financial position of the parent entity at year end		
Current assets	3,429	7,192
Non-current assets	8,789	11,123
Total assets	12,218	18,315
Current liabilities	6,959	8,757
Non-current liabilities	2,021	70
Total liabilities	8,980	8,827
Total equity of the parent entity comprises:		
Share capital	146,582	140,848
Reserves	3,624	2,310
Retained earnings (accumulated losses)	(146,968)	(133,670)
Total equity	3,238	9,488

Contingent liabilities of the Company at 31 December 2017 are detailed at Note 25. Investment commitments of the Company at 31 December 2017 are detailed at Note 24. The Company had no capital expenditure commitments at 31 December 2017. The Company had not provided any guarantees at 31 December 2017.

27 Related party transactions and key management personnel disclosures

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

Gary Cohen	Executive Chairman to 3 July 2017 and Chief Executive Officer
Gregory Cohen	Executive Director – Finance and Operations
Claire Mula	Executive Director, Sprooki from 1 May 2017, and Chief Operating Officer, Invigor Group from 1 July 2017
Roger Clifford	Non-executive director
John Hayson	Non-executive director – retired 3 July 2017
Anthony Sherlock	Non-executive director – deceased 7 December 2017
Jeremy Morgan	Non-executive director
Bob McKinnon	Chairman and Non-executive director from 3 July 2017
Jack Hanrahan	Non-executive director from 3 July 2017
Christof Peltason	Chief Executive Officer, Condat AG
Michael Stone	Director for Products from 1 January 2017

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

Details of remuneration

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

	Consolidated 2017	Consolidated 2016
	\$	\$
Short term employee benefits	1,311,409	1,109,580
Other long-term benefits	-	-
Post-employment benefits	-	-
Share based payments	128,646	189,480
Termination benefits	-	-
	1,440,055	1,299,420

Equity instrument disclosures relating to key management personnel are included in the Directors Report and Remuneration Report.

Other transactions with key management personnel or related parties

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

The Company has entered into cost recovery agreements with Marcel Equity Pty Ltd and its associated entities ("Marcel"), being entities associated with Gary Cohen and Gregory Cohen, under which the Company reimburses Marcel, on a cost recovery basis, for services provided. Services include executive management services performed by staff and consultants of Marcel, use of office space, provision of administration and bookkeeping services, investor and shareholder relations and such other services as may be agreed from time to time. An expense of approximately \$480,000 was incurred during the current reporting period (2016 - \$473,000). An amount of nil was payable by the Company to Marcel at balance date (2016 - \$1,797).

The Consolidated Entity has a \$100,000 interest bearing bank overdraft facility with National Australia Bank which was fully available at 31 December 2017 (2016 – fully available), and a \$30,000 credit card facility. The facilities are secured by guarantees provided by entities associated with Gary Cohen and Gregory Cohen. In addition, guarantees have also been provided by entities associated with Gary Cohen and Gregory Cohen on the PFG \$2 million loan facility. An expense of \$39,266 (2016 – nil) has been recognised in relation to these guarantees and is payable in full at balance date.

In February 2016, the Company entered into an interest bearing short term loan arrangement with Marcel Equity Pty Ltd, a company associated with Gary and Gregory Cohen under which \$700,000 would be made as and when required by the Company, subject to the terms of the loan arrangement. The facility amount was subsequently increased to \$1 million in December 2016, and to \$2 million in September 2017. Refer to note 16.

At 31 December 2017, there were two amounts owing to Christof Peltason. An amount of \$48,000 as part of a Debt Conversion agreement directly related to the acquisition of Condat AG and an amount of \$230,000 relating to a pre-existing employee loan advanced to Condat AG.

