



# 2018 ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

## CONTENTS

Corporate Directory	2
Chair and CEO's Report	3
Operating and Financial Review	5
Directors' Report	6
Remuneration Report	9
Corporate Governance	16
Lead Auditor's Independence Declaration	23
Consolidated Financial Statements	24
Notes to the Consolidated Financial Statements	29
Directors' Declaration	56
Independent Auditor's Report	57
NSX Additional Information	62

## CORPORATE DIRECTORY

---

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

Registered office

Level 9, 85 Castlereagh Street

Sydney NSW 2000

Principal place of business

Level 9, 85 Castlereagh Street

Sydney NSW 2000

Share register

Boardroom Pty Limited

Level 12, 225 George Street

Sydney NSW 2000

Auditor

RSM Australia Partners

Level 13, 60 Castlereagh Street

Sydney NSW 2000

Stock exchange listings

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

Website address

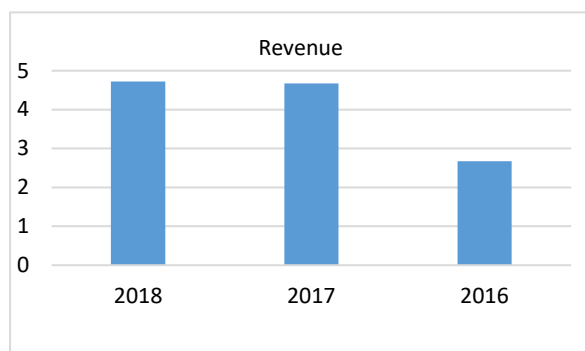
[www.iqnovate.com](http://www.iqnovate.com)

## CHAIR AND GROUP CEO'S REPORT

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

During the year 2018 IQN has experienced significant growth in all asset management activities and its subsidiary entities, CRC Clinical Research Organization and Farmaforce (ASX:FFC).

iQnovate Ltd financial metrics have improved from the three previous years as appears in the bar chart below.



- Revenue increased 1% to \$4.73m;
- Cash balance increased to \$1.42m from \$0.3m;

	Movement	Percentage change	2018
<b>Revenue and net profit</b>			
Revenue from ordinary activities	up	1%	4,729,026
Loss from ordinary activities after tax	up	50%	(14,846,246)
Loss from ordinary activities after tax attributable to owners	up	43%	(13,174,652)
<b>Net tangible assets per security</b>			
		<b>2018</b>	<b>2017</b>
Net tangible assets per security (cents per security)		(4.54)	(1.27)

- The market capitalization of the company as of 28/09/2018 is \$ **63.28** Million AUD.

My focus in this year's operational review will be more about the development programs the company is running than the subsidiary entities which are consolidated into this report.

iQN's revenue is generated through three separate streams – commercial sales, capital gains, and research and development.

### Operational Milestones

iQnovate Ltd, through its subsidiary holding companies, continued to invest in the ongoing research and development program of the biosensor and its potential different diagnostic applications.

- The glucose biosensor project has now achieved the penultimate technical development milestone as originally planned by the Newcastle University research team.
- Initiated three pilot diagnostic test programs to detect and quantitate prostate specific antigen, luteinizing hormone, and the peanut kernel allergen.
- October 2017, the company launched Bio diagnostics MENA Pty Ltd (Middle East North Africa) the licensee to commercialize the biosensor in the MENA region.
- The Chinese Biosensor patent was granted in July 2018.
- BiosenseX Inc. was launched in August 2018 and is the licensee for the biosensor in the Japan Pacific region, including Australia.

### **Farmaforce Ltd (ASX: FFC)**

FFC continued its growth exceeding \$7 million AUD in revenue.

### **Clinical Research Corporation CRC Pty Ltd**

Realized significant growth leveraging on projects with multinational biopharma and medical device companies.



Dr George Syrmalis

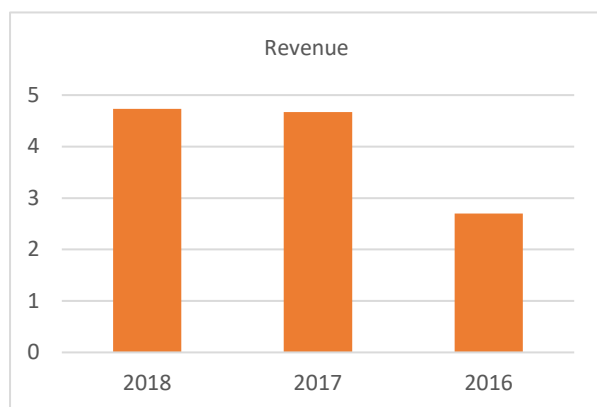
Chair and Group CEO

## **OPERATING AND FINANCIAL REVIEW**

The Operating and Financial Review (“OFR”) is provided to assist shareholders’ understanding of the performance of iQnovate Ltd (“iQN” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) and the factors underlying the Group’s results and financial position for the period 1 July 2017 to 30 June 2018.

### **SUMMARY OF FINANCIAL RESULTS**

- Revenue increased 1% to \$4.7m;
- increase in loss after tax to \$14.8m;
- 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.



### **OPERATING HIGHLIGHTS**

Refer to the Chair and Group CEO’s Report on pages 3 to 4 for operating highlights.

#### *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. [ignovate.com](http://ignovate.com)

#### *About FarmaForce*

FarmaForce is a contract sales organisation offering innovative sales solutions to the Australian pharmaceutical industry. [farmaforce.com.au](http://farmaforce.com.au)

#### *About Clinical Research Corporation (CRC)*

CRC provides contract medical affairs services to the pharmaceutical industry throughout the drug lifecycle. [crcaustralia.com](http://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](http://theiqgroupglobal.com)

## **DIRECTORS' REPORT**

The Directors present their report together with the consolidated financial statements of iQnovate Ltd ("iQN" or the "Company") and its subsidiaries (collectively referred to as the "Group") as at and for the year ended 30 June 2018.

### **DIRECTORS**

The names of Directors who held office of the Company at any time during the financial year and at the date of this report, together with information on their qualifications, experience, special responsibilities, other listed company directorships and other details, are as follows.

#### **Dr George Syrmalis**

Chair and Group Chief Executive Officer  
Appointed: 8 March 2011

*Trained in Nuclear Medicine-Radiation Immunology.*

Dr Syrmalis founded and led as CEO and Chair of The Bionuclear Group SA, (1995-2005) incorporating Antisoma SA, Bionuclear Institute of Diagnosis and Therapy SA, Bionuclear Research and Development SA, and Vitalcheck SA.

Dr Syrmalis is currently a Non-executive Director of FarmaForce Limited, a company listed on the Australian Stock Exchange; and Executive Director of iQX Limited, a company listed on the National Stock Exchange of Australia.

Dr Syrmalis serves as a member of the Remuneration and Nomination Committee, and the Audit and Risk Management Committee, for iQnovate Ltd.

#### **Con Tsigounis**

Executive Director  
Appointed: 8 March 2011

*Member of the Australian Institute of Company Directors.*

Mr Tsigounis has over 21 years' experience in business and investor relations, specifically in the wholesale and retail sectors. As a member of the Board of iQnovate Ltd since its inception, Con has been responsible for executing that company's investor relations and capital raising strategy. His experience in Shareholder relationship management gives him the necessary skillset to assist the Company attain its corporate objectives.

Mr Tsigounis is currently a Non-Executive Director of FarmaForce Limited, a company listed on the Australian Stock Exchange.

#### **Peter Simpson**

Non-Executive Director  
Appointed: 28 July 2011

*Masters of Pharmacy*

Mr Simpson has extensive experience in the pharmaceutical industry and has been involved in the development of pharmaceutical products for both the Australian and international markets. For eight years he was the Research and Development Manager at David Bull Laboratories and oversaw the development and approval of over 80 products in the Australian, UK and US markets.

Mr Simpson is currently a Non-Executive Director of iQX Limited, a company listed on the National Stock Exchange of Australia.

Mr Simpson serves as a member of the Remuneration and Nomination Committee, and the Audit and Risk Management Committee, for iQnovate Ltd.

### **COMPANY SECRETARY**

#### **Gerardo Incollingo**

Gerardo was appointed Company Secretary on 22 August 2016. Gerardo is Managing Director of LCI Partner's, a firm of accountants.

### **PRINCIPAL ACTIVITIES**

During the year the principal activity for the Group consisted of the provision of asset management services to listed and unlisted companies in the Life Science industry.

## **DIVIDENDS**

No dividends have been paid or declared since the end of the previous financial year, nor do the directors recommend the declaration of a dividend.

## **REVIEW OF OPERATIONS**

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the operating and financial review ("OFR") on page 5 of this Annual Report.

Information in the OFR is provided to enable shareholders to make an informed assessment about the Group's strategies and prospects for future financial years. Details that could give rise to likely material detriment to the Group (for example, information that is commercially sensitive, is confidential or could give a third party commercial advantage) has not been included.

## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There have been no significant changes in the state of affairs of the Company during the year.

## **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

There have been no significant events occurring after the balance date which may affect the Group's operations or results of those operations or the Group's state of affairs, other than disclosed in Note 28.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group, other than disclosed in note 28.

## **ENVIRONMENTAL REGULATION**

The Directors recognise the importance of environmental and workplace health and safety issues. The Directors are committed to compliance with all relevant laws and regulations to ensure the protection of the environment, the community and the health and safety of employees.

The operations of the Group are not subject to any particular and significant environmental regulation under the laws of the Commonwealth of Australia or any of its states or territories.

Based on results of enquiries made, the Board is not aware of any significant breaches of environmental regulations during the period covered by this report.

## **REMUNERATION REPORT**

The Remuneration Report is set out on pages 9 to 15 and forms part of the Directors' Report for the year ended 30 June 2018.

## **PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

## **INDEMNIFICATION OF AUDITORS**

The Company has not, during or since the end of the financial year ended 30 June 2018, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

## **NON-AUDIT SERVICES**

There were no non-audit services provided by the entity's auditor, RSM Australia Partners ("RSM") during the year ended 30 June 2018.

Details of the amounts paid to the auditor of the Company, RSM Australia and its network firms for audit services provided during the year ended 30 June 2018 are disclosed in note 27 of the consolidated financial statements.



