



**Annual Report
To Shareholders
30th June 2012**

IQNovate Ltd ACN149 731 644

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Chairman's Report

Looking at Iqnovate Limited's first year of operations the noteworthy milestones of the year include:

- a. The successful IPO of the Company which raised \$1,209,600
- b. An equally successful private placement at 88 cents raising a further \$659,463
- c. IQN's share of voice within its client base

All of the above adding value to the shareholders and meeting expectations. Further I recently reviewed our initial business plan and came across four fundamental questions I had put to myself and others when setting up Iqnovate Limited.

A) INVESTORS

Would people invest in a startup company that will be creating a new market with new services?

B) CUSTOMERS

Will the customers understand our value proposition?

Iqnovate was conceived on the premise of insight based business development, where our business development team would lead the process with informed disruptive ideas that will make customers aware of their unknown needs.

C) OUR EMPLOYEES- The IQNovators

Will the right people come and work with us?

- Individuals who can see a path through the unknown.
- Individuals that draw insight from ambiguity?
- The people that can convert the energy of disagreement into a productive solution?
- The individuals that have a highly developed sense of observation, judgment, and decisiveness that characterize pathfinders.

D) MEASURABLE PERFORMANCE

Establishing metrics before creating revenue?

As a startup with a forecasted cash burn what KPI's can we establish in order to objectively know that we are converting a good idea into measurable performance?

Chairman's Report (continued)

If we now consider how we have done against each one of these questions one will realize that

- a) At current prices, the value of investment made by IPO shareholders has increased by 595% and 135% for the private placement investors.
- b) Our customers are now aware of our company and as we execute on our business development plan they realize the value our service offerings brings to their business, hence building our offering in to their company's future budget forecasts that will allow them to work with us. We engage customers much earlier, well before customers understand their own needs –thus formulating the RFP well ahead of time. We lead the Business development process with insights pushing the customer out of their comfort zone as opposed to selling a solution to a well identified problem.
- c) Whether as employees or as contractors IQN has acquired a pool of talent that ranges from corporate affairs to project management and business development. The Iqnovate unique business model and the challenges it presents has managed to attract the crème de la crème of people.
- d) Revenue and profitability usually represent success metrics in the corporate world. However in startups when creating a new service-in essence inventing a new industry-revenue may not be expected immediately, hence one cannot measure the company performance. However metrics have to be established in order to bench mark and validate our tactics and everyday operations, that way we know we are on the right course. This year the IQN metrics were about share of voice in the biopharma industry, and IQN has exceeded every expectation by building bridges with the industry organizations in Australia and globally positioning ourselves in such a way to enable us to capitalize in the multibillion dollar pipelines to come.

Sincerely I believe that we have positioned ourselves so strategically within the Biopharma sector that we are leading innovation and that our presence will be paramount to the drugs that will be developed in the next 20 years to come. Moving forward IQN will strategically be positioning its business in such a way as to be creating value for its shareholders and clients.



George Syrmalis

Chairman/Chief Executive Officer (Executive)
MD, PhD, FACNP, MAAPP

Director's Report

For the Year Ended 30 June 2012

Your directors present their report on the Company for the financial period ended 30 June 2012.

Principal Activities and Significant Changes in Nature of Activities

The principal activities of Iqnovate Limited (*formerly Iqnovate Pty Ltd*) during the financial period were to provide global contract scientific services to the Biopharmaceutical industry.

No significant change in the nature of these activities occurred during the financial period.

Operating Results and Review of Operations for the Year

Operating Results

The final operating result for the year was a loss of \$675,459, an increase from the previous year loss of \$143,913. This result was largely due to expenditure attributable to IPO related and listing expenditure and employee benefit expense.

Financial Position

The net assets of the Company increased by \$995,298 from 30 June 2011 to \$1,205,233 in 2012. This increase is largely due to:

- Proceeds from share issues raising \$1,869,063;
- Payment of issuance cost and IPO and listing related expenditures of \$753,182; and
- Payment to employee and supplier of \$688,795

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the Company occurred during the financial period:

On 8 June 2011 a special resolution which was passed to change the company type from that of a proprietary company to that of a company limited by shares. On 9 September 2011 the company type change was formally recognised by ASIC and the Company was formally named Iqnovate Limited.

On 15 December 2011 the Company's securities were officially quoted on the National Stock Exchange of Australia ("NSX").

An announcement was made by the Company on 30 March 2012 of its intention to move to the Australian Stock Exchange ("ASX"). The application for listing was submitted on 29 June 2012 and is currently being reviewed by the ASX.

Dividends Paid or Recommended

No dividends were paid or declared since the start of the financial period. No recommendation for payment of dividends has been made.

Director's Report

For the Year Ended 30 June 2012

Events after the Reporting Period

Except for the above, no other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Future Developments, Prospects and Business Strategies

Likely developments, future prospects and business strategies of the operations of the Company and the expected results of those operations have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Company.

Environmental Issues

The company is not subject to any significant environment regulation.

Corporate Governance

(a) Compensation Arrangements and Remuneration Committee

The maximum aggregate amount payable to non-executive Directors' fees has been set at \$70,000 per annum. Notwithstanding that the shareholders in general meeting have approved a maximum aggregate amount payable to non-executive Directors at \$70,000 the directors have set the remuneration for the financial year ended 30 June 2012 at \$70,000. The Constitution provides that Director's fees can only change pursuant to a resolution at a general meeting.

The Company has established a Remuneration Committee comprising two non-executive Directors with the objective of maintaining and reviewing the Company's remuneration policies and practices and reporting to the Board on such matters.

