

23 October 2020

ASX Market Announcements Office
Australian Securities Exchange Limited

BY ELECTRONIC LODGEMENT

2020 Annual Report

Please see attached the 2020 Annual Report for Farmaforce Limited.

-Ends-

Authorised for lodgement by Gerado Incollingo, Company Secretary.



Annual report **2020**

ACN 167 748 843

Annual Report for the year
ended - 30 June 2020

Your **force** in healthcare

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Corporate directory

Directors	George Elias, Chair Dr George Syrmalis, CEO Con Tsigounis Harry Simeonidis
Company secretary	Gerardo Incollingo
Registered office	Level 9, 85 Castlereagh Street Sydney NSW 2000
Contact address	Level 3, 333 George Street Sydney NSW 2000
Share register	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000
Auditor	BDO Audit Pty Ltd Level 11, 1 Margaret Street Sydney NSW 2000
Stock exchange listing	Farmaforce Limited shares are listed on the Australian Securities Exchange (ASX code: FFC)
Website	www.farmaforce.com.au
Corporate Governance Statement	<p>The Directors and management are committed to conducting the business of Farmaforce Limited in an ethical manner and in accordance with the highest standards of corporate governance. Farmaforce Limited has adopted and has substantially complied with the ASX Corporate Governance Council's Governance Principles and Recommendations (3rd edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.</p> <p>The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, which has been approved at the same time as the Annual Report can be found at: www.farmaforce.com.au/corporategovernance/</p>



Chair's report

On behalf of the Board of Directors, we are pleased to present the operational and financial review for Farmaforce Limited for the year ended 30 June 2020.

This year has seen the Company further expand and consolidate its position in the market and the results for this financial year have delighted the Board. Revenue growth over the last 12 months has been exceptional, with an increase of 19% to \$13,983,903 compared to FY19. This represents a cumulative revenue increase of 252% over a three-year period.

At the underlying EBITDA level, our operations improved by \$1,117,217 for the year. This represents an increase of 67% when compared to last year. This was despite significant investment that continued from 2HY FY19 into 1HY FY20 in building additional teams with the objective of increasing the revenue of the Company when these teams are being utilised at full capacity. This allowed the Company to be in a position to enter into more contracts with new and existing customers in 2HY FY20. The impact of this investment started to flow through in 2HY FY20, allowing the Company to achieve a gross margin of 25.6% for 2HY FY20. This exceeded the forecasted gross margin announced to the market for 2HY FY20 of 21.6%. This represents a significant milestone for the Company, particularly during a time of negative sentiment associated with the global COVID-19 pandemic. We expect continued revenue growth as the full impact of this investment is realised in FY21.

In closing, when we look deeper into the numbers, we can see in the underlying results that our business is performing well and growing. I congratulate my fellow Directors and management, on achieving these firm results despite the challenges of the COVID-19 pandemic. I would like to reiterate that our leadership team is committed to continuing to build the Farmaforce business and to strive to add value to our clients, shareholders and employees. I also extend a sincere thank you to our shareholders for their patience and support as we continue to execute our strategies to grow the company and move towards profitability.



George Elias

Chair



Directors' report

The Directors present their report, together with the financial statements, on Farmaforce Limited ('Farmaforce' or the 'Company') for the year ended 30 June 2020.

Directors

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

George Elias
 Dr George Syrmalis
 Con Tsigounis
 Harry Simeonidis

Principal activities

During the year the principal activity of Farmaforce was the provision of services as a contract sales organisation in the Australian pharmaceutical industry.

Dividends

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

Review of operations

During the year, Farmaforce continued to grow revenues by securing new contracts and clients, as well as by executing sales contracts.

The growth in market share has resulted in a 19% increase in revenue in the past year and a cumulative revenue increase of 252% over a three-year period.

With the accelerated growth of the Australian population and the continuous growth of the ageing population, we anticipate that the healthcare market will continue to expand over the next five years. The COVID-19 pandemic has further highlighted the importance of healthcare and will further contribute to the expansion of the industry into the future.

Key highlights this financial year include:

- Winner of the 'Best Health and Pharma Contract Sales Organisation - Australia' in the Global Health and Pharma (ghp) Awards;
- Secured new client contracts for existing Farmaforce teams, which resulted in margin leverage for the 2HY of FY20, successfully meeting its margin forecast announced to the market for 2HY FY20; and
- Secured new contract the pharmaceutical sales industry, expanding the Farmaforce services beyond exclusively GP sales.

	2020	2019	Change	Change
	\$	\$	\$	%
Revenue	13,983,903	11,711,534	2,272,369	19%
Gross profit	2,191,840	2,619,984	(428,144)	(16%)
Loss after tax	(1,680,056)	(690,174)	(989,882)	143%

The Directors consider EBITDA to reflect the core earnings of the Company. Underlying EBITDA is a financial measure which is calculated on the EBITDA adjusted for significant items, representing the normalised operations of the Company. A reconciliation of the Company's loss and the significant items impacting the Company's results are set out below. These significant items pertain to revenue and costs that do not reflect the core earnings of the Company.

	2020 \$	2019 \$	Change \$	Change %
Loss before income tax expense for the year	(1,680,056)	(690,174)	(989,882)	143%
Finance cost	255,605	57,511	198,094	344%
Depreciation and amortisation	625,841	54,836	571,005	1041%
EBITDA	<u>(798,610)</u>	<u>(577,827)</u>	<u>(220,783)</u>	38%
Significant items:				
Share-based payments*	258,000	-	258,000	-
Related party revenue**	-	(1,080,000)	1,080,000	(100%)
Underlying EBITDA	<u><u>(540,610)</u></u>	<u><u>(1,657,827)</u></u>	<u><u>1,117,217</u></u>	(67%)

* The share-based payment expense is an allocation of GBS Inc. shares awarded to staff from GBS Inc. (a related party of the Company) for an amount of \$258,000 (refer to note 31).

** The related party revenue in FY19 relates to consulting services provided to the parent entity, The IQ Group Global Ltd (refer to note 29).

After adjustments for significant items, the underlying EBITDA from continuing operations for the year ended 30 June 2020 was a negative underlying EBITDA of \$540,610, a significant improvement of 67% on the prior period (2019: negative underlying EBITDA of \$1,657,827).

The significant improvement on the underlying EBITDA of 67% is directly attributable to the stronger margin delivered in 2HY FY20, achieved through new customer contracts wins and existing customer contracts generating consistent revenues. The negative underlying EBITDA was a result of significant investment in 1HY FY20 made as part of building additional sales teams with the objective of increasing the revenue of the Company when the teams are utilised at full capacity. The impact of this investment started to flow through in 2HY FY20 and will continue into FY21. This was demonstrated by a significantly improved financial performance in the 2HY despite the challenging condition presented by the COVID-19 pandemic. Following a strong performance in the last quarter of FY20, the Company successfully met its forecast as detailed in its investor update to the exchange (ASX), achieving a gross margin of 25.6% for 2HY FY20. This exceeded the forecasted gross margin for 2HY FY20 of 21.6%, representing a significant achievement for the Company as it continues to expand its operations into the future.

