NSX - Preliminary Final Report

Name of entity:	iQX Limited
ACN:	155 518 380
Reporting Period:	Twelve months ending 30 June 2018
Previous Corresponding Period:	Twelve months ending 30 June 2017

Results for announcement to the market

Revenue and net profit	**Movement**	**Percentage change**	**2018**
Revenue from ordinary activities	down	48%	1,760,036
Profit/(loss) from ordinary activities after tax	down	125%	(3.608,890)
Profit/(loss) from ordinary activities after tax attributable to owners	down	125%	(3,608,890)

Dividends	**Dividend**	**Amount per security**	**Franked amount per security**
Final dividend in respect of the twelve months ending 30 June 2017:	NIL	NIL	NIL

Net tangible assets per security	**2018**	**2017**
Net tangible assets per security (cents per security)	11.56	12.15

Commentary on results

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

Additional information

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

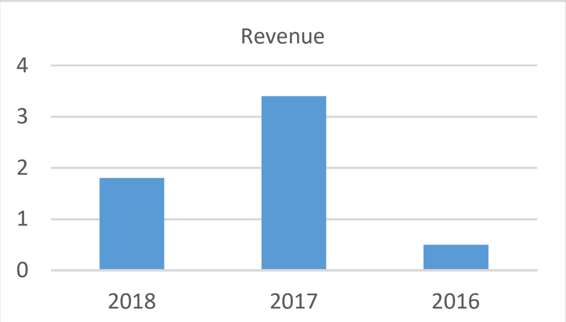
Additional Preliminary Final Report requirements can be found on pages 3 to 25 of this announcement.

Commentary on results

- Revenue reduced to $1.8 million due to completion of licensing project in prior year
- Loss after tax $3.6 million
- Fair value of financial assets remain at $19.0m
- Cash used in operations increased by $3.5m

$A millions	FY18	FY17	Change
Revenue	1.8	3.4	(1.6)
(Loss)/profit before tax	(3.7)	17.5	(21.2)
FV of financial assets	19.0	19.0	-
Cash used in operations	(4.4)	(0.9)	(3.5)

Revenue decreased by 48% to $1.8 million in the past year as a result of an increase in capital management advisory services provided, and asset related revenue.



OPERATING HIGHLIGHTS

- Series 8 Life Science Fund (Global) ESVCLP LP (Series 8), managed by subsidiary iQX Investment Services Pty Ltd, was granted unconditional registration from the Department of Industry, Innovation and Science as an early stage venture capital limited partnership. The iQ Series 8 Fund is currently capped at A$100 million;
- Capital Labs, a venture of iQX Investment Services Pty Ltd was granted a financial services license in December 2017. Capital Labs is a crowdfunding platform, linking start-up Australian biotechnology companies with retail investors in accordance with the Corporations Amendment (Crowd Sourced Funding) Act and ASIC Consultation Paper 289;

ABOUT IQX

Part of the IQ Group Global, IQX Limited is an NSX listed investment and funds management company specialising in the life science sector. Our team of experts include investment managers, physicians and scientists who are committed to eradicating disease through capital investment.
Iqxinvestments.com

ABOUT THE IQ GROUP GLOBAL

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2018

In dollars	***Note***	**2018**	**2017**
Revenue	*3*	1,760,036	3,400,230
Other income	*4(a)*	74,293	19,003,522
Employee benefits expense	*4(c)*	(1,879,672)	(1,468,779)
Depreciation and amortisation expense		(113,265)	(71,150)
Impairment of intangible assets		(369,266)	-
Consultancy fees		(210,244)	(856,309)
Occupancy costs		(960,640)	(516,695)
Other expenses	*4(d)*	(1,437,649)	(1,492,717)
Share option expense		(3,960)	-
Finance costs	*4(b)*	(504,982)	(448,017)
Share of loss of associated companies	*15*	(28,653)	(57,959)
(Loss)/profit before income tax		**(3,674,002)**	**17,492,126**
Income tax expense		65,112	(3,273,739)
(Net loss)/net profit for the period		**(3,608,890)**	**14,218,387**

(Loss)/profit per share for the period attributable to the ordinary equity holders of the Company:

Basic (loss)/profit per share (cents per share)	*14*	(2.93)	12.22
Diluted (loss)/profit per share (cents per share)	*14*	(2.93)	12.22

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

In dollars	***Note***	**2018**	**2017**
Net profit/(loss) for the period		**(3,608,890)**	**14,218,387**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss when specific conditions are met:		-	-
Other comprehensive profit/(loss) for the period, net of tax		**-**	**-**
Total comprehensive loss for the period		**(3,608,890)**	**14,218,387**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

