NSX - Preliminary Final Report

Name of entity:	iQX Limited
ACN:	155 518 380
Reporting Period:	Twelve months ending 30 June 2019
Previous Corresponding Period:	Twelve months ending 30 June 2018

Results for announcement to the market

Revenue and net profit	**Movement**	**Percentage change**	**2019**
Revenue from ordinary activities	up	55%	2,732,532
Profit/(loss) from ordinary activities after tax	up	100%	(9,477)
Profit/(loss) from ordinary activities after tax attributable to owners	up	100%	(9,477)

Dividends	**Dividend**	**Amount per security**	**Franked amount per security**
Final dividend in respect of the twelve months ending 30 June 2019:	NIL	NIL	NIL

Net tangible assets per security	**2019**	**2018**
Net tangible assets per security (cents per security)	13.73	11.56

Commentary on results

Commentary for the preliminary final report for the twelve months ending 30 June 2019 is contained in the National Securities Exchange (NSX) release and on page 3 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 2019 Annual Report are likely to contain an unqualified independent audit report.

Additional Preliminary Final Report requirements can be found on pages 3 to 36 of this announcement.

CORPORATE DIRECTORY

ACN 155 518 380

Directors

Kosmas Dimitriou, *Chair*

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

Peter Buchanan Simpson

John Stratilas

Company Secretary

Gerardo Incollingo

Chief Executive Officer

Dr George Syrmalis

Registered office

Level 9, 85 Castlereagh Street

Sydney, NSW 2000

Principal place of business

Level 9, 85 Castlereagh Street

Sydney, NSW 2000

Share register

Boardroom Pty Limited

Level 12, 225 George Street

Sydney, NSW 2000

Auditor

BDO East Coast Partnership

Level 11, 1 Margaret Street

Sydney, NSW 2000

Stock exchange listings

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

Website address

www.iqxinvestments.com

OPERATING AND FINANCIAL REVIEW

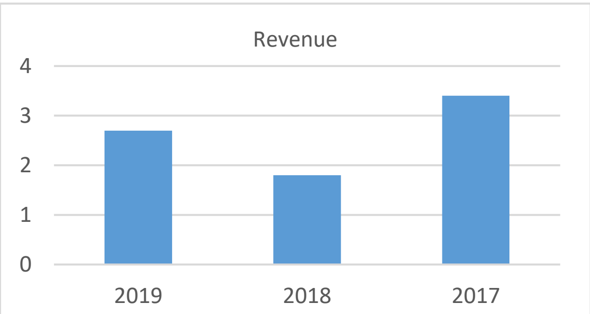
The Operating and Financial Review ("OFR") is provided to assist shareholders' understanding of the performance of iQX Limited ("iQX" or the "Group") and its controlled entities (collectively referred to as the "Group") and the factors underlying the Group's results and financial position for the period 1 July 2018 to 30 June 2019.

SUMMARY OF FINANCIAL RESULT

- Revenue increased to $2.7 million due to increase in financial services fees and shared services revenue;
- Other income has increased to $5 million due to revaluation of the financial asset.
- Fair value of financial assets increased to $25.3 million.
- Cash used in operations decreased by $2.2m

$A millions	FY19	FY18	Change
Revenue	2.7	1.8	0.9
Other income	5.0	0.1	4.9
Profit/(Loss) before tax	0.1	(3.7)	3.8
FV of financial assets	25.3	19.5	5.8
Cash used in operations	(2.2)	(4.4)	2.0

Revenue increased by 55% to $2.7 million in the past year as a result of an increase in capital management advisory services provided.



OPERATING HIGHLIGHTS

- 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; The capital lab platform was further developed during the year and is expected to start raising fund from FY 2020;
- 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 in prior period. The iQ Series 8 Fund is currently capped at A$100 million.