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

	Consolidated 2017	Consolidated 2016
	\$'000	\$'000
Amounts recognised as expense		
Service fees and cost recoveries to Marcel Equity and associated entities	480	473
Interest on borrowings/convertible notes from/held by entities associated with Gary Cohen, Gregory Cohen and John Hayson ^(a)	215	35
Guarantee fees on loan and overdraft facilities	39	-
	734	508

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

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Amounts recognised as liabilities		
Convertible notes and accrued interest owing to entities associated with Gary Cohen, Gregory Cohen, John Hayson ^(a)	1,336	-
Loans owing to Marcel Equity and associated entities and/or Christof Peltason	1,354	2,024
Service fees and cost recoveries owing to Marcel Equity and associated entities	-	2
Guarantee fees on loan and overdraft facilities	39	-
Owing to Christof Peltason for Debt Conversion agreement	48	184
	<u>2,777</u>	<u>2,210</u>

(a) Former director John Hayson (retired 3 July 2017) holds \$300,000 of Convertible Notes issued in October 2017 which are excluded from the 2017 total as Mr Hayson is no longer considered to be a related party (2016: nil). Interest expense on these Convertible Notes was \$16,000 (2016: nil).

28 Subsidiaries

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

Name of entity	Country of incorporation	Class of Shares	Equity holding 2017 %	Equity holding 2016 %
AimIPCo Pty Ltd	Australia	Ordinary	100	100
Amethon Solutions (Asia Pacific) Pty Ltd	Australia	Ordinary	100	100
Condat AG	Germany	Ordinary and Preference	100	100
Global Group Australia Pty Ltd	Australia	Ordinary	100	100
Global Group Ventures Pty Ltd	Australia	Ordinary	100	100
Invigor Asia Pte Limited	Singapore	Ordinary	100	-
Invigor Digital Solutions Pty Ltd	Australia	Ordinary	100	100
Invigor Holdings (Germany) GmbH	Germany	Ordinary	100	100
Invigor Digital Solutions India Private Ltd	India	Ordinary	100	100
My Digital Marketing Team International Pty Ltd	Australia	Ordinary	100	100
Social Loot Australia Pty Ltd	Australia	Ordinary	100	100

29 Auditor remuneration

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

	Consolidated 2017	Consolidated 2016
	\$	\$
Audit services	77,087	70,621
Other services	-	-
	<u>77,087</u>	<u>70,621</u>

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

Audit services	129,194	114,130
Other services	52,358	82,117
	<u>181,552</u>	<u>196,247</u>
Total	<u>258,639</u>	<u>266,868</u>

30 Earnings per share

	Consolidated 2017	Consolidated 2016
	Cents	cents
Total		
Basic earnings (loss) per share	(2.16)	(1.68)
Diluted earnings (loss) per share	(2.16)	(1.68)
	\$'000	\$'000
<i>Reconciliation of earnings used in the calculation of basic earnings per share</i>		
Profit (loss) for the year	(13,150)	(6,775)
Earnings used in the calculation of total basic earnings per share	<u>(13,150)</u>	<u>(6,775)</u>
<i>Reconciliation of earnings used in the calculation of diluted earnings per share</i>		
Earnings used in the calculation of total basic earnings per share	(13,150)	(6,775)
Non-discretionary changes in earnings arising from dilutive potential ordinary shares	-	-
Earnings used in the calculation of total diluted earnings per share	<u>(13,150)</u>	<u>(6,775)</u>
	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	608,049,367	402,893,112
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	608,049,367	402,893,112

31 Reconciliation of cash flows from operating activities

	Consolidated 2017 \$'000	Consolidated 2016 \$'000
Net profit (loss) for the year after related income tax expense	(13,150)	(6,775)
<i>Add(deduct):</i>		
Depreciation and amortisation	1,768	837
Borrowing costs shown as financing cash flows	1,043	389
Capitalised costs in operating cash flows	(2,246)	(2,360)
Impairment of intangibles & other financial assets	6,950	1,469
Profit/Loss from Joint Venture	47	35
Loss on sale of assets	13	320
Share based payment and option expenses	404	503
<i>Changes in operating assets and liabilities:</i>		
Decrease (increase) in trade and other receivables	(321)	1,752
Increase (decrease) in trade and other payables	271	(1,011)
Increase (decrease) in deferred revenue	98	(46)
Increase (decrease) in provisions	135	70
Exchange differences on translation	(22)	(92)
Net cash from (used in) operating activities	<u>(5,010)</u>	<u>(4,909)</u>

32 Events Subsequent to Balance Date

On 14 February 2018 the Company established a wholly owned subsidiary TillerStack Ltd, a non-listed public company. TillerStack Ltd will acquire the Skyware workforce management division from Condat AG.