Mobilisation of salesforce

During 2HY FY20, Farmaforce successfully mobilised a virtual salesforce to continue optimum business operations during the COVID-19 period, which encompassed much of 2HY FY20. As a response to the guidance given by the Australian Government on 29 March 2020 to contain the COVID-19 pandemic, the Company's sales representatives connected with medical professionals via a globally accredited and secure virtual sales platform replacing their face-to-face interactions. This facilitated business as usual and allowed the Company to deliver quality results to clients and continue to support medical practitioners Australia-wide, resulting in a strong 2HY FY20 performance when compared to 1HY FY20.

Demand of outsourced sales solutions continues to increase

With the increase of global healthcare expenditures, the pharmaceutical industry has grown significantly and has become more dynamic. The continued demand for new medications to address unmet clinical needs has given the industry a consequential boost. The COVID-19 pandemic has further contributed to this increase in global healthcare expenditures as people place a greater focus on all healthcare related priorities in their lives.

In parallel, pharmaceutical company profits are declining due to the expiration of patents and the high costs associated with both research and development, and drug approval processes. These factors have forced leading pharmaceutical players to consider outsourcing in-house processes with high overhead costs, such as sales, to focus on core business operations, such as research and development, patent filing and more.

Because of this, companies globally are investing in the expertise of pharmaceutical contract sales organisations (CSOs) as an effective way to boost sales without impacting their bottom line, and this trend is anticipated to increase in the coming years. To keep up with the rapid growth of the healthcare industry, businesses operating in the pharmaceutical sector are realising the need to expand their geographical outreach, which will further augment the expansion of the global pharmaceutical CSO market.

Additionally, there are a multitude of regional regulatory issues that add pressure to pharmaceutical manufacturers to reduce costs for customers, and this presents even more opportunities for pharmaceutical CSOs to add value. Pharmaceutical companies are now outsourcing some of these processes to cut unwanted expenses, engaging pharmaceutical CSOs to alleviate this pressure with additional regulatory and medical affairs services. Further to this, digital solutions such as cloud computing, tele-detailing and e-commerce are already bringing in positive changes to the healthcare industry, which we are seeing trickle into a heightened demand for an expanded service offering from pharmaceutical CSOs.

More than ever, pharmaceutical companies of all sizes are banking on CSOs such as Farmaforce to improve and innovate their businesses, boost product sales across the board, and increase their market share. This global trend presents tremendous growth opportunities for Farmaforce.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

The Company successfully applied for the Australian Government's JobKeeper program and was eligible on 4 August 2020 with payments effective 1 July 2020. The JobKeeper payment applied to a proportion of the Company's employees for total payments of approximately \$750,000 over the first three months in FY21.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Likely developments and expected results of operations

Refer to 'Review of operations' section above.

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 Company are not subject to any 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.

Information on Directors

Name:	George Elias
Title:	Independent Non-Executive Director, Chair
Qualifications:	Bachelor of Commerce (University of New South Wales), Diploma of Financial Planning (Dip. FP), Member CPA Australia, Graduate member of the Australian Institute of Company Directors.
Experience and expertise:	George has over 30 years' experience in providing accounting and business advisory services. During this period, he has been involved in providing taxation and business advice to small and medium sized enterprises, including business structuring, cash flow forecasting, taxation and superannuation structure support and advice. His business and financial acumen, coupled with his experience in dealing with necessary skills to chair the Board, provides strategic leadership to face any challenges that may arise.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of each Audit and Risk Committee and the Remuneration and Nomination Committee
Interests in shares:	1,365,000 ordinary shares held
Interests in rights:	None

Name: Dr George Syrmalis
 Title: Executive Director and Group CEO
 Qualifications: M.D., PhD / Trained in Nuclear Medicine-Radiation Immunology
 Experience and expertise: Dr Syrmalis founded and led as CEO and Chair (1995-2005), the Bionuclear Group SA incorporating Antisoma SA, Bionuclear Institute of Diagnosis and Therapy SA, Bionuclear Research and Development SA, and Vitalcheck SA.
 Other current directorships: Chair and Executive Director of The iQ Group Global Ltd (formerly iQnovate Ltd), Chair and Executive Director of iQX Limited, and Chair and Executive Director of iQ3Corp Ltd.
 Former directorships (last 3 years): None
 Special responsibilities: None
 Interests in shares: 260,000 ordinary shares held
 Interests in rights: None

Name: Con Tsigounis
 Title: Non-Executive Director
 Qualifications: Member of the Australian Institute of Company Directors
 Experience and expertise: Con has over 23 years' experience in business and investor relations, specifically in the wholesale and retail sectors. As a member of the Board of The iQ Group Global Ltd (formerly iQnovate Ltd) since its inception, Con has been responsible for executing the 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.
 Other current directorships: Executive Director of The iQ Group Global Ltd (formerly iQnovate Ltd)
 Former directorships (last 3 years): None
 Special responsibilities: Member of the Audit and Risk Committee and the Remuneration and Nomination Committee
 Interests in shares: 294,414 ordinary shares held
 Interests in rights: None

Name: Harry Simeonidis
 Title: Non-Executive Director (Executive Director up to 31 December 2019)
 Qualifications: Member of the Australian Institute of Company Directors
 Experience and expertise: Harry has more than 28 years' experience in the healthcare industry in Australia and Asia. Prior to joining Farmaforce, he was the Chief Executive Officer of GE Healthcare Australia for over nine years and Director of various GE Healthcare subsidiaries.
 Harry has demonstrated success in driving strategy and transformation to deliver value for stakeholders.
 Other current directorships: None
 Former directorships (last 3 years): None
 Special responsibilities: Member of the Audit and Risk Committee and the Remuneration and Nomination Committee
 Interests in shares: None
 Interests in rights: 150,000 performance rights over ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Gerardo Incollingo - *Bachelor of Commerce (University of Wollongong), Member CPA Australia*

Gerardo has more than 20 years of experience in managing the financial affairs of a diverse client base. Gerardo has a key focus on day to day contact management and supporting business in enhancing their profitability. He is Managing Director at LCI Partners, an established multinational accounting, finance and legal firm.

Gerardo is also company secretary of iQ3 Corp Limited, iQX Limited and The iQ Group Global Ltd (formerly iQnovate Ltd).

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each Director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
George Elias*	7	7	1	1	1	1
Dr George Syrmalis	7	7	-	-	-	-
Con Tsigounis*	7	7	1	1	1	1
Harry Simeonidis*	7	7	1	1	1	1

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

* Member of Audit and Risk Committee and Remuneration and Nomination Committee

Remuneration report (audited)

The remuneration report details the key management personnel ('KMP') remuneration arrangements for the Company, in accordance with the requirements of the Corporations Act 2001 and the Corporations Regulations 2001.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

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

Name	Position
Non-Executive Directors:	
George Elias	Non-Executive Director and Chair
Con Tsigounis	Non-Executive Director
Harry Simeonidis*	Non-Executive Director
Executive Directors:	
Dr George Syrmalis	Executive Director and Group CEO

* Executive Director up to 31 December 2019

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

Principles used to determine the nature and amount of remuneration

The Board of Directors (the 'Board') has established a Remuneration and Nomination Committee ('RNC') which is currently comprised of the following members:

Name	Position
George Elias	Chair of RNC
Con Tsigounis	Member
Harry Simeonidis	Member

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.farmaforce.com.au/corporategovernance/.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

The Board seeks to set non-executive directors' fees at a level that enables the Company with the ability to attract and retain non-executive directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

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.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 25 November 2019, where the shareholders approved a maximum annual aggregate remuneration of \$300,000 (including superannuation).