### AUDITOR INDEPENDENCE

The auditor's independence declaration is set out on page 23 and forms part of the Directors' Report for the year ended 30 June 2018.

### MEETINGS OF DIRECTORS

The number of Directors' meetings held (including meetings of committees of the Board) and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Full meetings of directors		Meetings of committees			
			Audit & Risk Management		Remuneration & Nomination	
	A	B	A	B	A	B
Dr George Syrmalis	11	11	1	1	1	1
Con Tsigounis	11	11	-	-	-	-
Peter Simpson	11	9	1	1	1	1

A – Eligible to attend

B - Attended

### DIRECTORS INTERESTS

The relevant interests of each Director in the equity of the Company at the date of this report are set out in the following table.

Director	Number of Ordinary Shares	Number of Options over Ordinary Shares	Number of additional Ordinary Shares subject to escrow
Dr George Syrmalis	37,992,750		-
Con Tsigounis	37,148,750		-
Peter Simpson		-	-

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of the Company and those named and referred to above including the directors, company secretaries, officers and certain employees of the Company and related bodies corporate as defined in the insurance policy. The insurance is appropriate pursuant to section 199B of the Corporates Act 2001.

In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

### ROUNDING OF AMOUNTS

The amounts in the consolidated financial statements have been rounded off to the nearest dollar in accordance with ASIC Corporation Instrument 2016/191.

The Directors' Report is signed in accordance with a resolution of the Directors.



Dr George Syrmalis

Chair

Sydney

28 September 2018

## **REMUNERATION REPORT (AUDITED)**

This remuneration report outlines the remuneration arrangements for Non-Executive Directors, Executive Directors and other Key Management Personnel (“KMP”) of the Company for the financial year ended 30 June 2018.

The information in this report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The report is presented under the following sections:

1. Key management personnel (KMP) covered in this report
2. Remuneration governance
3. Executive KMP remuneration arrangements
  - A. Remuneration principles and strategy
  - B. Detail of incentive plans
4. Executive KMP remuneration outcomes (including link to performance)
5. Executive KMP contractual arrangements
6. Non-executive director arrangements
7. Additional disclosures relating to options and shares

### **1. KEY MANAGEMENT PERSONNEL**

The table below outlines the KMP at any time during the financial year, and unless otherwise indicated, they were KMP for the entire year.

<b>Name</b>	<b>Position</b>	<b>Term as KMP</b>
<b>Non-Executive Directors</b>		
Peter Simpson	Non-Executive Director	Entire year
<b>Executive Directors</b>		
Dr George Symmalis	Chair and Group CEO	Entire year
Con Tsigounis	Executive Director	Entire year
<b>Other Executive KMP</b>		
Spiro Sakiris	Group Chief Financial and Operating Officer	Until 4 December 2017

### **2. REMUNERATION GOVERNANCE**

The Board has established a remuneration and nomination committee (“RNC”) which is currently comprised of the following members:

<b>Committee member</b>	
Dr George Symmalis	Member
Peter Simpson	Chair of RNC

The key responsibility of the RNC is to assist the Board in its oversight of:

- the remuneration framework and policy for Executive and employee reward;
- the determination of appropriate Executive reward, including advice on structure, quantum and mix;
- the determination of achievement of performance measures included in any variable remuneration plan;
- compliance with applicable legal and regulatory requirements; and
- board size, composition and succession planning.

A full charter outlining the RNC’s responsibilities is available at: [www.ignovate.com/corporate-governance/](http://www.ignovate.com/corporate-governance/).

### **3. EXECUTIVE KMP REMUNERATION ARRANGEMENTS**

#### **3A Remuneration principles and strategy**

In FY18 the executive remuneration framework consisted of fixed remuneration and short and long-term incentives as outlined below. The Company aims to reward executives with a level and mix of remuneration appropriate to their position, responsibilities and performance within the Company and aligned with market practice. Remuneration levels are considered annually through a remuneration review which considers market data and the performance of the Company and individual.

#### **3B Detail of incentive plans**

##### **Short-term incentive (STI)**

The Company operates an annual STI program available to executives and awards a cash incentive subject to the attainment of clearly defined key performance measures.

A summary of the Executive STI plan in effect during FY18 is provided below:

Who participates?	Dr George Syrmalis, Con Tsigounis, and Spiro Sakiris
How is STI delivered?	Cash
What is the STI opportunity?	Up to 25% of base salary
What are the performance conditions for FY18?	Individual performance goals against annual plans.
How is performance assessed?	On an annual basis, after consideration of performance against key performance indicators (KPI).

##### **Employee benefit plan (EBP)**

The following table explains the key features of the Employee Benefit Plan. Dr George Syrmalis, Con Tsigounis and Spiro Sakiris are eligible to receive 153,000, 30,000 and 90,000 performance rights respectively per annum under the EBP.

Who participates?	All employees of the Group.
How is Long Term Incentive delivered?	Entitlement to shares and performance rights.
What are the performance conditions for the FY18 grant?	Individual performance goals against annual plans.
How is performance assessed?	At the end of the relevant performance period, the Company will determine whether and to what extent the participant has satisfied the applicable performance criteria.
When does the award vest?	Awards vest after a total of three years' continual service following achievement of the applicable performance criteria.
How are grants treated on termination?	The participant must be a current employee at vesting date in order to be entitled to shares.
How are grants treated if a change of control occurs?	If a takeover bid or other offer is made to acquire some or all of the issued shares of the Company, participants will generally be entitled to request that all performance rights vest immediately, regardless of whether the relevant performance conditions have been satisfied.

#### **4. EXECUTIVE KMP REMUNERATION OUTCOMES FOR 2018**

##### **Group performance and its link to STI**

Key Performance Indicators (KPIs) are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPI's target areas the Company believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short-term and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

The table below provides a summary of the Company's performance in FY18. The information below is taken into account by the Board when setting and determining short-term and long-term remuneration for KMP.

Short-term incentive payments or EBP awards were made in the period to 30 June 2018 (see table below for details). No short-term incentive payments or EBP awards were made in the period 30 June 2017.

LTI made in, or provided for during, the period to 30 June 2018 or 30 June 2017, are shown in page 15.

Share performance				Earnings performance A\$ million	
Period	Closing share price at 30 June	Dividend per share	EPS	Revenue	Loss after tax
FY2018	\$0.40	NIL	(8.93)	\$4.7	(\$14.8)
FY2017	\$0.45	NIL	(\$7.60)	\$4.7	(\$9.9)
FY2016	\$0.61	NIL	(\$6.49)	\$2.7	(\$7.4)
FY2015	\$0.55	NIL	(\$10.80)	\$0.8	(\$4.4)
FY2014	\$0.65	NIL	(\$3.65)	\$0.9	(\$1.4)

##### **Executive KMP remuneration disclosure for the year ended 30 June 2018**

The following table of executive KMP remuneration has been prepared in accordance with accounting standards and the *Corporations Act 2001* requirements, for the period 1 July 2017 to 30 June 2018.

KMP		Short Term				Post employment	Share based payments		Total	
Name	Year	Base salary	Cash bonus	Non-cash benefit	Other	Super-annuation	Options	Shares	Total	Performance related %
George Symmalis	2018	358,984	105,469	-	122,831	55,792	-	114,750	757,826	14%
	2017	310,596	-	9,463	44,277	29,094	-	-	393,430	0%
Con Tsigounis	2018	247,658	70,313	-	122,831	41,876	-	34,500	517,178	13%
	2017	210,539	-	-	34,379	20,188	-	-	265,106	0%
Spiro Sakiris	2018	84,375	56,250	-	-	13,359	-	13,500	167,484	33%
	2017	160,096	-	-	-	14,250	-	-	174,346	0%
<b>Total Executive KMP</b>	<b>2018</b>	<b>691,017</b>	<b>232,032</b>	<b>-</b>	<b>245,662</b>	<b>111,027</b>	<b>-</b>	<b>162,750</b>	<b>1,442,488</b>	<b>16%</b>
	<b>2017</b>	<b>681,231</b>	<b>-</b>	<b>9,463</b>	<b>78,656</b>	<b>63,532</b>	<b>-</b>	<b>-</b>	<b>832,882</b>	<b>0%</b>

#### **4. EXECUTIVE KMP REMUNERATION OUTCOMES FOR 2018 (CONTINUED)**

##### **Executive KMP remuneration disclosure for the year ended 30 June 2018 (continued)**

##### **Share based payments**

Mr Syrmalis was issued with 765,000 fully paid ordinary shares for meeting his individual performance goals for the periods FY 2012 to FY2015 inclusive. The shares were issued at \$0.15 per share. Shares were issued 28 March 2018.

Mr Tsigounis was issued with 230,000 fully paid ordinary shares for meeting his individual performance goals for the periods FY 2012 to FY2015 inclusive. The shares were issued at \$0.15 per share. Shares were issued 28 March 2018.

Mr Sakiris was issued with 90,000 fully paid ordinary shares for meeting his individual performance goals for the period FY2015. The shares were issued at \$0.15 per share. Shares were issued 28 March 2018.

##### **Cash Bonuses**

Mr Syrmalis was paid \$105,469 in cash bonuses for meeting agreed individual performance goals.

Mr Tsigounis was paid \$70,313 in cash bonuses for meeting agreed individual performance goals.

Mr Sakiris was paid \$56,250 in cash bonuses for meeting agreed individual performance goals, covering multiple years.

#### **5. EXECUTIVE KMP CONTRACTUAL ARRANGEMENTS**

Remuneration arrangements for executive KMP are formalised in employment agreements. The key terms and conditions of executive employment agreements for the year ended 30 June 2018 are outlined in the table below.

<b>Executive</b>	<b>Position</b>	<b>Effective date</b>	<b>Fixed annual remuneration<sup>1</sup></b>	<b>Term</b>	<b>Notice period<sup>2</sup></b>	<b>Termination payment</b>
George Syrmalis	Group Chief Executive Officer	1 October 2017	\$351,562	Ongoing	6 months	Superannuation will be paid irrespective of the termination benefits cap under the Corporations Act.
Con Tsigounis	Head, Investor Relations	1 October 2017	\$234,377	Ongoing	1 month	Subject to the termination benefits cap under Corporations Act.

<sup>1</sup> Fixed Annual Remuneration includes base salary only.