ABOUT IQX

Part of the IQ Group Global, IQX Limited is an NSX listed investment and funds management Group 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 STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2019

In dollars	***Note***	**2019**	**2018**
Revenue	*6*	2,732,532	1,760,036
Other income	*7(a)*	4,989,549	74,293
Employee benefits expense	*7(c)*	(1,990,262)	(1,879,672)
Share based payment expense	*20*	(90,832)	-
Depreciation and amortisation expense	*10*	(75,929)	(113,265)
Impairment of intangible assets	*11*	(1,393,910)	(369,266)
Consultancy fees		(383,258)	(210,244)
Occupancy costs		(1,440,207)	(960,640)
Other expenses	*7(d)*	(1,617,002)	(1,437,649)
Share option expense		-	(3,960)
Finance costs	*7(b)*	(536,994)	(504,982)
Share of loss of associated companies	*18*	(49,111)	(28,653)
Profit/(Loss) before income tax		**144,576**	**(3,674,002)**
Income tax benefit		(154,053)	65,112
Net profit/(loss) for the period		**(9,477)**	**(3,608,890)**

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

Basic (loss)/profit per share (cents per share)	*16*	(0.01)	(2.93)
Diluted (loss)/profit per share (cents per share)	*16*	(0.01)	(2.93)

The above consolidated statement 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 2019

In dollars	***Note***	**2019**	**2018**
Net profit/(loss) for the period		**(9,477)**	**(3,608,890)**
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)/profit for the period		**(9,477)**	**(3,608,890)**

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

IQX LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2019

In dollars	*Note*	2019	2018
Assets			
Current assets			
Cash	*8*	189,228	276,968
Trade and other receivables	*9*	1,293,767	918,026
Prepayments		9,735	158,408
Total current assets		**1,492,730**	**1,353,402**
Non-current assets			
Property, plant and equipment	*10*	382,791	291,456
Intangible assets	*11*	4,000	1,144,414
Other receivables	*9*	331,387	331,387
Investment in associate	*18(b)*	220,349	228,060
Financial assets	*18(c,d)*	25,298,815	19,499,218
Deferred tax assets		4,318,104	1,320
Total non-current assets		**30,555,446**	**21,495,855**
Total Assets		**32,048,176**	**22,849,257**
Liabilities			
Current liabilities			
Trade and other payables	*12*	1,729,169	872,618
Employee benefit liabilities	*13*	214,365	258,794
Total current liabilities		**1,943,534**	**1,131,412**
Non-current liabilities			
Employee benefit liabilities	*13*	64,584	42,806
Borrowings[1]	*14*	4,078,458	4,017,862
Deferred tax liabilities		7,604,373	3,208,384
Total non-current liabilities		**11,747,415**	**7,269,052**
Total liabilities		**13,690,949**	**8,400,464**
Net assets		**18,357,227**	**14,448,793**
Equity			
Contributed equity[1]	*15*	13,633,353	9,806,272
Reserves		90,832	-
Retained earnings		4,633,042	4,642,521
Total equity		**18,357,227**	**14,448,793**

[1] Reclassifications to the comparative balance were made in relation to the treatment of convertible notes. Refer to Note 3 Significant Accounting Policies.

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

IQX LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT CHANGES IN THE EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

In dollars	Contributed equity	Equity settled share-based payment 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)
Total comprehensive loss	**-**	**-**	**(3,608,890)**	**(3,608,890)**
Transaction 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 costs	(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 2018	**10,758,438**	**-**	**4,642,521**	**15,400,959**
Adjustment to correct prior period[1]	(952,166)	-	-	(952,166)
Balance at 1 July 2018 (Restated)	**9,806,272**	**-**	**4,642,521**	**14,448,793**
Total comprehensive profit for the period				
Loss for the period	-	-	(9,477)	(9,477)
Total comprehensive profit	**-**	**-**	**9,477**	**(9,477)**
Transaction with owners recorded directly in equity				
Issue of ordinary shares	4,076,742	-	-	4,076,742
Share issue cost	(249,663)	-	-	(249,663)
Cost of share-based payments	-	90,832	-	90,832
Total transactions with owners recorded directly in equity	**3,827,079**	**90,832**	**-**	**3,917,911**
Balance at 30 June 2019	**13,633,353**	**90,832**	**4,633,042**	**18,357,227**

[1] Reclassifications to the comparative balance were made in relation to the treatment of convertible notes. Refer to Note 3 Significant Accounting Policies.