In dollars	*Note*	2018	2017
Assets			
Current assets			
Cash	5	276,968	177,604
Trade and other receivables	6	918,026	1,556,835
Prepayments		158,408	107,824
Other current assets		-	-
Total current assets		**1,353402**	**1,842,263**
Non-current assets			
Property, plant and equipment	8	291,456	203,324
Intangible assets	9	1,144,414	363,713
Other Receivables	6	331,387	-
Investment in associate	15(b)	228,060	220,113
Financial assets	15(c,d)	19,499,218	19,026,938
Deferred tax assets		1,320	1,320
Total non-current assets		**21,495,855**	**19,815,408**
Total Assets		**22,849,257**	**21,657,671**
Liabilities			
Current liabilities			
Trade and other payables	9	872,618	807,715
Provisions	10	-	27,054
Employee benefit liabilities	11	258,794	368,743
Provision for income tax		-	-
Total current liabilities		**1,131,412**	**1,203,512**
Non-current liabilities			
Employee benefit liabilities	11	42,806	24,604
Borrowings	12	3,065,696	2,653,461
Deferred tax liabilities		3,208,384	3,271,841
Total non-current liabilities		**6,316,886**	**5,949,906**
Total liabilities		**7,448,298**	**7,153,418**
Net assets/(liabilities)		**15,400,959**	**14,504,253**
Equity			
Contributed equity	13	10,758,438	6,252,842
Reserves		-	-
Retained earnings/ (accumulated losses)		4,642,521	8,251,411
Total equity		**15,400,959**	**14,504,253**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

In dollars	Contributed equity	Option reserve	Retained earnings	Total
Balance at 1 July 2017	**6,252,842**	**-**	**8,251,411**	**14,504,253**
Total comprehensive loss for the period				
Loss for the period	-	-	(3,608,890)	(3,608,890)
Other comprehensive profit for the period	-	-	-	-
Total comprehensive profit for the period	**-**	**-**	**(3,608,890)**	**(3,608,890)**
Transactions with owners recorded directly in equity				
Conversion of notes previously classified as liability	3,001,000	-	-	3,001,000
Allotment of shares from employee share plan	3,960			3,960
Issue of convertible notes	1,664,068			1,664,068
Share issue cost	(163,432)	-	-	(163,432)
Total transactions with owners recorded directly in equity	**4,505,596**	**-**	**-**	**4,505,596**
Balance at 30 June 2018	**10,758,438**	**-**	**4,642,521**	**15,400,959**
Balance at 1 July 2016	**5,453,087**	**167,530**	**(5,966,976)**	**(346,359)**
Total comprehensive loss for the period				
Profit for the period	-	-	14,218,387	14,218,387
Other comprehensive income for the period	-	-	-	-
Total comprehensive profit	**-**	**-**	**14,218,387**	**14,218,387**
Transaction with owners recorded directly in equity				
Capital raising costs	(23,141)	-	-	(23,141)
Issued capital	822,896	-	-	822,896
Options expired during the year	-	(167,530)	-	(167,530)
Total transactions with owners recorded directly in equity	**799,755**	**(167,530)**	**-**	**632,225**
Balance at 30 June 2017	**6,252,842**	**-**	**8,251,411**	**14,504,253**

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

IQX LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

In dollars	*Note*	**2018**	**2017**
Cash flows from operating activities			
Receipts from customers		2,786,444	3,003,518
Payments to suppliers and employees		(7,310,645)	(3,934,428)
Interest received		2,686	1,522
Interest paid		(263,917)	(10)
Impairment of intangible assets		369,266	-
Reversal of provision		27,054	-
Net cash generated from operating activities	*18*	**(4,389,112)**	**(929,398)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(12,639)	(26,205)
Investment in associates			-
Investment in joint venture			-
Proceeds from disposal of financial assets			-
Payment for capital work in progress			-
Purchase of intangible assets		(58,885)	-
Net cash used in investing activities		**(71,524)**	**(26,205)**
Cash flows from financing activities			
Proceeds from issue of convertible notes		4,560,000	662,129
Advances from related parties			-
Payment from loan funds			-
Net cash generated from /(used in) financing activities		**4,560,000**	**662,129**
Net increase/(decrease) in cash and cash equivalents		99,364	(293,473)
Cash and cash equivalents at the beginning of the period		177,604	471,077
Effect of movements in exchange rates on cash held		-	-
Cash and cash equivalents at the end of the period	*5*	**276,968**	**177,604**

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

1. REPORTING ENTITY

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

These financial statements were authorised for issue by the Board of Directors on 11 September 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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

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

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

Basis of consolidation

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign operations

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

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

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

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

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

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

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

Uses of judgements and estimates

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

Use of judgements and estimates (continued)

(i) Judgements

Significant judgement has been made in respect to: (a) an absence of significant influence over related party investees; and (b) designation of investments as fair value through profit or loss.