<sup>2</sup> The Company may terminate employment immediately and without notice in certain circumstances, including where the executive has committed a serious or persistent breach of their employment agreement or where the executive has been dishonest or fraudulent in the course of performing their duties.

## **6. NON-EXECUTIVE DIRECTOR ARRANGEMENTS**

### **Determination of fees and maximum aggregate NED fee pool**

The Constitution of the Company provides that non-executive directors, other than a Managing Director or an Executive Director, are entitled to director's fees as determined by the Directors, but not exceeding in aggregate for any financial year, the maximum sum that is from time to time approved by the Company in General Meeting. At the date of this report this maximum sum is \$300,000 (inclusive of superannuation).

### **Fee policy**

NED fees consist of base fees and committee fees. The payment of committee fees recognises the additional time commitment required by NEDs who serve on board committees. Directors who also chair the Audit and Risk Management Committee shall be entitled to an additional fee of \$5,000 (including superannuation) per annum. The chair of the board attends all committee meetings but does not receive any additional committee fees in addition to base fees.

NEDs may be reimbursed for expenses incurred in attending to the Company's affairs. NEDs do not receive retirement benefits, nor do they participate in any incentive programs.

### **Statutory remuneration table for FY18**

The table below sets out the elements of NED fees and other benefits provided during 2018.

<b>Fees applicable for 2018</b>	<b>Chair</b>	<b>Member</b>
Board	\$40,000	\$40,000
Audit and Risk Management Committee	\$5,000	Nil
Remuneration and Nomination Committee	Nil	Nil
Superannuation	Included in above amounts.	
Other	Reimbursement of travel and other expenses	

### **Non-executive remuneration disclosure for the year ended 30 June 2018**

The following table of non-executive remuneration has been prepared in accordance with accounting standards and the *Corporations Act 2001* requirements, for the period 1 July 2017 to 30 June 2018. All amounts are in AUD.

<b>NED</b>	<b>Year</b>	<b>Board fees</b>	<b>Bonus</b>	<b>Non-cash benefit</b>	<b>Super-annuation</b>	<b>Total</b>	<b>Performance Related %</b>
Peter Simpson	2018	36,627	-	-	3,480	40,107	0%
	2017	36,697	-	-	3,486	40,183	0%
<b>Total NED</b>	<b>2018</b>	<b>36,627</b>	<b>-</b>	<b>-</b>	<b>3,480</b>	<b>40,107</b>	<b>0%</b>
	<b>2017</b>	<b>36,697</b>	<b>-</b>	<b>-</b>	<b>3,486</b>	<b>40,183</b>	<b>0%</b>

## **7. ADDITIONAL DISCLOSURES RELATING TO OPTIONS AND SHARES**

### **Movements in Equity Holdings of KMP**

The following table sets out the movement during the reporting period in the number of ordinary shares in iQnovate Ltd held directly, indirectly, or beneficially by KMP including their related parties.

<b>KMP</b>	<b>Held at 1 July 2017</b>	<b>Granted as remuneration</b>	<b>Received on vesting of rights</b>	<b>Net change other</b>	<b>Forfeited</b>	<b>Held at 30 June 2018</b>
<b>Non-executive Directors</b>						
Peter Simpson	-	-	-	-	-	-
<b>Executive Directors</b>						
George Syrmalis	37,227,750	765,000	-	-	-	37,992,750
Con Tsigounis	36,918,750	230,000	-	-	-	37,148,750
<b>Other Executive KMP</b>						
Spiro Sakiris	2,199,600	90,000	-	-	-	2,289,600
<b>Total KMP</b>	<b>76,346,100</b>	<b>1,085,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,426,100</b>

### **Movements in Other Equity Holdings of KMP**

The following table sets out the movement during the reporting period in the number of Options in iQnovate Ltd held directly, indirectly, or beneficially by KMP including their related parties.

<b>KMP</b>	<b>Held at 1 July 2017</b>	<b>No. granted as remun- eration</b>	<b>No. vested</b>	<b>No. cancelled</b>	<b>No. forfeited</b>	<b>Held at 30 June 2018.</b>
<b>Non-executive Directors</b>						
Peter Simpson	-	-	-	-	-	-
<b>Executive Directors</b>						
George Syrmalis						
Con Tsigounis	-	-	-	-	-	-
<b>Other Executive KMP</b>						
Dr George Syrmalis	-	-	-	-	-	-
<b>Total KMP</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**7. ADDITIONAL DISCLOSURES RELATING TO OPTIONS AND SHARES**

**Performance rights table**

	Remuneration type	Grant date	Grant Value	% Vested /paid during year	Expiry date for vesting or payment
<b>Executive Directors</b>					
George Syrmalis	Shares	1/3/2015	22,950	100%	28/2/2018
George Syrmalis	Shares	1/3/2016	22,950	-	28/2/2019
George Syrmalis	Shares	1/3/2017	22,950	-	29/2/2020
George Syrmalis	Shares	1/3/2018	22,950	-	28/2/2021
Con Tsigounis	Shares	1/3/2015	4,500	100%	28/2/2018
Con Tsigounis	Shares	1/3/2016	4,500	-	28/2/2019
Con Tsigounis	Shares	1/3/2017	4,500	-	29/2/2020
Con Tsigounis	Shares	1/3/2018	4,500	-	28/2/2021

Reason for grant – Performance rights

All grants are in accordance with the Employee Share Scheme (ESS)



## **CORPORATE GOVERNANCE STATEMENT**

The Board of Directors (Board) is committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to refine and improve the governance framework and practices in place to ensure they meet the interests of shareholders. The Company's corporate governance policies and procedures comply with Annexure 1 of the National Securities Exchange of Australia (NSX) Practice Note 14. In addition, the Company's corporate governance policies and procedures also incorporate those recommendations referred to in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (the Principles).

### **Principle 1: Lay solid foundations for management and oversight**

#### **Role of the Board and Management**

The Board of Directors is responsible for the corporate governance of the Company. The Board provides strategic guidance for the Company, and effective oversight of management. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board has delegated responsibility for day-to-day management of the Company to the Chief Executive Officer (CEO) and there is a formal delegations structure in place which sets out the powers delegated to the CEO and those specifically retained by the Board, these delegations are reviewed on a regular basis.

#### **Responsibilities of the Board**

The Board is responsible for:

- Overseeing the company, including its control and accountability systems;
- Overseeing the integrity of the accounting and corporate systems, including external audit;
- Appointing and removing the CEO/Managing Director;
- Where appropriate, ratifying the appointment and removal of senior executives;
- Providing input into and final approval of management's development of corporate strategy and performance objectives;
- Reviewing, ratifying and monitoring systems of risk management and internal controls, codes of conduct and legal compliance;
- Monitoring senior executives performance and implementation of strategy;
- Ensuring timely and balanced disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- Ensuring appropriate resources are available to senior executives;
- Approving and monitoring the operating budgets and progress of major capital expenditure, capital management and acquisitions and divestures; and
- Monitoring the effectiveness of the entity's governance practices.

#### **Allocation of individual responsibilities**

Formal letters of appointment are provided to all new Directors and Senior Executives setting out key terms and conditions of their appointment.

#### **Responsibilities of management**

Management is responsible for implementing the strategic objectives of the Company and operating within the risk appetite set by the Board as well as other aspects of the day-to-day running of the Company.

Management is also responsible for providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities.

#### **Induction**

All new Directors participate in a formal induction process coordinated by the Company Secretary. This induction process includes briefings on the Company's financial, strategic, operational and risk management position, the Company's governance framework and key developments in the Company and the industry and environment in which it operates.

#### **Role and accountability of the Company Secretary**

The Company Secretary is appointed by the Board

and is responsible for:

- Advising the Board and its Committees on Governance matters;
- Monitoring compliance with Board policies and procedures;
- Co-ordinating Board papers;
- Accurately recording decisions and discussions from Board meetings; and
- Co-ordinating the induction and professional development of Directors.

In addition to the above responsibilities, the Company Secretary, played an integral role in assisting with the conduct and processes of the Board, as well as the dispatch of material to the Board members.

#### **Ongoing training**

Directors identify additional training needs on an ongoing basis and attend these as necessary to ensure they have the appropriate skills and knowledge to perform their role.

#### **Appointment of Board Members**

Prior to appointing or putting forward a candidate for election to the Board, appropriate checks such as character, experience, criminal records and education are performed. All material information in the Company's possession is provided to security holders to allow them to make an informed decision about the suitability of the candidate at the Company's next Annual General Meeting of shareholders.

#### **Principle 2: Structure the Board to add Value**

The Board's policy is that the Board needs to have an appropriate mix of skills, experience, expertise and diversity to be well equipped to help the Company navigate the range of challenges it faces.

The names, independence status, terms of service, experience, expertise and qualifications, of the members of the Board as at the date of this report are set out in the Director's Report.

The company does not have a majority of independent directors. The Board considers this to be satisfactory considering the size and complexity of the business.

#### **Composition of the Board**

The Board's composition is determined based on criteria set out in the Company's constitution and the Board Charter.

The Board seeks to ensure that:

- At any point in time, its membership represents an appropriate balance between Directors with experience and knowledge of the Company and Directors with an external or fresh perspective;
- There is a sufficient number of Directors to serve on Board committees without overburdening the Directors or making it difficult for them to fully discharge their responsibilities; and
- The size of the Board is appropriate to facilitate effective discussion and efficient decision making.

In accordance with the NSX Listing Rules, the Company must hold an election of Directors each year.

#### **Board committees**

To ensure that the responsibilities of the Board are upheld and executed to the highest level, the Board has established the following Board committees:

- Audit and Risk Management Committee; and
- Remuneration and Nomination Committee.

Each of these committees has established charters and operating procedures in place, which are reviewed on a regular basis. The Board may establish other committees from time to time to deal with matters of special importance. The Committees have access to the Company's executives and senior management as well as independent advice. Copies of the minutes of each Committee meeting are made available to the full Board, and the Chairman of each Committee provides an update on the outcomes at the Board meeting that immediately follows the Committee meeting.

#### **Board skills matrix**

The key skills required by the Board are highlighted in the matrix below, the Board believes that there are sufficient directors with these skills and there are no deficiencies in these skills in the current board.

