



## **iQNOVATE LTD**

ACN 149 731 644

### **APPENDIX 3 AND INTERIM FINANCIAL REPORT**

For the period ended 31 December 2018

## iQNOVATE LTD

ACN 149 731 644

### APPENDIX 3

**Reporting Period:**

Six months ended 31 December 2018

**Previous Corresponding Period:**

Six months ended 31 December 2017

The consolidated entity has adopted Accounting Standards AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers' for the half-year ended 31 December 2018. The Accounting Standards have been applied prospectively.

#### 0Results for announcement to the market

	31 December 2018	Percentage change	Amount change
<b>Revenue and net profit</b>			
Revenue from ordinary activities	5,503,062	133.9%	3,150,620
Loss from ordinary activities after tax	(7,935,605)	(34.5%)	(2,036,776)
Loss from ordinary activities after tax attributable to owners	(6,375,650)	(21.09%)	(1,110,302)
<b>Dividends</b>			
	<b>Dividend</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Interim dividend in respect of the six months ended 31 December 2018:	NIL	NIL	NIL
<b>Net tangible assets per security</b>			
		<b>31 December 2018</b>	<b>31 December 2017</b>
Net tangible assets per security (cents per security)		(7.73)	(10.88)

#### Commentary on results

Commentary for the interim financial results for the six months ended 31 December 2018 is contained in the National Securities Exchange (NSX) release and on page 2 of the Interim Financial Report included with this announcement.

#### Details of Associates

Details of iQNovate Ltd's associates are contained on page 18 of the Interim Financial Report included with this announcement.

#### Compliance Statement

The information provided in the Appendix 3 and throughout iQnovate Ltd's Interim Financial Report is based on iQnovate Ltd's interim financial statements for the half-year ended 31 December 2018.

iQnovate Ltd's interim financial statements for the half-year ended 31 December 2018 have been subject to a review. A copy of the independent auditor's review report is set out on page 21 of the Interim Financial Report included with this announcement.



# INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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This Interim Financial Report is provided to the National Securities Exchange (NSX) and should be read in conjunction with the 2018 Annual Report and any announcements made to the market during the current reporting period.

## DIRECTORS' REPORT

The Directors present their report together with the interim consolidated financial statements of iQnovate Ltd ("iQN" or the "Company") and its subsidiaries (collectively referred to as the "Group") as at and for the half-year ended 31 December 2018.

### DIRECTORS

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

- Dr George Symmalis
- Mr Con Tsigounis
- Mr Peter Simpson

### PRINCIPAL ACTIVITIES

During the half-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.

### OPERATING AND FINANCIAL REVIEW

#### Operating highlights:

During the half-year the Group has continued to focus on developing early stage life science assets for its clients, and/or for itself. iQN's development stage pipeline of therapeutic and diagnostic portfolios continue to build, with the diabetes franchise fast approaching the commercialisation stage.

#### Financial highlights:

The Group's revenue is generated through three separate streams – commercial sales, capital gains, and Research and Development. Revenue increased by 134% during the half-year 2019 when compared to half-year 2018 (HY19 \$5.5M, HY18 \$2.4M).

The Group sustained an operating loss of \$7.9M in HY19 (HY18 \$5.9M), and an operating cash burn of \$4.2M (HY17 \$5.1M) for the period.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

### ROUNDING OF AMOUNTS

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

### AUDITOR INDEPENDENCE

The auditor's independence declaration is set out on page 3 and forms part of the Directors' Report for the half-year ended 31 December 2018.

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

Dr George Symmalis  
Chair



Sydney

17 March 2019

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of iQNovate Ltd for the half year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

A handwritten signature of 'RSM' in dark ink.**RSM AUSTRALIA PARTNERS**A handwritten signature of 'David Talbot' in dark ink.