(ii) Estimates

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

- Note 15 – Investments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Measurement of fair values

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

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

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

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

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

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

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

3. REVENUE

In dollars	2018	2017
Fees – financial services	207,727	240,760
Asset related revenue	-	1,871,614
Office and shared services revenue	1,552,309	1,287,856
Total revenue	**1,760,036**	**3,400,230**

Significant accounting policies

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

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

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

All revenue is stated net of the amount of goods and services tax.

Rendering of services

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

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

4. INCOME AND EXPENSES

(a) Other income

In dollars	2018	2017
Rebates	-	2,000
Interest income	2,695	1,522
Change in fair value of financial asset	71,598	19,000,000
Total other income	**74,293**	**19,003,522**

4. INCOME AND EXPENSES (CONTINUED)

(b) Finance costs

In dollars	2018	2017
Bank fees	10,819	2,940
Interest expense	494,163	445,077
Total finance costs	**504,982**	**448,017**

(c) Employee benefit expenses

In dollars	2018	2017
Wages and salaries	1,697,687	1,272,846
Compulsory superannuation contributions	158,066	121,427
Increase in liability for annual leave	5,717	49,902
Increase in liability for long service leave	18,202	24,604
Total employee benefit expense	**1,879,672**	**1,468,779**

(d) Other expenses

In dollars	2018	2017
Accounting and legal fees	56,265	85,031
Advertising and marketing	8,902	265,284
Insurance	154,736	109,474
Software and licensing	210,093	238,908
Travel and accommodation	4,806	21,537
Website maintenance	-	132,338
Other	1,002,847	640,145
Total other expenses	**1,437,649**	**1,492,717**

5. CASH

In dollars	2018	2017
Bank balances	276,968	177,604

Significant accounting policies

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

6. TRADE AND OTHER RECEIVABLES

In dollars	**2018**	**2017**
Other receivables	273,832	559,525
Related party receivables	644,194	997,310
Bank guarantee[1]	331,387	-
Total trade and other receivables	**1,249,413**	**1,556,835**
Current	918,026	1,556,835
Non-current	331,387	-
Total trade and other receivables	**1,249,413**	**1,556,835**

[1] Provision of bank guarantee relating to the lease agreement for 85 Castlereagh Street, Sydney, NSW 2000.

Significant accounting policies

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

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

7. PROPERTY, PLANT AND EQUIPMENT

Cost

In dollars	Furniture, fixtures and fittings	Leasehold improvements	Plant and equipment	Total
Balance at 1 July 2016	**46,247**	**125,891**	**78,258**	**250,396**
Additions	26,627	20,393	7,053	54,073
Balance at 30 June 2017	**72,874**	**146,284**	**85,311**	**304,469**
Additions	12,233	155,838	70,801	238,872
Disposal	(31,328)	(143,202)	(7,204)	(181,734)
Effect of movement in foreign exchange	(3,968)	-	-	(3,968)
Balance at 30 June 2018	**49,811**	**158,920**	**148,908**	**357,639**

Accumulated depreciation

In dollars	Furniture, fixtures and fittings	Leasehold improvements	Plant and equipment	Total
Balance at 1 July 2016	**6,475**	**19,874**	**20,968**	**47,317**
Depreciation expense	6,581	32,006	15,241	53,828
Balance at 30 June 2017	**13,056**	**51,880**	**36,209**	**101,145**
Depreciation expense	7,070	11,135	17,721	35,926
Disposal	(7,670)	(57,987)	(5,219)	(70,876)
Effect of movement in foreign exchange	(12)	-	-	(12)
Balance at 30 June 2018	**12,444**	**5,028**	**48,711**	**66,183**

Carrying amount

In dollars	Furniture, fixtures and fittings	Leasehold improvements	Plant and equipment	Total
Carrying balance at 30 June 2017	**59,818**	**94,404**	**49,102**	**203,324**
Carrying balance at 30 June 2018	**37,367**	**153,892**	**100,197**	**291,456**