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 2019

In dollars	***Note***	**2019**	**2018**
Cash flows from operating activities			
Receipts from customers		2,689,041	2,786,444
Payments to suppliers and employees		(4,874,870)	(6,941,379)
Interest received		2,151	2,686
Interest paid		(26,398)	(263,917)
Reversal of provision		-	27,054
Net cash used in operating activities	*23*	**(2,210,077)**	**(4,389,112)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(167,264)	(12,639)
Investment in associates		(41,400)	-
Bond held with related party		(876,418)	-
Purchase of intangible assets		(253,496)	(58,885)
Net cash used in investing activities		**(1,338,578)**	**(71,524)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares		3,911,293	4,560,000
Payment of capital raising cost		(450,378)	-
Net cash generated from financing activities		**3,460,915**	**4,560,000**
Net increase/(decrease) in cash and cash equivalents		(87,740)	99,364
Cash and cash equivalents at the beginning of the period		276,968	177,604
Effect of movements in exchange rates on cash held		-	-
Cash and cash equivalents at the end of the period	*8*	**189,228**	**276,968**

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 "Group") is a for-profit Group 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 2019 comprise of the Group and its subsidiaries (collectively referred to as the "Group").

2. STATEMENT OF COMPLIANCE

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

3. GOING CONCERN

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

As disclosed in the financial statements, the Group incurred a net loss of $9,477 for the year ended 30 June 2019. As at that date the Group had net current liabilities of $450,804, net assets of $18,357,227 and net operating cash outflows of $2,210,077. The net current liability position and operating net cash outflows may prima facie give rise to a material uncertainty that may cast doubt upon the Group's ability to continue as a going concern. Despite this the directors have a reasonable expectation that the Group has adequate financial resources to continue as a going concern based on the following:

- The company's business model is based upon generating returns by acquiring early stage life science IP and with its specialist inhouse knowledge, developing the acquired IP in to diagnostic or therapeutic bioscience assets. Accordingly, profits are generated by increase in the value of the assets as they are developed and reach clinical milestones. This is reflected in the net asset amount of $18,357,227 which includes access to $25,298,815 of investments recorded at fair value.

- Forecast positive cash flow from operations

- Capital raisings by way of equity in relation to projects the company is involved

In the event that the Group does not meet the above factors, it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and discharge its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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

Foreign operations

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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 2019 are included in the following notes:

- Note 18 – *Investments*.

(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.

Correction of Prior Year Classification

The prior year classification relating to convertible notes included debt amounts recorded in contributed equity which should have been transferred to borrowings. The reclassifications are reflected as adjustments to result in reclassified balances on the statement of financial position and the associated note disclosures.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards and Interpretations not yet mandatory or early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) AASB 16 Leases

AASB 16 is applicable to annual reporting periods beginning on or after 1 January 2019 and it will replace AASB 117 Lease and the related interpretations. The Standard introduces a comprehensive model for the identification of lease arrangements and accounting treatment for both lessors and lessees.

AASB 16 distinguishes leases and service contracts on a basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and lease of low value assets. Lease expenses from short term leases and lease of low value assets are recognised as a straight-line expense over the lease term.

The right of use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments, as well as the impact of lease modifications, amongst others. Depreciation of the right of use asset and interest on the lease liability will be recognised over the lease term. Furthermore, the classification of cash flows will also be affected as operating lease payments under AASB 117 are presented as operating cash flows; whereas under the AASB 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operative cash flows respectively.

AASB 16 becomes mandatory for the Group's 2020 financial statements and removes the classification of leases between finance and operating leases, effectively treating all leases as finance leases for the lessee. The standard must be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognized on the date of adoption under the modified retrospective approach. The Group will therefore adopt this standard for the financial period beginning 1 July 2019.

Management currently is in the process of reviewing the impact of this standard on the Group.

New or amended Accounting Standards and Interpretations adopted

A number of new or amended standards became applicable for the current reporting period:

- AASB 9 *Financial Instruments*; and
- AASB 15 *Revenue from Contracts with Customers*

The impact of the adoption of these standards and the new accounting policies are disclosed below.

(i) AASB 9 Financial Instruments

In December 2014, the Australian Accounting Standards Board ("AASB") issued the final version of AASB9 *Financial Instruments* ("AASB 9"), and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2014).

AASB 9 is the final version of a new principal standard that consolidates requirements for the classification and measurement of financial assets and liabilities, hedge accounting and impairment of financial assets. AASB 9 supersedes all previously issued and amended versions of AASB 139 *Financial Instruments: Recognition and Measurement*.