**David Talbot**  
Partner

Sydney, NSW

Dated: 17 March 2019

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**INTERIM CONSOLIDATED STATEMENT PROFIT OR LOSS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

<i>In dollars</i>	<i>Note</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Revenue	5	5,503,062	2,352,442
Cost of sales		(3,672,307)	(2,463,290)
<b>Gross profit</b>		<b>1,830,755</b>	<b>(110,848)</b>
Other income		109	822
Employee benefits expense		(2,751,871)	(2,173,242)
Depreciation and amortisation expense		(49,050)	(78,227)
Overhead sharing costs		(1,122,219)	(839,019)
Other expenses		(4,193,386)	(1,706,083)
Finance costs		(370,468)	(952,036)
Share of profit/(loss) of associated companies net of tax		(46,111)	(40,196)
<b>Loss before income tax</b>		<b>(6,702,241)</b>	<b>(5,898,829)</b>
Income tax expense		(1,233,364)	-
<b>Loss for the period</b>		<b>(7,935,605)</b>	<b>(5,898,829)</b>
Loss attributable to members of the parent		(6,322,841)	(5,265,348)
Loss attributable to non-controlling interest		(1,612,764)	(633,481)
<b>Total loss attributed</b>		<b>(7,935,605)</b>	<b>(5,898,829)</b>

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

Basic loss per share (cents per share)	10	(3.99)	(4.23)
Diluted loss per share (cents per share)	10	(3.99)	(4.23)

**INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

<i>In dollars</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Net loss for the period</b>	<b>(7,935,605)</b>	<b>(5,898,829)</b>
<b>Other comprehensive income</b>	-	-
<b>Other comprehensive loss for the period, net of tax</b>		
Foreign translation exchange differences	(380,227)	-
<b>Total comprehensive loss for the period</b>	<b>(8,315,832)</b>	<b>(5,898,829)</b>
Comprehensive loss attributable to members of the parent	(6,522,319)	(5,265,348)
Comprehensive loss attributable to non-controlling interest	(1,793,513)	(633,481)
<b>Total comprehensive loss attributed</b>	<b>(8,315,832)</b>	<b>(5,898,829)</b>

*The above interim consolidated statement of profit or loss, and other comprehensive income, should be read in conjunction with the accompanying notes to the interim consolidated financial statements.*

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

<i>In dollars</i>	<i>Note</i>	<b>31 December 2018</b>	<b>30 June 2018</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash		485,478	1,422,636
Trade and other receivables	6	1,786,578	1,076,927
Prepayments		763,690	530,797
Current tax receivable		1,272	412,604
<b>Total current assets</b>		<b>3,037,018</b>	<b>3,442,964</b>
<b>Non-current assets</b>			
Property, plant and equipment		222,196	210,958
Intangible assets		4,431,742	4,451,068
Investment in associate		455,209	456,119
Deferred tax assets		-	1,233,364
<b>Total non-current assets</b>		<b>5,109,147</b>	<b>6,351,509</b>
<b>Total Assets</b>		<b>8,146,165</b>	<b>9,794,473</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	7	5,418,760	3,806,121
Employee benefit liabilities		1,439,090	910,954
Contract liabilities	8	1,419,464	292,124
Borrowings		5,787,726	5,670,097
Derivative financial instruments		1,238,349	1,238,349
Deferred tax liability		35,718	35,718
<b>Total current liabilities</b>		<b>15,339,107</b>	<b>11,953,363</b>
<b>Non-current liabilities</b>			
Borrowings		876,418	-
Employee benefit liabilities		89,612	83,533
<b>Total non-current liabilities</b>		<b>966,030</b>	<b>83,533</b>
<b>Total liabilities</b>		<b>16,305,137</b>	<b>12,036,896</b>
<b>Net liabilities</b>		<b>(8,158,972)</b>	<b>(2,242,423)</b>
<b>Equity</b>			
Contributed equity	9	34,181,040	25,275,758
Reserves		715,269	1,073,371
Accumulated losses		(41,831,462)	(35,309,143)
<b>Total equity attributable to holders of the company</b>		<b>(6,935,152)</b>	<b>(8,960,014)</b>
Total equity attributable to non-controlling interests		(1,223,820)	6,717,591
<b>Total equity</b>		<b>(8,158,972)</b>	<b>(2,242,423)</b>