Non-executive directors' fees consist of base fees and committee fees. The payment of committee fees recognises the additional time commitment required by non-executive directors who serve on board committees. Directors who also Chair the Audit and Risk Committee ('ARC') is 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 fees in connection with such role. Non-executive directors may be reimbursed for expenses reasonably incurred in attending to the Company's affairs. Non-executive directors do not receive retirement benefits.

The table below sets out the non-executive directors' fees.

	Chair	Non-executive directors
Board	\$45,000	\$50,000
ARC	\$5,000	Nil
RNC	Nil	Nil

The amounts included in the above table are inclusive of superannuation.

Executive remuneration

The Company aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

A. Remuneration principles and strategy

In FY20 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 the relevant individual.

B. 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.

Summary of the executive STI plan:

Who participates?	Harry Simeonidis
How is STI delivered?	Cash
What is the STI opportunity?	Up to 20% of base salary.
What are the performance conditions for FY20?	Individual performance goals against annual plans (50%) company's year-on-year revenue growth and operating profit (50%).
How is performance assessed?	On an annual basis, after consideration of performance against key performance indicators ('KPI').

Long-term incentives ('LTI')

The Company operates an LTI program via the Employee Benefits Plan ('EBP') under which Directors (and employees) may be awarded options and performance rights to acquire shares of the Company. EBP awards are made annually in order to align remuneration with the creation of shareholder value over the long-term.

Summary of EBP awards:

Who participates?	All employees of the Company.
How is EBP delivered?	Entitlement to shares and performance rights.
What are the performance conditions?	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 awards treated on termination?	The participant must be a current employee at vesting date in order to be entitled to shares.
How are awards 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.
Do participants receive distributions or dividends on unvested EBP awards?	Participants do not receive distributions or dividends on unvested EBP awards.

Company performance and link to remuneration

KPIs are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area in which each individual is involved in and has a level of control over. The KPI's target areas the Company believes hold greater potential for Company 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.

Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last four years. This information is taken into account by the Board when setting the STI and LTI for KMP.

Use of remuneration consultants

During the financial year ended 30 June 2020, the Company did not engage remuneration consultants, to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

Voting and comments made at the Company's 2019 Annual General Meeting ('AGM')

At the 2019 AGM, 99.31% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of KMP of the Company are set out in the following tables.

	Short-term benefits				Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Others*	Super-annuation	Long service leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$	\$
2020								
<i>Non-Executive Directors:</i>								
George Elias	41,096	-	-	-	3,904	-	30,800	75,800
Con Tsigounis	45,662	-	-	-	4,338	-	30,800	80,800
Harry Simeonidis**	118,848	-	-	17,454	11,290	-	4,500	152,092
<i>Executive Directors:</i>								
Dr George Syrmalis	45,662	-	-	-	4,338	-	35,000	85,000
	251,268	-	-	17,454	23,870	-	101,100	393,692

* This includes car allowance and FBT

** Executive Director up to 31 December 2019

	Short-term benefits				Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Others*	Super-annuation	Long service leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$	\$
2019								
<i>Non-Executive Directors:</i>								
George Elias	41,096	-	-	-	3,904	-	-	45,000
Con Tsigounis	45,662	-	-	-	4,338	-	-	50,000
<i>Executive Directors:</i>								
Dr George Syrmalis	45,662	-	-	-	4,338	-	-	50,000
Harry Simeonidis	314,007	48,790	3,000	41,224	26,320	-	5,000	438,341
	446,427	48,790	3,000	41,224	38,900	-	5,000	583,341

* This includes car allowance and FBT

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2020	2019	2020	2019	2020	2019
<i>Non-Executive Directors:</i>						
George Elias	100%	100%	-	-	-	-
Con Tsigounis	100%	100%	-	-	-	-
Harry Simeonidis	99%	-	-	-	1%	-
<i>Executive Directors:</i>						
Dr George Syrmalis	100%	100%	-	-	-	-
Harry Simeonidis*	-	88%	-	11%	-	1%

* Executive Director up to 31 December 2019

Dr George Syrmalis is employed by the parent entity of Farmaforce, The iQ Group Global Ltd (formerly iQnovate Ltd), in the capacity of Group CEO. Dr George Syrmalis does not receive remuneration of any kind from Farmaforce Limited in his capacity as the The iQ Group Global Ltd (formerly iQnovate Ltd) Group CEO.

Con Tsigounis is employed by the parent entity of Farmaforce, The iQ Group Global Ltd (formerly iQnovate Ltd).

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2020	2019	2020	2019
<i>Executive Directors:</i>				
Harry Simeonidis*	-	100%	-	-

* Executive Director up to 31 December 2019

The Company did not pay bonus during the year ended 30 June 2020. No bonus was payable at the year end.

Service agreements

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 2020 are outlined below.

Dr George Syrmalis is the Company's Chief Executive Officer and is employed by the Company's parent entity The iQ Group Global Ltd (formerly iQnovate Ltd). Dr George Syrmalis does not have an employment agreement with Farmaforce Limited in his capacity as Group CEO.

Executive name:	Harry Simeonidis
Position:	Non-Executive Director (Executive Director up to 31 December 2019)
Effective date:	1 July 2019
Fixed annual remuneration:*	\$160,275
Term:	Ongoing
Executive notice period:	3 months
Company notice period:**	3 months
Termination payment:	Subject to the termination benefits cap under the Corporations Act

* Fixed Annual Remuneration includes base salary plus superannuation contributions in accordance with Superannuation Guarantee legislation was \$160,275 gross salary, plus \$24,000 car allowance up until 31 December 2019.

** 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.

Share-based compensation

Issue of shares

Details of shares issued to Directors as part of compensation during the year ended 30 June 2020 are set out below:

Name	Date	Shares	Issue price	\$
George Elias	12/09/2019	220,000	\$0.14	30,800
Dr George Syrmalis	12/09/2019	250,000	\$0.14	30,800
Con Tsigounis	12/09/2019	220,000	\$0.14	35,000

The value of the shares issued during the year ended 30 June 2020 as part of the remuneration is \$96,600 (2019: \$nil).

Options

There were no options over ordinary shares issued to Directors as part of compensation that were outstanding as at 30 June 2020.

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of Directors in this financial year or future reporting years are as follows:

Name	Grant date	Expiry date	Number of rights granted
Harry Simeonidis	27/03/2018	26/03/2021	50,000
Harry Simeonidis	27/03/2019	26/03/2022	50,000
Harry Simeonidis	27/03/2020	26/03/2022	50,000

Each performance right confers the entitlement to a fully paid ordinary share after three years of employment after the first anniversary.

The value of the performance rights granted during the year ended 30 June 2020 as part of the remuneration is \$4,500 (2019: \$5,000).

