

NSX - Preliminary Final Report

Name of entity:	IQNOVATE LTD
ACN:	149 731 644
Reporting Period:	Twelve months ending 30 June 2018
Previous Corresponding Period:	Twelve months ending 30 June 2017

Results for announcement to the market

	Movement	Percentage change	2018
Revenue and net profit			
Revenue from ordinary activities	up	1%	4,729,026
Loss from ordinary activities after tax	down	50%	(14,846,246)
Loss from ordinary activities after tax attributable to owners	down	43%	(13,174,652)

	Dividend	Amount per security	Franked amount per security
Dividends			
Final dividend in respect of the twelve months ending 30 June 2018:	NIL	NIL	NIL

	2018	2017
Net tangible assets per security		
Net tangible assets per security (cents per security)	(4.54)	(1.27)

Commentary on results

Commentary for the preliminary final report for the twelve months ending 30 June 2018 is contained in the National Securities Exchange (NSX) release and on page 2 of this announcement.

Additional information

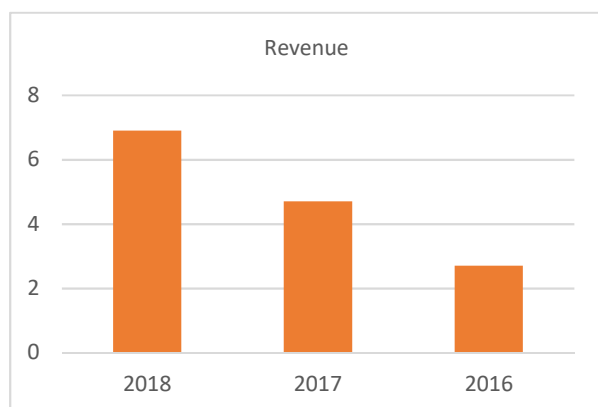
This report is based on unaudited financial statements which are currently in the process of being audited. The financial statements included in the 2018 Annual Report are likely to contain an unqualified independent audit report.

Additional Preliminary Final Report requirements can be found on pages 3 to 25 of this announcement.

Commentary on results

SUMMARY OF FINANCIAL RESULTS

- Revenue increased 1% to \$4.7m;
- \$14.8 million increase in loss after tax;
- Increased market share, revenue, and improvement of results of contract sales business unit (FarmaForce).
- Additional expenditure on development, regulatory approval preparation, patents and staff to develop portfolio of projects.
- Improvement of net equity from (\$8.7m) to (\$3.1m) due to conversion of convertible notes to equity and continued capital injection.



About Clinical Research Corporation (CRC)

CRC provides contract medical affairs services to the pharmaceutical industry throughout the drug lifecycle.

crcaustralia.com

About The iQ Group Global

The iQ Group Global provides a turnkey solution for life sciences companies, spanning corporate advisory and investment banking, through to research, development, commercialisation and sales. The Group facilitates an end to end solution along the drug lifecycle creating the medicines of tomorrow.

theiqgroupglobal.com

About iQnovate

iQnovate is a scientifically driven life science asset management organisation. It has exceptional organic research and development capability. This enables iQnovate to conceptualise, source, validate and commercialise biotechnology assets that have extraordinary and potentially disruptive outcomes, thus advancing human health.

iqnovate.com

About FarmaForce

FarmaForce is a contract sales organisation offering innovative sales solutions to the Australian pharmaceutical industry.

farmaforce.com.au

IQNOVATE LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2018

<i>In dollars</i>	<i>Note</i>	2018	2017
Revenue	4	4,729,026	4,670,912
Cost of sales		(4,723,175)	(3,837,759)
Gross profit		5,851	833,153
Other income	5(a)	1,812	118,807
Employee benefits expense	5(c)	(4,958,564)	(3,871,647)
Depreciation and amortisation expense		(136,122)	(151,095)
Overhead sharing costs		(1,738,834)	(880,242)
Share option expense		(176,250)	-
Other expenses	5(d)	(7,074,686)	(4,991,057)
Finance costs	5(b)	(1,080,230)	(1,141,188)
Share of loss of associated companies net of tax		(101,827)	(115,919)
Loss before income tax		(15,258,850)	(10,199,188)
Income tax benefit		412,604	318,182
Loss for the period		(14,846,246)	(9,881,006)
Loss attributable to members of the parent		(13,174,652)	(9,235,949)
Loss attributable to non-controlling interest		(1,671,594)	(645,057)
Total loss attributed		(14,846,246)	(9,881,006)

Loss per share for the period attributable to the ordinary equity holders of the Company:

	<i>Note</i>	2018	2017
Basic loss per share (cents per share)	17	(8.93)	(7.61)
Diluted loss per share (cents per share)	17	(8.93)	(7.61)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes to the consolidated financial statements.