In relation to the impairment of financial assets, the Group applies the simplified approach to recognise lifetime expected credit losses ("ECL") for trade and other receivables. AASB 9 did not have a significant impact on the Group's consolidated financial statements for the year, particularly given the short-term nature of the Group's receivables.

The adoption resulted in an additional immaterial impairment expense of $5,425 for the year ended 30 June 2019.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting policy of financial assets and liabilities – recognition and derecognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risk and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged or cancelled or has expired.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and characteristics of their contractual flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price when the right to consideration becomes unconditional in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised costs;
- Financial assets at fair value through profit or loss (“FVTPL”);
- Debt instruments at fair value through other comprehensive income (“FVTOCI”); or
- Equity instruments at FVTOCI

All income and expenses relating to financial assets that are recognised in profit or loss are presented within other income or finance costs, except for impairment of trade receivables. The entity does not have any debt instruments at FVTOCI or equity instruments at FVTOCI.

Financial assets at amortised cost

The Group’s trade and most other receivables fall into this category of financial instruments and are accounted for at amortised cost using the effective interest method.

Financial assets at FVTPL

Investments in equity instruments fall into this category unless the Group irrevocably elects at inception to account for them as equity instruments at FVTOCI. The Group has not made this election and will continue to account for its investments in equity instruments at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments. The Group currently does not hold any derivative financial instruments.

Trade and other receivables and other current assets

The Group makes use of a simplified approach in accounting for the impairment of trade and other receivables as well as other current assets and records the loss allowance at the amount equal to the lifetime ECL. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. From this calculation, it was determined that the ECL in trade and other receivables was immaterial to be disclosed separately.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adopted of AASB 9.

The Group's financial liabilities include trade and other payables, contract liabilities and employee benefit liabilities. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within other income or finance costs.

(ii) AASB 15 Revenue from contracts with customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces AASB 118 Revenue and related interpretations.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a five-step approach to revenue recognition:

- Step 1: identify the contract(s) with a customer
- Step 2: identify the performance obligations in the contract;
- Step 3: determine the transaction price;
- Step 4: allocation the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Management of the Group reviewed the customer contracts, defined a relevant portfolio basis where applicable and assessed the impact on revenue recognition by the adoption of AASB 15.

The Group generates revenue (as reported in Note 5) through financial services fees and office and shared services revenue with related party entities. These services are rendered based on either a fixed price or an hourly rate. The revenue for these services are recognised over the service period which aligns with the delivery of the performance obligation (provision of services).

The Group has adopted AASB 15 from 1 July 2018, using the modified retrospective approach, with the effect of initially applying this standard recognised at the date of application. Therefore, comparative prior periods have not been adjusted and continue to be reported under AASB 118.

Management have completed their evaluation of the contracts against the 5-step approach noted above, and based on this evaluation have determined that other than additional disclosures required, the implementation of AASB 15 has resulted in no material change and financial impact on the Group's revenue recognition.

5. OPERATING SEGMENTS

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

In FY 2019 the Group has two revenue streams being: (1) financial services fees charged; and (2) office and shared services fees charged. Segment analysis of revenue is provided below.

Information on net profit and assets by segment is not provided to the chief operating decision makers.

In dollars	**2019**	**2018**
Fees – financial services	593,334	207,727
Office and shared services revenue	2,139,198	1,552,309
Total revenue	**2,732,532**	**1,760,036**

Information on geographical segments

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

Reliance on major customers

Five related party entities represent more than 10% of the FY 2019 revenue. Total revenue from these major customers amount to $2,345,959 (86%) of total revenue.

6. REVENUE

In dollars	**2019**	**2018**
Fees – financial services	593,334	207,727
Office and shared services revenue	2,139,198	1,552,309
Total revenue	**2,732,532**	**1,760,036**

6. REVENUE (CONTINUED)

Significant accounting policies:

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

7. INCOME AND EXPENSES

(a) Other income

In dollars	2019	2018
Interest income	61,147	2,695
Change in fair value of financial asset	4,928,402	71,598
Total other income	**4,989,549**	**74,293**

(b) Finance costs

In dollars	2019	2018
Bank fees	14,621	10,819
Interest expense	522,373	494,163
Total finance costs	**536,994**	**504,982**

