

## Dear Shareholders

iQN, since its inception in 2011, has been a pure play company focused on developing early stage life science assets for its clients or for itself and taking advantage of risk by establishing a sustainable “risk advantage” which is as important for the entry in the investment today as creating an exit in the future.

Over the last three years iQN’s financials have improved as the charts in the following commentary on results section signifies, however still sustaining an operational cash burn of \$6.5 million. Despite this cash burn, I believe the intrinsic value of the company remains multiple times higher than the market capitalisation of \$37.3 million today.

This intrinsic value is ascribed to the company by the assets it owns and develops as well as its subsidiary entities FarmaForce (FFC) and Clinical Research Corporation (CRC).

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

iQN’s revenue is generated through three separate streams – commercial sales, capital gains, and Research and Development.

- Sales of ethical pharmaceuticals and medical devices to physicians and other healthcare practitioners on behalf of our global Biopharma clients through FFC;
- Research and Development, clinical and medical services to client global Biopharma companies;
- Incubation and development of Intellectual property on behalf of clients; and
- Capital gains from ownership of IP.

Over the past four years, through a team of scientists, economists, analysts and external collaborators, we have been sourcing, identifying and validating discovery stage life science IP. In a field requiring the most highly skilled labour and scientific innovation to bring products to market, at any given time, the number of “good” opportunities to deploy capital that will be successful and offer a superior investment return is finite hence we have set very rigid and specific criteria of what we look for:

- Access the asset not the license; we have been looking to assign assignment of the IP as opposed to license the IP. (An assignment of IP is a transfer of ownership whereas an IP license allows the company to use the work without transferring ownership). It’s far more complicated to execute an assignment than it is to license e.g. in 2014 in Australia, 732 licensing agreements were achieved and only 10 assignments.
- Create vehicles that access the biotech themes for which benefits accrue to the companies, and by extension the shareholders, as opposed to just the customers.
- Correlate the scientific milestones to the business milestones, adding value to the projects through the creation of early financial exits.
- Minimize IP acquisition cost, acquiring the asset at realistic price given the development risk and investment necessary to de-risk and commence exit process.

In the past, spikes of enthusiasm for the biotech markets have resulted in a very rapid advance in assets prices unjustified by the stage of development and therapeutic area, denoting a distortion in the perception of time by investors in their chase for outsized returns. Today a lot of the investors chasing returns in the biotechnology sector are doing so because of the performance of the past 5 years and not because they have a

firm grasp of the science, the economic challenges involved or the earnings potential going forward, and are taking on a lot more risk than they assume they are. iQN actively seeks to take some of the risk away by its investment thesis.

After screening hundreds of early stage developments during the past few years IQN has a valuable and sustainable therapeutic and diagnostic portfolio.

### **Diagnostic Portfolio**

The diagnostic platform we have acquired and are developing, creates an entire portfolio of diagnostic, screening and prognostic tests, for professional use, self-testing and point of care at clinic.

Our current development stage pipeline includes:

- hormones
- immunology
- biochemistry
- tumor markers
- communicable diseases
- nucleic acids

A significant franchise for our company is diabetes, and we are approaching the commercialisation stage with this asset. This non-invasive glucose test has the potential to become the substitute for every patient that currently needs to do the finger prick test several times per day.

This innovation enables a patient to monitor glucose without pricking their finger and it has the potential to address 415 million adults that currently have diabetes. By 2040 this number will rise to 642 million. (IDF Atlas 7th Edition).

The entire glucose self-monitoring market, according to Global Data, will reach \$12.2 billion by the year 2017.

### **Therapeutic Portfolio**

iQN is also undertaking a therapeutic research and development program of a first in class, novel mode of action, biologic compound for breast cancer. It is anticipated that following compilation of the completed preclinical data file, the company will submit to the FDA an investigative new drug application to commence human clinical trials. Following this pilot submission, we are expecting that separate INDs will be filed for other oncology indications.

- Breast Cancer
- Prostate Cancer
- Melanoma
- Lung Cancer

It is forecast that the global breast cancer therapeutics market is set to increase in value from A\$10.4 billion in 2014 to \$17.2 billion by 2021, at a Compound Annual Growth Rate (CAGR) of 7.3%, according to business intelligence provider GBI Research.