IQNOVATE LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

<i>In dollars</i>	<i>Note</i>	2018	2017
Net loss for the period		(14,846,246)	(9,881,006)
Other comprehensive income			
Exchange differences on translation of foreign operations, net of tax		-	12,239
Other comprehensive loss for the period, net of tax		-	12,239
Total comprehensive loss for the period		(14,846,246)	(9,868,767)
Comprehensive loss attributable to members of the parent		(13,174,652)	(9,223,710)
Comprehensive loss attributable to non-controlling interest		(1,671,594)	(645,057)
Total comprehensive loss attributed		(14,846,246)	(9,868,767)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes to the consolidated financial statements.

IQNOVATE LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

<i>In dollars</i>	<i>Note</i>	2018	2017
Assets			
Current assets			
Cash	6	1,422,636	298,937
Trade and other receivables	7	1,076,927	594,443
Prepayments		530,797	116,637
Current tax receivable		412,604	-
Total current assets		3,442,964	1,010,017
Non-current assets			
Trade and other receivables		-	-
Property, plant and equipment	8	210,958	625,149
Intangible assets	9	3,530,920	4,257,740
Investment in associate	18	456,119	440,226
Deferred tax assets		1,233,364	1,233,364
Total non-current assets		5,431,361	6,556,479
Total Assets		8,874,325	7,566,496
Liabilities			
Current liabilities			
Trade and other payables	10	3,806,121	3,415,617
Provisions	11	0	27,049
Employee benefit liabilities	12	910,954	850,545
Deferred revenue		292,124	233,003
Borrowings	13	5,670,097	5,853,688
Derivative financial instruments	14	1,238,349	884,788
Deferred tax liability		35,718	35,718
Total current liabilities		11,953,363	11,300,408
Non-current liabilities			
Borrowings	13	-	4,954,814
Employee benefit liabilities	12	83,533	49,489
Total non-current liabilities		83,533	5,004,303
Total liabilities		12,036,896	16,304,711
Net assets/(liabilities)		(3,162,571)	(8,738,215)
Equity			
Contributed equity		24,960,248	11,491,837
Reserves	16	8,890,082	1,778,410
Accumulated losses		(35,309,143)	(22,134,491)
Total equity attributable to holders of the company		(1,458,813)	(8,864,244)
Total equity attributable to non-controlling interests		(1,703,758)	126,029
Total equity		(3,162,571)	(8,738,215)

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to the consolidated financial statements.

IQNOVATE LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Contributed equity	Accumulated losses	Reserves	Non-controlling interest	Total
<i>In dollars</i>					
Balance at 1 July 2017	11,491,837	(22,134,491)	1,778,410	126,029	(8,738,215)
Total comprehensive loss for the period					
Loss for the period	-	(13,174,652)	-	(1,671,594)	(14,846,246)
Other comprehensive profit for the period	-	-	-	-	-
Total comprehensive profit for the period	-	(13,174,652)	-	(1,671,594)	(14,846,246)
Transactions with owners recorded directly in equity					
Issued new equity/conv shares	2,669,653	-	7,289,494	-	9,959,147
Convertible notes issued/reconfigured during the period	10,168,259	-	-	60,000	10,228,259
Implied Int C Notes conversion	830,462	-	-	-	830,462
Foreign translation exchange differences	-	-	584,903	-	(584,903)
Capital raising costs	(199,963)	-	(762,725)	(218,193)	(1,180,881)
Total transactions with owners recorded directly in equity	13,468,411	-	7,111,672	(158,193)	20,421,890
Balance at 30 June 2018	24,960,248	(35,309,143)	8,890,082	(1,703,758)	(3,162,571)
Balance at 1 July 2016	10,930,743	(12,910,781)	142,605	540,993	(1,296,440)
Total comprehensive loss for the period					
Loss for the period	-	(9,235,949)	-	(645,057)	(9881,006)
Other comprehensive income for the period	-	12,239	-	-	12,239
Total comprehensive loss	-	(9,223,710)	-	(645,057)	(9,868,767)
Transaction with owners recorded directly in equity					
Convertible notes issued/reconfigured during the period	681,669	-	2,243,700	526,300	3,451,669
Foreign transaction exchange differences	-	-	(12,239)	-	(12,239)
Capital raising costs	(120,575)	-	(595,656)	(296,207)	(1,012,438)
Total transactions with owners recorded directly in equity	(561,094)	-	1,635,805	230,093	2,426,992
Balance at 30 June 2017	11,491,837	(22,134,491)	1,778,410	126,029	(8,738,215)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the consolidated financial statements.