- Risk and compliance: Identify key risks to the company related to each key areas of operations. Ability to monitor risk and compliance and knowledge of legal and regulatory requirements.
- Financial and Audit: Experience in accounting and finance to analyse statements, assess financial viability, and contribute to financial planning, oversee budgets and funding arrangements.
- Strategy: Ability to identify and critically assess strategic opportunities and threats to the organisation. Develop strategies in context of our policies and business objectives.
- Policy development: Ability to identify key issues for the organisation and develop appropriate policy parameters within which the Company should operate.

#### **Independent decision making**

The Board recognises the important contribution independent Directors make to good corporate governance. All Directors, whether independent or not, are required to act in the best interests of the Company and to exercise unfettered and independent judgment.

A Director is considered to be independent if he or she is free of any interest, position, association or relationship that might influence or reasonably be perceived to influence, in a material respect, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders generally.

If any Director believes there is a change in their independence status, they are required to notify the Board as soon as possible.

The Board has adopted specific principles in relation to directors' independence and considers the following, at least annually, when determining if a Director is independent:

Whether the Director:

- Is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company.
- Is employed, or has previously been employed in an executive capacity by the company or another group member, and there has not been a period of at least three

years between ceasing such employment and serving on the Board.

- Has within the last three years been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided.
- Is a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Has a material contractual relationship with the company or another group member other than as a Director.

#### **Role of the Chairman**

The Chairman of the Board is responsible for leadership of the Board and for the efficient organisation and conduct of the Board's functioning.

The Chairman facilitates the effective contribution of all Directors and promotes constructive and respectful relations between Directors and between Board and management.

#### **Nomination Committee**

The Nomination Committee meets as required during the year to assist the Board in fulfilling its corporate governance responsibilities in regard to:

- Board appointments, re-elections and performance and general succession planning for Board / Senior Management;
- Directors' induction and continuing development;
- Board Committee membership; and
- Endorsement of Executive appointments.

The Nomination Committee's Charter sets out the Committee's responsibilities, which include making recommendations to the Board on the appropriate skill mix, personal qualities, expertise and diversity of each position following the annual assessment of the Board. When a vacancy exists or there is a need for particular skills, the Committee, in consultation with the Board, determines the selection criteria based on the skills deemed necessary. Board appointees must stand for election at the next Annual General Meeting of shareholders.

The Committee also makes recommendations to the Board and oversees implementation of the procedure for evaluating the Board's performance.

#### **Access to information**

The Board is provided with the information it needs to discharge its responsibilities effectively and all Directors have complete access to senior management through the CEO or Company Secretary.

In certain circumstances, each Director has the right to seek independent professional advice at the Company's expense, within specified limits, or with the prior approval of the Board.

#### **Principle 3: Act ethically and responsibly**

##### **Code of Conduct**

The Company's Corporate Ethics Policy and Corporate Code of Conduct sets out the behavior required of Directors, employees and contractors as appropriate and include the observance of legal and other compliance obligations that relate to the Company's activities from time to time. The Board acknowledges and emphasizes the importance of all Directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A Corporate Code of Conduct has been established requiring Directors and employees to:

- Act in the best interest of the entity;
- Act honestly and with high standards of personal integrity;
- Exercise due care and diligence in fulfilling the functions of office;
- Avoid conflicts and make full disclosure of any possible conflicts of interest;
- Comply with the laws and regulations that apply to the entity and its operations;
- Not knowingly participate in any illegal or unethical activity; and
- Comply with the share trading policy outlined in the Code of Conduct.

A Corporate Governance Charter and Board Charter has been adopted which regulates the duties of Directors and their dealings with the company (including the trading of shares in the company) both internally and externally.

#### **Principle 4: Safeguard integrity in corporate reporting**

##### **Audit and Risk Management Committee**

The Audit and Risk Management Committee assists the Board in fulfilling its corporate governance responsibilities in regard to:

- The adequacy of the entity's corporate reporting processes;
- Whether the entity's financial statements reflect the understanding of the committee members of, and otherwise provide a true and fair view of, the financial position and performance of the entity;
- The appropriateness of the accounting judgements or choices exercised by management in preparing the entity's financial statements;
- The appointment or removal, rotation, independence and performance of the external auditor;
- The scope and adequacy of the external audit and any non-audit services;
- If, and when, the Company establishes an internal audit function:
  - the appointment or removal of the head of internal audit;
  - the scope and adequacy of the internal audit work plan; and
  - the objectivity and performance of the internal audit function.

The members of the Audit and Risk Management Committee throughout the Reporting Period were:

<b>Name</b>	<b>Executive / Non-Executive</b>	<b>Independent?</b>
Dr George Syrmalis	Executive	No
Peter Simpson	Non-Executive	Yes

Accordingly, the company does not have a majority of independent committee members. The Board considers this to be appropriate considering the size and complexity of the business.

The qualifications and experience of the Audit and Risk Management Committee members and their attendance at Committee meetings is included in the directors' report.

The Audit and Risk Management Committee reports to the full Board after every meeting on all

matters relevant to the committee's roles and responsibilities.

**External auditor**

The Audit and Risk Management Committee oversees the relationship with the external auditor. In accordance with the Corporations Act 2001, the lead Audit Partner on the audit is required to rotate at the completion of a 5-year term.

The external auditor attends the AGM and is available to answer your shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Board have received from its Chief Executive Officer and Chief Financial Officer a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

**Internal control**

The Board is responsible for reviewing the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Board has received assurance from the Chief Executive Officer and the Chief Operating Officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

**Principle 5: Make timely and balanced disclosure**

iQnovate Ltd has established policies and procedures to ensure timely and balanced disclosures of all material matters concerning the Company, and to ensure that all investors have equal and timely access to information on the Company's financial performance.

These policies and procedures include a comprehensive disclosure policy that includes identification of matters that may have a material effect on the price on the Company's securities, quality control procedures over announcements,

notifying them to the NSX, posting relevant information on the Company's website and issuing media releases.

The Annual Report includes relevant information about the operations of the Company during the year, key financial information, changes in the state of affairs and indications of future developments. The Annual Reports for the current year and for previous years are available under the Investor Relations section of the company website.

The half year and full year financial results are announced to the NSX and are available to shareholders via the Company and NSX websites.

All announcements made to the market, and related information (including presentations to investors and information provided to analysts or the media during briefings) are made available to all shareholders under the investor relations section of the Company website after they are released to the NSX. All NSX announcements, media releases and financial information are available on Company website within one day of public release.

**Principle 6: Respect the rights of shareholders**

The Company Secretary has been nominated as the person responsible for communications with the NSX.

All Executive Management have an ongoing obligation to advise the Company Secretary of any material non-public information which may need to be communicated to the market.

The Company has an Investor Relations Program which promotes effective communication with shareholders, encourages participation at general meetings and encourages communications throughout the year.

The Company engages with its security holders through:

- Giving them ready access to information about the entity and its governance via the Company website;
- Communicating openly and honestly with them;
- Encouraging and facilitating their participation in meetings of security holders; and
- Providing an email address and telephone number on all communication for security holders who wish to contact the Company

The Company makes all NSX announcements available via its website. In addition, shareholders who are registered receive email notification of announcements.

The Notice of Annual General Meeting (AGM) will be provided to all shareholders and posted on the Company's website. Notices for general meetings and other communications with shareholders are drafted to ensure that they are honest, accurate and not misleading and that the nature of the business of the meeting is clearly stated and explained where necessary.

The Board encourages full participation by shareholders at the Annual General Meeting to ensure a high level of Director accountability to shareholders and shareholder identification with the Company's strategy and goals.

An AGM question form will accompany the Notice of Meeting, giving shareholders the opportunity to forward questions and comments to the Company prior to the AGM. The external auditor is available to answer questions at the AGM.

**Principle 7: Recognise and manage risk**

The Board considers identification and management of key risks associated with the business as vital to maximize shareholder wealth. A yearly assessment of the business's risk profile is undertaken and reviewed by the Board, covering all aspects of the business from the operational level through to strategic level risks.

The CEO has been delegated the task of implementing internal controls to identify and manage risks for which the Audit and Risk Management Committee and the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly. The recent economic environment has emphasized the importance of managing and reassessing its key business risks.

The Board is responsible for reviewing the company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Board requires management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively.

The Company does not presently have an internal audit function. The evaluation of the risk management and internal control process is the responsibility of the Audit and Risk Management Committee and is performed in conjunction with senior executives. External consultants may be used in certain circumstances, however have not been used during the financial year.

**Principle 8: Remunerate fairly and responsibly**

The Company's remuneration policy is designed in such a way that it:

- Motivates senior executives to pursue the long-term growth and success of the Company; and
- Demonstrates a clear relationship between senior executives' performance and remuneration.

The remuneration policy, which sets out the remuneration framework for the key management personnel (KMP) was developed by the Remuneration and Nomination Committee after seeking professional advice from independent consultants and was approved by the Board.

All executives receive a base salary, superannuation, fringe benefits, performance incentives and retirement benefits. The Remuneration and Nomination Committee reviews executive remuneration policies and practices to ensure that executive packages are referable to company performance, executive performance, comparable information from industry sectors and other listed corporations and independent advice. The performance of executives is measured against criteria agreed half yearly which are based on the forecast growth of the Company and shareholder value. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

The Board expects that the remuneration structure implemented will result in the Company being able to attract and retain the best executives. It will also provide executives with the necessary incentives to achieve long-term growth in shareholder value.

The Company's policies and practices surrounding the payment of bonuses, options and other incentive payments are reviewed by the Remuneration and Nomination Committee annually as part of the review of executive remuneration policies and practices and a



recommendation is put to the Board for approval.  
All bonuses, options and incentives must be linked to predetermined performance criteria.

Further information about the Company's remuneration strategy and policies and their relationship to Company performance can be found in the Remuneration Report which forms part of the directors' report, together with details of the remuneration paid to key management personnel.

#### **Remuneration and Nomination Committee**

The responsibilities of the Remuneration and Nomination Committee include a review of and recommendation to the Board on:

- the company's remuneration, recruitment, retention and termination policies and procedures for senior executives
- senior executives' remuneration and incentives
- superannuation arrangements
- the remuneration framework for directors

Each member of the Remuneration and Nomination Committee:

- is familiar with the legal and regulatory disclosure requirements in relation to remuneration
- has adequate knowledge of executive remuneration issues, including executive retention and termination policies and short term and long term incentive arrangements.