**Dr George Syrmalis**  
Chair and Group CEO

## NSX - Preliminary Final Report

Name of entity:	IQNOVATE LTD
ACN:	149 731 644
Reporting Period:	Twelve months ending 30 June 2017
Previous Corresponding Period:	Twelve months ending 30 June 2016

### Results for announcement to the market

	Movement	Percentage change	2017
<b>Revenue and net profit</b>			
Revenue from ordinary activities	up	75%	4,670,912
Loss from ordinary activities after tax	up	34%	(9,881,006)
Loss from ordinary activities after tax attributable to owners	up	39%	(9,223,710)

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

	2017	2016
<b>Net tangible assets per security</b>		
Net tangible assets per security (cents per security)	(10.71)	(1.27)

### Commentary on results

Commentary for the preliminary final report for the twelve months ending 30 June 2017 is contained in the National Securities Exchange (NSX) release and on page 2 of this announcement.

### Additional information

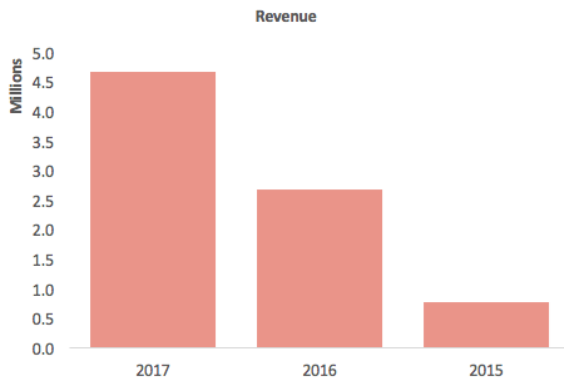
This report is based on unaudited financial statements which are currently in the process of being audited. The financial statements included in the 2017 Annual Report are likely to contain an unqualified independent audit report.

Additional Preliminary Final Report requirements can be found on pages 2 to 25 of this announcement.

**Commentary on results**

- Record sales revenue of \$4.7 million increasing 75% on the prior year;
- \$0.8 million increase in gross profit;
- Increased market share, revenue, and profitability of contract sales business unit (FarmaForce).

\$A millions	FY17	FY16	Change
Revenue	4.7	2.7	2.0
Gross profit	0.8	(0.0)	0.8
Loss after tax	(9.9)	(7.4)	(2.5)
Cash used in operations	(6.5)	(6.8)	0.3



**About The iQ Group Global**

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

[theiqgroupglobal.com](http://theiqgroupglobal.com)

**About iQnovate**

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

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

**About FarmaForce**

FarmaForce is a contract sales organisation offering innovative sales solutions to the Australian pharmaceutical industry.

[farmaforce.com.au](http://farmaforce.com.au)

**About Clinical Research Corporation (CRC)**

CRC provides contract medical affairs services to the pharmaceutical industry throughout the drug lifecycle.

[craustralia.com](http://craustralia.com)

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

<i>In dollars</i>	<i>Note</i>	<b>2017</b>	<b>2016<sup>^</sup></b>
Revenue	4	4,670,912	2,670,362
Cost of sales		(3,837,759)	(2,670,861)
<b>Gross profit</b>		<b>833,153</b>	<b>(499)</b>
Other income	5(a)	118,807	91,711
Employee benefits expense	5(c)	(3,871,647)	(2,965,529)
Depreciation and amortisation expense		(151,095)	(92,668)
Overhead sharing costs		(880,242)	(980,036)
Share option expense		-	(117,840)
Other expenses	5(d)	(4,991,057)	(2,779,059)
Finance costs	5(b)	(1,141,188)	(550,431)
Share of loss of associated companies net of tax		(115,919)	-
<b>Loss before income tax</b>		<b>(10,199,188)</b>	<b>(7,394,351)</b>
Income tax benefit		318,182	-
<b>Loss for the period</b>		<b>(9,881,006)</b>	<b>(7,394,351)</b>
Loss attributable to members of the parent		(9,235,949)	(6,613,719)
Loss attributable to non-controlling interest		(645,057)	(780,632)
<b>Total loss attributed</b>		<b>(9,881,006)</b>	<b>(7,394,351)</b>

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

	<i>Note</i>	<b>2017</b>	<b>2016</b>
Basic loss per share (cents per share)	17	(7.60)	(6.49)
Diluted loss per share (cents per share)	17	(7.60)	(6.49)

<sup>^</sup> Comparative information has been restated to reflect a change in classification of: (a) other income, further detail disclosed in note 4; and (b) Other expenses, further details of which is disclosed in note 5.