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



**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

<i>In dollars</i>	Contributed equity	Accumulated losses	Reserves	Non-controlling interest	Total
<b>Balance at 1 July 2018</b>	<b>25,275,758</b>	<b>(35,309,143)</b>	<b>7,020,175</b>	<b>770,787</b>	<b>(2,242,423)</b>
<b>Adjustments to correct classifications in opening balances (Refer (Note 3))</b>	6,321,406	-	(5,946,806)	(374,600)	-
<b>Restated Balances 1<sup>st</sup> July 2018</b>	<b>31,597,164</b>	<b>(35,309,143)</b>	<b>1,073,369</b>	<b>396,187</b>	<b>(2,242,423)</b>
<b>Total comprehensive loss for the period</b>					
Loss for the period	-	(6,322,841)	-	(1,612,764)	(7,935,605)
Other comprehensive profit / (Loss) for the period		(199,478)	-	(180,749)	(380,227)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(6,522,319)</b>	<b>-</b>	<b>(1793,513)</b>	<b>(8,315,832)</b>
<b>Transactions with owners recorded directly in equity</b>					
Issued capital	2,301,130	-	-	-	2,301,130
Conversion of convertible notes	85,000	-	-	-	85,000
Shares issued in subsidiary	228,724	-	-	3,276	232,000
Shares issued on subscriptions previously received in subsidiary	187,869	-	(358,100)	170,231	-
Capital raising costs	(218,847)	-	-	-	(218,846)
<b>Total transactions with owners recorded directly in equity</b>	<b>2,583,877</b>	<b>-</b>	<b>(358,100)</b>	<b>173,506</b>	<b>2,399,284</b>
<b>Balance at 31 December 2018</b>	<b>34,181,040</b>	<b>(41,831,462)</b>	<b>715,269</b>	<b>(1,223,820)</b>	<b>(8,158,972)</b>
<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	-	(5,265,348)	-	(633,481)	(5,898,829)
Other comprehensive profit for the period	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(5,265,348)</b>	<b>-</b>	<b>(633,481)</b>	<b>(5,898,829)</b>
<b>Transaction with owners recorded directly in equity</b>					
Recognition of NCI	-	-	-	60,000	60,000
Convertible notes issued/reconfigured during the period	(27,199)	-	5,377,990	1,261,504	6,612,295
Foreign translation exchange differences	-	-	(100,370)	-	(100,370)
Capital raising costs	(893,363)	-	(528,878)	(165,691)	(1,587,932)

**IQNOVATE LTD AND CONTROLLED ENTITIES**

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

Total transactions with owners recorded directly in equity	(920,562)	-	4,748,742	1,155,813	4,983,993
Balance at 31 December 2017	10,571,275	(27,399,839)	6,527,152	648,361	(9,653,051)

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

<i>In dollars</i>	<i>Note</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		6,537,509	2,978,474
Payments to suppliers and employees		(10,738,866)	(7,840,224)
Interest received		109	822
Interest paid		-	(222,013)
Income tax paid		-	-
<b>Net cash used in operating activities</b>		<b>(4,201,248)</b>	<b>(5,082,941)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(40,962)	(927)
<b>Net cash used in investing activities</b>		<b>(40,962)</b>	<b>(927)</b>
<b>Cash flows from financing activities</b>			
Borrowings From Related Party Bond		876,418	
Proceeds from contributed equity (Net of costs)		2,399,282	60,000
Proceeds from the issue of convertible notes / debt (net of costs)		-	5,721,448
<b>Net cash generated from/ (used in) financing activities</b>		<b>3,275,700</b>	<b>5,781,448</b>
Net decrease in cash and cash equivalents		(907,806)	697,580
Cash and cash equivalents at the beginning of the period		1,422,636	298,937
Effect of movements in exchange rates on cash held		(29,352)	(100,370)
<b>Cash and cash equivalents at the end of the period</b>		<b>485,478</b>	<b>896,147</b>

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

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 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 half-year ended 31 December 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 14 March 2019.