7. INCOME AND EXPENSES (CONTINUED)

(c) Employee benefits expenses

In dollars	**2019**	**2018**
Wages and salaries	1,766,635	1,697,687
Compulsory superannuation contributions	156,217	158,066
Increase in liability for annual leave	45,632	5,717
Increase in liability for long service leave	21,778	18,202
Total employee benefit expense	**1,990,262**	**1,879,672**

(d) Other expenses

In dollars	**2019**	2018
Accounting and legal fees	173,400	56,265
Advertising and marketing	70,918	8,902
Insurance	149,125	154,736
Software and licensing	226,510	210,093
Travel and accommodation	13,172	4,806
Recruitment fees	163,368	65,861
Exchange and listing fees	37,623	60,265
Office and administration	345,779	179,289
Other	437,107	697,432
Total other expenses	**1,617,002**	**1,437,649**

8. CASH

In dollars	**2019**	**2018**
Bank balances	189,228	276,968

Significant accounting policies:

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

9. TRADE AND OTHER RECEIVABLES

In dollars	**2019**	**2018**
Other receivables[1]	600,629	273,832
Related party receivables	693,138	644,194
Bank guarantee[2]	331,387	331,387
Total trade and other receivables	**1,625,154**	**1,249,413**
Current	1,293,767	918,026
Non-current[2]	331,387	331,387
Total trade and other receivables	**1,625,154**	**1,249,413**

[1] Other receivables mainly comprises of prepayments of $288,232 and accrued revenue of $172,067.

[2] 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.

10. PROPERTY, PLANT AND EQUIPMENT

Cost

In dollars	Furniture, fixtures and fittings	Leasehold improvements	Plant and equipment	Total
Balance at 1 July 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**
Additions	45,502	97,266	24,496	167,264
Balance at 30 June 2019	**95,313**	**256,186**	**173,404**	**524,903**

Accumulated depreciation

In dollars	Furniture, fixtures and fittings	Leasehold improvements	Plant and equipment	Total
Balance at 1 July 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**
Depreciation expense	17,172	22,374	36,383	75,929
Balance at 30 June 2019	**29,616**	**27,402**	**85,094**	**142,112**

Carrying amount

In dollars	Furniture, fixtures and fittings	Leasehold improvements	Plant and equipment	Total
Carrying balance at 30 June 2018	**37,367**	**153,892**	**100,197**	**291,456**
Carrying balance at 30 June 2019	**65,697**	**228,784**	**88,310**	**382,791**

10. PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

Significant accounting policies

Carrying value

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

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

Depreciation

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

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

Impairment

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

Gains and losses on disposal

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

11. INTANGIBLE ASSETS

In dollars	Trademark	Website and software	Development costs	Total
Cost				
Cost at 1 July 2017	**4,000**	**172,346**	**205,503**	**381,849**
Additions	-	983,000	244,305	1,227,305
Balance at 30 June 2018	**4,000**	**1,155,346**	**449,808**	**1,609,154**
Additions	-	-	253,496	253,496
Balance at 30 June 2019	**4,000**	**1,155,346**	**703,304**	**1,862,650**

11. INTANGIBLE ASSETS (CONTINUED)

In dollars	Trademark	Website and software	Development costs	Total
Accumulated Amortisation				
Balance at 1 July 2017	-	18,136	-	18,136
Amortisation expense	-	77,338	-	77,338
Write off/Impairment		-	369,266	369,266
Balance at 30 June 2018	**-**	**95,474**	**369,266**	**464,740**
Amortisation expense	-	-	-	-
Write off/Impairment	-	1,059,872	334,038	1,393,910
Balance at 30 June 2019	**-**	**1,155,346**	**703,304**	**1,858,650**

In dollars	Trademark	Website and software	Development costs	Total
Carrying amounts				
Balance at 30 June 2018	**4,000**	**1,059,872**	**80,542**	**1,144,414**
Balance at 30 June 2019	**4,000**	**-**	**-**	**4,000**

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.

11. INTANGIBLE ASSETS (CONTINUED)

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.

At the end of the period the Group tested the intangibles for impairment by calculation of value in use based on a discounted cash flow model and other potential indicators of impairment. The testing completed at 30 June 2019 resulted in impairment losses of $1,393,910.

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. The website and software have finite useful life and are amortized as follows:

- Website and software – 3 years

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.