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

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2017**

<i>In dollars</i>	<i>Note</i>	<b>2017</b>	<b>2016</b>
<b>Net loss for the period</b>		<b>(9,881,006)</b>	<b>(7,394,351)</b>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations, net of tax		12,239	-
<b>Other comprehensive loss for the period, net of tax</b>		<b>12,239</b>	<b>-</b>
<b>Total comprehensive loss for the period</b>		<b>(9,868,767)</b>	<b>(7,394,351)</b>
Comprehensive loss attributable to members of the parent		(9,223,710)	(6,613,719)
Comprehensive loss attributable to non-controlling interest		(645,057)	(780,632)
<b>Total comprehensive loss attributed</b>		<b>(9,868,767)</b>	<b>(7,394,351)</b>

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

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

<i>In dollars</i>	<i>Note</i>	<b>2017</b>	<b>2016<sup>^</sup></b>
<b>Assets</b>			
<b>Current assets</b>			
Cash	6	298,937	2,159,311
Trade and other receivables	7	594,443	497,898
Prepayments		116,637	164,997
Other current assets		-	918,826
Current tax receivable		-	916
<b>Total current assets</b>		<b>1,010,017</b>	<b>3,741,948</b>
<b>Non-current assets</b>			
Trade and other receivables		-	63,278
Property, plant and equipment	8	625,149	662,065
Intangible assets	9	4,257,740	1,891
Investment in associate	18	440,226	538,000
Deferred tax assets		1,233,364	877,275
<b>Total non-current assets</b>		<b>6,556,479</b>	<b>2,142,509</b>
<b>Total Assets</b>		<b>7,566,496</b>	<b>5,884,457</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	3,415,617	1,498,373
Provisions	11	27,049	-
Employee benefit liabilities	12	850,545	205,700
Deferred revenue		233,003	54,980
Borrowings	13	5,853,688	5,421,844
Derivative financial instruments	14	884,788	-
Deferred tax liability		35,718	-
<b>Total current liabilities</b>		<b>11,300,408</b>	<b>7,180,897</b>
<b>Non-current liabilities</b>			
Borrowings	13	4,954,814	-
Employee benefit liabilities	12	49,489	-
<b>Total non-current liabilities</b>		<b>5,004,303</b>	<b>-</b>
<b>Total liabilities</b>		<b>16,304,711</b>	<b>7,180,897</b>
<b>Net assets</b>		<b>(8,738,215)</b>	<b>(1,296,440)</b>
<b>Equity</b>			
Contributed equity		11,491,837	10,930,743
Reserves	16	1,778,410	142,605
Accumulated losses		(22,134,491)	(12,910,781)
<b>Total equity attributable to holders of the company</b>		<b>(8,864,244)</b>	<b>(1,837,433)</b>
Total equity attributable to non-controlling interests		(126,029)	540,993
<b>Total equity</b>		<b>(8,738,215)</b>	<b>(1,296,440)</b>

<sup>^</sup> Comparative information has been restated to reflect a change in classification of Other Current Assets, Deferred Revenue, and Employee Benefit Liabilities.