**2. STATEMENT OF COMPLIANCE**

These condensed general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 ‘Interim Financial Reporting’ and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 ‘Interim Financial Reporting’.

These condensed general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

**3. SIGNIFICANT ACCOUNTING POLICIES**

This section sets out the significant accounting policies upon which the interim financial statements are prepared as a whole. Specific accounting policies are described in their respective notes to the interim 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.

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

**New or amended Accounting Standards and Interpretations adopted**

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

*AASB 9 Financial Instruments*

The consolidated entity has adopted AASB 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income (‘OCI’).

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

#### *AASB 15 Revenue from Contracts with Customers*

The consolidated entity has adopted AASB 15 from 1 January 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The impact on the financial performance and position of the consolidated entity from the adoption of these Accounting Standards is detailed in note 4.

#### **Revenue recognition**

The consolidated entity recognises revenue as follows:

##### *Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### *Rendering of services*

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

#### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established

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

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days. The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

#### **Contract assets**

Contract assets are recognised when the consolidated entity has satisfied the performance obligations in the contract and either has not recognised a receivable to reflect its unconditional right to consideration or the consideration is not due. Contract assets are treated as financial assets for impairment purposes.

#### **Customer acquisition costs**

Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

#### **Customer fulfilment costs**

Customer fulfilment costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the consolidated entity that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs are amortised on a straight-line basis over the term of the contract.

#### **Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

#### *Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

#### *Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

#### *Impairment of financial assets*

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

#### *Contract liabilities*

Contract liabilities are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier), before the consolidated entity has transferred the goods or services to the customer. The liability is the consolidated entity's obligation to transfer goods or services to a customer from which it has received consideration.

#### *Non Controlling Interests*

Subscriptions received from Non Controlling Interests are initially recorded in Reserves and reclassified to non controlling interests to contributed equity when the shares being applied for are allotted to the security holder.

#### *Correction of Prior Year Classification*

The prior year classification of equity included amounts recorded as reserves, whereas there were components which should have been transferred to contributed equity and non controlling interests. These reclassifications are reflected as adjustments to result in Reclassified Balances.

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#### **4. GOING CONCERN (CONTINUED)**

The interim 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 interim financial statements, the consolidated entity incurred a loss of \$7,935,605 and had net cash used in operating activities of \$4,201,248 for the half year ended 31 December 2018. As at that date the company had net current liabilities of \$12,302,089 and net liabilities of \$8,158,972.

However, the Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report 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 improving net operating cash flow;
- Liabilities include total convertible notes with a face value of \$5,787,726 convertible to equity by the company, hence not requiring funding from cash flow to extinguish these liabilities.

#### **4. 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 half-year 2019, 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>31 December 2018</b>	<b>31 December 2017</b>
<b>Revenue</b>		
Contract sales and marketing services	4,996,349	2,127,256
Related party services	506,713	225,186
<b>Total revenue</b>	<b>5,503,062</b>	<b>2,352,442</b>
<b>Gross profit / (loss)</b>		
Contract sales and marketing services	1,324,042	(336,034)
Related party services	506,713	225,186
<b>Total gross profit / (loss)</b>	<b>1,830,755</b>	<b>(110,848)</b>

#### **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, four customers represent more than 10% of the half year 2019 revenue. Total revenue from these major customers amounts to \$4,638,042 (84.2%) of total revenue (HY17: \$2,003,978; 85.2%).