The Board is responsible for reviewing and negotiating the compensation arrangements of senior executives and consultants.

(b) Audit and Risk Management Committee

The Board presently has an Audit and Risk Management Committee comprising of one Executive and two non-executive Directors. The Company has adopted an Audit and Risk Management Charter setting out the composition, purpose, powers and scope of the audit and risk management committee as well as reporting requirements to the Board as a whole.

(c) Internal Management Controls

The Company's main assets are located in Australia. Control over the operations is exercised by the board and senior management.

The Board also monitors the performance of outside consultants engaged from time to time to complete specific projects and tasks.

Director's Report

For the Year Ended 30 June 2012

Corporate Governance (*continued*)

(d) Identifying Significant Business Risks

The Board regularly monitors the operational and financial performance of the Company's activities. In conjunction with the Audit and Risk Management Committee, it monitors and receives advice on areas of operation and financial risk and considers strategies for appropriate risk management. All operational and financial strategies adopted are aimed at improving the value of the Company's shares; however, the Directors recognise that Biopharmaceutical business is inherently risky.

(e) NSX Corporate Governance Guidelines

The information below outlines the main corporate governance policies of the Company which the directors adopted by formal resolution on 4 August 2011.

Before referring to the specific principles and the steps being taken by the Company to comply with those, the following factors should be noted:

- The principal focus of the endeavours of the directors (while operating within a sound base for corporate governance) must necessarily be promotion of the Company's activities and improving shareholder value;
- The Company is committed to adopting corporate governance policies commensurate with its business activities and has adopted a formal Corporate Governance Charter, setting out the roles and responsibilities of the independent committees described above.

It is within the above context that the directors are establishing the appropriate processes to ensure that they are compliant with a number of NSX Guidelines on listing. In the context of those Guidelines, the Directors make the following observations in relation to the Company's corporate governance status:

NSX Guidelines	Summary of Iqnovate Limited (formerly Iqnovate Pty Ltd) Position
Principle One – Lay solid foundations for management and oversight	The Company has two Executive Directors and each subject to contracts regulating their roles with the Company, and who report to the board.
Principle Two – Structure Board to Add Value	The Company has two independent Directors and a Board with extensive public company experience.
Principle Three – Promote Ethical and Responsible Decision Making	The Company has adopted both: <ul style="list-style-type: none"> - a Corporate Governance Charter and Board Charter – regulating the duties of directors and their deals with the Company (and shares) both internally and externally, and - a Corporate Code of Conduct – regulating the Company's external dealings and dealings with Shareholders
Principle Four – Safeguard Integrity in Financial Reporting	The Company has established a separately constituted Audit and Risk Management Committee, The Committee comprises of one executive and two non-executive Directors.
Principle Five – Make Timely and Balanced Disclosure	The Company has defined, under its Corporate Ethics Policy, an internal protocol for the reporting material information to Shareholders and NSX.

Director's Report

For the Year Ended 30 June 2012

Corporate Governance (*continued*)

(e) NSX Corporate Governance Guidelines (*continued*)

Principle Six – Respect the Rights of Shareholders	The Company is committed to all Shareholders and stakeholders having equal and timely access to material information regarding the operations and results of the Company. The Company will make regular NSX announcements and make this available on its website.
Principle Seven – Recognise and Manage Risk	The Audit & Risk Management Committee has under its Charter responsibility for overseeing the Company's risk management and internal control framework and implementation of the processes to undertake and assess risk management and internal control compliance.
Principle Eight – Encourage Enhanced Performance	The Company does not currently have a formally constituted Nominations Committee The Company Secretary, Mr Spiro Sakiris, plays an integral role in monitoring the conduct of activities of the Board, as well as the dispatch of material to Board members.
Principle Nine – Remunerate Fairly and Responsibly	A Remuneration Committee has been established which is charged with making recommendations as to all aspects of executive and non-executive director and management and committee remuneration packages. The Committee comprises two non-executive directors.
Principle Ten – Recognise the Legitimate Interests of Stakeholders	The Company's Corporate Ethics Policy and Corporate Code of Conduct sets out the behaviour required of Directors, employees and contractors as appropriate and including the observance of legal and other compliance obligations that relate to the Company's activities from time to time.

Directors

The names of the directors in office at any time during, or since the end of, the period are:

Names

Position

Mr George Syrmalis MD, PhD, FACNP, MAAPP	Chief Executive Officer
Mr Anthony Tsigounis (resigned on 11 July 2011)	Executive Director
Mr Con Tsigounis	Executive Director
Mr William Economos FCA	Non-executive Director
Mr Peter Simpson Mpharm	Non-executive Director

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Director's Report

For the Year Ended 30 June 2012

Directors (*continued*)

Information on Directors

George Symmalis	Chief Executive Officer (Executive)
Qualifications	MD, PhD, FACNP, MAAPP Trained in Nuclear Medicine-radiation immunology
Experience	Board member since 2011. Consultant to UCB Biopharma SA, a patient-centric global biopharmaceutical company that employs more than 8 000 people dedicated to the research, development and commercialisation of innovative medicines and patient solutions. UCB Biopharma SA is listed on Euronext Brussels; Consultant to Innogenetics – Solvay SA, a company that provides innovative healthcare and diagnostic solutions in Infectious Diseases, Oncology, and Neurology internationally. Innogenetics – Solvay SA has operations in Europe, North America and South America and is a member of EDMA (European Diagnostic Manufacturers Association), the trade association that represents the In Vitro Diagnostic (IVD) industry active in Europe; and Head of medical affairs in an oncology drug development program at Aventis SA, a company with worldwide presence that provides a range of essential healthcare products and services, including a broad-based medicine portfolio. Aventis SA merged with Sanofi-Synthelabo in 2004 and is now known as Sanofi SA.
Interest in shares and Options	12,256,250 ordinary shares in Iqnovate Limited
Special Responsibilities	Responsibilities include managing the Company's operations and delivering long-term shareholder value.
Directorships held in other listed entities during the three years prior to current year	None

Con Tsigounis	Director (Executive)
Qualifications	N/A
Experience	Board member since 2011. Mr Tsigounis has over 25 years' experience in business development and company start-ups, investing and developing companies in the wholesale and retail sectors. He also has extensive experience in the provision of real estate services and development.
Interest in shares and Options	12,256,250 ordinary shares in Iqnovate Limited.