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

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2017**

<i>In dollars</i>	Contributed equity	Accumulated losses	Reserves	Non-controlling interest	Total
<b>Balance at 1 July 2016</b>	<b>10,930,743</b>	<b>(12,910,781)</b>	<b>142,605</b>	<b>540,993</b>	<b>(1,296,440)</b>
<b>Total comprehensive loss for the period</b>					
Loss for the period	-	(9,223,710)	-	(645,057)	(9,881,006)
Other comprehensive profit for the period	-	-	(12,239)	-	-
<b>Total comprehensive profit for the period</b>	<b>-</b>	<b>(9,223,710)</b>	<b>(12,239)</b>	<b>(645,057)</b>	<b>(9,881,006)</b>
<b>Transactions with owners recorded directly in equity</b>					
Convertible notes issued/reconfigured during the year	681,669	-	2,243,700	526,300	3,451,669
Capital raising costs	(120,575)	-	(595,656)	(296,207)	(1,012,438)
<b>Total transactions with owners recorded directly in equity</b>	<b>561,094</b>	<b>-</b>	<b>1,648,044</b>	<b>230,093</b>	<b>2,439,231</b>
<b>Balance at 30 June 2017</b>	<b>11,491,837</b>	<b>(22,134,491)</b>	<b>1,778,410</b>	<b>126,029</b>	<b>(8,738,215)</b>
<b>Balance at 1 July 2015</b>	<b>6,730,660</b>	<b>(7,347,681)</b>	<b>24,765</b>	<b>-</b>	<b>(592,256)</b>
<b>Total comprehensive loss for the period</b>					
Loss for the period	-	(6,613,719)	-	(780,632)	(7,394,351)
Other comprehensive income for the period	-	-	-	-	-
<b>Total comprehensive loss</b>	<b>-</b>	<b>(6,613,719)</b>	<b>-</b>	<b>(780,632)</b>	<b>(7,394,351)</b>
<b>Transaction with owners recorded directly in equity</b>					
Shares issued during the period	5,459,544	-	-	-	5,459,544
Issue of convertible notes during the period	2,903,960	-	-	-	2,903,960
Convertible notes reconfigured during the period	(797,788)	-	-	-	(797,788)
Non-controlling interest	(2,372,246.5)	1,050,619	-	1,321,625	-
Capital raising costs	(993,389)	-	-	-	(993,389)
Share based transactions	-	-	117,840	-	117,840
<b>Balance at 30 June 2016</b>	<b>10,930,743</b>	<b>(12,910,781)</b>	<b>142,605</b>	<b>540,993</b>	<b>(1,296,440)</b>

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



**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

<i>In dollars</i>	<i>Note</i>	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		5,220,563	1,863,306
Payments to suppliers and employees		(11,590,104)	(8,702,381)
Interest received		2,980	42,711
Interest paid		(99,055)	(14,057)
Income tax paid		-	(916)
<b>Net cash used in operating activities</b>	<b>21</b>	<b>(6,465,616)</b>	<b>(6,811,337)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(97,115)	(384,340)
Investment in associates		(18,145)	(538,000)
Purchase of intangible assets		(2,841,338)	-
<b>Net cash used in investing activities</b>		<b>(2,956,598)</b>	<b>(922,340)</b>
<b>Cash flows from financing activities</b>			
Proceeds from contributed equity		902,887	4,466,155
Proceeds from the issue of convertible notes		6,658,953	2,934,715
<b>Net cash generated from/(used in) financing activities</b>		<b>7,561,840</b>	<b>7,400,870</b>
Net decrease in cash and cash equivalents		(1,860,374)	(332,807)
Cash and cash equivalents at the beginning of the period		2,159,311	2,492,118
Effect of movements in exchange rates on cash held		-	-
<b>Cash and cash equivalents at the end of the period</b>	<b>6</b>	<b>298,937</b>	<b>2,159,311</b>

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

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

## **1. REPORTING ENTITY**

iQNovate Ltd (“iQN” or the “Company”) is a for-profit company limited by shares which is incorporated and domiciled in Australia. These consolidated financial statements (“financial statements”) as at and for the year ended 30 June 2017 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 2017.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

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

### **Basis of preparation**

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

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

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

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

### **Basis of consolidation**

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

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

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

### **Foreign operations**

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

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.

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

### **Goods and Services Tax (“GST”) and Value Added Tax (“VAT”)**

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

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

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

### **Uses of judgements and estimates**

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

#### **(i) Judgements**

Significant judgement has been made in respect to the election of common control accounting as opposed to accounting for business combinations at fair value at acquisition date.

#### **(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 2017 are included in the following notes:

- Note 18 – Investments;
- Note 11 – Provisions;
- Note 20 – Contingencies.

#### **(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).

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

### **Use of judgements and estimates (continued)**

#### **(iii) Measurement of fair values (continued)**

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

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

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

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

AASB 9 *Financial Instruments* becomes mandatory for the Group's 2019 financial statements and includes changes to the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment. It also includes a new hedge accounting model to simplify hedge accounting requirements and more closely align hedge accounting with risk management activities.