IQNOVATE LTD AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

<i>In dollars</i>	<i>Note</i>	2018	2017
Cash flows from operating activities			
Receipts from customers		4,945,045	5,220,563
Payments to suppliers and employees		(19,001,633)	(11,590,104)
Interest received		1,363	2,980
Interest paid		664,503	(99,055)
Income tax paid		(412,604)	-
Net cash used in operating activities	21	(13,803,326)	(6,465,616)
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(97,115)
Investment in associates		4,325	(18,145)
Purchase of intangible assets		-	(2,841,338)
Net cash generated/(used) in investing activities		4,325	(2,956,598)
Cash flows from financing activities			
Proceeds from contributed equity		2,729,653	902,887
Proceeds from the issue of convertible notes		11,808,107	6,658,953
Proceed from reserve		-	-
Proceed from borrowing		-	-
Capital raising costs		(199,963)	-
Net cash generated from financing activities		14,337,797	7,561,840
Net increase/(decrease) in cash and cash equivalents		538,796	(1,860,374)
Cash and cash equivalents at the beginning of the period		298,937	2,159,311
Effect of movements in exchange rates on cash held		584,903	-
Cash and cash equivalents at the end of the period	6	1,422,636	298,937

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes to the consolidated financial statements.

IQNOVATE LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. REPORTING ENTITY

iQNovate Ltd (“iQN” or the “Company”) is a for-profit company limited by shares which is incorporated and domiciled in Australia. These consolidated financial statements (“financial statements”) as at and for the year ended 30 June 2018 comprise of the Company and its subsidiaries (collectively referred to as the “Group”).

These financial statements were authorised for issue by the Board of Directors on 13 September 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

This section sets out the significant accounting policies upon which the financial statements are prepared as a whole. Specific accounting policies are described in their respective notes to the financial statements. This section also shows information on new accounting standards, amendments and interpretations, and whether they are effective in the current or later years.

Basis of preparation

These financial statements are presented in Australian dollars, which is the Company’s functional currency.

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 1 April 2016 and in accordance with that instrument, all financial information presented in Australian dollars has been rounded to the nearest dollar unless otherwise stated.

The financial statements have been prepared under the historical cost convention, except for, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, and derivative financial instruments.

The accounting policies have been consistently applied to all periods presented in these financial statements, unless otherwise stated.

Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars (AUD) at the exchange rate at the reporting date. The income and expenses of foreign operations are translated into AUD at the average exchange rate of the month in which the transaction occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign operations (continued)

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

Goods and Services Tax ("GST") and Value Added Tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of respective GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the relevant taxation authority. In these circumstances, the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST or VAT receivable or payable. The net amount of GST or VAT recoverable from, or payable to, the taxation authority is included with other payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST or VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the relevant taxation authority, are presented as operating cash flows in the consolidated statement of cash flows.

Uses of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

(i) Judgements

Significant judgement has been made in respect to the capitalisation of development costs for internally developed intangible assets, and the capitalisation costs of acquired IP intangible assets. See Note 8.

(ii) Estimates

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, including about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ending 30 June 2018 are included in the following notes:

- a. Note 18 – Investments; and
- b. Note 11 – Provisions.