Director's Report
For the Year Ended 30 June 2012
Directors (continued)
Information on Directors (continued)
Con Tsigounis (continued)

Special Responsibilities	Responsibilities include overlooking the Company's business development strategy.
Directorships held in other listed entities during the three years prior to current year	None

William Economos	Director (Non-executive)
Qualifications	Member of the Institute of Chartered Accountants since February 1973
Experience	Board member since 2011. Mr Economos has over 30 years' experience in business development and accounting. He is the founder of Economos Chartered Accountants, where under his stewardship the firm had expanded into financial services including financial planning and debt funding. William has extensive experience in advising on taxation, compliance, financial and business planning issues to companies in the retail, wholesale, IT and financial services sectors.
Interest in shares and Options.	70,000 ordinary shares in Iqnovate Limited and options to acquire 100,000 ordinary shares.
Special Responsibilities	Mr Economos is a member of Audit and Risk Management Committee.
Directorships held in other listed entities during the three years prior to current year	None

Peter Simpson	Director (Non-executive)
Qualifications	M Pharm
Experience	Board member since 2011. Mr Simpson has extensive experience in the pharmaceutical industry and has been involved in the development of pharmaceutical products for both the Australian and international markets. For 8 (eight) years he was the Research and Development Manager at David Bull Laboratories and oversaw the development and approval of over 80 products in the Australian, UK and US markets.
Interest in shares and Options	None
Special Responsibilities	Mr Simpson is a member of Audit and Risk Management Committee
Directorships held in other listed entities during the three years prior to current year	None

Director's Report

For the Year Ended 30 June 2012

Company Secretary

The following person held the position of company secretary at the end of the financial year: Mr Spiro Sakiris - Bachelor of Business, Dip Law, and Chartered Accountant. Mr Sakiris was appointed as the company secretary on 01 August 2011 and has been a partner at Economos Chartered Accountants since 1990.

Meetings of Directors

During the financial year, 10 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Board of Directors' Meetings	
	Eligible to attend	Number attended
Mr George Syrmalis	10	10
Mr Anthony Tsigounis (resigned on 11 July 2011)	-	-
Mr Con Tsigounis	10	10
Mr William Economos	10	10
Mr Peter Simpson	10	8

Remuneration Report

The Constitution of the Company provides that the non-executive Directors are entitled to remuneration as determined by the company in general meeting to be apportioned among them in such manner as the directors agree and, in default of agreement, equally. The aggregate maximum remuneration currently determined by the company is \$70,000 per annum. Notwithstanding this the Directors have set the maximum remuneration for the financial year ended 30 June 2012 at \$70,000.

Directors who also chair the Audit Committee shall be entitled to further director's fee of an additional \$5,000. In addition, non-executive Directors will be entitled to be reimbursed for properly incurred expenses including time costs attending to the business of the company.

At present, the Board of the Company is constituted by two executive Director and two non-executive Directors. The Board has agreed that non-executive Directors shall be paid a total fee of \$35,000 each per annum.

If a non-executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. However, no payment can be made if the effect would be to exceed the maximum aggregate amount payable to non-executive Directors. A non-executive Director is entitled to be paid travelling and other expenses properly incurred by them in attending Director's or general meetings of the company or otherwise in connection with the business of the company.

The remuneration of any executive Director may from time to time be fixed by the Directors. The remuneration may be by way of salary or commission or participation in profits but may not be by commission on, or percentage of, operating revenue.

The Directors are to be remunerated at the initial rates and amounts set out in the table below (exclusive of GST).

Director's Report

For the Year Ended 30 June 2012

Remuneration Report (continued)

Director Officer	Fees \$	Salary/ Consultants Fees \$	Superannuation \$	Other \$	Total \$
Mr George Syrmalis	-	144,000	12,960	-	156,960
Mr Con Tsigounis	-	120,000	10,800	-	130,800
Mr Peter Simpson	32,110	-	2,890	-	35,000
Mr William Economos	32,110	-	2,890	-	35,000

In addition to the above payments, the company provides Directors and Officers Liability insurance. Directors who also chair the Audit Committee are entitled to further director's fee of \$5,000 per annum.

Employment Details of Member of Key Management Personnel (KMP)

The following table provides employment details of persons who were, during the financial year, members of KMP of the company.

Key Management Personnel	Positions Held as at 30 June 2012 and any Change during the Year	Contract Details (Duration and Termination)
Mr George Syrmalis	Chief Executive Officer (Executive)	12 months with an extended term of 12 months from 1 May 2011. 1 month notice required to terminate. Entitled to 1 month salary.
Mr Con Tsigounis	Director (Executive)	12 months with an extended term of 12 months from 1 May 2011. 1 month notice required to terminate. Entitled to 1 month salary.

