

1. Company details

Name of entity:	Farmaforce Limited
ABN:	95 167 748 843
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

The Company has adopted Accounting Standard AASB 16 'Leases' for the half-year ended 31 December 2019 using the modified retrospective approach and as such the comparatives did not require any restatement. Refer to note 2.

			\$
Revenues from ordinary activities	down	1.2% to	5,928,112
Loss from ordinary activities after tax attributable to the owners of Farmaforce Limited	down	333.0% to	(2,324,203)
Loss for the half-year attributable to the owners of Farmaforce Limited	down	333.0% to	(2,324,203)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the Company after providing for income tax amounted to \$2,324,203 (31 December 2018: profit of \$997,409).

Impact of AASB 16 'Leases' on the current period

AASB 16 'Leases' had a significant impact on the current period. The current profit before income tax expense was increased by \$59,720. This included an increased depreciation and amortisation expense of \$225,565 and increased finance costs of \$74,581, offset by a reduction in other expenses (reclassification of lease expenses) of \$240,426. As at 31 December 2019, net current assets were reduced by \$553,785 (attributable to current lease liabilities) and net assets were reduced by \$59,717 (attributable to right-of-use assets and lease liabilities). The Company had no lease commitments during the prior period.

Refer to the 'Review of operations' section of the Directors' report accompanying this Appendix 4D for further commentary.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(2.78)</u>	<u>0.06</u>

Net tangible assets includes right-of-use assets and excludes lease liabilities.

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding	
	Reporting period %	Previous period %
New Frontier Holdings LLC	20%	20%
Nereid Enterprises Pty Ltd	20%	20%
Nereid Enterprises LLC	20%	20%

Percentages disclosed above are net of non-controlling interest.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Farmaforce Limited for the half-year ended 31 December 2019 is attached.

12. Signed

Approved by the Board of Directors.

Signed  _____

Date: 28 February 2020

George Elias
Chairman
Sydney

Farmaforce Limited

ABN 95 167 748 843

Interim Report - 31 December 2019

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The directors present their report, together with the financial statements, on the Company for the half-year ended 31 December 2019.

Directors

The following persons were directors of the Company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

George Elias
Dr George Syrmalis
Con Tsigounis
Harry Simeonidis

Principal activities

During the financial half-year, the principal activity of the Company was the provision of services as a contract sales organisation.

Review of operations

The loss for the Company after providing for income tax amounted to \$2,324,203 (31 December 2018: profit of \$997,409).

During the first half (1H) of the financial year ending 30 June 2020 (FY20), the Company continued to increase revenue by securing new contracts and clients and executing sales contracts.

Notable highlights include:

- Winner 'Best Health and Pharma Contract Sales Organisation - Australia' in the 2019 Global Health and Pharma (ghp) Awards, which has increased exposure to global clients;
- Winner 'Best Sales Team 2019' in the 15th Annual PRIME Awards, which validates Farmaforce as the leading healthcare CSO provider in the Australian market;
- Secured new client contracts for existing Farmaforce teams, which will result in margin leverage for the 2H of the FY20 and;
- Secured new contract in the pharmaceutical sales industry, expanding the Farmaforce services beyond exclusively GP sales.

During the 1H of FY20 the Company focused on building an additional team with the objective of increasing capacity and footprint across Australia. This has resulted in a 19% increase in contract sales revenue for the 1H of FY20 compared to the 1H of financial year ended 30 June 2019 (FY19), and a cumulative revenue increase of 119% over the past two-year periods. The full impact of the 1H of FY20 investment and new contract will be realised in the second half (2H) of FY20, with revenues expected to grow 51% versus 2H of FY19.