12. TRADE AND OTHER PAYABLES

In dollars	**2019**	2018
Trade payables	653,632	429,979
Sundry payables and accrued expenses	538,112	169,271
Related party payables	537,425	273,368
Total trade and other payables	**1,729,169**	872,618
Current	1,729,169	872,618
Non-current	-	-
Total trade and other payables	**1,729,169**	872,618

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.

13. EMPLOYEE BENEFIT LIABILITIES

In dollars	**2019**	**2018**
Liability for annual leave		
Opening balance	106,900	101,182
Additional provision	84,595	120,918
Utilisation	(38,964)	(115,200)
Closing Balance	152,531	106,900
Liability for long service leave		
Opening balance	42,806	24,604
Additional provision	21,778	18,202
Utilisation	-	-
Closing Balance	64,584	42,806
Liability for superannuation	62,325	54,436
Liability for bonus	-	-
(Refund)/liability for payroll	(491)	97,458
Total employee benefit liabilities	**278,949**	**301,600**
Current	214,365	258,794
Non-current	64,584	42,806
Total employee benefit liabilities	**278,949**	**301,600**

13. EMPLOYEE BENEFIT LIABILITIES (CONTINUED)

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.

14. BORROWINGS

In dollars	2019	2018
Convertible notes[1]	4,078,458	4,017,862
Current	-	-
Non-current	4,078,458	4,017,862
Total convertible notes	**4,078,458**	**4,017,862**

[1] Reclassifications to the comparative balances were made in relation to the treatment of convertible notes. Refer to Note 3 Significant Accounting Policies

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.

15. ISSUED CAPITAL

	Number of shares	$
In issue at 1 July 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**
Adjustment to correct prior period[1]	**-**	(952,166)
In issue at 30 June 2018 (restated)	**127,058,372**	**9,806,272**
Issue of shares	15,099,049	4,076,743
Share and note issue costs	-	(249,662)
In issue at 30 June 2019	**142,157,421**	**13,633,353**

[1] Reclassifications to the comparative balances were made in relation to the treatment of convertible notes. Refer to Note 3 Significant Accounting Policies.

All ordinary shares rank equally with regard to the Group'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 Group.

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

Dividends

No dividends were declared or paid by the Group for the year (2018:$nil).

Significant accounting policies

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

16. 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.

Profit/(Loss) attributable to ordinary shareholders

In dollars	**2019**	**2018**
Profit/(Loss) for the period attributable to owners of iQX Limited	(9,477)	(3,608,890)
Weighted-average number of ordinary shares at the end of the period	133,602,522	123,293,277
Basic (loss)/earning per share	(0.01)	(2.93)
Diluted (loss)/earning per share	(0.01)	(2.93)

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

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

There were no outstanding options at 30 June 2019 and 30 June 2018.

17. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT

Accounting classifications and fair values

The Group has financial assets of cash and cash equivalents, trade and other receivables, and shares in listed and unlisted companies. The shares in a listed Group are valued at fair value. The shares in unlisted companies carried at fair value through profit or loss are initially recognised at cost at accounting trade date. The remaining financial assets are not measured at fair value, and the carrying amount is a reasonable approximation of fair value at 30 June 2019.

The Group has financial liabilities of trade and other payables. These financial liabilities are not measured at fair value, and the carrying amount is a reasonable approximation of fair value at 30 June 2019.

Financial risk management

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

a. credit risk – refer (ii)
b. liquidity risk – refer (iii)
c. market risk – refer (iv)

(i) Risk management framework

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

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

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

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

(ii) Credit risk

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

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 9.

Trade and other receivables

The main source of credit risk to the Group is considered to relate to the class of assets described as trade and other receivables. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 9.

No collateral is held over other receivables.

Impairment

The aging of the trade and other receivables that were not impaired as at 30 June 2019 are set out in the following table.

In dollars	**2019**	**2018**
Neither past due nor impaired	1,207,743	918,026
30 to 90 days past due but not impaired	261,113	-
Over 90 days due but not impaired	156,298	-
Total trade and other receivables not impaired	**1,625,154**	**918,026**

Cash and cash equivalents

The Group held cash and cash equivalents of $189,228 at 30 June 2019. 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.