(iii) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

The financial reporting team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, management assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of judgements and estimates (continued)

(iii) Measurement of fair values (continued)

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group categorises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group categorises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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 Group were not to operate as a going concern.

3. 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 Group incurred a loss of \$14,846,246 and had net cash outflows from operating activities of \$13,803,329 for the year ended 30 June 2018. As at that date the company had net current liabilities of \$8,510,395 and net asset of \$3,162,567.

These factors may prima facie indicate the potential of a material uncertainty which may result in significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. However, the Directors have determined that treatment as a going concern is appropriate, due to the following factors:

- The Group will continue its expansion and development of its portfolio of life science assets intellectual property assets by external project based capital raising as it has demonstrated it has done previously;
- The funds will be utilised with the ultimate objective to increase the value of the assets as discussed in the Review of Operations
- For the trading divisions of the Group, the continued trend of increasing market share as indicated in the financial statements is resulting in additional customer contracts on hand improving net operating cash flow for the relevant divisions;

IQNOVATE LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018

3. GOING CONCERN (CONTINUED)

- Liabilities include total convertible notes with a face value of \$5,670,097 convertible to equity by the company, hence not requiring funding from cash flow to extinguish these liabilities;

Accordingly, the Directors believe that the Group 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 Group were not to operate as a going concern.

4. REVENUE

<i>In dollars</i>	2018	2017
Contract and service fee revenue	4,263,752	4,255,622
Office and shared services revenue	465,274	415,290
Total revenue	4,729,026	4,670,912

Significant accounting policies

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits associated with the transaction will flow to the Group and specific criteria relating to the type of revenue as noted below, has been satisfied.

Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Rendering of services

Revenue in relation to rendering of services is recognised depending on whether the outcome of the services can be estimated reliably. If the outcome can be estimated reliably then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period.

If the outcome cannot be reliably estimated then revenue is recognised to the extent of expenses recognised that are recoverable.

5. INCOME AND EXPENSES

(a) Other income

<i>In dollars</i>	2018	2017
Rebates and offsets	-	110,717
Finance income	1,812	7,200
Foreign currency gains	-	890
Total other income	1,812	118,807

IQNOVATE LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018

5. INCOME AND EXPENSES (CONTINUED)

(b) Finance costs

<i>In dollars</i>	2018	2017
Bank fees	13,544	7,960
Capital raising costs on converted convertible notes	812,193	
Interest on convertible notes	932,540	985,317
Other interest expense	(254,017)	147,911
Foreign currency	(424,030)	-
Total finance costs	1,080,230	1,141,188

(c) Employee benefits expenses

<i>In dollars</i>	2018	2017
Wages and salaries	4,373,892	3,389,205
Compulsory superannuation contributions	467,576	361,933
Increase in liability for annual leave	83,051	71,020
Increase in liability for long service leave	34,044	49,489
Total employee benefits expense	4,958,563	3,871,647

(d) Other expenses

<i>In dollars</i>	2018	2017
Accounting fees	203,134	91,708
Advertising and marketing	190,716	276,118
Development & regulatory approval	1,102,923	-
Exchange and listing fees	1,234,236	99,069
Insurance	70,796	78,055
Legal and consulting fees	930,904	890,006
Occupancy costs	279,315	371,276
Project sourcing and evaluation costs	-	1,559,239
Recruitment fees	84,836	255,439
Software licensing and subscriptions	234,606	202,452
Travel and accommodation	184,511	140,698
Other	2,558,709	1,026,997
Total other expenses	7,074,686	4,991,057

IQNOVATE LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018

6. CASH

<i>In dollars</i>	2018	2017
Bank balances	1,422,636	298,937

Significant accounting policies

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

7. TRADE AND OTHER RECEIVABLES

<i>In dollars</i>	2018	2017
Trade receivables	465,777	327,229
Other receivables	112,740	241,182
Related party receivables	498,410	26,032
Total trade and other receivables	1,076,927	594,443
Current	1,076,927	594,443
Non-current	-	-
Total trade and other receivables	1,076,927	594,443

Significant accounting policies

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30-60 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. The loss is recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit or loss.

Other receivables are recognised at amortised cost, less any provision for impairment.