The members of the Remuneration and Nomination Committee throughout the Reporting Period are set out in the Remuneration Report which is part of the Director's Report.

The company does not have a majority of independent committee members, as the Board considers this to be satisfactory considering the size and complexity of the business.



**RSM Australia Partners**

Level 13, 60 Castlereagh Street Sydney NSW 2000

GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500

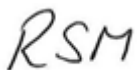
F +61 (0) 2 8226 4501

[www.rsm.com.au](http://www.rsm.com.au)

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of IQNovate Ltd for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads "RSM".

**RSM AUSTRALIA PARTNERS**

A handwritten signature in black ink that reads "David Talbot".

**David Talbot**  
Partner

Sydney, NSW  
Dated: 28 September 2018

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

<i>In dollars</i>	<i>Note</i>	<b>2018</b>	<b>2017</b>
Revenue	6	4,729,026	4,670,912
Cost of sales		(4,723,175)	(3,837,759)
<b>Gross profit</b>		<b>5,851</b>	<b>833,153</b>
Other income	7(a)	1,812	118,807
Employee benefits expense	7(c)	(4,958,564)	(3,871,647)
Depreciation and amortisation expense		(136,122)	(151,095)
Overhead sharing costs		(1,738,834)	(880,242)
Other expenses	7(d)	(7,886,879)	(4,991,057)
Finance costs	7(b)	(268,037)	(1,141,188)
Share option expense		(176,250)	-
Share of loss of associated companies net of tax		(101,827)	(115,919)
<b>Loss before income tax</b>		<b>(15,258,850)</b>	<b>(10,199,188)</b>
Income tax benefit		412,604	318,182
<b>Loss for the period</b>		<b>(14,846,246)</b>	<b>(9,881,006)</b>
Loss attributable to members of the parent		(13,174,652)	(9,235,949)
Loss attributable to non-controlling interest		(1,671,594)	(645,057)
<b>Total loss attributed</b>		<b>(14,846,246)</b>	<b>(9,881,006)</b>
Basic loss per share (cents per share)	20	(9.89)	(7.61)
Diluted loss per share (cents per share)	20	(9.89)	(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 CONREOLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2018**

<i>In dollars</i>	<b>2018</b>	<b>2017</b>
<b>Net loss for the period</b>	<b>(14,846,246)</b>	<b>(9,881,006)</b>
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations, net of tax	-	12,239
<b>Other comprehensive loss for the period, net of tax</b>	<b>-</b>	<b>12,239</b>
<b>Total comprehensive loss for the period</b>	<b>(14,846,246)</b>	<b>(9,868,767)</b>
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)
<b>Total comprehensive loss attributed</b>	<b>(14,846,246)</b>	<b>(9,868,767)</b>

*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 PROFIT OR LOSS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

<i>In dollars</i>	<i>Note</i>	<b>2018</b>	<b>2017</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash	8	1,422,636	298,937
Trade and other receivables	10	1,076,927	594,443
Prepayments		530,797	116,637
Current tax receivable		412,604	-
<b>Total current assets</b>		<b>3,442,964</b>	<b>1,010,017</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	210,958	625,149
Intangible assets	12	4,451,068	4,257,740
Investment in associate	22	456,119	440,226
Deferred tax assets		1,233,364	1,233,364
<b>Total non-current assets</b>		<b>6,351,509</b>	<b>6,556,479</b>
<b>Total Assets</b>		<b>9,794,473</b>	<b>7,566,496</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	3,806,121	3,415,617
Provisions	14	-	27,049
Employee benefit liabilities	15	910,954	850,545
Deferred revenue		292,124	233,003
Borrowings	16	5,670,097	5,853,688
Derivative financial instruments	17	1,238,349	884,788
Deferred tax liability		35,718	35,718
<b>Total current liabilities</b>		<b>11,953,363</b>	<b>11,300,408</b>
<b>Non-current liabilities</b>			
Borrowings	16	-	4,954,814
Employee benefit liabilities	15	83,533	49,489
<b>Total non-current liabilities</b>		<b>83,533</b>	<b>5,004,303</b>
<b>Total liabilities</b>		<b>12,036,896</b>	<b>16,304,711</b>
<b>Net Asset/(liabilities)</b>		<b>(2,242,423)</b>	<b>(8,738,215)</b>
<b>Equity</b>			
Contributed equity		25,275,757	11,491,837
Reserves	19	7,020,175	1,778,410
Accumulated losses		(35,309,143)	(22,134,491)
<b>Total equity attributable to holders of the company</b>		<b>(3,013,210)</b>	<b>(8,864,244)</b>
Total equity attributable to non-controlling interests		(770,787)	126,029
<b>Total equity</b>		<b>(2,242,423)</b>	<b>(8,738,215)</b>

*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**

<i>In dollars</i>	Contributed equity	Accumulated losses	Reserves	Non-controlling interest	Total
<b>Balance at 1 July 2017</b>	<b>11,491,837</b>	<b>(22,134,491)</b>	<b>1,778,410</b>	<b>126,029</b>	<b>(8,738,215)</b>
<b>Total comprehensive loss for the period</b>					
Loss for the period	-	(13,174,652)	-	(1,671,594)	(14,846,246)
Other comprehensive profit for the period	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(13,174,652)</b>	<b>-</b>	<b>(1,671,594)</b>	<b>(14,846,246)</b>
<b>Transactions with owners recorded directly in equity</b>					
Issued new equity	861,251	-	-	-	861,251
Conversion of convertible note	10,152,414	-	-	-	10,152,414
Other contributed equity	2,770,256	-	5,904,490	2,316,352	10,991,098
Capital raising costs	-	-	(663,725)	-	(662,725)
<b>Total transactions with owners recorded directly in equity</b>	<b>13,783,921</b>	<b>-</b>	<b>5,240,765</b>	<b>2,316,352</b>	<b>21,342,038</b>
<b>Balance at 30 June 2018</b>	<b>25,275,757</b>	<b>(35,309,143)</b>	<b>7,020,175</b>	<b>770,787</b>	<b>(2,242,423)</b>
<b>Balance at 1 July 2016</b>	<b>10,930,743</b>	<b>(12,910,781)</b>	<b>142,605</b>	<b>540,993</b>	<b>(1,296,440)</b>
<b>Total comprehensive loss for the period</b>					
Loss for the period	-	(9,235,949)	-	(645,057)	(9881,006)
Other comprehensive profit for the period	-	12,239	-	-	12,239
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(9,223,710)</b>	<b>-</b>	<b>(645,057)</b>	<b>(9,868,767)</b>
<b>Transaction with owners recorded directly in equity</b>					
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)
<b>Total transactions with owners recorded directly in equity</b>	<b>(561,094)</b>	<b>-</b>	<b>1,635,805</b>	<b>230,093</b>	<b>2,426,992</b>
<b>Balance at 30 June 2017</b>	<b>11,491,837</b>	<b>(22,134,491)</b>	<b>1,778,410</b>	<b>126,029</b>	<b>(8,738,215)</b>

*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 FLOW**  
**FOR THE YEAR ENDED 30 JUNE 2018**

<i>In dollars</i>	<i>Note</i>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		4,945,045	5,220,563
Payments to suppliers and employees		(19,328,546)	(11,590,104)
Interest received		1,363	2,980
Interest paid		-	(99,055)
Income tax paid		-	-
<b>Net cash used in operating activities</b>	<b>26</b>	<b>(14,382,138)</b>	<b>(6,465,616)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(24,330)	(97,115)
Investment in associates		(73,200)	(18,145)
Purchase of intangible assets		(228,089)	(2,841,338)
<b>Net cash generated from/(used) in investing activities</b>		<b>(325,619)</b>	<b>(2,956,598)</b>
<b>Cash flows from financing activities</b>			
Proceeds from contributed equity		11,439,490	902,887
Proceeds from the issue of convertible notes		5,054,690	6,658,953
Proceed from reserve		-	-
Proceed from borrowing		-	-
Capital raising costs		(662,725)	-
<b>Net cash generated from financing activities</b>		<b>15,831,455</b>	<b>7,561,840</b>
Net decrease in cash and cash equivalents		1,123,699	(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		-	-
<b>Cash and cash equivalents at the end of the period</b>	<b>8</b>	<b>1,422,636</b>	<b>298,937</b>

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

**2. STATEMENT OF COMPLIANCE**

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs”) adopted by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. The financial statements comply with international financial Reporting Standard (“IFRS”) adopted by the International Accounting Standards Board (“IASB”)

**3. 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.

### **3. 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 12.

##### **(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:

- Note 22 – Investments; and
- Note 14 – 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.



### **3. 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.

#### **New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2018 and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

##### **(i) AASB 9 Financial Instruments**

AASB 9 *Financial Instruments* becomes mandatory for the Group's 2019 financial statements and includes changes to the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment. It also includes a new hedge accounting model to simplify hedge accounting requirements and more closely align hedge accounting with risk management activities. The Company is in the process of assessing the impact of this new standard to its financial statements. The Company will apply the standard for the first time in the half-year results ended 31 December 2018.

##### **(ii) AASB 15 Revenue from contracts with customers**

AASB 15 *Revenue from Contracts* becomes mandatory for the Group's 2019 financial statements and outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; and replaces AASB 111 *Construction Contract*, AASB 118 *Revenue*, Interpretation 13 *Customer Loyalty Programs*, Interpretation 15 *Agreements for Construction of Real Estate*, Interpretation 18 *Transfer of Assets from Customers* and Interpretation 131 *Revenue-Barter Transactions involving Advertising Services*. The core principle is that an entity recognises 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 those goods or services. The Company is in the process of assessing the impact of this new standard to its financial statements. The Company will apply the standard for the first time in the half-year results ended 31 December 2018.

##### **(iii) AASB 16 Leases**

AASB 16 *Leases* becomes mandatory for the Group's 2020 financial statements and removes the classification of leases between finance and operating leases, effectively treating all leases as finance leases for the lessee. The purpose is to provide greater transparency of a lessee's financial leverage and capital employed. The Company has not yet determined the potential effect of this standard on the Company's future financial statements. The Company will adopt this standard from 1 July 2019.