Remuneration Details for the Year Ended 30 June 2012

The following table of benefits and payments details, in respect to the financial year, the components of remuneration for each member of Key Management Personnel (KMP) of the company.

Key Management Personnel (KMP)	Short-term Benefits		Post-employment Benefits		Long-term Benefits	Total
	Salary, Fees and Leave	Other	Pension and Superannuation	Other	Long Service Leave	
	\$	\$	\$	\$	\$	\$
Mr George Syrmalis	147,333	-	13,260	-	-	160,593
Mr Con Tsigounis	103,333	-	9,300	-	-	112,633
Total KMP	250,666	-	22,560	-	-	273,226

Director's Report

For the Year Ended 30 June 2012

Indemnifying Officers or Auditor

During or since the end of the financial year, the Company has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums.

Options

At the date of this report, the unissued ordinary shares of Iqnovate Limited under options are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
15 December 2011	17 December 2014	\$0.20	402,500
14 June 2011	17 December 2015	\$0.10	4,000,000
			4,402,500

Options holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity.

There have been no unissued shares or interests under option during or since the end of the reporting period.

Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit Services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

There were no fees paid or payable to Fortunity for non-audit services provided during the year ended 30 June 2012.

Director's Report

For the Year Ended 30 June 2012

ASIC Class Order 98/100 Rounding of Amounts

The Company is an entity to which ASIC Class Order 98/100 applied and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest dollars.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 13 of the financial report.

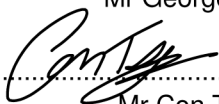
Signed in accordance with a resolution of the Board of Directors:

Director:



Mr George Symalis

Director:



Mr Con Tsigounis

Dated in Sydney, this ~~26~~²⁶ day of September 2012

Iqnovate Limited *(formerly Iqnovate Pty Ltd)*

Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Tim Davidson
Fortunity Assurance
Chartered Accountants

Dated this 26th day of September 2012

Statement of Comprehensive Income
For the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue			
Other income	2	40,418	1,338
Employee benefit expense		(479,406)	(75,440)
Depreciation expense		(8,233)	(773)
IPO related and listing expenditure		(210,204)	(63,400)
Impairment of intangible assets	12	(4,000)	-
Other expenses	3	(323,435)	(38,960)
Loss before income taxes		(984,860)	(177,235)
Income tax expense	4	309,401	33,322
Loss for the year		(675,459)	(143,913)
Loss attributable to Members of the entity		(675,459)	(143,913)
		(675,459)	(143,913)
Loss per share			
From continuing operations:			
Basic loss per share (cents)	7	(2.10)	(0.73)

Statement of Financial Position
As at 30 June 2012

	Note	2012 \$	2011 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	652,221	338,724
Trade and other receivables	10	8,079	10,675
Other assets	13	65,672	7,788
TOTAL CURRENT ASSETS		725,972	357,187
NON-CURRENT ASSETS			
Property, plant and equipment	11	70,055	39,518
Deferred tax assets	17	496,272	33,322
Intangible assets	12	-	4,000
Other assets	13	60,493	7,713
TOTAL NON-CURRENT ASSETS		626,820	84,553
TOTAL ASSETS		1,352,792	441,740
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	145,720	231,805
TOTAL CURRENT LIABILITIES		145,720	231,805
NON-CURRENT LIABILITIES			
Deferred tax liabilities	17	1,839	-
TOTAL NON-CURRENT LIABILITIES		1,839	-
TOTAL LIABILITIES		147,559	231,805
NET ASSETS		1,205,233	209,935
EQUITY			
Issued capital	15	1,999,840	353,848
Reserves	16	24,765	-
Retained earnings		(819,372)	(143,913)
TOTAL EQUITY		1,205,233	209,935

Statement of Changes in Equity
For the Year Ended 30 June 2012

2012	Ordinary Shares	Options Reserve	Retained Earnings	Total
	\$	\$	\$	\$
Balance at 1 July 2011	353,848	-	(143,913)	209,935
Shares issued during the year	1,869,063	-	-	1,869,063
Recognised value of options granted	-	24,765	-	24,765
Loss attributable to members	-	-	(675,459)	(675,459)
Share issue transaction costs	(223,071)	-	-	(223,071)
Balance at 30 June 2012	1,999,840	24,765	(819,372)	1,205,233

2011	Ordinary Shares	Options Reserve	Retained Earnings	Total
	\$	\$	\$	\$
Shares issued during the year	502,598	-	-	502,598
Loss attributable to members	-	-	(143,913)	(143,913)
Share issue transaction costs	(148,750)	-	-	(148,750)
Balance at 30 June 2011	353,848	-	(143,913)	209,935

Statement of Cash Flows
For the Year Ended 30 June 2012

	2012	2011
Note	\$	\$
Cash from operating activities:		
Payments to suppliers and employees	(1,076,546)	(107,384)
Net cash provided by (used in) operating activities	20(a) (1,076,546)	(107,384)
Cash flows from investing activities:		
Payment of plant, property and equipment	(38,771)	(44,291)
Payment of other non-current assets	(39,395)	-
Payment of financial assets	(51,175)	-
Net cash provided by (used in) investing activities	(129,341)	(44,291)
Cash flows from financing activities:		
Proceeds from issue of shares	1,519,384	490,399
Net cash provided by (used in) financing activities	1,519,384	490,399
Other activities:		
Net increase (decreases) in cash held	313,497	338,724
Cash at the beginning of the financial year	338,724	-
Cash at end of financial year	9 652,221	338,724

Notes to the Financial Statements

For the Year Ended 30 June 2012

This financial report covers Iqnovate Limited (formerly Iqnovate Pty Ltd) as an individual entity. Iqnovate Limited (formerly Iqnovate Pty Ltd) is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 26th September 2012 by the directors of the Company

NOTE 1: Summary of Significant Accounting Policies

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (Australian Accounting Interpretations) and the *Corporations Act 2001*. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

Except for cash flow information, the financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Comparative Figures

The comparative figures for the financial statements and related notes are for the period from 8 March 2011, being the registration date to 30 June 2011. The results for the financial period are therefore not directly comparable with the results for the year ended 30 June 2012.