Additional information

The earnings of the Company for the four years to 30 June 2020 are summarised below:

	2020	2019	2018	2017
	\$	\$	\$	\$
Revenue	13,983,903	11,711,534	7,098,309	3,967,513
Loss after income tax	(1,680,056)	(690,174)	(482,828)	(2,307,433)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2020	2019	2018	2017
Share price at financial year end (\$)	0.06	0.15	0.10	0.10
Basic earnings per share (cents per share)	(1.31)	(0.54)	(0.38)	(1.81)

Additional disclosures relating to KMP

Shareholding

The number of shares in the Company held during the financial year by each Director of the Company, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
George Elias	1,025,000	220,000	120,000	-	1,365,000
Dr George Syrmalis	10,000	250,000	-	-	260,000
Con Tsigounis	74,414	220,000	-	-	294,414
Harry Simeonidis*	-	-	-	-	-
	<u>1,109,414</u>	<u>690,000</u>	<u>120,000</u>	<u>-</u>	<u>1,919,414</u>

* Harry Simeonidis, 250,000 ordinary shares are subject to shareholder approval.

Performance rights holding

The number of performance rights over ordinary shares in the Company held during the financial year by each Director of the Company, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Harry Simeonidis	100,000	50,000	-	-	150,000
	<u>100,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>

This concludes the remuneration report, which has been audited.

Shares under option

There were no unissued ordinary shares of Farmaforce Limited under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Farmaforce Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Shares under performance rights

As at 28 August 2020, 810,000 performance rights have been granted to participants as part of the Farmaforce Limited's Employee Benefits Plan. These performance rights will vest and be issued to eligible employees contingent on satisfying a service condition.

Shares issued on the exercise of performance rights

There were no ordinary shares of Farmaforce Limited issued on the exercise of performance rights during the year ended 30 June 2020 and up to the date of this report.

Indemnity 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 Corporations 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.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, 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.

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.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of BDO Audit Pty Ltd

There are no officers of the Company who are former partners of BDO Audit Pty Ltd.

Auditor's independence declaration

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

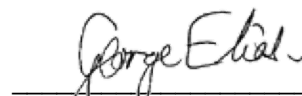
Auditor

BDO Audit Pty Ltd was appointed as auditor during the year and continues in office in accordance with section 327 of the Corporations Act 2001.

The appointment follows the resignation of BDO East Coast Partnership in accordance with section 329(5) of the Corporation Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



George Elias
Chair

28 August 2020



Auditor's independence declaration

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

As lead auditor of FarmaForce Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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



Tim Aman
Director

BDO Audit Pty Ltd
Sydney
28 August 2020



Statement of profit or loss and other comprehensive income

Farmaforce Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020



	Note	2020 \$	2019 \$
Revenue	5	13,983,903	11,711,534
Cost of sales		<u>(11,792,063)</u>	<u>(9,091,550)</u>
Gross profit		<u>2,191,840</u>	<u>2,619,984</u>
Share of losses of associates accounted for using the equity method		(62,680)	(49,111)
Other income	6	663,221	-
Interest revenue calculated using the effective interest method		26	18
Employee benefits expense	7	(2,047,318)	(2,022,892)
Overhead sharing cost		(640,592)	(603,481)
Depreciation and amortisation expense	7	(625,841)	(54,836)
Other expenses	7	(903,107)	(522,345)
Finance costs	7	<u>(255,605)</u>	<u>(57,511)</u>
Loss before income tax expense		(1,680,056)	(690,174)
Income tax expense	8	<u>-</u>	<u>-</u>
Loss after income tax expense for the year attributable to the owners of Farmaforce Limited		(1,680,056)	(690,174)
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year attributable to the owners of Farmaforce Limited		<u>(1,680,056)</u>	<u>(690,174)</u>
		Cents	Cents
Basic earnings per share	24	(1.31)	(0.54)
Diluted earnings per share	24	(1.31)	(0.54)

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



Statement of financial position

	Note	2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	9	593,832	172,370
Trade and other receivables	10	1,403,984	950,923
Term deposit	11	406,328	-
Other assets	12	193,610	88,206
Total current assets		<u>2,597,754</u>	<u>1,211,499</u>
Non-current assets			
Trade and other receivables	10	-	101,582
Investments accounted for using the equity method	13	195,140	220,349
Property, plant and equipment	14	115,050	146,249
Right-of-use assets	15	2,481,213	-
Intangibles	16	-	16,936
Total non-current assets		<u>2,791,403</u>	<u>485,116</u>
Total assets		<u>5,389,157</u>	<u>1,696,615</u>
Liabilities			
Current liabilities			
Trade and other payables	17	4,256,814	1,486,862
Contract liabilities	18	78,297	229,980
Borrowings	19	620,229	838,517
Lease liabilities	20	593,560	-
Employee benefits	21	728,601	500,565
Total current liabilities		<u>6,277,501</u>	<u>3,055,924</u>
Non-current liabilities			
Lease liabilities	20	<u>2,017,009</u>	-
Total non-current liabilities		<u>2,017,009</u>	-
Total liabilities		<u>8,294,510</u>	<u>3,055,924</u>
Net liabilities		<u>(2,905,353)</u>	<u>(1,359,309)</u>
Equity			
Issued capital	22	8,225,459	8,128,859
Reserve	23	37,412	-
Accumulated losses		<u>(11,168,224)</u>	<u>(9,488,168)</u>
Total deficiency in equity		<u>(2,905,353)</u>	<u>(1,359,309)</u>

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



Statement of changes in equity

Farmaforce Limited
Statement of changes in equity
For the year ended 30 June 2020



	Issued capital \$	Reserve \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2018	8,128,859	-	(9,018,994)	(890,135)
Adoption of AASB 15 (1 July 2018)	-	-	221,000	221,000
Balance at 1 July 2018 - restated	8,128,859	-	(8,797,994)	(669,135)
Loss after income tax expense for the year	-	-	(690,174)	(690,174)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(690,174)	(690,174)
Balance at 30 June 2019	<u>8,128,859</u>	<u>-</u>	<u>(9,488,168)</u>	<u>(1,359,309)</u>
	Issued capital \$	Reserve \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2019	8,128,859	-	(9,488,168)	(1,359,309)
Loss after income tax expense for the year	-	-	(1,680,056)	(1,680,056)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,680,056)	(1,680,056)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 23)	-	37,412	-	37,412
Issue of shares under employee benefits plan (note 22)	96,600	-	-	96,600
Balance at 30 June 2020	<u>8,225,459</u>	<u>37,412</u>	<u>(11,168,224)</u>	<u>(2,905,353)</u>

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



Statement of cash flows

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		14,301,744	12,253,238
Payments to suppliers and employees		(11,818,111)	(13,358,539)
Interest paid		(183,132)	(10,795)
Interest received		26	18
Proceeds from government grants		50,000	-
Net cash from/(used in) operating activities	30	<u>2,350,527</u>	<u>(1,116,078)</u>
Cash flows from investing activities			
Payments for property, plant and equipment	14	(46,908)	(85,552)
Investment in associates	13	(37,471)	(41,400)
Payment for term deposit		(406,328)	-
Net cash used in investing activities		<u>(490,707)</u>	<u>(126,952)</u>
Cash flows from financing activities			
Proceeds from borrowings		4,141,400	838,517
Repayment of borrowings		(5,283,803)	-
Repayment of lease liabilities		(295,955)	-
Net (used in)/from financing activities		<u>(1,438,358)</u>	<u>838,517</u>
Net increase/(decrease) in cash and cash equivalents		421,462	(404,513)
Cash and cash equivalents at the beginning of the financial year		<u>172,370</u>	<u>576,883</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>593,832</u></u>	<u><u>172,370</u></u>