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

AASB 15 *Revenue from Contracts* becomes mandatory for the Group's 2019 financial statements and outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; and replaces AASB 111 *Construction Contract*, AASB 118 *Revenue*, Interpretation 13 *Customer Loyalty Programs*, Interpretation 15 *Agreements for Construction of Real Estate*, Interpretation 18 *Transfer of Assets from Customers* and Interpretation 131 *Revenue-Barter Transactions Involving Advertising Services*. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

AASB 16 *Leases* becomes mandatory for the Group's 2020 financial statements and removes the classification of leases between finance and operating leases, effectively treating all leases as finance leases for the lessee. The purpose is to provide greater transparency of a lessee's financial leverage and capital employed.

The Group has not yet determined the potential effect of these standards on the Group's future financial statements.

## **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 loss of \$9,868,767 and had net cash outflows from operating activities of \$6,465,616 for the year ended 30 June 2017. As at that date the company had net current liabilities of \$10,290,391 and net liabilities of \$8,738,215.

These factors may prima facie indicate the potential of a material uncertainty which may result in significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. However, the Directors have determined that treatment as a going concern is appropriate, due to the following factors:

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**3. GOING CONCERN (CONTINUED)**

- The Group will continue its expansion and development of its portfolio of life science assets intellectual property assets by external project based capital raising as it has demonstrated it has done previously;
- The funds will be utilised with the ultimate objective to increase the value of the assets as discussed in the Review of Operations
- For the trading divisions of the Group, the continued trend of increasing market share as indicated in the financial statements is resulting in additional customer contracts on hand improving net operating cash flow;
- Liabilities include total convertible notes with a face value of \$11,475,624 (current liabilities: \$6,520,810, plus non-current liabilities \$4,954,814) convertible to equity by the company, hence not requiring funding from cash flow to extinguish these liabilities;

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

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

**4. REVENUE**

<i>In dollars</i>	<b>2017</b>	<b>2016<sup>^</sup></b>
Contract and service fee revenue	4,255,622	2,320,215
Office and shared services revenue	415,290	350,147
<b>Total revenue</b>	<b>4,670,912</b>	<b>2,670,362</b>

<sup>^</sup> The comparative information has been restated to reflect a change in classification of the following items from revenue to other income: (a) finance income \$42,711; and (b) Rebates and offsets \$49,000.

**Significant accounting policies**

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

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

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

**Rendering of services**

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

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

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**5. INCOME AND EXPENSES**

**(a) Other income**

<i>In dollars</i>	<b>2017</b>	<b>2016<sup>^</sup></b>
Rebates and offsets	110,717	49,000
Finance income	7,200	42,711
Foreign currency gains	890	-
<b>Total other income</b>	<b>118,807</b>	<b>91,711</b>

**(b) Finance costs**

<i>In dollars</i>	<b>2017</b>	<b>2016</b>
Bank fees	7,960	5,000
Interest on convertible notes	985,317	536,374
Other interest expense	147,911	9,057
<b>Total finance costs</b>	<b>1,141,188</b>	<b>550,431</b>

**(c) Employee benefits expenses**

<i>In dollars</i>	<b>2017</b>	<b>2016<sup>^</sup></b>
Wages and salaries	3,389,205	2,653,647
Compulsory superannuation contributions	361,933	249,294
Increase in liability for annual leave	71,020	62,588
Increase in liability for long service leave	49,489	-
<b>Total employee benefits expense</b>	<b>3,871,647</b>	<b>2,965,529</b>

**(d) Other expenses**

<i>In dollars</i>	<b>2017</b>	<b>2016<sup>^</sup></b>
Accounting fees	91,708	135,828
Advertising and marketing	276,118	333,018
Exchange and listing fees	99,069	178,665
Insurance	78,055	69,914
Legal and consulting fees	890,006	360,366
Occupancy costs	371,276	191,222
Project sourcing and evaluation costs	1,559,239	-
Recruitment fees	255,439	329,088
Software licensing and subscriptions	202,452	286,617
Travel and accommodation	140,698	154,528
Other	1,026,997	739,813
<b>Total other expenses</b>	<b>4,991,057</b>	<b>2,779,059</b>

<sup>^</sup> The comparative information has been restated to reflect a change in classification of the following expenses from other expense to employee benefit expense: workers compensation, FBT, payroll tax.