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

**4. 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 \$14,582,138 for the year ended 30 June 2018. As at that date the Group had net current liabilities of \$8,510,399 and net liabilities of \$2,242,423.

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 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;
- 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 when compared to contracts during the 2018 financial year;
- 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.

**5. OPERATING SEGMENTS**

The Group has identified operating segments based on internal reporting that is reviewed and used by the chief operating decision makers (the Group CEO and the Group Chief Financial and Operating Officer) in assessing the performance of the respective segments. The operating segments are identified by management based on the nature of services provided, with each operating segment representing a strategic business that serves a different segment of the market.

In the year 2018, the Group provided two types of services being: (1) contract sales and marketing services to external customers; and (2) shared services to related parties. Segment analysis of revenue and gross profit is provided below. Information on net assets by segment is not provided to the chief operating decision makers.

<i>In dollars</i>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
Contract sales and marketing services	4,263,752	4,255,622
Related party services	465,274	415,290
<b>Total revenue</b>	<b>4,729,026</b>	<b>4,670,912</b>
<b>Gross profit</b>		
Contract sales and marketing services	(459,423)	417,863
Related party services	465,274	415,290
<b>Total gross profit</b>	<b>5,851</b>	<b>833,153</b>

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

**5. OPERATING SEGMENTS (CONTINUED)**

**Information on geographical segments**

One hundred percent of the Group's revenue, expenses and profit are derived in Australia.

**Reliance on major customers**

On an individual basis, three customers represent more than 10% of the year 2018 revenue. Total revenue from these major customers amounts to \$4,033,019 (85.3%) of total revenue (2017: \$2,928,836; 62.7%).

**Contract sales and marketing**

In reviewing its development projects, the Company has decided that the investment in its Customer Platform project will at this stage generate little value, and has therefore decided to impair its current carrying value, of \$101,186.

**6. REVENUE**

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

**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.

**7. INCOME AND EXPENSES**

**(a) Other income**

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

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

**7. INCOME AND EXPENSES (CONTINUED)**

**(b) Finance costs**

<i>In dollars</i>	<b>2018</b>	<b>2017</b>
Bank fees	13,544	7,960
Interest on convertible notes	932,540	985,317
Other interest expense	(254,017)	147,911
Foreign currency	(424,030)	-
<b>Total finance costs</b>	<b>268,037</b>	<b>1,141,188</b>

**(c) Employee benefits expenses**

<i>In dollars</i>	<b>2018</b>	<b>2017</b>
Wages and salaries	4,373,893	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
<b>Total employee benefits expense</b>	<b>4,958,564</b>	<b>3,871,647</b>

**(d) Other expenses**

<i>In dollars</i>	<b>2018</b>	<b>2017</b>
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
Loss on disposal of fixed assets	339,836	-
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
Impairment	101,186	-
Other	2,929,880	1,026,997
<b>Total other expenses</b>	<b>7,886,879</b>	<b>4,991,057</b>

**8. CASH**

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

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

**8. CASH (CONTINUED)**

**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.

**9. INCOME TAXES**

<i>In dollars</i>	<b>2018</b>	<b>2017</b>
Loss for the period	(15,258,850)	(10,199,188)
Tax rate	27.5%	27.5%
Tax benefit	(4,196,184)	(2,804,777)
Add tax effect of:		
Expenditure not allowable for Income tax purposes	187,641	249,437
Fixed asset timing differences	-	-
Other timing differences	-	-
Deferred tax assets not brought to account	4,421,147	2,873,522
Income tax expenses	412,604	318,182

**Significant accounting policies**

**Current tax**

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

**Deferred tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. 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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations when the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

**9. INCOME TAXES (CONTINUED)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to the offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

**10. TRADE AND OTHER RECEIVABLES**

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

**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.

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

**11. PROPERTY, PLANT AND EQUIPMENT**

**Cost**

<i>In dollars</i>	<b>Plant and equipment</b>	<b>Furniture, fixtures and fittings</b>	<b>Leasehold improvements</b>	<b>Total</b>
<b>Balance at 1 July 2016</b>	<b>213,946</b>	<b>110,364</b>	<b>492,835</b>	<b>817,145</b>
Additions	58,251	19,630	27,049	104,930
<b>Balance at 30 June 2017</b>	<b>272,197</b>	<b>129,994</b>	<b>519,884</b>	<b>922,075</b>
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
<b>Balance at 30 June 2018</b>	<b>282,214</b>	<b>94,027</b>	<b>40,675</b>	<b>416,916</b>

**Accumulated depreciation**

<i>In dollars</i>	<b>Plant and equipment</b>	<b>Furniture, fixtures and fittings</b>	<b>Leasehold improvements</b>	<b>Total</b>
<b>Balance at 1 July 2016</b>	<b>75,904</b>	<b>16,388</b>	<b>62,788</b>	<b>155,080</b>
Depreciation expense	54,948	13,277	73,620	141,845
<b>Balance at 30 June 2017</b>	<b>130,852</b>	<b>29,665</b>	<b>136,408</b>	<b>296,925</b>
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)
<b>Balance at 30 June 2018</b>	<b>169,751</b>	<b>24,780</b>	<b>11,427</b>	<b>205,958</b>

**Carrying amount**

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

## **11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

### **Significant accounting policies**

#### **Carrying value**

All property, plant and equipment are 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.

## **12. INTANGIBLE ASSETS**

### **Cost**

<i>In dollars</i>	<b>Acquired IP</b>	<b>Development expenditure</b>	<b>Website and software</b>	<b>Total</b>
Balance at 1 July 2016	-	-	2,536	2,536
Additions	1,871,613	2,169,946	231,354	4,272,913
<b>Balance at 30 June 2017</b>	<b>1,871,613</b>	<b>2,169,946</b>	<b>233,890</b>	<b>4,275,449</b>
Additions	-	228,089	-	228,089
<b>Balance at 30 June 2018</b>	<b>1,871,613</b>	<b>2,398,035</b>	<b>233,890</b>	<b>4,503,538</b>



**12. INTANGIBLE ASSETS (CONTINUED)**

**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
<b>Balance at 30 June 2017</b>	-	-	<b>17,709</b>	<b>17,709</b>
Amortisation expense	-	-	34,762	34,762
<b>Balance at 30 June 2018</b>	-	-	<b>52,471</b>	<b>52,471</b>

**Carrying amount**

<i>In dollars</i>	Acquired IP	Development expenditure	Website and software	Total
<b>Carrying balance at 30 June 2017</b>	<b>1,871,613</b>	<b>2,169,946</b>	<b>216,181</b>	<b>4,257,740</b>
<b>Carrying balance at 30 June 2018</b>	<b>1,871,613</b>	<b>2,398,035</b>	<b>181,419</b>	<b>4,451,068</b>

The recoverable amount of the consolidated entity's development expenditure has been determined using fair value less costs to sell, based 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 are 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.

**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.

## **12. INTANGIBLE ASSETS (CONTINUED)**

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.

Acquired IP with a finite useful life, is not amortised until it is ready for use.

### **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.

## **13. TRADE AND OTHER PAYABLES**

<i>In dollars</i>	<b>2018</b>	<b>2017</b>
Trade payables	518,654	1,835,060
Sundry payables and accrued expenses	1,297,347	269,781
Related party payables	1,990,120	1,310,776
<b>Total trade and other payables</b>	<b>3,806,121</b>	<b>3,415,617</b>
Current	3,806,121	3,415,617
Non-current	-	-
<b>Total trade and other payables</b>	<b>3,806,121</b>	<b>3,415,617</b>

### **13. TRADE AND OTHER PAYABLES (CONTINUED)**

#### **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.

### **14. PROVISIONS**

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

#### **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.

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

**15. EMPLOYEE BENEFIT LIABILITIES**

<i>In dollars</i>	<b>2018</b>	<b>2017</b>
Liability for annual leave		
Opening balance	334,022	205,700
Additional provision	542,497	437,135
Utilisation	(419,345)	(298,813)
Closing balance	457,174	334,022
Liability for long service leave		
Opening balance	49,489	-
Additional provision	34,044	49,489
Utilisation	-	-
Closing balance	83,533	49,489
Liability for superannuation	234,422	237,876
Liability for bonus	110,772	-
Liability for payroll	108,586	278,647
<b>Total employee benefit liabilities</b>	<b>994,487</b>	<b>900,034</b>
Current	910,954	850,545
Non-current	83,533	49,489
<b>Total employee benefit liabilities</b>	<b>994,487</b>	<b>900,034</b>

**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.

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

**16. BORROWINGS**

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

**Significant accounting policies**

Convertible notes that are compound financial instruments 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 recognised.

Convertible notes that are hybrid contracts containing an embedded derivative are separated between the host contract and the embedded derivative on initial recognition. The embedded derivative is measured at fair value on initial and subsequent recognition. The host contract is initially recorded at the residual amount and subsequently at amortised cost.

**17. DERIVATIVE FINANCIAL INSTRUMENTS**

<i>In dollars</i>	<b>2018</b>	<b>2017</b>
Convertible note options	1,238,349	884,788

During FY17 the Company's subsidiary Glucose Biosensor Systems (Greater China) Pty Ltd ("GBSGC") issued Convertible Note Options valued at \$5,013,800. Of this amount, \$1,238,349 has been classified as a derivative financial instrument as the notes benefit from a 15% discount on the Initial Public Offering Price from the date of GBSGCs (or its nominee entity's) admission on an approved stock exchange. During the period \$37,635 worth of these notes were converted.

**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.

**18. SHARE CAPITAL**

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

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

**18. SHARE CAPITAL (CONTINUED)**

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.

**Share issued**

	Number of shares	\$
<b>Number of shares at 30 June 2017</b>	<b>124,339,170</b>	<b>4,697,661</b>
Conversion of convertible note 31/1/18	13,996,769	4,338,998
Conversion of convertible note 31/1/18	5,439,475	2,067,001
Allotment under share option plan 29/3/18	1,175,000	176,250
Strategic placement 11/6/18	1,802,633	685,001
Conversion of convertible notes 11/6/18	9,858,985	3,746,414
<b>Number of shares at 30 June 2018</b>	<b>156,612,032</b>	<b>15,711,325</b>

**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.

**19. 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)
<b>Balance at 30 June 2017</b>	<b>1,648,044</b>	<b>142,605</b>	<b>(12,239)</b>	<b>1,778,410</b>
Subscriptions for equity issued	6,526,769	-	-	6,526,769
Reporting translation differences	-	-	584,903	584,903
<b>Balance at 30 June 2018</b>	<b>8,174,813</b>	<b>142,065</b>	<b>572,664</b>	<b>8,890,282</b>

**Subscriptions for equity**

This reserve relates to subscriptions for equity in subsidiary entities that has not yet been issued into equity instruments.