AASB 16 'Leases' had a significant impact on the current period. The current profit before income tax expense was increased by \$59,720. This included an increased depreciation and amortisation expense of \$225,565 and increased finance costs of \$74,581, offset by a reduction in other expenses (reclassification of lease expenses) of \$240,426. As at 31 December 2019, net current assets were reduced by \$553,785 (attributable to current lease liabilities) and net assets were reduced by \$59,717 (attributable to right-of-use assets and lease liabilities). The Company had no lease commitments during the prior period.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the financial half-year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



George Elias
Chairman

28 February 2020
Sydney

DECLARATION OF INDEPENDENCE BY TIM AMAN TO THE DIRECTORS OF FARMAFORCE LIMITED

As lead auditor for the review of FarmaForce Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.



Tim Aman
Partner

BDO East Coast Partnership

Sydney, 28 February 2020

Farmaforce Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019



	Note	31 Dec 2019 \$	31 Dec 2018 \$
Revenue	4	5,928,112	6,003,654
Cost of sales		<u>(5,795,807)</u>	<u>(3,546,718)</u>
Gross profit		132,305	2,456,936
Share of losses of associates accounted for using the equity method		(31,533)	(22,509)
Other losses		-	(179)
Interest revenue		22	6
Employee benefits expense		(1,223,894)	(876,205)
Overhead sharing cost		(435,127)	(201,241)
Depreciation and amortisation expense		(257,761)	(24,373)
Other expenses		(395,314)	(313,003)
Finance costs		<u>(112,901)</u>	<u>(22,023)</u>
(Loss)/profit before income tax expense		(2,324,203)	997,409
Income tax expense		<u>-</u>	<u>-</u>
(Loss)/profit after income tax expense for the half-year attributable to the owners of Farmaforce Limited		(2,324,203)	997,409
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive (loss)/income for the half-year attributable to the owners of Farmaforce Limited		<u><u>(2,324,203)</u></u>	<u><u>997,409</u></u>
		Cents	Cents
Basic earnings per share	14	(1.81)	0.78
Diluted earnings per share	14	(1.81)	0.78

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	31 Dec 2019 \$	30 Jun 2019 \$
Assets			
Current assets			
Cash and cash equivalents		469,018	172,370
Trade and other receivables	5	476,690	950,923
Term deposit	6	406,328	-
Prepayments		154,452	88,206
Total current assets		<u>1,506,488</u>	<u>1,211,499</u>
Non-current assets			
Investments in associates accounted for using the equity method	13	212,216	220,349
Property, plant and equipment		95,516	146,249
Right-of-use assets	7	2,819,560	-
Intangibles		8,422	16,936
Other receivables		-	101,582
Total non-current assets		<u>3,135,714</u>	<u>485,116</u>
Total assets		<u>4,642,202</u>	<u>1,696,615</u>
Liabilities			
Current liabilities			
Trade and other payables	8	2,098,508	1,486,862
Contract liabilities		117,446	229,980
Borrowings	9	2,630,717	838,517
Lease liabilities		553,785	-
Employee benefits		479,089	500,565
Total current liabilities		<u>5,879,545</u>	<u>3,055,924</u>
Non-current liabilities			
Lease liabilities		<u>2,325,492</u>	-
Total non-current liabilities		<u>2,325,492</u>	-
Total liabilities		<u>8,205,037</u>	<u>3,055,924</u>
Net liabilities		<u>(3,562,835)</u>	<u>(1,359,309)</u>
Equity			
Issued capital	10	8,225,459	8,128,859
Reserves		24,077	-
Accumulated losses		<u>(11,812,371)</u>	<u>(9,488,168)</u>
Total equity		<u>(3,562,835)</u>	<u>(1,359,309)</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Farmaforce Limited
Statement of changes in equity
For the half-year ended 31 December 2019



	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	8,128,859	-	(9,018,994)	(890,135)
Profit after income tax expense for the half-year	-	-	997,409	997,409
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	997,409	997,409
Balance at 31 December 2018	<u>8,128,859</u>	<u>-</u>	<u>(8,021,585)</u>	<u>107,274</u>
	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	8,128,859	-	(9,488,168)	(1,359,309)
Loss after income tax expense for the half-year	-	-	(2,324,203)	(2,324,203)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(2,324,203)	(2,324,203)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	24,077	-	24,077
Issue of shares under employee benefits plan (note 10)	96,600	-	-	96,600
Balance at 31 December 2019	<u>8,225,459</u>	<u>24,077</u>	<u>(11,812,371)</u>	<u>(3,562,835)</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Farmaforce Limited
Statement of cash flows
For the half-year ended 31 December 2019