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**6. CASH**

<i>In dollars</i>	<b>2017</b>	<b>2016</b>
Bank balances	298,937	2,159,311

**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.

**7. TRADE AND OTHER RECEIVABLES**

<i>In dollars</i>	<b>2017</b>	<b>2016</b>
Trade receivables	327,229	216,415
Other receivables	241,182	108,527
Related party receivables	26,032	236,234
<b>Total trade and other receivables</b>	<b>594,443</b>	<b>561,176</b>
Current	594,443	497,898
Non-current	-	63,278
<b>Total trade and other receivables</b>	<b>594,443</b>	<b>561,176</b>

**Significant accounting policies**

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

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

Other receivables are recognised at amortised cost, less any provision for impairment.

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**8. PROPERTY, PLANT AND EQUIPMENT**

**Cost**

<i>In dollars</i>	<b>Plant and equipment</b>	<b>Furniture, fixtures and fittings</b>	<b>Leasehold improvements</b>	<b>Total</b>
<b>Balance at 1 July 2015</b>	<b>164,607</b>	<b>43,809</b>	<b>224,389</b>	<b>432,805</b>
Additions	49,339	66,555	268,446	384,340
<b>Balance at 30 June 2016</b>	<b>213,946</b>	<b>110,364</b>	<b>492,835</b>	<b>817,145</b>
Additions	58,251	19,630	27,049	104,929
<b>Balance at 30 June 2017</b>	<b>272,197</b>	<b>129,994</b>	<b>519,884</b>	<b>992,074</b>

**Accumulated depreciation**

<i>In dollars</i>	<b>Plant and equipment</b>	<b>Furniture, fixtures and fittings</b>	<b>Leasehold improvements</b>	<b>Total</b>
<b>Balance at 1 July 2015</b>	<b>31,264</b>	<b>7,096</b>	<b>24,615</b>	<b>62,975</b>
Depreciation expense	44,640	9,292	38,173	92,105
<b>Balance at 30 June 2016</b>	<b>75,904</b>	<b>16,388</b>	<b>62,788</b>	<b>155,080</b>
Depreciation expense	54,948	13,277	73,620	141,845
<b>Balance at 30 June 2017</b>	<b>130,852</b>	<b>29,665</b>	<b>136,408</b>	<b>296,925</b>

**Carrying amount**

<i>In dollars</i>	<b>Plant and equipment</b>	<b>Furniture, fixtures and fittings</b>	<b>Leasehold improvements</b>	<b>Total</b>
<b>Carrying balance at 30 June 2016</b>	<b>138,042</b>	<b>93,976</b>	<b>430,047</b>	<b>662,065</b>
<b>Carrying balance at 30 June 2017</b>	<b>141,345</b>	<b>100,328</b>	<b>383,476</b>	<b>625,149</b>



## **8. 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.

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**9. INTANGIBLE ASSETS**

**Cost**

<i>In dollars</i>	Acquired IP	Development expenditure	Website and software	Total
Balance at 1 July 2015	-	-	2,536	2,536
Additions	-	-	-	-
<b>Balance at 30 June 2016</b>	-	-	<b>2,536</b>	<b>2,536</b>
Additions	1,871,614	2,169,946	231,354	4,272,914
<b>Balance at 30 June 2017</b>	<b>1,871,614</b>	<b>2,169,946</b>	<b>233,890</b>	<b>4,275,450</b>

**Amortisation**

<i>In dollars</i>	Acquired IP	Development expenditure	Website and software	Total
Balance at 1 July 2015	-	-	82	82
Amortisation expense	-	-	563	563
<b>Balance at 30 June 2016</b>	-	-	<b>645</b>	<b>645</b>
Amortisation expense	-	-	17,064	17,064
<b>Balance at 30 June 2017</b>	-	-	<b>17,709</b>	<b>17,709</b>