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



Notes to the financial statements

Note 1. General information

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

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

Level 9, 85 Castlereagh Street
Sydney, NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 28 August 2020. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

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

AASB 16 Leases

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

Impact of adoption

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

Note 2. Significant accounting policies (continued)

Interpretation 23 Uncertainty over Income Tax

The Company has adopted Interpretation 23 from 1 July 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 112 'Income Taxes' in circumstances where uncertain tax treatments exist. The interpretation requires: the Company to determine whether each uncertain tax treatment should be treated separately or together, based on which approach better predicts the resolution of the uncertainty; the Company to consider whether it is probable that a taxation authority will accept an uncertain tax treatment; and if the Company concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, measuring the tax uncertainty based on either the most likely amount or the expected value. In making the assessment it is assumed that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. Interpretation 23 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of adoption on opening retained profits as at 1 July 2019.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Going concern

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

As disclosed in the financial statements, the Company incurred a loss of \$1,680,056 for the year ended 30 June 2020. As at that date the Company had net current liabilities of \$3,679,747, net liabilities of \$2,905,353 and net operating cash inflows of \$2,350,527. The net loss for the period and the net current liability position do prima facie give rise to a material uncertainty that may cast significant doubt of the Company's ability to continue as a going concern.

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

- As reflected in the financial statements, there has been a continued trend of increasing gross margins as teams are efficiently utilised. These higher margins are expected to be sustained;
- The current liabilities include an amount payable to the parent company of \$620,229. The parent company will allow these funds to continue to be utilised by the Company as required, hence reducing the current payable component of net liabilities to \$3,059,518. The funding of this amount will be addressed by funding from increased margins, finalising payment agreements with the Australian Taxation Office, and if required funding from external credit facilities; and
- The Company has an interest free, \$4 million working capital loan facility in place with its parent entity The IQ Group Global Ltd (formerly iQNovate Ltd). The unused balance of this facility as at 30 June 2020 was \$3,379,771. The parent company will allow these funds to continue to be utilised by the company as required.

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

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

Note 2. Significant accounting policies (continued)

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Comparatives

Comparatives have been realigned where necessary, to agree with current year presentation. There was no change in the profit or net assets.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2020. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

Note 2. Significant accounting policies (continued)

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Company has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Company may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Company's financial statements.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, that management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

COVID-19 pandemic

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

Income tax

The Company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

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

Investment in associates

The Directors have assessed whether their equity investments between 20% and 50% represent a significant influence over those companies. In assessing significant influence, the Directors have considered the percentage ownership interest, representation on the Board of Directors, the interchange of management personnel, and material transactions between the entities. Primarily on ownership interest the Directors have concluded that all investments in which the Company owns 20% interest are regarded as having significant influence and have therefore been equity accounted and disclosures made in note 13.

Note 4. Operating segments

Identification of reportable operating segments

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

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

Note 4. Operating segments (continued)

Major customers

During the year ended 30 June 2020 approximately 74% (\$10,285,071) (2019: 74% (\$7,797,959)) of the Company's total revenue was derived from sales to four (2019: four) major customers.

Operating segment information

The following segment information is provided to the CODM.

	Contract sales and marketing services to external customers \$	Services to related parties \$	Total
30 June 2020			
Revenue	13,705,552	278,351	13,983,903
Gross profit	2,191,840	-	2,191,840
	Contract sales and marketing services to external customers \$	Services to related parties \$	Total
30 June 2019			
Revenue	10,536,241	1,175,293	11,711,534
Gross profit	1,444,691	1,175,293	2,619,984

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

Geographical information

The Company operates only in Australia.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Revenue

	2020 \$	2019 \$
Contract sales and marketing services	13,705,552	10,536,241
Related party services	278,351	1,175,293
	<u>13,983,903</u>	<u>11,711,534</u>

Timing of revenue recognition

All revenue is recognised over a period of time.

Note 5. Revenue (continued)

Accounting policy for revenue

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: 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.

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.

Note 6. Other income

	2020 \$	2019 \$
Government grants	50,000	-
Rental recharges	613,221	-
Other income	<u>663,221</u>	<u>-</u>

Government grants

During the year the Company received payments from the Australian Government amounting to \$50,000 as part of its 'Boosting Cash Flow for Employers' scheme in response to the COVID-19 pandemic. These non-tax amounts have been recognised as government grants and recognised as income once there is reasonable assurance that the Company will comply with any conditions attached.

Rental recharges

During the year the Company incurred costs relating to rent and utilities at its office location. The recharge represents cost recoveries for the provision of the above services to related parties of the Company.

Note 7. Expenses

	2020 \$	2019 \$
Loss before income tax includes the following specific expenses:		
<i>Employee benefits expense</i>		
Wages and salaries	1,400,567	1,721,559
Compulsory superannuation contributions	124,146	132,427
Bonus	-	123,883
Increase in liability for annual leave (excluding increase in liability for annual leave allocated to cost of sales)	131,193	40,023
Share-based payment expense (note 31)	391,412	5,000
Total employee benefits expense	2,047,318	2,022,892
<i>Depreciation and amortisation</i>		
Depreciation:		
Leasehold improvements	2,842	1,887
Plant and equipment	39,670	33,423
Furniture, fixtures and fittings	2,481	2,589
Right-of-use assets	563,912	-
Amortisation:		
Website and software	16,936	16,937
Total depreciation and amortisation	625,841	54,836
<i>Other expenses</i>		
Accounting fees	85,892	62,675
Advertising and marketing	47,342	33,370
Insurance	96,740	53,838
Legal and consultancy fees	16,000	7,391
Occupancy costs (including outgoings)	219,862	22,491
Recruitment fees	44,750	130
Travel and accommodation	8,562	45,623
Telephone and internet	64,052	49,723
Payroll tax	79,599	95,798
Other	240,308	151,306
Total other expenses	903,107	522,345
<i>Finance costs</i>		
Interest and finance charges paid/payable on lease liabilities	178,459	-
Bank fees	21,791	10,795
Interest - other	55,355	46,716
Total finance costs	255,605	57,511

Note 8. Income tax

	2020 \$	2019 \$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(1,680,056)	(690,174)
Tax at the statutory tax rate of 27.5%	(462,015)	(189,798)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Expenditure not allowable for income tax purposes	194,769	111,511
Fixed asset timing differences	(8,250)	(12,907)
Other timing differences	68,965	91,299
Adjustments to deferred tax liability	(101,957)	(51,683)
Deferred tax assets not brought to account	308,488	51,578
Income tax expense	<u>-</u>	<u>-</u>

Unrecognised deferred tax assets

Deferred tax assets were not recognised since utilisation of the tax losses against future taxable profits are not deemed probable in the foreseeable future (2020: \$3,624,605, 2019: \$2,932,127).

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 9. Cash and cash equivalents

	2020 \$	2019 \$
<i>Current assets</i>		
Cash at bank	593,832	172,370

Accounting policy for cash and cash equivalents

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.