	31 Dec 2019	31 Dec 2018
	\$	\$
Cash flows from operating activities		
Receipts from customers	6,882,622	5,564,966
Payments to suppliers and employees	(6,322,462)	(5,652,374)
Interest paid	(53,181)	(3,669)
Interest received	22	-
	<u>507,001</u>	<u>(91,077)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(3,408)	(15,351)
Investment in associates	(23,400)	(22,600)
Payment for term deposit	(406,328)	-
	<u>(433,136)</u>	<u>(37,951)</u>
Cash flows from financing activities		
Proceeds from borrowings	2,593,100	-
Repayment of borrowings	(2,310,210)	-
Repayment of lease liabilities	(60,107)	-
	<u>222,783</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	296,648	(129,028)
Cash and cash equivalents at the beginning of the financial half-year	172,370	576,883
Effects of exchange rate changes on cash and cash equivalents	-	(173)
	<u>469,018</u>	<u>447,682</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>469,018</u></u>	<u><u>447,682</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Farmaforce Limited as an individual entity. The financial statements are presented in Australian dollars, which is Farmaforce Limited's functional and presentation currency.

Farmaforce Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 9, 85 Castlereagh Street
Sydney, NSW 2000

A description of the nature of the Company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2020.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Company:

AASB 16 Leases

The Company has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. A new lease for office space was entered into in September 2019 for which a right-of-use asset and lease liability was recognised of \$3,045,125 on 1 September 2019. In November 2019, a new lease was entered into for laptops and mobile phones for which the low value exemption has been applied, which allows for the expense to be recognised on a straight-line basis. Since no leases existed as at 30 June 2019, there was no impact on opening accumulated losses at 1 July 2019.

Note 2. Significant accounting policies (continued)

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Going concern

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

As disclosed in the financial statements, the Company incurred a loss of \$2,324,203 for the half-year ended 31 December 2019 (31 December 2018: profit of \$997,409). At 31 December 2019, the Company had net current liabilities of \$4,373,057, net liabilities of \$3,562,835 and net operating cash inflow of \$507,001 (2018: \$1,844,425, \$1,359,309, cash outflow of \$91,077 respectively). The net loss for the period and the net current liability position do prima facie give rise to a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern.

However, the Directors believe that there are reasonable grounds to believe that the Company will be able to continue as a going concern, after consideration of the following factors:

- The loss incurred for the 6 months to 31 December 2019 was attributable to new teams of field staff being employed and time taken for these teams to fill their capacity and point. The capacity has since been filled with signed contracts, and excess capacity is no longer the case. Accordingly, the continued trend of increasing market share as indicated in the financial statements is resulting in additional customer contracts on hand when compared to contracts during the half-year ended December 2019;
- The current liabilities at 31 December 2019 include an amount of \$2,630,717 payable to The iQ Group Global Ltd (formerly iQnovate Ltd) (the 'parent entity'). The parent entity has given an undertaking to allow these funds to continue to be utilised by the Company as required hence reducing the current payable component of net liabilities to \$1,742,340. The funding of this amount will be addressed by funding from higher revenues, finalising payment arrangements with the Australian Taxation Office, and if required funding from external credit facilities; and
- The Company has an interest free, \$4,000,000 working capital loan facility in place with the parent entity. The unused balance of this facility as at 31 December 2019 was \$1,369,283. The parent entity will allow these funds to continue to be utilised by the Company as required.

Note 2. Significant accounting policies (continued)

Accordingly, the Directors believe that the Company will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Company were not to operate as a going concern.