**Carrying amount**

<i>In dollars</i>	Acquired IP	Development expenditure	Website and software	Total
<b>Carrying balance at 30 June 2016</b>	-	-	<b>1,891</b>	<b>1,891</b>
<b>Carrying balance at 30 June 2017</b>	<b>1,871,614</b>	<b>2,169,946</b>	<b>216,181</b>	<b>4,257,740</b>

## **9. 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.

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**10. TRADE AND OTHER PAYABLES**

<i>In dollars</i>	<b>2017</b>	<b>2016</b>
Trade payables	1,835,060	455,465
Sundry payables and accrued expenses	269,781	324,661
Related party payables	1,310,776	718,247
<b>Total trade and other payables</b>	<b>3,415,617</b>	<b>1,498,373</b>
Current	3,415,617	1,498,373
Non-current	-	-
<b>Total trade and other payables</b>	<b>3,415,617</b>	<b>1,498,373</b>

**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.

**11. PROVISIONS**

<i>In dollars</i>	<b>Make good</b>	<b>Total</b>
Balance at 1 July 2016	-	-
Provisions made during the period	27,049	27,049
<b>Total provisions at 30 June 2017</b>	<b>27,049</b>	<b>27,049</b>

**Significant accounting policies**

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

**Make-good provisions**

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

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

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**12. EMPLOYEE BENEFIT LIABILITIES**

<i>In dollars</i>	<b>2017</b>	<b>2016</b>
Liability for annual leave	334,022	205,700
Liability for superannuation	237,876	-
Liability for long service leave	49,489	-
Liability for payroll	278,647	-
<b>Total employee benefit liabilities</b>	<b>900,034</b>	<b>205,700</b>
Current	850,545	205,700
Non-current	49,489	-
<b>Total employee benefit liabilities</b>	<b>900,034</b>	<b>205,700</b>

**Significant accounting policies**

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

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

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

**13. BORROWINGS**

<i>In dollars</i>	<b>2017</b>	<b>2016</b>
Current: Convertible notes	5,853,688	5,421,844
Non-Current: Convertible notes	4,954,814	-

**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.

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**14. DERIVATIVE FINANCIAL INSTRUMENTS**

<i>In dollars</i>	<b>2017</b>	<b>2016</b>
Discount on Pre-IPO convertible notes	884,788	-

**Significant accounting policies**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

**15. SHARE CAPITAL**

	<b>Number of shares</b>	<b>\$</b>
In issue at 1 July 2015	41,243,390	4,697,661
Share split during the reporting period	203,000	-
<b>In issue at 30 June 2016</b>	<b>41,446,390</b>	<b>4,697,661</b>
Shares issued from share split	82,892,780	-
<b>In issue at 30 June 2017</b>	<b>124,339,170</b>	<b>4,697,661</b>

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.

**Dividends**

No dividends were declared or paid by the Company for the year (2016: 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.

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
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**16. RESERVES**

<i>In dollars</i>	<b>Subscriptions for equity</b>	<b>Options reserve</b>	<b>Foreign translation</b>	<b>Total</b>
Balance at 1 July 2015	-	24,765	-	24,765
Share based transactions	-	117,840	-	117,840
<b>Balance at 30 June 2016</b>	-	142,605	-	142,605
Subscriptions for equity issued	1,648,044	-	-	1,648,044
Reporting translation differences			(12,239)	(12,239)
<b>Balance at 30 June 2017</b>	<b>1,648,044</b>	<b>142,605</b>	<b>(12,239)</b>	<b>1,778,410</b>

**17. EARNINGS PER SHARE (EPS)**

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

**Loss attributable to ordinary shareholders**

<i>In dollars</i>	<b>2017</b>	<b>2016</b>
Loss for the period attributable to owners of iQNovate Ltd	(9,235,949)	(6,613,719)

**Weighted-average number of ordinary shares**

<i>In number of shares</i>	<b>2017</b>	<b>2016</b>
Weighted-average number of ordinary shares at end of the period	121,386,824	101,981,095
Weighted-average number of securities if outstanding options exercised	121,386,824	101,981,095

**Earnings per share**

<i>In cents per share</i>	<b>2017</b>	<b>2016</b>
Basic loss per share	(7.61)	(6.49)
Diluted loss per share	(7.61)	(6.49)

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

Diluted earnings per share is calculated as earnings for the period attributable to the Company over the weighted average number of shares which has been adjusted to reflect the number of shares which would be issued if outstanding options and performance rights were to be exercised. However, due to the statutory loss attributable to the Company for both the financial year ended 30 June 2017 and the comparative period ended 30 June 2016, the effect of these instruments has been excluded from the calculations of diluted earnings per share for both periods as they would reduce the loss per share.