Note 10. Trade and other receivables

	2020 \$	2019 \$
<i>Current assets</i>		
Trade receivables	1,403,984	731,221
Less: Allowance for expected credit losses	-	(13,520)
	1,403,984	717,701
 Other receivables	-	233,222
	1,403,984	950,923
 <i>Non-current assets</i>		
Other receivables	-	101,582
	1,403,984	1,052,505

Allowance for expected credit losses

The Company has recognised a loss of \$nil (30 June 2019: \$13,520) in profit or loss in respect of the expected credit losses for the year ended 30 June 2020.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2020 %	2019 %	2020 \$	2019 \$	2020 \$	2019 \$
Not overdue	-	-	1,376,484	934,878	-	13,520
30 to 60 days overdue	-	-	27,500	79,841	-	-
60 to 90 days overdue	-	-	-	51,306	-	-
			1,403,984	1,066,025	-	13,520

Movements in the allowance for expected credit losses are as follows:

	2020 \$	2019 \$
Opening balance	13,520	-
Provision recognised under AASB 9	-	13,520
Unused amounts reversed	(13,520)	-
Closing balance	-	13,520

Note 10. Trade and other receivables (continued)

The Company has assessed that the impact of COVID-19 pandemic on its debt recovery and expected credit losses is immaterial.

Accounting policy for 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 Company 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.

To measure the expected credit losses, trade receivables have been grouped by past due date. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 90 days past due.

Note 11. Term deposit

	2020 \$	2019 \$
<i>Current assets</i>		
Term deposit	406,328	-

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

Note 12. Other assets

	2020 \$	2019 \$
<i>Current assets</i>		
Contract assets	169,619	-
Prepayments	23,991	88,206
	193,610	88,206

Accounting policy for contract assets

Contract assets are recognised when the Company has transferred services to the customer but where the Company is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Note 13. Investments accounted for using the equity method

	2020 \$	2019 \$
<i>Non-current assets</i>		
Investment in associates	195,140	220,349

Note 13. Investments accounted for using the equity method (continued)

Interests in associates

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
New Frontier Holdings LLC	United States of America	20%	20%
Nereid Enterprises Pty Ltd*	Australia	20%	20%
Nereid Enterprises LLC*	United States of America	20%	20%

* Subsidiaries of New Frontier Holdings LLC

Percentages disclosed above are net of non-controlling interest.

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

Summarised financial information

	2020 \$	2019 \$
<i>Summarised statement of financial position</i>		
Current assets	51,175	13,026
Non-current assets	836,247	1,092,651
Total assets	887,422	1,105,677
Current liabilities	48,483	3,932
Total liabilities	48,483	3,932
Net assets	838,939	1,101,745
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	72,709	36,809
Expenses	(374,998)	(427,848)
Loss before income tax	(302,289)	(391,039)
Other comprehensive income	(11,113)	145,487
Total comprehensive income	(313,402)	(245,552)
<i>Reconciliation of the Company's carrying amount</i>		
Opening carrying amount	220,349	228,060
Share of loss after income tax	(60,458)	(78,208)
Share of other comprehensive income	(2,222)	29,097
Share of additional investment	37,471	41,400
Closing carrying amount	195,140	220,349

Note 13. Investments accounted for using the equity method (continued)

Accounting policy for associates

Associates are entities over which the Company has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

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

The Company discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Note 14. Property, plant and equipment

	2020	2019
	\$	\$
<i>Non-current assets</i>		
Leasehold improvements - at cost	60,610	23,595
Less: Accumulated depreciation	(6,822)	(7,432)
	<u>53,788</u>	<u>16,163</u>
 Plant and equipment - at cost	 195,284	 231,939
Less: Accumulated depreciation	(146,748)	(118,120)
	<u>48,536</u>	<u>113,819</u>
 Furniture, fixtures and fittings - at cost	 24,471	 25,969
Less: Accumulated depreciation	(11,745)	(9,702)
	<u>12,726</u>	<u>16,267</u>
	<u><u>115,050</u></u>	<u><u>146,249</u></u>

Reconciliations

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

	Leasehold improvements \$	Plant and equipment \$	Furniture, fixtures and fittings \$	Total \$
Balance at 1 July 2018	12,350	52,694	18,856	83,900
Additions	5,700	94,548	-	100,248
Depreciation expense	(1,887)	(33,423)	(2,589)	(37,899)
Balance at 30 June 2019	16,163	113,819	16,267	146,249
Additions	43,500	3,408	-	46,908
Disposals	(3,033)	(29,021)	(1,060)	(33,114)
Depreciation expense	(2,842)	(39,670)	(2,481)	(44,993)
Balance at 30 June 2020	<u><u>53,788</u></u>	<u><u>48,536</u></u>	<u><u>12,726</u></u>	<u><u>115,050</u></u>

Note 14. Property, plant and equipment (continued)

Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	5-10 years
Plant and equipment	5-10 years
Furniture, fittings and equipment	3-20 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 15. Right-of-use assets

	2020 \$	2019 \$
<i>Non-current assets</i>		
Land and buildings - right-of-use	3,045,125	-
Less: Accumulated depreciation	(563,912)	-
	<u>2,481,213</u>	<u>-</u>

Additions to the right-of-use assets during the year were \$3,045,125. Refer to note 2 - AASB 16 Leases for further details.

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

Accounting policy for right-of-use assets

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

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

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

Note 16. Intangibles

	2020 \$	2019 \$
<i>Non-current assets</i>		
Website and software - at cost	151,995	151,995
Less: Accumulated amortisation	(151,995)	(135,059)
	<u>-</u>	<u>16,936</u>

Reconciliations

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

	Website and software \$
Balance at 1 July 2018	33,873
Amortisation expense	(16,937)
Balance at 30 June 2019	16,936
Amortisation expense	(16,936)
Balance at 30 June 2020	<u>-</u>

Accounting policy for intangible assets

Intangible assets acquired are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Website and software

Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Note 17. Trade and other payables

	2020 \$	2019 \$
<i>Current liabilities</i>		
Trade payables	379,522	255,274
Related party payables	-	454,210
Sundry payables and accrued expenses	3,877,292	777,378
	<u>4,256,814</u>	<u>1,486,862</u>

Refer to note 26 for further information on financial instruments.

At 30 June 2020, sundry payables and accrued expenses included accruals and payables amounting to \$3,649,606 (2019: \$564,768) due to the Australian Tax Office.

Note 17. Trade and other payables (continued)

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 18. Contract liabilities

	2020	2019
	\$	\$
<i>Current liabilities</i>		
Contract liabilities	<u>78,297</u>	<u>229,980</u>

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 \$78,297 as at 30 June 2020 (\$229,980 as at 30 June 2019) and is expected to be recognised as revenue in future periods.

Accounting policy for contract liabilities

Contract liabilities represent the Company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Company has transferred the goods or services to the customer.

Note 19. Borrowings

	2020	2019
	\$	\$
<i>Current liabilities</i>		
Borrowings	<u>620,229</u>	<u>838,517</u>

Refer to note 26 for further information on financial instruments.

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

Financing arrangements

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

	2020	2019
	\$	\$
Total facilities		
Borrowings	<u>4,000,000</u>	<u>2,000,000</u>
Used at the reporting date		
Borrowings	<u>620,229</u>	<u>838,517</u>
Unused at the reporting date		
Borrowings	<u>3,379,771</u>	<u>1,161,483</u>

The facility was increased to \$4,000,000 on 1 December 2019.