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

**19. RESERVES (CONTINUED)**

**Options reserve**

Relates to equity credit ensures from performance rights charges to profit and loss.

**Foreign translation**

Relates to translation differences currencies consolidation of subsidiaries.

**20. 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>	<b>2018</b>	<b>2017</b>
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>	<b>2018</b>	<b>2017</b>
Weighted-average number of ordinary shares at end of the period	133,276,896	121,386,824
Weighted-average number of securities if outstanding options exercised	133,276,896	121,386,824

**Earnings per share**

<i>In cents per share</i>	<b>2018</b>	<b>2017</b>
Basic loss per share	(9.89)	(7.61)
Diluted loss per share	(9.89)	(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 2017 and the comparative period ended 30 June 2016, 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.

## **21. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT**

### **Accounting classifications and fair values**

The Group has financial assets of cash and cash equivalents, and trade and other receivables. The shares in a listed company are valued at fair value. The financial assets are measured at amortised cost, and the carrying amount is a reasonable approximation of fair value at 30 June 2018.

The Group has financial liabilities of derivatives and trade and other payables. Derivatives are measured at fair value. Other financial liabilities are measured at amortised cost, and the carrying amount is a reasonable approximation of fair value at 30 June 2018.

### **Financial risk management**

There have been no substantive changes in the types of risk the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risk from the previous period. The Group has exposure to the following risk arising from financial instruments:

- credit risk – refer (ii)
- liquidity risk – refer (iii)
- market risk – refer (iv)

#### **(i) Risk management framework**

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Audit and Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all workplace participants understand their roles and obligations.

The Board of Directors has also established a Finance Committee, consisting of senior executives of the Group, which meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The finance committee's overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. The finance committee operates under policies approved by the Board of Directors.

#### **(ii) Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within note 10.

#### ***Trade and other receivables***

The main source of credit risk to the Group is considered to relate to the class of assets described as trade and other receivables. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in note 10.

No collateral is held over other receivables.



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

**21. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)**

**(ii) Credit risk Continued)**

*Impairment*

The balance of trade and other receivables that were aged over 90 days and impaired at 30 June 2018 is \$124,452 (2017: \$124,452).

The aging of the trade and other receivables that were not impaired as at 30 June 2018 are set out in the following table.

<i>In dollars</i>	<b>2018</b>	<b>2017</b>
Neither past due nor impaired	429,368	391,953
30 to 60 days past due but not impaired	1,543	-
60 to 90 days past due but not impaired	-	-
Over 90 days past due but not impaired	24,425	5,000
<b>Total trade and other receivables</b>	<b>455,337</b>	<b>396,953</b>

**Cash and cash equivalents**

The Group held cash and cash equivalents of \$1,411,636 at 30 June 2018. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on rating agency Standard and Poor's ratings.

**(iii) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain cash at a level appropriate to fund operations. At 30 June 2018, the expected cash flows from trade and other receivables maturing within two months were \$455,337.

**Non-derivative financial liabilities**

<i>In dollars</i>	<b>Within 1 year</b>		<b>1 to 5 years</b>		<b>Over 5 years</b>		<b>Total</b>	
	2018	2017	2018	2017	2018	2017	2018	2017
Trade and other payables	1,816,001	1,274,445	-	-	-	-	1,816,001	1,274,445
Convertible notes	5,670,097	5,853,688	-	4,954,814	-	-	5,670,097	10,808,502
<b>Total non-derivative financial liabilities</b>	<b>7,486,098</b>	<b>7,128,133</b>		<b>4,954,814</b>		<b>-</b>	<b>7,486,098</b>	<b>12,082,947</b>

**21. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)**

**(iii) Liquidity risk (continued)**

**Derivative financial liabilities**

<i>In dollars</i>	Within 1 year		1 to 5 years		Over 5 years		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Derivatives	1,238,349	884,788	-	-	-	-	1,238,349	884,788
<b>Total derivative financial liabilities</b>	<b>1,238,349</b>	<b>884,788</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,238,349</b>	<b>884,788</b>

**(iii) Market risk**

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Currency risk**

The Group's exposure to foreign currency risk is limited due to the natural hedge afforded to the Group by purchasing and selling in local currency in all countries in which it operates. The Group does not hold any foreign currency contracts.

**Exposure to currency risk**

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is set out in the following table.

<i>In dollars</i>	USD	
	2018	2017
<b>Net statement of financial position exposure</b>	<b>-</b>	<b>-</b>

The following significant exchange rates have been applied in preparing the consolidated statement of financial position and consolidated statement of profit or loss.

<i>In AUD</i>	USD	
	2018	2017
Average rate	0.79	0.79
Year-end spot rate	0.77	0.80

**Fair value measurement**

**(i) Fair value hierarchy**

The following table detail the Group's assets and liabilities for the current reporting period (2017: nil) measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical markets for identical assets or liabilities that the entity can access at the measurement date;

## **21. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED)**

### **Fair value measurement (continued)**

#### **(i) Fair value hierarchy (continued)**

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability.

#### **2018**

<i>In dollars</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Liabilities</b>				
Derivative convertible note options	-	1,238,349	-	1,238,349
<b>Total liabilities</b>	<b>-</b>	<b>1,238,349</b>	<b>-</b>	<b>1,238,349</b>

#### **2017**

<i>In dollars</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Liabilities</b>				
Derivative convertible note options	-	884,788	-	884,788
<b>Total liabilities</b>	<b>-</b>	<b>884,788</b>	<b>-</b>	<b>884,788</b>

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The gain/loss recognised in profit or loss for the period from level 2 and 3 valuations is nil (2017: nil).

#### **Valuation techniques for fair value measurements categorised within level 2**

The derivative convertible note options were revalued on 30 June 2018 based on internal assessments performed by management, with reference to the terms of the underlying convertible notes as disclosed in note 17.

#### **Significant accounting policies**

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

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

**22. 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
<b>Subsidiaries</b>			
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) Holdings Inc	USA	81%	81%
Glucose Biosensor Systems (GC) Pty Ltd	Australia	81%	81%
Antisoma Therapeutics Pty Ltd	Australia	100%	200%
<b>Associates<sup>1</sup></b>			
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%

<sup>1</sup> Percentage shown is net of non-controlling interest.

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

**Summary financial information**

None of the associates are listed on a stock exchange. The investments in associates is equity accounted using audited financial information.

**22. INVESTMENTS (CONTINUED)**

**(b) Investment in associates accounted for using equity method**

<i>In dollars</i>	<b>2018</b>	<b>2017</b>
<b>(i) Summarised statement of comprehensive income</b>		
Revenue	54,010	67,027
Loss after tax	(198,283)	(152,778)
Other comprehensive loss	1,206	(1,921)
Total comprehensive loss	(197,077)	(155,699)
Dividends received from associate	-	-
<b>(ii) Reconciliation to carrying amount</b>		
Net asset balance at start of period	1,100,565	1,243,277
Additional investment	141,560	-
Profit/(loss) for the period	(101,827)	(142,712)
Other comprehensive income	-	-
<b>Net asset balance at end of period</b>	<b>1,140,298</b>	<b>1,100,565</b>
Consolidated entity's share in %	40.00%	40%
Consolidated entity's share at acquisition	456,119	440,226
Adjustment posted in following period	-	-
<b>Consolidated entity's share at reporting date</b>	<b>456,119</b>	<b>440,226</b>

**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.

## **23. OPERATING LEASES**

The Group lease a of office facilities under an operating lease. The leases are non-cancellable and run for a period of 1 to 5 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>	<b>2018</b>	<b>2017</b>
Less than one year	156,341	112,165
Between one and five	854,220	-
years More than five	-	-
years	-	-
<b>Total future minimum lease payments</b>	<b>1,010,561</b>	<b>112,165</b>

## **24. CONTINGENCIES**

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

## **25. TRANSACTIONS WITH RELATED PARTIES**

### **(i) Parent and ultimate controlling party**

iQnovate Ltd was the parent and ultimate controlling party of the Group throughout the year ended 30 June 2018.

### **(ii) Key management personnel compensation**

The key management personnel compensation is set out in the table below.

<i>In dollars</i>	<b>2018</b>	<b>2017</b>
Short-term employee benefits	1,168,711	769,350
Post-employment benefits	111,027	63,532
Share based payments	162,750	-
<b>Total key management personnel compensation</b>	<b>1,442,488</b>	<b>832,882</b>

Compensation of the Group's key management personnel includes salaries and non-cash benefits. Executive officers also participate in the Group's employee incentive plan.

Further details of key management personnel compensation are included in the Remuneration Report within the Directors' Report.

## **25 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

### **(iii) Transactions with related parties**

The Group transacted with the following related companies. Transactions with other related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.

<b>Entity name</b>	<b>Relationship</b>
iQX Limited and controlled entities	Common directorship and/ key management personnel
iQ3Corp Ltd and controlled entities	Common directorship and/ key management personnel
Nereid Enterprises Pty Ltd	an Associate with common directorship and/key management personnel

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The aggregate value of transactions and outstanding balances relating to subsidiaries and associates are set out in the following table.