## 5. REVENUE

<i>In dollars</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Contract and service fee revenue	4,996,349	2,127,256
Office and shared services revenue	506,713	225,186
<b>Total revenue</b>	<b>5,503,062</b>	<b>2,352,442</b>

### Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

#### Major service line

<i>In dollars</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Contract sales and marketing services	4,963,016	2,109,064
Training	33,333	-
Shared services	506,713	225,185
Consulting	-	8,133
Others	-	10,060
<b>Total revenue</b>	<b>5,503,062</b>	<b>2,352,442</b>

#### Timing of revenue recognition

<i>In dollars</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Services transferred at a point in time	33,333	-
Services transferred over time	5,469,729	2,352,442
<b>Total revenue</b>	<b>5,503,062</b>	<b>2,352,442</b>

## 6. TRADE AND OTHER RECEIVABLES

<i>In dollars</i>	<b>31 December 2018</b>	<b>30 June 2018</b>
Trade receivables	1,053,755	578,915
Related party receivables	884,499	498,410
Less: Allowance for expected credit losses	(168,634)	(208,287)
	<b>1,769,620</b>	<b>869,038</b>
Other receivables	16,958	207,889
	<b>1,786,578</b>	<b>1,076,927</b>

## 6. TRADE AND OTHER RECEIVABLES (CONTINUED)

### *Allowance for expected credit losses*

The consolidated entity has recognised a loss of 168,634 (30 Jun 2018: \$208,287) in profit or loss in respect of the expected credit losses for the half-year ended 31 December 2018.

## 7. TRADE AND OTHER PAYABLES

<i>In dollars</i>	<b>31 December 2018</b>	<b>30 June 2018</b>
Trade payables	858,874	518,654
Sundry payables and accrued expenses	1,242,403	1,297,347
Related party payables	3,317,483	1,990,120
<b>Total trade and other payables</b>	<b>5,418,760</b>	<b>3,806,121</b>
Current	5,418,760	3,806,121
Non-current	-	-
<b>Total trade and other payables</b>	<b>5,418,760</b>	<b>3,806,121</b>

## 8. CONTRACT LIABILITIES

<i>In dollars</i>	<b>31 December 2018</b>	<b>30 June 2018</b>
Contract liabilities	1,419,464	292,124
<b>Total Contract liabilities</b>	<b>1,419,464</b>	<b>292,124</b>

### *Reconciliation*

Reconciliation of the written down values at the beginning and end of the current and previous financial half-year are set out below:

<i>In dollars</i>	<b>31 December 2018</b>	<b>30 June 2018</b>
Opening balance	292,124	233,003
Payment receive in advance	1,563,000	463,571
Cumulative catch-up adjustments		
Transfer to revenue – included in the opening balance	(292,124)	(233,003)
Transfer to revenue – performance obligations satisfied in the current period	(143,536)	(171,447)
Transfer to revenue – other balances	-	-

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

<b>Closing balance</b>	<b>1,419,464</b>	<b>292,124</b>
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**8. CONTRACT LIABILITIES (CONTINUED)**

*Unsatisfied performance obligations*

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$1,419,464 as at 31 December 2018 (\$292,124 as at 30 June 2018) and is expected to be recognised as revenue in future periods as follows:

<i>In dollars</i>	<b>31 December 2018</b>	<b>30 June 2018</b>
Within 6 months	432,073	241,732
6 to 12 months	461,073	50,392
12 to 18 months	316,073	-
18 to 24 months	210,245	-
	<b>1,419,464</b>	<b>292,124</b>

**9. SHARE CAPITAL**

	<b>Number of shares</b>	<b>\$</b>
In issue at 1 July 2017	124,339,170	4,697,661
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>
Shares issued during the reporting period	6,279,560	2,386,232
<b>In issue at 31 December 2018</b>	<b>162,891,592</b>	<b>18,097,558</b>

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.

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

**10. 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.

<i>In dollars</i>	<b>31 December 2018</b>	<b>31 December 2017</b>
Loss for the period attributable to owners of iQNovate Ltd	(6,322,841)	(5,265,348)
Weighted-average number of ordinary shares at end of the period	158,582,268	124,339,170
Basic loss per share	(3.99)	(4.23)
Diluted loss per share	(3.99)	(4.23)

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 half-year ended 31 December 2018 and the comparative period ended 31 December 2017, the effect of these instruments has been excluded from the calculations of diluted earnings per share for both periods as they would reduce the loss per share.

**11. FINANCIAL INSTRUMENTS – FAIR VALUE**

**Fair value measurement**

**(i) Fair value hierarchy**

The Group's assets and liabilities for the current reporting period are 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;

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.