Note 19. Borrowings (continued)

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 20. Lease liabilities

	2020	2019
	\$	\$
<i>Current liabilities</i>		
Lease liability	593,560	-
<i>Non-current liabilities</i>		
Lease liability	2,017,009	-
	<u>2,610,569</u>	<u>-</u>

Refer to note 26 for further information on financial instruments.

Accounting policy for lease liabilities

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

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

Note 21. Employee benefits

	2020	2019
	\$	\$
<i>Current liabilities</i>		
Leave provisions	511,739	288,190
Superannuation	216,862	214,233
Payroll refund due from employees	-	(1,858)
	<u>728,601</u>	<u>500,565</u>

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 22. Issued capital

	2020 Shares	2019 Shares	2020 \$	2019 \$
Ordinary shares - fully paid	<u>128,490,980</u>	<u>127,800,980</u>	<u>8,225,459</u>	<u>8,128,859</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2018	<u>127,800,980</u>		<u>8,128,859</u>
Balance	30 June 2019	127,800,980		8,128,859
Issue of shares under employee benefits plan	12 September 2019	<u>690,000</u>	\$0.14	<u>96,600</u>
Balance	30 June 2020	<u>128,490,980</u>		<u>8,225,459</u>

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

Share buy-back

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

Loyalty options

The Company had no loyalty options on issue exercisable at 30 June 2020 and 30 June 2019, as the loyalty options outstanding at 20 cents each between 24 to 36 months after the date of admission of the Company's shares to the Official List of the ASX, being 23 October 2015 had expired on 23 October 2018.

Capital risk management

Management control the capital of the Company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure that the Company can fund its operations and continue as a going concern.

The Company's debt and capital include ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

The capital risk management policy remains unchanged from the 2019 Annual Report.

Accounting policy for issued capital

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.

Note 23. Reserve

	2020 \$	2019 \$
Share-based payments reserve	<u>37,412</u>	<u>-</u>

Note 23. Reserve (continued)

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration.

Movements in reserve

Movements in reserve during the current and previous financial year is set out below:

	Share-based payments \$
Balance at 1 July 2018	-
Balance at 30 June 2019	-
Share-based payments	37,412
Balance at 30 June 2020	<u>37,412</u>

Note 24. Earnings per share

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.

	2020 \$	2019 \$
Loss after income tax attributable to the owners of Farmaforce Limited	<u>(1,680,056)</u>	<u>(690,174)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>128,353,267</u>	<u>127,800,980</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>128,353,267</u>	<u>127,800,980</u>
	Cents	Cents
Basic earnings per share	(1.31)	(0.54)
Diluted earnings per share	(1.31)	(0.54)

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

As at 30 June 2020 and 2019, there were no performance rights over ordinary shares excluded from the calculation of the weighted average number of ordinary shares used in calculating diluted earnings per share due to being anti-dilutive in nature.

Note 25. Dividends

Dividends

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

Accounting policy for dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Note 26. Financial instruments

Financial risk management objectives

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

The Company's policy is not to trade in or use derivatives to hedge its risks.

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

The Company's risk management policies are established to identify and analyse the risk faced by the Company, 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 Company's activities. The Company, 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 Company's Board of Directors has also established a Finance Committee, consisting of senior executives of the Company, 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 Company 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.

Market risk

Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

The Company does not have any foreign currency risk as it does not have any future commercial transactions and recognised financial assets and financial liabilities denominated in a currency other than its functional currency.

Price risk

The Company is not exposed to any significant price risk.

Interest rate risk

At the reporting date, the Company had no interest bearing financial liabilities other than the amount payable to Australian Tax Office ('ATO').

Cash at banks earns interest at floating rates based on daily bank deposit rates.

No sensitivity analysis has been performed for the exposure to interest rate risk on the Company's bank balance as the exposure is not significant.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Company does not hold any collateral.

The Company has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Company based on recent sales experience, historical collection rates and forward-looking information that is available.

Note 26. Financial instruments (continued)

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Trade and other receivables

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Refer to note 10 for commentary on trade and other receivables.

Cash and cash equivalents

The Company held cash and cash equivalents of \$593,832 at 30 June 2020 (2019: \$172,370). 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.

Liquidity risk

Vigilant liquidity risk management requires the Company to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Refer to note 19 for unused financing arrangements.

Remaining contractual maturities

The following tables detail the Company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2020						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	607,208	-	-	-	607,208
Borrowings	-	620,229	-	-	-	620,229
<i>Interest-bearing - fixed</i>						
Payable to ATO	8.08%	3,649,606	-	-	-	3,649,606
Lease liability	7.50%	593,560	678,716	1,338,293	-	2,610,569
Total non-derivatives		5,470,603	678,716	1,338,293	-	7,487,612
2019						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	1,486,862	-	-	-	1,486,862
Borrowings	-	838,517	-	-	-	838,517
Total non-derivatives		2,325,379	-	-	-	2,325,379

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 27. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Company is set out below:

	2020	2019
	\$	\$
Short-term employee benefits	268,722	539,441
Post-employment benefits	23,870	38,900
Share-based payments	101,100	5,000
	<u>393,692</u>	<u>583,341</u>

Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the Company, and unrelated firms:

	2020	2019
	\$	\$
<i>Audit services - BDO* and related network firms</i>		
Audit or review of the financial statements	80,000	34,000
<i>Other services - BDO* and related network firms</i>		
Taxation services	27,700	-
	<u>107,700</u>	<u>34,000</u>
<i>Audit services - unrelated firms</i>		
Audit or review of the financial statements	-	8,000

* The BDO entity performing the audit of the Company transitioned from BDO East Coast Partnership to BDO Audit Pty Ltd on 1 August 2020. The disclosures include amounts received or due and receivable by BDO East Coast Partnership, BDO Audit Pty Ltd and their respective related entities.

Note 29. Related party transactions

Parent entity

The parent entity is The iQ Group Global Ltd (formerly iQnovate Ltd) (the 'parent entity') which is incorporated in Australia and owns 69.892% of the Company.

Key Management Personnel ('KMP')

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

Associates

Interests in associates are set out in note 13.

Other related parties

Other related parties include the following:

Note 29. Related party transactions (continued)

Related party	Relationship
iQX Limited	Jointly controlled by KMP
iQ3Corp Ltd	Jointly controlled by KMP
Life Science Biosensor Diagnostics Pty Ltd	Subsidiary of parent
Clinical Research Corporation Pty Ltd	Subsidiary of parent
GBS Inc	Subsidiary of parent

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the Directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	2020 \$	2019 \$
Revenue:		
Consulting fees charged to parent entity	-	1,080,000
Consulting fees charged to other related parties	278,351	95,292
Other income:		
Rental recharges	613,221	-
Expenses		
Office and shared services costs paid to parent entity	230,891	195,210
Office and shared services costs paid to other related parties	409,701	408,271

Receivable from and payable to related parties

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

	2020 \$	2019 \$
Current payables:		
Trade payable amounts owing to parent entity	-	251,365
Trade payable amounts owing to other related parties	-	202,845

At 30 June 2020, trade payable amounts owing to related parties have been grouped with the working capital facility.

Loans to/from related parties

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

	2020 \$	2019 \$
Current borrowings:		
Loan facility amount owing to parent entity*	620,229	838,517

* At 30 June 2020, the Company has an interest free, \$4,000,000 (2019: \$2,000,000) working capital loan in place with the parent entity.