(b) Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Notes to the Financial Statements

For the Year Ended 30 June 2012

NOTE 1: Summary of Significant Accounting Policies (*continued*)

(b) Income Tax (*continued*)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis less depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The estimated useful lives used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	10% - 20%
Furniture, Fixtures and Fittings	6.67% - 10%
Computer Equipment	20% - 33.33%
Computer Software	25%

Notes to the Financial Statements**For the Year Ended 30 June 2012****NOTE 1: Summary of Significant Accounting Policies (*continued*)****(c) Property, Plant and Equipment (*continued*)**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Financial Instruments**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the company commits itself to either purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- the amount in which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

Notes to the Financial Statements**For the Year Ended 30 June 2012****NOTE 1: Summary of Significant Accounting Policies (*continued*)****(d) Financial Instruments (*continued*)**

The company does not designate any interest as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the company gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discount cash flow approach. The probability has been based on:

Notes to the Financial Statements**For the Year Ended 30 June 2012****NOTE 1: Summary of Significant Accounting Policies (continued)****(d) Financial Instruments (continued)****Financial guarantees (continued)**

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

(e) Impairment of Assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. During the year, the company has assessed that there is no future economic benefits are expected from its use.

(g) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits. These cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Notes to the Financial Statements**For the Year Ended 30 June 2012****NOTE 1: Summary of Significant Accounting Policies (continued)****(h) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held-at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(i) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(j) Revenue and Other Income

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

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Investment property revenue is recognised on a straight-line basis over a period of lease term so as to reflect a constant periodic rate of return on the net investment.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

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

(k) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Notes to the Financial Statements**For the Year Ended 30 June 2012****NOTE 1: Summary of Significant Accounting Policies (continued)****(l) Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of reporting the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(n) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the company.

The directors believe that the full amount of receivable is recoverable and accordingly no provision for impairment was made for the period ended 30 June 2012.

(o) New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods and which the company has not adopted early. A discussion of those future requirements and their impact on the company is as follows:

- AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

- AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The company does not have any defined benefit plans and so is not impacted by the amendment.

Notes to the Financial Statements
For the Year Ended 30 June 2012
NOTE 1: Summary of Significant Accounting Policies (continued)
(0) New Accounting Standards for Application in Future Periods (continued)

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

- (i) for an offer that may be withdrawn – when the employee accepts;
- (ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employee; and
- (iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The company does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the company's financial statements.

NOTE 2: Revenue and Other Income

Revenue from continuing operations

	2012 \$	2011 \$
Provision of services	28,000	-
Interest revenue	12,418	1,338
	40,418	1,338

NOTE 3: Profit for the Year

Profit before income tax includes the following specific expenses:

	2012 \$	2011 \$
Contributions to employee superannuation plans	36,604	5,760

Other expenses

Rental expense on operating leases		
Minimum lease payments	69,068	9,250
Bank charges	2,151	312
Auditor remuneration	6,200	1,500
Professional Fees	45,528	2,494
Marketing and promotion expenses	67,856	116
Utilities expenses	20,267	2,881
Repair and maintenance expenses	2,447	500
Registration and filing fees	6,685	745
Dues and subscriptions	29,756	2,045
Printing, postage and stationary	17,625	-
Other	55,852	19,117
Total other expenses	323,435	38,960

Notes to the Financial Statements
For the Year Ended 30 June 2012
NOTE 4: Income tax expense
(a) The components of tax expense comprise:

	2012	2011
	\$	\$
Deferred tax	4(b) (289,735)	(33,322)
Over-provision in respect of prior years	(19,666)	-
	<u>(309,401)</u>	<u>(33,322)</u>

(b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:

	2012	2011
	\$	\$
Prima facie tax benefit on loss from ordinary activities before income tax at 30%	(295,458)	(53,170)
Add:		
Tax effect of:		
- non-deductible depreciation and amortisation	-	232
- other non-allowable items	3,866	183
- IPO related expenditure	1,857	19,019
- Provision for annual leave	-	1,617
	<u>(289,735)</u>	<u>(32,119)</u>
Less:		
Tax effect of:		
- Tax depreciation	-	302
- Division 40 blackhole expenditure	-	901
Income tax attributable to entity	<u>(289,735)</u>	<u>(33,322)</u>

The applicable weighted average effective tax rates are as follows: **(29)%** (19)%

The weighted average effective tax rate for 2012 is a result of initial costs incurred on start-up which are expected to be recouped in subsequent financial years.

NOTE 5: Key Management Personnel Compensation

Refer to remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the company's key management personnel (KMP) for the year ended 30 June 2012.