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Significant accounting policies

Carrying value

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

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

Depreciation

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

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

Impairment

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

Gains and losses on disposal

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

8. INTANGIBLE ASSETS

In dollars	Trademark	Website and software	Development costs	Total
Cost				
Cost at 1 July 2016	**-**	**48,842**	**-**	**48,842**
Additions	4,000	123,504	205,503	333,007
Amortisation charge for the year	-	(18,136)	-	(18,136)
Balance at 30 June 2017	**4,000**	**154,210**	**205,503**	**363,713**
Additions	-	983,000	244,305	1,227,305
Amortisation charge for the year	-	(77,338)	-	(77,338)
Impairment			(369,266)	(369,266)
Balance at 30 June 2018	**4,000**	**1,059,872**	**80,542**	**1,144,414**

8. INTANGIBLE ASSETS (CONTINUED)

Significant accounting policies

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

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

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

Amortisation

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

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

Impairment

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Website and software

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

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

Research and development costs

Research expenditure is recognised as an expense as incurred.

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

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

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

9. TRADE AND OTHER PAYABLES

In dollars	2018	2017
Trade payables	429,979	342,791
Sundry payables and accrued expenses	169,271	152,444
Related party payables	273,368	312,480
Total trade and other payables	**872,618**	**807,715**
Current	872,618	805,715
Non-current	-	-
Total trade and other payables	**872,618**	**805,715**

Significant accounting policies

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

10. PROVISIONS

In dollars	Make good	Total
Balance at 1 July 2017	**27,054**	**-**
Provisions (released)/made during the period	(27,054)	27,054
Total provisions at 30 June 2018	**-**	**27,054**

Significant accounting policies

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

Make-good provisions

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

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

11. EMPLOYEE BENEFIT LIABILITIES

In dollars	2018	2017
Liability for annual leave	106,900	101,182
Liability for superannuation	54,436	48,498
Liability for long service leave	42,806	24,604
Liability for bonus	-	-
Liability for payroll	97,458	219,063
Total employee benefit liabilities	**301,600**	**393,347**
Current	258,794	368,743
Non-current	42,806	24,604
Total employee benefit liabilities	**301,600**	**393,347**

Significant accounting policies

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

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

The Group recognises a liability for long service leave and annual leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods to service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

12. BORROWINGS

In dollars	2018	2017
Convertible notes	**3,065,696**	**2,653,461**

Significant accounting policies

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

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity. The carrying amount of the conversion option is not re-measured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

13. SHARE CAPITAL

	Number of shares	$
In issue at 1 July 2016	110,210,000	5,453,087
Allotment of shares from exercise of Loyalty options & economic options	7,625,900	850,180
Share and notes issue costs	-	(50,425)
In issue at 30 June 2017	**117,835,900**	**6,252,842**
Conversion of notes previously classified as liability	8,826,472	3,001,000
Allotment of shares from employee share plan	396,000	3,960
Issue of convertible bond	-	1,664,068
Share and note issue costs	-	(163,432)
In issue at 30 June 2018	**127,058,372**	**10,758,438**

All ordinary shares rank equally with regard to the Company's residual assets. The holders of these shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company.

The Company does not have authorised capital or par value in respect of its shares. All issued shares are fully paid.

Movements in options

On the 25 January 2018, 8,826,472 convertible notes were converted to ordinary share, at a issue price of $0.34 per share.

Dividends

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

Significant accounting policies

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

14. EARNINGS PER SHARE (EPS)

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

Loss attributable to ordinary shareholders

In dollars	2018	2017
Profit/(loss) for the period attributable to owners of iQX Limited	(3,608,890)	14,218,387

Weighted-average number of ordinary shares

In number of shares	2018	2017
Weighted-average number of ordinary shares at end of the period	123,293,277	116,394,292
Weighted-average number of securities if outstanding options exercised	123,293,277	116,394,292

Earnings per share

In cents per share	2018	2017
Basic earnings/(loss) per share	(2.93)	12.22
Diluted loss per share	(2.93)	12.22

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

Diluted earnings per share is calculated as earnings for the period attributable to the Company over the weighted average number of shares which has been adjusted to reflect the number of shares which would be issued if outstanding options were to be exercised.

There were no outstanding options at 30 June 2018 and 30 June 2017.