IQNOVATE LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018

8. PROPERTY, PLANT AND EQUIPMENT

Cost

<i>In dollars</i>	Plant and equipment	Furniture, fixtures and fittings	Leasehold improvements	Total
Balance at 1 July 2016	213,946	110,364	492,835	817,145
Additions	58,251	19,630	27,049	104,930
Balance at 30 June 2017	272,197	129,994	519,884	922,075
Additions	24,330	-	-	24,330
Disposal	(17,062)	(35,990)	(479,209)	(532,261)
Effect of movement in foreign exchange	2,749	23	-	2,772
Balance at 30 June 2018	282,214	94,027	40,675	416,916

Accumulated depreciation

<i>In dollars</i>	Plant and equipment	Furniture, fixtures and fittings	Leasehold improvements	Total
Balance at 1 July 2016	75,904	16,388	62,788	155,080
Depreciation expense	54,948	13,277	73,620	141,845
Balance at 30 June 2017	130,852	29,665	136,408	296,925
Depreciation expense	48,616	12,029	37,811	98,456
Disposal	(9,580)	(16,916)	(162,792)	(189,288)
Effect of movement in foreign exchange	(137)	2	-	(135)
Balance at 30 June 2018	169,751	24,780	11,427	205,958

Carrying amount

<i>In dollars</i>	Plant and equipment	Furniture, fixtures and fittings	Leasehold improvements	Total
Carrying balance at 30 June 2017	141,345	100,329	383,476	625,149
Carrying balance at 30 June 2018	112,463	69,247	29,248	210,958

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Significant accounting policies

Carrying value

All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the business and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the profit or loss during the reporting period.

Depreciation

Depreciation of assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

- Leasehold improvements – 5 to 10 years
- Plant and equipment – 5 to 10 years
- Furniture, fittings and equipment – 10 to 20 years

Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

9. INTANGIBLE ASSETS

Cost

<i>In dollars</i>	Acquired IP	Development expenditure	Website and software	Total
Balance at 1 July 2016	-	-	2,536	2,536
Additions	1,871,613	2,169,946	231,354	4,272,913
Balance at 30 June 2017	1,871,613	2,169,946	233,890	4,275,449
Additions	-	228,089	-	228,089
Impairment	-	(920,147)	-	(920,147)
Balance at 30 June 2018	1,871,613	1,477,888	233,890	3,583,391

Amortisation

<i>In dollars</i>	Acquired IP	Development expenditure	Website and software	Total
Balance at 1 July 2016	-	-	645	645
Amortisation expense	-	-	17,064	17,064
Balance at 30 June 2017	-	-	17,709	17,709
Amortisation expense	-	-	34,762	34,762
Balance at 30 June 2018	-	-	52,471	52,471

Carrying amount

<i>In dollars</i>	Acquired IP	Development expenditure	Website and software	Total
Carrying balance at 30 June 2017	1,871,613	2,169,946	216,181	4,257,740
Carrying balance at 30 June 2018	1,871,613	1,477,888	181,419	3,530,920

The recoverable amount of the consolidated entity's development expenditure has been determined using fair value less costs to sell, based on the following key judgements approved by management: (a) it is technically feasible that the asset will be completed for use/sale; (b) the Group intends to complete and use/sell the asset; (c) the Group is able to use/sell the asset; (d) the Group has adequate resources available to complete the asset for use/sale; and (e) the Group is able to reliably measure expenditure during the development phase.

9. INTANGIBLE ASSETS (CONTINUED)

Significant accounting policies

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised.

Amortisation

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Impairment

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 is the higher of an asset's fair value less costs to sell and value in use.

Website and software

Costs incurred in acquiring website software and licenses that will contribute to future financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years

Website development costs include only those directly attributable to the development phase and are only recognised following completion of technical feasibility and where the business has an intention and ability to use the asset.

Research and development costs

Research expenditure is recognised as an expense as incurred.

Development costs include externally acquired and internally generated costs of materials and services, which can be directly attributable to the development activities of acquiring or generating an intangible asset.

Costs incurred on development projects (relating to the design and testing of new or improved intangible assets) are recognised only when it is probable that the future economic benefits that are attributable to the asset will flow to the Group, the cost of the asset can be measured reliably, technical and commercial feasibility of the asset for sale or use have been established, and the Group intends and is able to complete the intangible asset and either use it or sell it.