<i>In dollars</i>	<b>2018</b>	<b>2017</b>
Shared services fees received from related parties	465,274	415,290
<b>Total fees received from related parties</b>	<b>465,274</b>	<b>415,290</b>
Consulting fees paid to related parties	834,098	1,931,546
Payment of shared services fees to related parties	1,738,835	880,242
Assets purchased from related parties	-	2,841,338
Other transaction and administrative costs paid to related parties	-	40,342
<b>Total costs paid to related parties</b>	<b>2,572,933</b>	<b>5,693,468</b>
Trade payable accounts with related parties	(1,990,120)	(1,310,776)
Trade receivable accounts with related parties	498,410	26,032
<b>Net trade receivable/(payable) from related parties</b>	<b>(1,491,710)</b>	<b>(1,284,744)</b>

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

**26. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES**

<i>In dollars</i>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
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
	<b>(13,675,757)</b>	<b>(8,946,857)</b>
Changes in:		
Trade and other receivables	(482,481)	(33,267)
Prepayments	(414,160)	48,360
Trade and other payables	36,686	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)
	<b>(706,381)</b>	<b>2,481,241</b>
<b>Net cash used in operating activities</b>	<b>(14,382,138)</b>	<b>(6,465,616)</b>

**27. AUDITORS' REMUNERATION**

<i>In dollars</i>	<b>2018</b>	<b>2017</b>
<b>Audit and review services</b>		
Auditors of the Group at June 2018– RSM Australia Partners	65,500	20,000
Auditors of the Group at December 2017 – RSM/Fortunity	8,000	4,000
Other auditors	44,000	-
<b>Other services</b>		
Auditors of the Group at June 2018 – RSM Australia Partners	-	14,500
Auditors of the Group at December 2017 – Fortunity	-	-
Other auditors	-	-



**28. SUBSEQUENT EVENTS**

On the 6 August 2018 the Company issued 1,599,343 fully paid ordinary shares, for a issue price of \$0.38 per share. The purpose of the issue is to raise capital for business objective.

On the 19 September 2018 the Company issued 4,456,533 fully paid ordinary shares by way of strategic placement, for a issue price of \$0.38 per share.

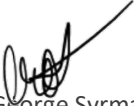
On the 19 September 2018 the issued 223,684 fully paid ordinary shares by way of conversion of convertible notes issued by Clinical Research Corporatiob Pty Ltd (CAN 167 749 233), which is a wholly owned subsidiary if iQN

Beside the stated above events, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature in the opinion of the Directors to affect significantly the operations or state of affairs of the Group in future financial years.

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**DIRECTORS' DECLARATION**  
**FOR THE YEAR ENDED 30 JUNE 2018**

1. In the opinion of the Board of Directors of iQnovate Ltd ("the Company"):
  - a. the consolidated financial statements and notes that are set out on pages 24 to 55 are in accordance with the *Corporations Act 2001*, including:
    - I. giving a true and fair view of the financial position as at 30 June 2018 of the Company and its controlled entities ("the Group") and of the Group's performance for the financial half-year ended on that date; and
    - II. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
  - 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.
2. 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 for the financial year ended 30 June 2018.
3. The Directors draw attention to note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of Directors.



Dr George Syrmalis  
Chair

Sydney  
28 September 2018

## INDEPENDENT AUDITOR'S REPORT To the Members of IQNovate Ltd

### Opinion

We have audited the financial report of IQNovate Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of 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 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 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

### 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 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 report.

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

### 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	How our audit addressed this matter
<b>Recognition of Revenue</b> Refer to Note 6 in the financial statements	
<p>Revenue recognition was considered a key audit matter, as it material and important to the company's profitability.</p> <p>In addition we focused on revenue recognition as the company's business involves entering into fixed price contracts for the provision of contract sales and marketing. Revenue on these contracts are recognised over time as the service is provided and this may differ from payments received from the customer, resulting in deferred revenue. There may also be significant management judgment in determining the extent to which services have been delivered, and in identifying potentially onerous contracts.</p>	<p>Our audit procedures in relation to the recognition of revenue included:</p> <ul style="list-style-type: none"> <li>Assessing whether the Company's revenue recognition policies were in compliance with Australian Accounting Standards.</li> <li>Evaluating, and testing the operating effectiveness, of management's controls related to revenue recognition.</li> <li>Inspection of sales contracts and agreeing terms of the contract, the stage of completion, and recalculating revenue recognised.</li> </ul>
<b>Carrying value of internally developed intangible assets</b> Refer to note 12 in the financial statements	
<p>The closing net book value of all internally developed and purchased intangible assets was \$4,451,067. Development expenditure, acquired intellectual property and the costs of building applications and web-site platforms are capitalised as intangible assets, where the expenditure demonstrable value and the technical and commercial feasibility is assured.</p> <p>Management has to exercise judgment in determining which costs can be capitalised and when performing an impairment review. The materiality of judgments involved has caused us to identify these as key audit risks.</p>	<p>Our audit procedures in relation to the carrying value of internally developed intangible assets included:</p> <ul style="list-style-type: none"> <li>Reviewing management's identification of the development projects being undertaken, and their assessment of whether they meet the criteria for recognition as intangible assets in accordance with AASB 138 <i>Intangible Assets</i>.</li> <li>Testing amounts capitalised in the period to assess whether expenses incurred were directly attributable to the projects identified, and therefore eligible for capitalisation.</li> <li>Critically reviewing management's impairment reviews for those assets not yet available for use.</li> </ul>

## 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 30 June 2018 but does not include the financial report and the 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 have 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of IQNovate Ltd., for the year ended 30 June 2018, 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.



**RSM Australia Partners**



**David Talbot**  
Partner

Sydney, 30 September 2018

## **NSX ADDITIONAL INFORMATION**

Additional information required by the NSX and not disclosed elsewhere in this report is set out below. The information is current as at 19 September 2018.

### **SHAREHOLDINGS**

#### **Substantial shareholders**

The number of shares held by substantial shareholders and their associates are set out below:

<b>Shareholder</b>	<b>Number of ordinary shares held</b>	<b>% of total ordinary shares</b>
Biotechnology Holdings	37,992,750	23.32%
Con Tsigounis Pty Ltd	37,148,750	22.81%
<b>Total of substantial shareholders</b>	<b>75,141,500</b>	<b>46.13%</b>

#### **Distribution of equity security holders**

<b>Category</b>	<b>Holders</b>	<b>Ordinary shares</b>	<b>%</b>
1 – 1,000	5	2,690	0.00%
1,001 – 5,000	5	18,864	0.01%
5,001 – 10,000	189	1,314,165	0.81%
10,001 – 100,000	175	8,541,845	5.24%
100,001 and over	194	153,014,028	93.94%
<b>Total</b>	<b>568</b>	<b>162,891,592</b>	<b>100.00%</b>

#### **Shareholders with less than marketable parcel**

There are 5 shareholders each with an unmarketable parcel of shares being a holding of 1,250 or less, for a combined total of 2,690 shares. This is based on a closing price of \$0.40 per share as at 20 September 2018 and represents 0.0017% of the fully paid ordinary shares on issue.

#### **Shares subject to escrow**

There is no security class subject to escrow as at 19 August 2018.

#### **Unquoted equity securities**

There are no unquoted redeemable preference shares or redeemable convertible notes on issue.

### **SECURITIES EXCHANGE**

The Company is listed on the National Securities Exchange. The Home exchange is Sydney.

### **ON-MARKET BUY-BACK**

There is no current on-market buy-back.

**IQNOVATE LTD AND CONTROLLED ENTITIES  
NSX ADDITIONAL INFORMATION (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2018**

**TEN LARGEST SHAREHOLDERS**

Shareholder	Number of ordinary shares held	% of total ordinary shares
BIOTECHNOLOGY HOLDINGS PTY LTD <BIOTECHNOLOGY A/C>	37,992,750	23.324%
CON TSIGOUNIS PTY LTD <CON TSIGOUNIS FAMILY A/C>	37,148,750	22.806%
ANTHONY TSIGOUNIS PTY LTD <ANTHONY TSIGOUNIS FAMILY A/C>	4,312,500	2.647%
PRIORITY ONE GROUP PTY LTD <THE UTOPIA INVESTMENT A/C>	1,612,903	0.990%
STEVEN & PATRICIA CHAMBERS PARTNERSHIP	1,612,903	0.990%
MR TERENCE REGO & MRS CARINA REGO	1,500,000	0.921%
MR ANTHONY KOUSOULIS & MRS ANGELA KOUSOULIS <KASTANLIKA SUPER FUND A/C>	1,320,000	0.810%
JU YE TIAN CHENG HOLDINGS PTY LTD <JU YE TIAN CHENG FAMILY A/C>	1,315,790	0.808%
YUQIDUO PTY LTD <CHEN YUQIDUO FAMILY A/C>	1,315,789	0.808%
PERSEFONE ABDALLAH	1,294,319	0.795%
<b>Total securities of top 10 holdings</b>	<b>89,425,704</b>	<b>54.92%</b>

**HISTORICAL SUMMARY TABLE**

Share performance				Financial performance A\$ million			
Period	Closing share price at 30 June	Dividend per share	EPS (cents)	Revenue	Loss after tax	Assets	Liabilities
FY2018	\$0.40	NIL	(9.89)	\$4.7	(\$15.2)	\$9.8	\$12.0
FY2017	\$0.45	NIL	(7.6)	\$4.7	(\$9.9)	\$7.6	\$16.3
FY2016	\$0.61	NIL	(6.5)	\$2.7	(\$7.4)	\$5.8	\$7.2
FY2015	\$0.55	NIL	(10.8)	\$0.8	(\$4.4)	\$4.4	\$5.0
FY2014	\$0.65	NIL	(3.65)	\$0.9	(\$1.4)	\$2.2	\$0.8

**WAIVERS**

There are no arrangements where: (a) the Director's have agreed to waive any emoluments; or (b) where a shareholder has waived or agreed to waive any dividends.

**SIGNIFICANT CONTRACTS WITH DIRECTORS, CHILD ENTITIES OR CONTROLLING SHAREHOLDERS**

Refer to note 25 of the Notes to the Consolidated Financial Statements for details of material related party transactions.

**DIRECTOR AND OFFICERS INTERESTS**

Refer to note 7 of the Remuneration Report, which forms part of the Annual Report for details of Director and Officer interests. In addition, the following Directors and Company Officers hold security interests in child entities as set out below:

- Gerardo Incollingo has an interest in 1,245,000 ordinary shares in iQN, a \$50,000 debt instrument with CRC, and 470,000 ordinary shares in FarmaForce.
- Spiro Sakiris has an interest in 110,833 ordinary shares in FarmaForce, and 41,667 options in FarmaForce.
- Dr George Syrmalis has an interest in 10,000 ordinary shares in FarmaForce.

**OTHER**

There are no period's unexpired of any service contract of any Director proposed for election at the forthcoming annual general meeting.