The totals of remuneration paid to key management personnel of the company during the year are as follow:

Notes to the Financial Statements
For the Year Ended 30 June 2012
NOTE 5: Key Management Personnel Compensation (continued)

	2012	2011
	\$	\$
Short-term employee benefits	250,666	69,760
Post-employment benefits	22,560	-
Other long-term benefits	-	-
	273,226	69,760

Key Management Personnel Shareholdings

The number of ordinary shares in Iqnovate Limited held by each key management person of Iqnovate Limited during the financial period is as follows:

	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
Mr George Syrmalis	12,256,250	-	-	-	12,256,250
Mr Con Tsigounis	12,256,250	-	-	-	12,256,250
	24,512,500	-	-	-	24,512,500

Other Key Management Personnel Compensation Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

NOTE 6: Auditors' Remuneration

	2012	2011
	\$	\$
Remuneration of the auditor of the company for:		
- auditing the financial report	6,200	1,500

NOTE 7: Earnings per Share

(a) Basic and diluted earnings per share		
	2012	2011
	Cents	Cents
Basic and diluted earnings per share	(2.10)	(0.73)
(b) Reconciliation of earnings per share		
	2012	2011
	\$	\$
Profit / (Loss) for the year	(675,459)	(143,913)
(c) Weighted average number of shares used as a denominator		
Weighted average number of shares	32,177,568	19,812,501

Notes to the Financial Statements
For the Year Ended 30 June 2012
NOTE 8: Dividends

No dividends were paid or declared since the start of the financial period. No recommendation for payment of dividends has been made

NOTE 9: Cash and Cash Equivalents

	2012	2011
	\$	\$
Cash on hand	52	-
Cash at bank	652,169	338,724
	652,221	338,724

Reconciliation of cash

	2012	2011
	\$	\$
Cash at the end of the financial period as shown in the cash flow statement is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	652,221	338,724
	652,221	338,724

NOTE 10: Trade and other receivables

	2012	2011
	\$	\$
CURRENT		
GST receivable	8,079	9,070
Other receivables	-	1,605
Total current trade and other receivables	8,079	10,675

(a) Credit risk - Trade and Other Receivables

	Gross amount	Past due and impaired	< 30	31-60	61-90	> 90	Within initial trade terms
	\$	\$	\$	\$	\$	\$	\$
2012							
GST receivable	8,079	-	8,079	-	-	-	-
Total	8,079	-	8,079	-	-	-	-
2011							
GST receivable	9,070	-	9,070	-	-	-	-
Other receivable	1,605	-	-	-	1,605	-	-
Total	10,675	-	9,070	-	1,605	-	-

The company does not have any material credit risk exposure to any single receivable or group receivable.

The balances of receivable that remain within the initial trade terms (or detailed in the table above) are considered high credit quality

Notes to the Financial Statements
For the Year Ended 30 June 2012
NOTE 11: Property, Plant and Equipment

	2012 \$	2011 \$
Plant and equipment - at cost	24,622	20,603
Accumulated depreciation	(2,598)	(459)
	22,024	20,144
Furniture, fixture and fittings - at cost	34,049	16,746
Accumulated depreciation	(2,224)	(251)
	31,825	16,495
Computer equipment - at cost	14,845	-
Accumulated depreciation	(3,127)	-
	11,718	-
Computer software - at cost	5,545	2,942
Accumulated depreciation	(1,057)	(63)
	4,488	2,879
Total property, plant and equipment	70,055	39,518

(a) Movements in Carrying Amounts

Movement in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year:

2012	Plant and Equipment \$	Furniture, Fixtures and Fittings \$	Computer Equipment \$	Computer Software \$	Total \$
Carrying amount as at 1 July 2011	20,144	16,495	-	2,879	39,518
Additions	4,019	17,303	14,845	2,603	38,770
Depreciation expense	(2,139)	(1,973)	(3,127)	(994)	(8,233)
Carrying amount as at 30 June 2012	22,024	31,825	11,718	4,488	70,055

Notes to the Financial Statements
For the Year Ended 30 June 2012
NOTE 11: Property, Plant and Equipment (continued)
(a) Movements in Carrying Amounts (continued)

2011	Plant and Equipment \$	Furniture, Fixtures and Fittings \$	Computer Equipment \$	Computer Software \$	Total \$
Carrying amount as at 8 March 2011	-	-	-	-	-
Additions	20,603	16,746	-	2,942	40,291
Depreciation expense	(459)	(251)	-	(63)	(773)
Carrying amount as at 30 June 2011	20,144	16,495	-	2,879	39,518

NOTE 12: Intangible Assets

	2012 \$	2011 \$
Patents, trademarks and other rights- cost	4,000	4,000
Accumulated impairment losses	(4,000)	-
Net carrying value	-	4,000
Total Intangibles	-	4,000

	Patents, trademarks and other rights \$	Total \$
2011		
Balance at 8 March 2011	-	-
Additions	4,000	4,000
Impairment losses	-	-
Closing value at 30 June 2011	4,000	4,000
2012		
Balance as at 1 July 2011	4,000	4,000
Additions	-	-
Impairment losses	(4,000)	(4,000)
Closing value at 30 June 2012	-	-

During the year, the company has assessed that there is no future economic benefits are expected from the use of trademarks.