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
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**18. INVESTMENTS**

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

**(a) Interests in subsidiaries, associates, and joint venture**

<b>Entity name</b>	<b>Country of incorporation</b>	<b>Ownership interest 2017</b>	<b>Ownership interest 2016</b>
<b>Subsidiaries</b>			
FarmaForce Limited	Australia	70.6%	70.6%
Clinical Research Corporation Pty Ltd	Australia	100%	100%
Life Science Biosensor Diagnostics Pty Ltd	Australia	81%	81%
Glucose Biosensor Systems (GC) Inc	USA	81%	81%
Glucose Biosensor Systems (GC) Pty Ltd	Australia	81%	81%
Antisoma Therapeutics Pty Ltd	Australia	100%	200%
<b>Associates<sup>1</sup></b>			
New Frontier Holdings LLC ("New Frontier")	USA	34.1%	34.1%
Nereid Enterprises Pty Ltd	Australia	34.1%	34.1%
Nereid Enterprises LLC	USA	34.1%	34.1%

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

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

<i>In dollars</i>	<b>2017</b>	<b>2016</b>
<b>Reconciliation to carrying amount</b>		
Net asset balance at start of period	1,243,277	-
Net asset at acquisition	-	1,345,000
Loss for the period	(142,712)	(101,723)
Other comprehensive income	-	-
<b>Net asset balance at end of period</b>	<b>1,100,565</b>	<b>1,243,277</b>
Consolidated entity's share in %	40%	40%
Consolidated entity's share at acquisition	440,226	497,311
Adjustment posted in following period	-	40,689
<b>Consolidated entity's share at reporting date</b>	<b>440,226</b>	<b>538,000</b>



## 18. 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 and joint ventures are accounted for in the Group's financial statements using the equity method of accounting, after initially being recognised at cost.

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

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

## 19. 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 4 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% per annum. The lease allows for subletting of all lease areas.

### Future minimum lease payments

As at 30 June 2017, the future minimum lease payments under non-cancellable leases were payable as set out in the following table.

<i>In dollars</i>	<b>2017</b>	<b>2016</b>
Less than one year	112,165	159,137
Between one and five years	-	107,496
More than five years	-	-
<b>Total future minimum lease payments</b>	<b>112,165</b>	<b>266,633</b>

## 20. CONTINGENCIES

The Group has no contingent liabilities or assets as at the reporting date (2016: None).

**IQNOVATE LTD AND CONTROLLED ENTITIES**  
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**21. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES**

<i>In dollars</i>	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Loss for the period	(10,199,188)	(7,394,351)
Adjustments for:		
Depreciation	151,095	92,668
Share based payments	-	117,840
Interest on convertible notes	985,317	536,374
Share of loss from associated companies	115,919	-
	<b>(8,946,857)</b>	<b>(6,647,469)</b>
Changes in:		
Trade and other receivables	(33,267)	(979,329)
Prepayments	48,360	-
Trade and other payables	1,913,246	965,040
Income in advance	178,023	(149,579)
Employee benefits	694,334	-
Deferred tax liability	35,718	-
Deferred tax asset	(355,173)	-
	<b>2,481,241</b>	<b>(163,868)</b>
<b>Net cash used in operating activities</b>	<b>(6,465,616)</b>	<b>(6,811,337)</b>

## CORPORATE DIRETORY

**ACN 149 731 644**

### **Directors**

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

Con Tsigounis

Peter Buchanan Simpson

### **Company secretary**

Gerardo Incollingo

### **Chief Executive Officer**

Dr George Syrmalis

### **Registered office**

Level 3, 222 Clarence Street

Sydney, NSW 2000

### **Principal place of business**

Level 3, 222 Clarence Street

Sydney, NSW 2000

### **Share register**

Boardroom Pty Limited

Level 12, 225 George Street

Sydney NSW 2000

### **Stock exchange listings**

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

### **Website address**

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