There were no transfers between levels during the financial half-year.

**Consolidated – at 31 December 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>1,238,349</b>	<b>1,238,349</b>

## 11. FINANCIAL INSTRUMENTS – FAIR VALUE (Cont)

### Consolidated – at 30 June 2018

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

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

The derivative convertible note options were revalued on 31 December 2018 based on internal assessments performed by management, with reference to the terms of the underlying convertible notes.

## 12. TRANSACTIONS WITH RELATED PARTIES

### (i) Parent and ultimate controlling party

iQnovate Ltd was the parent and ultimate controlling party of the Group throughout the half-year ended 31 December 2018.

### (ii) 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 favourable than those available to other parties unless otherwise stated.

Entity name	Relationship
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
Oncotex	An Associate with common directorship and/key management personnel

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

<i>In dollars</i>	31 December 2018	31 December 2017
Shared services fees received from related parties	506,713	225,186
<b>Total fees received from related parties</b>	<b>506,713</b>	<b>225,186</b>
Consulting fees invoiced by related parties	1,076,018	205,111
Invoices for shared services fees received from related parties	1,083,156	839,019
<b>Total costs received from related parties</b>	<b>2,159,173</b>	<b>1,044,130</b>
Trade payable accounts with related parties	(4,193,901)	(77,720)
Trade receivable accounts with related parties	883,499	106,369
<b>Net trade receivable/(payable) from related parties</b>	<b>(3,310,403)</b>	<b>28,649</b>

## **12. TRANSACTIONS WITH RELATED PARTIES (cont)**

### **(iii) Bond with related entity – iQnovate Ltd**

On the 10 September 2018 the company entered into a bond instrument with a related entity, iQX Limited, for a value of \$876,418. The Maturity date of the bond is 30 June 2021, with a simple annual coupon rate of 9%.

### **(iv) Associates**

Entity name	Country of incorporation	Ownership interest 31 December 2018	Ownership interest 31 December 2017
New Frontier Holdings LLC	USA	34.1%	34.1%
Nereid Enterprises Pty Ltd	AUS	34.1%	34.1%
Nereid Enterprises LLC	USA	34.1%	34.1%
Oncotex Inc	USA	40.5%	-

## **13. SUBSEQUENT EVENTS**

There has not arisen in the interval between the end of the financial half-year and the date of this report any other item, transaction or event of a material and unusual nature likely, 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 HALF-YEAR ENDED 31 DECEMBER 2018**

1. In the opinion of the Board of Directors of iQnovate Ltd ("the Company"):
  - a. the interim consolidated financial statements and notes that are set out on pages 4 to 19 are in accordance with the *Corporations Act 2001*, including:
    - I. giving a true and fair view of the financial position as at 31 December 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 half-year ended 31 December 2018.
3. The Directors draw attention to note 2 to the interim consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of Directors.



Dr George Symalis  
Chair

Sydney

17 March 2019

**RSM Australia Partners**

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[www.rsm.com.au](http://www.rsm.com.au)**INDEPENDENT AUDITOR'S REVIEW REPORT****TO THE MEMBERS OF****IQNOVATE LTD AND CONTROLLED ENTITIES****Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of iQNovate Ltd (the Company) and its subsidiaries (the Group), which comprises the interim consolidated statement of financial position as at 31 December 2018, the interim consolidated statement of profit or loss, the interim consolidated statement of other comprehensive income, the interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

*Directors' Responsibility for the Half-Year Financial Report*

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

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of iQNovate Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



### *Independence*

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

### *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



**RSM AUSTRALIA PARTNERS**



**David Talbot**  
Partner

Sydney, NSW

Dated: 17 March 2019

## CORPORATE DIRECTORY

**ACN 149 731 644**

### **Directors**

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

Con Tsigounis

Peter Buchanan Simpson

### **Company secretary**

Gerardo Incollingo

### **Chief Executive Officer**

Dr George Symmalis

### **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)