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

(iii) Liquidity risk

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

The Group aims to maintain cash at a level appropriate to fund operations. At 30 June 2019, the expected cash flows from trade and other receivables maturing within two months were $1,293,767.

Non-derivative financial liabilities

In dollars	**Within 1 year**		**1 to 5 years**		**Over 5 years**		**Total**	
	2019	2018	2019	2018	2019	2018	2019	2018
Trade and other payables	1,729,169	872,618	-	-	-	-	1,729,169	872,618
Convertible notes	-	-	4,078,458	4,017,682			4,078,458	4,017,682
Total non-derivative financial liabilities	**1,729,169**	**872,618**	**4,078,458**	**4,017,682**	**-**	**-**	**5,807,627**	**4,890,300**

(iv) Market risk

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

The Group is not sensitive to changes in foreign exchange rates, interest rate and equity prices.

(v) Currency risk

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

18. INVESTMENTS

Set out below are the subsidiaries and associates of the Group as at 30 June 2019 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interest is the same as the proportion of voting rights held for all the associates.

(a) Interests in subsidiaries and associates

Entity name	Country of incorporation	Ownership interest 2019	Ownership interest 2018
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%

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

(b) Investment in associates accounted for using equity method

None of the associates are listed on a stock exchange. The investments in associates are equity accounted.

In dollars	2019	2018
(i) Summarised statement of comprehensive income		
Revenue	36,809	54,101
Loss from continuing operations	(391,039)	(198,283)
Other comprehensive income	145,487	1,206
Total comprehensive loss	**(245,552)**	**(197,077)**
(ii) Summarised balance sheet		
Total current assets	13,026	10,381
Total non-current assets	1,092,651	1,158,359
Total current liabilities	(3,932)	(28,441)
Net assets	**1,101,745**	**1,140,299**
(iii) Reconciliation to carrying amount		
Opening balance as at 1 July 2018	1,140,299	1,100,565
Additional investment	206,999	68,387
Loss for the period	(391,039)	(28,653)
Other comprehensive income	145,487	-
Total loss and other comprehensive income	**(245,552)**	**(28,653)**
Net asset balance at 30 June 2019	**1,101,746**	**1,140,299**
Consolidated entity's share in %	20%	20%
Carrying amount as at 30 June 2019	**220,349**	**228,060**

18. INVESTMENTS (CONTINUED)

(c) Financial assets carried at fair value through profit or loss – designated on initial recognition

In dollars	**2019**	**2018**
Shares in unlisted companies	24,400,000	19,471,598
Bond held with related party	876,418	-
Total financial assets carried at fair value through profit or loss	**25,276,418**	**19,471,598**

(d) Available for sale financial assets

In dollars	**2019**	**2018**
Shares in listed companies	14,250	11,250
Investments in unit trusts	8,147	16,370
Total available for sale financial assets	**22,397**	**27,620**

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).

18. INVESTMENTS (CONTINUED)

Shares in listed companies and unit trusts

Shares in listed companies and unit trusts are initially recognised at cost at accounting trade date. Shares in listed companies and unit trusts that have an interest 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

The Group designate share in unlisted companies as fair value through profit or loss where performance is evaluated on a total return basis comprising both income and fair value; and where fair value can be reliably measured. Shares in unlisted companies carried at fair value through profit or loss are initially recognised at cost at accounting trade date. They 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 are only recognised in the profit or loss when they are sold or impaired.

19. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the Group's assets and liabilities , measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

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

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

Level 3: Unobservable inputs for the asset or liability.

Consolidated – 2019

In dollars	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Shares in unlisted companies	-	24,400,000	-	24,400,000
Shares in listed companies	14,250	-	-	14,250
Bond held with related party	-	876,418	-	874,418
Investments in quoted unit trusts	8,147	-	-	8,147
Total assets	22,397	25,276,418	-	25,298,815
Liabilities				
Convertible notes	-	4,078,458	-	4,078,458
Total liabilities	-	4,078,458	-	4,078,458

19. FAIR VALUE MEASUREMENT (CONTINUED)

Consolidated – 2018

In dollars	Level 1	Level 2	Level 3	Total
Assets				
Shares in unlisted companies	-	19,471,598	-	19,471,598
Shares in listed companies	11,250	-	-	11,250
Bond held with related party	-	-	-	-
Investments in quoted unit trusts	16,370	-	-	16,370
Total assets	27,620	19,471,598	-	19,499,218
Liabilities				
Convertible notes[1]	-	4,017,862	-	4,017,862
Total liabilities	-	4,017,862	-	4,017,862

[1] Reclassifications to the comparative balance were made in relation to the treatment of convertible notes. Refer to Note 3 Significant Accounting Policies.