The facility was increased to \$4,000,000 on 1 December 2019.

Terms and conditions

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

Note 30. Cash flow information

Reconciliation of loss after income tax to net cash from/(used in) operating activities

	2020	2019
	\$	\$
Loss after income tax expense for the year	(1,680,056)	(690,174)
Adjustments for:		
Depreciation and amortisation	625,841	54,835
Share of loss - associates	62,680	49,111
Impact of AASB15 'Revenue from contracts with customers'	-	221,000
Interest non-cash	178,461	-
Share-based payments	391,412	5,000
Write-off of non-current assets	25,025	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(686,283)	298,689
Decrease/(increase) in other operating assets	127,818	(196,438)
Increase in trade and other payables	3,222,589	34,748
Increase in employee benefits	228,035	221,126
Decrease in other provisions	(151,683)	(1,143,073)
Increase in other operating liabilities	6,688	29,098
Net cash from/(used in) operating activities	<u>2,350,527</u>	<u>(1,116,078)</u>

Note 31. Share-based payments

Shares issued

The Company issued 690,000 shares at \$0.14 per share under the Employee Benefits Plan. The share-based payment expense recognised during the year ended 30 June 2020 was \$96,600 (2019: \$nil).

Performance rights

The share-based payment expense recognised during the year ended 30 June 2020 was \$391,412 (2019: \$5,000). The share-based payment expense recognised includes GBS Inc. shares awarded to staff from GBS Inc. (a related party of the Company) for an amount of \$258,000.

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, options or performance rights over shares, that are provided to employees in exchange for the rendering of services.

These compensation benefits are provided to employees via the Employee Benefits Plan ('EBP'), unless otherwise stated. Under the EBP directors and employees may be awarded options and performance rights to acquire shares of the Company. The object of the EBP is to help the Company recruit, reward, retain and motivate its directors and employees. Further under the EBP, after 12 months of service an employee will annually receive a lot of shares based on an agreed quantity per their individual employment contract. The shares granted under the EBP will vest after an employee has served a further 3 years after receiving rights to the shares.

The fair value of equity-settled share-based payments is recognised as an expense proportionally over the vesting period with a corresponding increase in equity. The fair value of instruments is calculated under the grant date model where the Company measures the fair value of a share-based payment award issued to an employee on the grant date and recognised over the period during which the employees become unconditionally entitled to shares.

The fair value is calculated at grant date as the fair value of each share granted multiplied by the number of shares expected to eventually vest. There is a service condition (non-market vesting condition) which is taken into account by adjusting the number of shares which will eventually vest and are not taken into account in the determination of the grant date fair value.

Note 32. Events after the reporting period

The Company successfully applied for the Australian Government's JobKeeper program and was eligible on 4 August 2020 with payments effective 1 July 2020. The JobKeeper payment applied to a proportion of the Company's employees for total payments of approximately \$750,000 over the first three months in FY21.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.



Directors' declaration


In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



George Elias
Chair

28 August 2020



Independent auditor's report to the members of Farmaforce Limited

INDEPENDENT AUDITOR'S REPORT

To the members of FarmaForce Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of FarmaForce Limited (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of FarmaForce Limited, is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; 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 Company in accordance with 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 (including Independence Standards) (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.

Material uncertainty related to going concern

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

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. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue recognition

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 5, the Company recognised revenue of \$13,983,903 for the year ended 30 June 2020.</p> <p>The recognition of revenue was considered as a key audit matter as it is a key performance indicator to the users of the financials; and there is a key judgement surrounding the determination of performance obligations in accordance with AASB 15: Revenue from Contracts with Customers.</p>	<p>We have evaluated revenue recognition in accordance with AASB 15: Revenue from Contracts with Customers.</p> <p>Our procedures, included, amongst others:</p> <ul style="list-style-type: none"> • Evaluating the revenue recognition policies for all material sources of revenue and from our detailed testing performed below, ensured that revenue was being recognised appropriately, in line with Australian Accounting Standards and policies disclosed within Note 5; • Performing cut-off procedures in relation to revenue transactions immediately prior to and subsequent to the year-end, to ensure items have been recorded in the correct period; • Performing detailed analytical procedures to establish expectations for revenue and gross margins on an annual basis, and comparing those expectations to actual results; • Recalculating discounts provided to customers during the period and ensuring these were recognised appropriately throughout the contract; • Substantively testing a sample of revenue transactions throughout the financial year; and • Reviewing the monthly shared labour charge-through and verifying completeness and accuracy by testing the underlying inputs.

Other information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 Company's ability 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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of FarmaForce Limited, for the year ended 30 June 2020, 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.

BDO Audit Pty Ltd

BDO


Tim Aman
Director

Sydney, 28 August 2020



Shareholder information

The shareholder information set out below was applicable as at 12 August 2020.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	8
1,001 to 5,000	11
5,001 to 10,000	130
10,001 to 100,000	157
100,001 and over	90
	396
Holding less than a marketable parcel	129

The number of shareholders holding less than a marketable parcel of ordinary shares is based on Farmaforce Limited's closing share price of \$0.052 on 12 August 2020.

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares % of total shares issued
Number held	
The iQ Group Global Ltd (formerly iQnovate Ltd)	90,000,000 69.89
Priority One Group Pty Ltd (The Utopia Investment A/C)	2,775,000 2.15
Basim Finance Pty Ltd	1,333,333 1.04
iQ3 Corp Ltd	1,275,009 0.99
Elinvest Pty Limited (The Elias Family A/C)	1,040,000 0.81
Colin J. Odams Pty Ltd (The Rangoon A/C)	1,000,000 0.78
Achelles Nominees Pty Ltd (Achelles Super Fund A/C)	930,000 0.72
Sherwood Pastoral Limited	815,000 0.63
Mr James Simos & Mrs Christina Simos (Simos Super Fund A/C)	812,290 0.63
Jennifer Ellen Stapleton	750,000 0.58
Bartelm Pty Ltd (Precision Auto Ser PI Sf Ac)	675,000 0.52
HSBC Custody Nominees (Australia) Limited	667,000 0.52
Pharmlou Pty Ltd (Super Fund A/C)	603,920 0.47
Lien Pty Ltd (Neil Pension Fund A/C)	600,000 0.47
Mr John Franze & Mrs Soula Franze	552,146 0.43
Bladlajn Pty Ltd (Savor Family A/C)	520,414 0.40
SI JIA Corp Pty Ltd	500,000 0.39
Wade Peter Burns & Rebecca Louise Burns	500,000 0.39
Daniel Morato & Sally Morato (Morato Family A/C)	500,000 0.39
Mr Ian Macewen Stevenson & Ms Katherine Jane Hynes	462,674 0.36
	106,311,786 82.56

Unquoted equity securities

	Number on issue	Number of holders
Performance rights over ordinary shares issued	810,000	9

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares % of total shares issued
Number held	
The iQ Group Global Ltd (formerly iQnovate Ltd)	90,000,000 69.89

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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

On-market buy-back

There is no current on market buy-back.

There are no other classes of equity securities.

Restricted securities and securities subject to voluntary escrow.

There are no restricted securities and securities subject to voluntary escrow on 12 August 2020.



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