On 22 February 2018 a binding term sheet was entered into for the sale of Condat AG. The contract is due for completion by 30 April 2018. Before this date, certain assets of Condat AG relating to the Skyware business are expected to be transferred to TillerStack Ltd.

On 27 February 2018 the issue of 151,297,571 shares to sophisticated investors and related parties of the Company was approved by shareholders. The shares were issued on 28 February 2018.

On 7 March 2018, 1,071,428 shares were issued for placement fees to a sophisticated investor.

In addition, on 27 February 2018, the issue of 169,424,287 options as described in note 20(d) were approved by shareholders. To the date of this report 114,035,000 ordinary shares have been issued on exercise of these options.

On 7 February 2018 and 27 March 2018, the Company has received from a Sophisticated Investor a total of \$1,000,000 for Convertibles Notes expiring on 7 May 2018, with an interest rate of 10% pa. These notes provide the Investor with the option to convert to a 10% cornerstone shareholding in TillerStack Ltd or to convert to shares in the Company at a conversion price of 1.0 cent per note subject to adjustments.

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

DIRECTORS DECLARATION

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

- (a) the consolidated financial statements and notes set out on pages 20 to 58, and the remuneration disclosures that are contained in pages 14 to 18 of the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer, or their equivalents, for the financial year ended 31 December 2017.

Signed in accordance with a resolution of the Directors.



Bob McKinnon
Chairman



Gary Cohen
Director and CEO

Dated at Sydney this 28th day of March 2018

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Invigor Group Limited and its controlled entities (**the Group**), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a) the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) in the financial statements, which identifies that during the year ended 31 December 2017 the Group incurred a net loss of \$13.2m, had net cash outflows from operating activities of \$5m, and that the Group's current liabilities exceed its current assets by \$9.1m. As stated in Note 1(c), these events or conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

KEY AUDIT MATTER 1 – VALUE OF INTANGIBLES

Refer to Note 14

As at 31 December 2017 the Group has total Intangible Assets of \$14.8m which is disclosed in following classes:

- Software and Technology (\$3.5m);
- Goodwill (\$6.7M); and
- Capitalised Development Costs (\$4.6m).

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

Our procedures included, amongst others:

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

KEY AUDIT MATTER 2 – BUSINESS COMBINATIONS

Refer to Note 3

The Group acquired Sprooki Pte Ltd during the financial year.

Accounting for a business combination is complex and requires judgement in identifying and assessment the fair value of assets and liabilities acquired, including any potential contingent consideration payable to vendors. Given the level of judgement in estimating the fair value as well as the contingent consideration which may be paid by the group, we consider this to be a significant risk.

Our procedures included, amongst others:

- Reviewing the contract for purchase and identifying key terms which may affect the accounting for the business combination.
- Reviewing the identifiable tangible assets to ensure they had been appropriately valued at acquisition date.
- Assessing the acquisition accounting entries presented by the group and evaluating the methodology applied to identify and value the assets and liabilities.
- Assessing and challenging the allocation of the excess consideration over tangibles assets and liabilities acquired to software.
- Assessing and challenging the useful life estimation of software adopted by management.
- Assessing and challenging the future earnings assumptions impacting potential contingent consideration.
- Reviewed the disclosures in the financial statements to ensure they are appropriate and adequate.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors;
- conclude on the appropriateness of director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

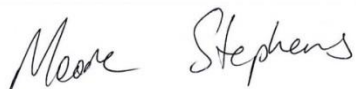
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 18 of the directors' report for the year ended 31 December 2017.

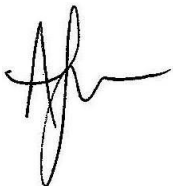
In our opinion, the Remuneration Report of Invigor Group Limited, for the year ended 31 December 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



MOORE STEPHENS AUDIT (VIC)
ABN 16 847 721 257



ANDREW JOHNSON
Partner
Audit & Assurance Services

Melbourne, Victoria

28 March 2018