15. INVESTMENTS

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

(a) Interests in subsidiaries and associates

Entity name	Country of incorporation	Ownership interest 2017	Ownership interest 2016
Subsidiaries			
iQX Investment Services Pty Ltd	Australia	100%	100%
The iQ Group Global Pty Ltd	Australia	100%	100%
iQ Capital Partners (No. 1) Pty Ltd	Australia	100%	100%
iQ Series 8 Life Science Fund (Global) Pty Ltd	Australia	100%	100%
iQ Series 8 GP	Cayman Islands	100%	100%
Associates			
New Frontier Holdings LLC (“New Frontier”)	USA	20%	20%
Nereid Enterprises Pty Ltd	Australia	20%	20%
Nereid Enterprises LLC	USA	20%	20%

(b) Investment in associates accounted for using equity method

In dollars	2018	2017
Reconciliation to carrying amount		
Net asset balance at start of period	1,100,565	1,243,277
Additional investment	68,386	-
Loss for the period	(28,653)	(142,712)
Other comprehensive income	-	-
Net asset balance at end of period	1,140,298	**1,100,565**
Consolidated entity’s share in %	20%	20%
Consolidated entity’s share at acquisition	228,060	220,113
Adjustment posted in following period	-	-
Consolidated entity’s share at reporting date	**228,060**	**220,113**

(c) Financial assets carried at fair value through profit or loss

In dollars	2018	2017
Shares in unlisted companies	19,000,000	19,000,000

(d) Available for sale financial assets

In dollars	2018	2017
Shares in listed companies	11,250	11,250
Shares in unlisted companies	471,598	-
Investments in unit trusts	16,370	15,688
Total available for sale financial assets	**499,218**	**26,938**

16. INVESTMENTS (CONTINUED)

Significant accounting policies

Subsidiaries

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

Associates

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

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

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

Financial assets carried at fair value

Other financial assets are carried at fair value, or the price the group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

The Group discloses the fair value measurements by level using the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets (level 1);
- inputs other than quoted prices included within level 1 that are observable that are observable for the asset, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Shares in listed companies

Shares in listed companies are initially recognised at cost at accounting trade date. Shares in listed companies are subsequently carried at fair value using level 1 fair value measurement inputs. Any subsequent increase or decrease in fair value is recognised in other comprehensive income.

Gains and losses arising from shares in listed companies are only recognised in the profit or loss when they are sold or impaired.

Shares in unlisted companies and unit trusts

Shares in unlisted companies and unit trusts are initially recognised at cost at accounting trade date. Shares in unlisted companies and unit trusts are subsequently carried at fair value using level 2 and level 3 fair value measurement inputs. Any subsequent increase or decrease in fair value is recognised in profit or loss.

Gains and losses arising from shares in unlisted companies and unit trusts are only recognised in the profit or loss when they are sold or impaired.

16. OPERATING LEASES

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

Future minimum lease payments

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

In dollars	**2018**	**2017**
Less than one year	113,305	112,165
Between one and five years	618,998	-
More than five years	-	-
Total future minimum lease payments	**732,303**	**112,165**

17. CONTINGENCIES

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

18. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

In dollars	**2018**	**2017**
Cash flows from operating activities		
Profit/(loss) for the period	(3,608,890)	14,218,387
Adjustments for:		
Depreciation	113,265	71,150
Interest on convertible notes	290,546	444,538
Capital raising costs written off	-	337,472
Impairment of intangible assets	369,266	-
Reversal of provision	27,054	-
Revaluation of financial assets through profit or loss	-	(19,000,000)
Share of loss from associated companies	28,653	57,959
	(2,780,106)	**(3,870,494)**
Changes in:		
Trade and other receivables	1,181,791	(738,735)
Prepayments	(50,584)	65,383
Trade and other payables	(2,621,412)	2,688
Employee benefits	(91,747)	342,066
Deferred tax	-	3,271,841
Tax payable	-	(2,147)
	(1,581,952)	**2,941,096**
Net cash used in operating activities	**(4,362,058)**	**(929,398)**

CORPORATE DIRECTORY

ACN 155 518 380

Directors

Kosmas Dimitriou, *Chair*

Dr George Syrmalis, *Managing Director and Chief Executive Officer*

Peter Buchanan Simpson

John Stratilas

Company secretary

Gerardo Incollingo

Chief Executive Officer

Dr George Syrmalis

Registered office

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Sydney, NSW 2000

Principal place of business

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Sydney, NSW 2000

Share register

Boardroom Pty Limited

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Sydney NSW 2000

Stock exchange listings

iQX Limited shares are listed on the National Securities Exchange (NSX:IQX).

Website address

www.iqxinvestments.com