Note 3. Operating segments

Identification of reportable operating segments

The Company is organised into two operating segments: 1) contract sales and marketing services to external customers; and 2) services to related parties. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The information reported to the CODM is on a monthly basis.

Major customers

During the half-year ended 31 December 2019 approximately 81.65% (\$4,840,044) (31 December 2018: 77.14% (\$4,631,042)) of the Company's total revenue was derived from sales to four major customers.

Operating segment information

The following segment information is provided to the CODM.

	Contract sales and marketing services to external customers	Services to related parties	Total
	\$	\$	
31 December 2019			
Revenue	5,809,130	118,982	5,928,112
Gross profit	13,323	118,982	132,305
	Contract sales and marketing services to external customers	Services to related parties	Total
	\$	\$	\$
31 December 2018			
Revenue	4,876,008	1,127,646	6,003,654
Gross profit	1,329,290	1,127,646	2,456,936

Information on segment net assets is not provided to the CODM.

Geographical information

The Company operates only in Australia.

Note 4. Revenue

	31 Dec 2019	31 Dec 2018
	\$	\$
Contract sales and marketing services	5,809,130	4,876,008
Related party services	118,982	1,127,646
	<u>5,928,112</u>	<u>6,003,654</u>

Disaggregation of revenue

	31 Dec 2019	31 Dec 2018
Contract sales and marketing services	5,809,130	4,876,008
Shared services	118,982	1,127,646
	<u>5,928,112</u>	<u>6,003,654</u>

Timing of revenue recognition

All revenue is recognised over a period of time.

Note 5. Current assets - trade and other receivables

	31 Dec 2019	30 Jun 2019
	\$	\$
Trade receivables	460,251	731,221
Less: Allowance for expected credit losses	-	(13,520)
	<u>460,251</u>	<u>717,701</u>
Other receivables	16,439	233,222
	<u>476,690</u>	<u>950,923</u>

The Company has recognised a loss of \$nil (31 December 2018: \$126,658) in profit or loss in respect of the expected credit losses for the half-year ended 31 December 2019.

Note 6. Current assets - term deposit

	31 Dec 2019	30 Jun 2019
	\$	\$
Term deposit	<u>406,328</u>	<u>-</u>

The term deposit, represents guarantee for lease at Level 3/333 George Street, Sydney, NSW 2000, matures in November 2020.

Note 7. Non-current assets - right-of-use assets

	31 Dec 2019	30 Jun 2019
	\$	\$
Land and buildings - right-of-use	3,045,125	-
Less: Accumulated depreciation	<u>(225,565)</u>	<u>-</u>
	<u><u>2,819,560</u></u>	<u><u>-</u></u>

Additions to the right-of-use assets during the half-year were \$3,045,125.

The Company leases office equipment under agreements of less than 4 years. These leases are of low-value so have been expensed as incurred and not capitalised as right of use assets

Note 8. Current liabilities - trade and other payables

	31 Dec 2019	30 Jun 2019
	\$	\$
Trade payables	394,926	255,274
Related party payables	-	454,210
Sundry payables and accrued expenses	<u>1,703,582</u>	<u>777,378</u>
	<u><u>2,098,508</u></u>	<u><u>1,486,862</u></u>

At 31 December 2019, sundry payables and accrued expenses include an amount of \$1,588,262 due to the Australian Tax Office.

Note 9. Current liabilities - borrowings

	31 Dec 2019	30 Jun 2019
	\$	\$
Borrowings	<u>2,630,717</u>	<u>838,517</u>

The borrowings relate to an interest free working capital loan facility in place with its parent entity, The iQ Group Global Ltd (formerly iQnovate Ltd). The borrowings will be repaid when the Company has cash in excess of \$3,000,000, subject to the Company not being made insolvent by the repayment. The Line of Credit expires on 1 December 2024, five years from the date of commencement.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	31 Dec 2019	30 Jun 2019
	\$	\$
Total facilities		
Borrowings	<u>4,000,000</u>	<u>2,000,000</u>
Used at the reporting date		
Borrowings	<u>2,630,717</u>	<u>838,517</u>
Unused at the reporting date		
Borrowings	<u>1,369,283</u>	<u>1,161,483</u>