Notes to the Financial Statements
For the Year Ended 30 June 2012
NOTE 13: Other Assets

	2012	2011
	\$	\$
CURRENT		
Prepayments	65,672	7,788
	65,672	7,788
NON-CURRENT		
Rental deposit	58,763	6,783
Electricity deposit	1,730	930
	60,493	7,713

NOTE 14: Trade and other payables

	2012	2011
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	52,838	995
Accrued employee entitlements	26,029	5,390
Sundry payables and accrued expenses	66,853	225,420
	145,720	231,805

(a) Financial liabilities at amortised cost classified as trade and other payables

	Note	2012	2011
		\$	\$
Trade and other payables			
- Total Current		145,720	231,805
Less:			
Accrued employee entitlements		(26,029)	(5,390)
Financial liabilities as trade and other payables	23	119,691	226,415

NOTE 15: Issued Capital

	2012	2011
	\$	\$
35,547,390 (2011: 28,750,000)		
Fully paid ordinary shares	2,371,661	502,598
Share issue costs written off against issued capital	(371,821)	(148,750)
	1,999,840	353,848

Notes to the Financial Statements
For the Year Ended 30 June 2012
NOTE 15: Issued Capital (continued)
(a) Ordinary Shares

	2012	2011
	No.	No.
At the beginning of reporting period	28,750,000	-
Shares issued during the year		
- 30 June 2011	-	28,750,000
- 12 December 2011	6,048,000	-
- 24 April 2012	640,072	-
- 1 May 2012	109,318	-
At the end of the reporting date	35,547,390	28,750,000

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

The shareholders who participated in the small scale offering who were allotted shares on 14 June 2011 were granted a total of 4,000,000 options as part of the capital raising. These options are exercisable at \$0.10 each at any time within 24 and 36 months of the date of listing of Iqnovate Limited on the National Stock Exchange.

There can be no guarantee that all or any of the pre-IPO shareholders will exercise the options held by them.

NOTE 16: Reserves
(a) Options Reserve

The option reserve records the value of options granted to Econ Legal Pty Ltd recognised in the financial statements based on the Black Scholes model.

Notes to the Financial Statements
For the Year Ended 30 June 2012
NOTE 17: Tax
NON-CURRENT

Deferred tax assets	Opening Balance \$	Charged to Income \$	Charged to Equity \$	Closing Balance \$
Provisions	-	-	-	-
Benefits attributable to tax losses	-	33,322	-	33,322
Transaction costs on equity	-	-	-	-
Other	-	-	-	-
Balance 30 June 2011	-	33,322	-	33,322
Provisions	-	7,809	-	7,809
Benefits attributable to tax losses	33,322	266,468	-	299,790
Transaction costs on equity	-	32,936	151,710	184,646
Other	-	4,027	-	4,027
Balance 30 June 2012	33,322	311,240	151,710	496,272

Deferred tax liability	Opening Balance \$	Charged to Income \$	Charged to Equity \$	Closing Balance \$
Property, Plant & Equipment	-	-	-	-
Balance 30 June 2011	-	-	-	-
Property, Plant & Equipment	-	1,839	-	1,839
Balance 30 June 2012	-	1,839	-	1,839

NOTE 18: Capital and Leasing Commitments
(a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

	2012 \$	2011 \$
Payable - minimum lease payments:		
- not later than 12 months	174,760	40,696
- between 12 months and 5 years	234,225	71,225
	408,985	111,921

The property lease is a non-cancellable lease with a three year term, with rent payable monthly in advance. An option exists to renew the lease at the end of the three year term for an additional term of three years.

Notes to the Financial Statements
For the Year Ended 30 June 2012
NOTE 19: Contingent Liabilities and Contingent Assets

The Company has no contingent liabilities and contingent assets as at reporting date.

NOTE 20: Cash Flow Information

Reconciliation of Cash Flow from Operations with Loss after Income Tax

	2012 \$	2011 \$
Net loss for the period	(675,459)	(143,913)
Non-cash flows in profit		
- Depreciation & amortisation	12,233	773
- Recognition of option value	6,191	-
Changes in assets and liabilities		
- (Increase)/decrease in prepayments	(18,487)	(7,788)
- (Increase)/decrease in deferred tax receivable	(461,111)	(33,322)
- (Increase)/decrease in other assets	-	(7,713)
- Increase/(decrease) in trade payables and accruals	38,457	88,259
- Increase/(decrease) in provisions	991	(9,070)
- Increase/(decrease) in employee benefits	20,639	5,390
Cash flow from operations	(1,076,546)	(107,384)

NOTE 21: Events After the Reporting Date

No matters or circumstances have arisen since the end of the financial period which have significantly affected or may significantly affect the operation of the company, results of those operations, or the state of affairs of the company in the future financial years.

NOTE 22: Related Party Transactions
(a) The Company's main related parties are as follows:
i) Key management personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including and director) whether executive or otherwise) of that entity, are considered key management personnel.

ii) Entities subject to significant influence by the Company:

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

Notes to the Financial Statements

For the Year Ended 30 June 2012

NOTE 22: Related Party Transactions (*continued*)

(b) Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

Beneficial Holdings

The direct, indirect and beneficial holding of directors and their director-related entities in the share and share options of the company as at 30 June 2012 was:

Shares: 24,512,500 Ordinary shares

Other related parties

	2012	2011
	\$	\$
Purchase of goods and services:		
Provision of shares services to IQX Limited, a director-related entity beneficially partially held by Mr George Symmalis.	20,000	-
Provision of technical services to IQX Limited, a director-related entity beneficially partially held by Mr George Symmalis.	8,000	-

Notes to the Financial Statements

For the Year Ended 30 June 2012

NOTE 23: Financial Risk Management

The company's financial instruments consist of deposits with banks, accounts receivable and payable and operating leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2012 \$	2011 \$
Financial Assets			
Cash and cash equivalents	9	652,221	338,724
Trade and other receivables	10	8,079	10,675
		<u>660,300</u>	<u>349,399</u>
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	14(a)	119,691	226,415
		<u>119,691</u>	<u>226,415</u>

Financial Risk Management Policies

The directors overall risk management strategy is to assist the company in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies which include reviewing the credit risk policies and future cash flows are reviewed and approved by the board.

Specific Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

(a) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The company is also exposed to earnings volatility on floating rate instruments.

Credit risk is managed through maintaining procedures ensuring that counterparties to transactions are of sound credit worthiness and the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of counterparties.

- Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating.

Notes to the Financial Statements

For the Year Ended 30 June 2012

NOTE 23: Financial Risk Management (continued)

(a) Interest rate risk (continued)

Sensitivity Analysis

- The following table illustrates sensitivities to the company's exposures to changes in cash balances. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonable possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit	Equity
	\$	\$
Period ended 30 June 2012		
+/- 2% in interest rates	13,044	13,044
Year Ended 30 June 2011		
+/- 2% in interest rates	6,744	6,744

(b) Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financial activities
- obtaining funding from a variety of sources
- maintaining a reputable credit risk profile
- managing credit risk related to financial assets
- investing only in surplus cash with major financial institutions comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The company does not have any borrowings should mature in any 12-month period.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Notes to the Financial Statements
For the Year Ended 30 June 2012
NOTE 23: Financial Risk Management (continued)
(b) Liquidity risk (continued)
Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total Contractual Cash Flow	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Trade and other payables (excluding estimated annual leave)	119,691	226,415	-	-	-	-	119,691	226,415
Total expected outflows	119,691	226,415	-	-	-	-	119,691	226,415
Financial assets - cash flows realisable								
Cash and cash equivalents	652,221	338,724	-	-	-	-	652,221	338,724
Trade, term and loans receivables	8,079	-	-	10,675	60,493	7,713	68,572	18,388
Total anticipated inflows	660,300	338,724	-	10,675	60,493	7,713	720,793	357,112
Net (outflow)/inflow on financial instruments	540,609	112,309	-	10,675	60,493	7,713	601,102	130,697

Net Fair Values
Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices.

Nil differences between fair values and carrying values of financial instruments with fixed interest rates exist.

Notes to the Financial Statements
For the Year Ended 30 June 2012
NOTE 23: Financial Risk Management (continued)
Net Fair Values (continued)

		2012		2011	
		Net Carrying Value	Net Fair value	Net Carrying Value	Net Fair value
Note		\$	\$	\$	\$
Financial Assets					
Cash and cash equivalents	(i)	652,221	652,221	338,724	338,724
Trade and other receivables	(i)	8,079	8,079	10,675	10,675
Total financial assets		660,300	660,300	349,399	349,399
Financial Liabilities					
Trade and other payables	(i)	119,691	119,691	226,415	226,415
Total financial liabilities		119,691	119,691	226,415	226,415

The fair values disclosed in the above table have been determined based on the following methodologies:

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts relating to the provision of annual leave, which is not considered a financial instrument.

NOTE: 24 Company Details
(a) Registered office

The registered office of the company is:
 Iqnovate Limited *(formerly Iqnovate Pty Ltd)*
 C/- Economos Pty Ltd
 The Galleries Victoria Podium, Level 1
 500 George Street
 Sydney, NSW 2000

(b) Principal place of business

The principal place of business is:
 Iqnovate Limited *(formerly Iqnovate Pty Ltd)*
 Level 3
 222 Clarence Street
 Sydney, NSW 2000

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 14 to 39, present fairly the Company's financial position as at 30 June 2012 and its performance for the year ended on that date in accordance with Australian Accounting Standards (including Australian Accounting Interpretations); and
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director
Mr George Symalis

Director
Mr Con Tsigounis

Dated in Sydney, this 26th day of September 2012

Iqnovate Limited *(formerly Iqnovate Pty Ltd)*

Independent Audit Report to the members of Iqnovate Limited *(formerly Iqnovate Pty Ltd)*

Report on the Financial Report

We have audited the accompanying financial report of Iqnovate Limited *(formerly Iqnovate Pty Ltd)*, which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended that date a summary of significant accounting policies, other explanatory notes and the directors' declaration.

The Responsibility of the Directors for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the company's constitution. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional ethical pronouncements.

Auditor's Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of Iqnovate Limited (formerly Iqnovate Pty Ltd) as of 30 June 2012 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)

Fortunity Assurance


Tim Davidson

Dated this 26th day of September 2012

Additional Information Required to be Disclosed As Per Clause 6.9 of NSXA Listing Rules – 1st April 2011

1) Principle Activities – refer Directors’ Report

2) There are no subsidiaries / child entities

3) (i) Directors Interests – refer Directors Report

(ii) Any rights to subscribe to debt or equity instruments by any of the directors are disclosed in the directors report

The company secretary has beneficial ownership in 180,000 shares and options to acquire 182,000 ordinary shares

4) There have been no forecasts made during the year

5) There are no unexpired service contracts, the executive directors continue their employment under their original contracts of employment.

6) Refer Note 22 in relation to contracts with directors , child entities or controlling shareholders interests.

7) There are no arrangements where the directors have waived or agreed to waive emoluments

8) There are no arrangements where a shareholders has waived or agreed to waive any emoluments

9) Historical Summary Table

Item	2012
Profit / (loss)	(\$675,459)
Assets	\$1,352,792
Liabilities	\$147,559

11) There are no comparative years to discuss trends

12) The top 10 shareholders extracted from the members register

Con Tsigounis Pty Ltd	12,256,250
George Syrmalis Pty Ltd	12,256,250
Anthony Tsigounis Pty Ltd	1,437,500
To The Stars Pty Ltd	425,000
Kroner International Inc	225,000
Mobery Pty Ltd	175,000
Persefone Abdallah	150,000
Narong Van	150,000
A M & A M Nominees Pty Ltd	150,000
A M & A M Nominees Pty Ltd	150,000



Annual Report To Shareholders

30th June 2012

IQNovate Ltd ACN149 731 644