There were no transfers between levels during the financial year.

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

The gain recognised in profit or loss for the period from level 2 valuations is $4,928,402 (2018: $471,598).

Valuation techniques for fair value measurements (Level 2)

The level 2 financial assets carried at fair value through profit or loss is $25,276,418.

The shares in unlisted companies were revalued on 30 June 2019 based on internal assessments performed by management, with reference to independent private placements made in the investment vehicle.

The planned listing of the underlying investment will entail 12% of the total equity of which iQX Limited owns 19% of the issued capital being listed. Independent pre-ipo investors have valued the shares in the underlying entity at $128m.

Significant accounting policies

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

20. SHARE BASED PAYMENTS

Share based compensation benefits are provided to employees via the Employee Benefit Plan. This is a plan under which directors, employees may become holders of Options and Performance Rights to acquire beneficial interests in the Shares of the Group. The object of this Plan is to help the Group recruit, reward, retain and motivate its directors and employees. 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 this employee share plan will vest after an employee has served a further 3 years after receiving rights to the shares.

The inputs for the rights granted during the year ended 30 June 2019 included:

- Grant date: After 12 months of service from director/employee commencement date;
- Rights are granted for no consideration;
- Share price: Share price at the grant date (after 12 months of service);
- Vesting date: 3 years after receiving rights to shares.

For the year ended 30 June 2019, the Group has recognised $90,832 share-based payment expense in the consolidated statement of profit or loss (2018: Nil).

Significant accounting policies:

Share based compensation benefits are provided to employees via the Employee Benefit Plan. The fair value of equity-settled share-baed 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 Group 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.

21. OPERATING LEASES

The Group lease an office facility (Level 9, 85 Castlereagh Street, Sydney) under an operating lease. The lease is non-cancellable and runs for a period of 5 years, with an option to renew the lease after that date. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by 4.25% per annum. The lease allows for subletting of all lease areas.

21. OPERATING LEASES (CONTINUED)

Future minimum lease payments

As at 30 June 2019, the future minimum lease payments under non-cancellable leases were payable as set out in the following table.

In dollars	2019	2018
Less than 1 year	723,905	113,305
Between 1 and 5 years	3,040,275	618,998
More than 5 years	-	-
Total future minimum lease payments	**3,764,180**	**732,303**

22. CONTINGENCIES

The Group has no contingent liabilities or assets as at the reporting date (2018: None).

23. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

In dollars	2019	2018
Cash flows from operating activities		
(Loss)/profit for the period	(9,477)	(3,608,890)
Adjustments for:		
Depreciation and amortisation	75,929	113,265
Implied interest on convertible notes	60,219	290,546
Impairment/write off of intangible assets	1,393,910	369,266
Reversal of provision	-	27,054
Revaluation of financial assets through profit or loss	(4,928,402)	-
Capital raising fees	145,129	-
Share based payments expense	90,832	-
Development cost write-off classified as investing activities	253,497	-
Other non-cash items	51,704	-
Share of loss from associated companies	49,111	28,653
	(2,817,549)	**(2,780,106)**
Changes in:		
Trade and other receivables	(375,741)	1,181,791
Prepayments	148,673	(50,584)
Trade and other payables	857,191	(2,648,466)
Employee benefit liabilities	(22,651)	(91,747)
	607,472	**(1,609,006)**
Net cash used in operating activities	**(2,210,077)**	**(4,389,112)**

24. AUDITORS' REMUNERATION

In dollars	2019	2018
Audit and review services		
Auditors of the Group at June 2019 – BDO	31,500	-
Auditors of the Group at June 2018 – RSM Australia Partners		31,500
Auditors of the Group at December 2018 – RSM/Fortunity	18,396	5,800
Other services		
Auditors of the Group at June 2019 – BDO	17,530	-
Auditors of the Group at December 2018 – RSM/Fortunity	-	-

25. SUBSEQUENT EVENTS

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