Capitalised development costs are recorded as an intangible asset and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

10. TRADE AND OTHER PAYABLES

<i>In dollars</i>	2018	2017
Trade payables	518,654	1,835,060
Sundry payables and accrued expenses	1,297,343	269,781
Related party payables	1,990,120	1,310,776
Total trade and other payables	3,806,117	3,415,617
Current	3,806,117	3,415,617
Non-current	-	-
Total trade and other payables	3,806,117	3,415,617

Significant accounting policies

Trade and other payables represent liabilities for goods and services provided to the business prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

11. PROVISIONS

<i>In dollars</i>	Make good	Total
Balance at 1 July 2017	27,049	27,049
Provisions (released)/made during the period	(27,049)	(27,049)
Total provisions at 30 June 2018	-	-

Significant accounting policies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

Make-good provisions

A make good provision is recognised for the costs of restoration or removal in relation to plant and equipment and site leases where there is a legal or constructive obligation. The provision is initially recorded when a reliable estimate can be determined and discounted to present value. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

12. EMPLOYEE BENEFIT LIABILITIES

<i>In dollars</i>	2018	2017
Liability for annual leave	457,174	334,022
Liability for superannuation	234,422	237,876
Liability for long service leave	83,533	49,489
Liability for bonus	110,773	-
Liability for payroll	108,585	278,647
Total employee benefit liabilities	994,487	900,034
Current	910,954	850,545
Non-current	83,533	49,489
Total employee benefit liabilities	994,487	900,034

Significant accounting policies

Employee benefits represents amounts accrued for employee payroll, superannuation, annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled in the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The Group recognises a liability for long service leave and annual leave 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 to service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

13. BORROWINGS

<i>In dollars</i>	2018	2017
Current: Convertible notes	5,670,097	5,853,688
Non-Current: Convertible notes	-	4,954,814

Significant accounting policies

Convertible notes are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible notes, the fair value of the liability component is estimated using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity. The carrying amount of the conversion option is not re-measured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are initially

14. DERIVATIVE FINANCIAL INSTRUMENTS

<i>In dollars</i>	2018	2017
Discount on Pre-IPO convertible notes	1,238,349	884,788

Significant accounting policies

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

15. SHARE CAPITAL

	Number of shares	\$
In issue at 1 July 2016	41,446,390	4,697,661
Share split during the reporting period	82,892,780	-
In issue at 30 June 2017	124,339,170	4,697,661
Shares issued during the reporting period	32,272,862	11,013,665
In issue at 30 June 2018	156,612,032	15,711,326

All ordinary shares rank equally with regard to the Company's residual assets. The holders of these shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company. The Company does not have authorised capital or par value in respect of its shares. All issued shares are fully paid.

Dividends

No dividends were declared or paid by the Company for the year (2017: nil).

Significant accounting policies

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

16. RESERVES

<i>In dollars</i>	Subscriptions for equity	Options reserve	Foreign translation	Total
Balance at 1 July 2016	-	142,605	-	142,605
Subscriptions for equity issued	1,648,044	-	-	1,648,044
Reporting translation differences			(12,239)	(12,239)
Balance at 30 June 2017	1,648,044	142,605	(12,239)	1,778,410
Subscriptions for equity issued	6,526,769	-	-	6,526,769
Reporting translation differences	-	-	584,903	584,903
Balance at 30 June 2018	8,174,813	142,605	572,664	8,890,082

17. EARNINGS PER SHARE (EPS)

The calculation of basic earnings per share has been based on the following loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

Loss attributable to ordinary shareholders

<i>In dollars</i>	2018	2017
Loss for the period attributable to owners of iQNovate Ltd	(13,174,652)	(9,235,949)

Weighted-average number of ordinary shares

<i>In number of shares</i>	2018	2017
Weighted-average number of ordinary shares at end of the period	147,496,953	121,386,824
Weighted-average number of securities if outstanding options exercised	147,496,953	121,386,824

Earnings per share

<i>In cents per share</i>	2018	2017
Basic loss per share	(8.93)	(7.61)
Diluted loss per share	(8.93)	(7.61)

Basic earnings per share is calculated as earnings for the period attributable to the Company over the weighted average number of shares.