Note 10. Equity - issued capital

	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>128,490,980</u>	<u>127,800,980</u>	<u>8,225,459</u>	<u>8,128,859</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2019	127,800,980		8,128,859
Issue of shares under employee benefits plan	12 September 2019	<u>690,000</u>	\$0.14	<u>96,600</u>
Balance	31 December 2019	<u>128,490,980</u>		<u>8,225,459</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 11. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 12. Related party transactions

Parent entity

The parent entity is The iQ Group Global Ltd (formerly iQnovate Ltd) (the 'parent entity') which is incorporated in Australia and owns 69.89% of the Company.

Key Management Personnel ('KMP')

Dr George Syrmalis is the Group CEO and a substantial shareholder of the parent entity. Mr Con Tsigounis is a Non-Executive Director and substantial shareholder of the parent entity.

Associates

Interests in associates are set out in note 13.

Other related parties

Other related parties include the following:

Related party	Relationship
iQX Limited	Jointly controlled by KMP
iQ3Corp Ltd	Jointly controlled by KMP
The iQ Group Global APAC Pty Ltd	Jointly controlled by KMP
Life Science Biosensor Diagnostics Pty Ltd	Subsidiary of parent
Clinical Research Corporation Pty Ltd	Subsidiary of parent

Note 12. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	31 Dec 2019	31 Dec 2018
	\$	\$
Revenue:		
Consulting fees charged to parent entity	118,982	1,127,646
Consulting fees charged to other related parties	-	2,400
Expenses:		
Office and shared services costs paid to parent entity	114,247	92,415
Office and shared services costs paid to other related parties	320,880	108,826

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	31 Dec 2019	30 Jun 2019
	\$	\$
Current payables:		
Trade payable amounts owing to parent entity	-	251,365
Trade payable amounts owing to other related parties	-	202,845

At 31 December 2019, trade payable amounts owing to related parties have been grouped within the working capital facility.

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	31 Dec 2019	30 Jun 2019
	\$	\$
Current borrowings:		
Loan facility amount owing to parent entity*	2,630,717	838,517

* The Company has an interest free, \$4,000,000 (30 June 2019: \$2,000,000) working capital loan in place with the parent entity.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates except where stated otherwise.

Note 13. Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the Company are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 Dec 2019 %	30 Jun 2019 %
New Frontier Holdings LLC	United States of America	20%	20%
Nereid Enterprises Pty Ltd	Australia	20%	20%
Nereid Enterprises LLC	United States of America	20%	20%

Percentages disclosed above are net of non-controlling interest.

Nereid Enterprises Pty Ltd provides corporate events and promotional services to the healthcare industry and related parties of the Company.

Note 14. Earnings per share

	31 Dec 2019 \$	31 Dec 2018 \$
(Loss)/profit after income tax attributable to the owners of Farmaforce Limited	<u>(2,324,203)</u>	<u>997,409</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>128,217,230</u>	<u>127,800,980</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>128,217,230</u>	<u>127,800,980</u>
	Cents	Cents
Basic earnings per share	(1.81)	0.78
Diluted earnings per share	(1.81)	0.78

Note 15. Non-cash investing and financing activities

	31 Dec 2019 \$	31 Dec 2018 \$
Shares issued under employee benefits plan	<u>96,600</u>	<u>-</u>

Note 16. Events after the reporting period

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



George Elias
Chairman

28 February 2020
Sydney

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of FarmaForce Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of FarmaForce Limited (the Company), which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Company's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2019 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards



and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Independence

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

Yours sincerely

BDO East Coast Partnership

BDO

A handwritten signature in black ink, appearing to read 'Tim Aman', written over a horizontal line.

Tim Aman
Partner

Sydney, 28 February 2020