Diluted earnings per share is calculated as earnings for the period attributable to the Company over the weighted average number of shares which has been adjusted to reflect the number of shares which would be issued if outstanding options and performance rights were to be exercised. However, due to the statutory loss attributable to the Company for both the financial year ended 30 June 2018 and the comparative period ended

IQNOVATE LTD AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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30 June 2017, the effect of these instruments has been excluded from the calculations of diluted earnings per share for both periods as they would reduce the loss per share.

18. INVESTMENTS

The percentage ownership interest is equivalent to the percentage voting rights for all investments.

(a) Interests in subsidiaries, associates, and joint venture

Entity name	Country of incorporation	Ownership interest 2018	Ownership interest 2017
Subsidiaries			
FarmaForce Limited	Australia	70.6%	70.6%
Clinical Research Corporation Pty Ltd	Australia	100%	100%
Life Science Biosensor Diagnostics Pty Ltd	Australia	81%	81%
Glucose Biosensor Systems (GC) Inc	USA	81%	81%
Glucose Biosensor Systems (GC) Pty Ltd	Australia	81%	81%
Antisoma Therapeutics Pty Ltd	Australia	100%	100%
Associates¹			
New Frontier Holdings LLC ("New Frontier")	USA	34.1%	34.1%
Nereid Enterprises Pty Ltd	Australia	34.1%	34.1%
Nereid Enterprises LLC	USA	34.1%	34.1%

¹ Percentage shown is net of non-controlling interest.

(b) Investment in associates accounted for using equity method

<i>In dollars</i>	2018	2017
Reconciliation to carrying amount		
Net asset balance at start of period	1,100,565	1,243,277
Additional investment	141,560	-
Loss for the period	(101,827)	(142,712)
Other comprehensive income	-	-
Net asset balance at end of period	1,140,298	1,100,565
Consolidated entity's share in %	40.00%	40%
Consolidated entity's share at acquisition	456,119	440,226
Adjustment posted in following period	-	-
Consolidated entity's share at reporting date	456,119	440,226

18. INVESTMENTS (CONTINUED)

Significant accounting policies

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable rates of returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates and joint ventures are accounted for in the Group's financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of the associates post-acquisition profits or losses are recognised in the statement of profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

19. OPERATING LEASES

The Group leases a number of office facilities under operating leases. The leases are non-cancellable and run for a period of 1 to 6 years, with an option to renew the lease after that date. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by 4.25% per annum. The lease allows for subletting of all lease areas.

Future minimum lease payments

As at 30 June 2018, the future minimum lease payments under non-cancellable leases were payable as set out in the following table.

<i>In dollars</i>	2018	2017
Less than one year	156,341	112,165
Between one and five years	854,220	-
More than five years	-	-
Total future minimum lease payments	1,010,561	112,165

20. CONTINGENCIES

The Group has no contingent liabilities or assets as at the reporting date (2017: None).

21. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

<i>In dollars</i>	2018	2017
Cash flows from operating activities		
Loss for the period	(14,846,246)	(10,199,188)
Adjustments for:		
Depreciation	136,122	151,095
Share based payments		-
Interest on convertible notes	932,540	985,317
Share of loss from associated companies	101,827	115,919
	(13,675,757)	(8,946,857)
Changes in:		
Trade and other receivables	(482,481)	(33,267)
Prepayments	(414,160)	48,360
Trade and other payables	615,498	1,913,246
Income in advance	59,121	178,023
Employee benefits	94,453	694,334
Deferred tax liability	-	35,718
Deferred tax asset	-	(355,173)
	(127,569)	2,481,241
Net cash used in operating activities	(13,803,326)	(6,465,616)

CORPORATE DIRETORY

ACN 149 731 644

Directors

Dr George Syrmalis, *Chair and Group Chief Executive Officer*

Con Tsigounis

Peter Buchanan Simpson

Company secretary

Gerardo Incollingo

Chief Executive Officer

Dr George Syrmalis

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Sydney, NSW 2000

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Stock exchange listings

IQNovate Ltd shares are listed on the National Securities Exchange (NSX:IQN).

Website address

www.iqnovate.com