

2016 Annual Report

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

IQX Limited ACN 155 518 380

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For the Year Ended 30 June 2016

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Chairman and CEO Report

On behalf of the board of directors, we are pleased to present the operational and financial review for iQX Limited for the financial year ended 30 June 2016.

The iQX team has successfully continued to translate the Company's strategy, into tangible deliverables:

- Through our investment vehicle Life Science Biosensor Diagnostics Pty Ltd, we have invested in the Intellectual Property developed in the University of Newcastle and Newcastle Innovation Ltd, to a novel Glucose Biosensor.
- We participated in an equity stake as a part of a consortium that has acquired and will be commercialising a novel and first in class biologic compound, biomarker and gene therapy development program. This novel biologic compound and its Biomarker are being developed for multiple oncology indications. Primarily the development plan is focused on breast cancer, melanoma and prostate cancer.
- Continuing to evaluate and develop the pipeline of investments, and novel financial products underlying biotech assets on a global scale.

Revenue has increased by 77% to \$2.548m (2015 \$1.443m) which was underpinned by an impressive 77% growth in financial services activities income of \$1.639m (2015 \$0.519m). The net loss was \$2.347m compared to \$1.275m (2015). This was a continued investment in developing our infrastructure, an increase in employee cost, additional occupancy costs as a result of expansion, and the costs of the convertible note issue to fund the expansion.

The excess of liabilities over assets at year-end were \$346,359 compared to positive net asset of \$1,471,936 in the previous year. This includes as a liability the convertible note issue which had a balance of \$2.175m as at 30th June 2016, these are convertible to equity by the Company.

iQX Limited is always seeking to deliver value to all its stakeholders and to ensure that we partner with the iQ group of companies to identify and invest into sustainable early stage biotechnology investments, on a global scale in order to continue the journey of eradicating disease through capital investment.

We are confident that our entrepreneurial, curious and innovative iQX team, led by an aspirational and committed group of executive management and board members, can deliver on the clear mandate to build the iQX business and make a real difference within the Australian Life Science sector.



Kosmas Dimitriou

Chairman

Corporate Governance Statement

30 June 2016

The Board is committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to refine and improve the governance framework and practices in place to ensure they meet the interests of shareholders. The Company's corporate governance policies and procedures comply with Annexure 1 of the National Securities Exchange of Australia (NSX) Practice Note 14. In addition, the Company's corporate governance policies and procedures also incorporate those recommendations referred to in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (the Principles).

Principle 1: Lay solid foundations for management and oversight

Role of the Board and Management

The Board of Directors is responsible for the corporate governance of the Company. The Board provides strategic guidance for the Company, and effective oversight of management. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board has delegated responsibility for day-to-day management of the Company to the Chief Executive Officer (CEO) and there is a formal delegations structure in place which sets out the powers delegated to the CEO and those specifically retained by the Board, these delegations are reviewed on a regular basis.

Responsibilities of the Board

The Board is responsible for:

- Overseeing the company, including its control and accountability systems;
- Overseeing the integrity of the accounting and corporate systems, including external audit;
- Appointing and removing the CEO/Managing Director;
- Where appropriate, ratifying the appointment and removal of senior executives;
- Providing input into and final approval of management's development of corporate strategy and performance objectives;
- Reviewing, ratifying and monitoring systems of risk management and internal controls, codes of conduct and legal compliance;
- Monitoring senior executives performance and implementation of strategy;
- Ensuring timely and balanced disclosure of all material information concerning the company that a reasonable person would expect to have a material effect on the price or value of the company's securities;
- Ensuring appropriate resources are available to senior executives;
- Approving and monitoring the operating budgets and progress of major capital expenditure, capital management and acquisitions and divestitures; and
- Monitoring the effectiveness of the entity's governance practices.

Corporate Governance Statement (continued)

30 June 2016

Allocation of individual responsibilities

Formal letters of appointment are provided to all new Directors and Senior Executives setting out key terms and conditions of their appointment.

Responsibilities of management

Management are responsible for implementing the strategic objectives of the Company and operating within the risk appetite set by the Board as well as other aspects of the day-to-day running of the Company.

Management is also responsible for providing the Board with accurate, timely clear information to enable the Board to perform its responsibilities.

Induction

All new Directors participate in a formal induction process co-ordinated by the Company Secretary. This induction process includes briefings on the Company's financial, strategic, operational and risk management position, the Company's governance framework and key developments in the Company and the industry and environment in which it operates.

Role and accountability of the Company Secretary

The Company Secretary is appointed by the Board and is responsible for:

- Advising the Board and its Committees on Governance matters;
- Monitoring compliance with Board policies and procedures;
- Co-ordinating Board papers;
- Accurately recording decisions and discussions from Board meetings; and
- Co-ordinating the induction and professional development of Directors.

In addition to the above responsibilities, the Company Secretary, Mr Kelvin Boateng, played an integral role in monitoring the conduct and processes of the Board, as well as the dispatch of material to the Board members. Mr Boateng has been replaced as Company Secretary by Mr Gerardo Incollingo in August 2016.

Ongoing training

Directors identify additional training needs on an ongoing basis and attend these as necessary to ensure they have the appropriate skills and knowledge to perform their role.

Appointment of Board Members

Prior to appointing or putting forward a candidate for election to the Board, appropriate checks such as character, experience, criminal records and education are performed. All material information in the Company's possession is provided to security holders to allow them to make an informed decision about the suitability of the candidate at the Company's next Annual General Meeting of shareholders.

Corporate Governance Statement (continued)

30 June 2016

Principle 2: Structure the Board to add Value

The Board's policy is that the Board needs to have an appropriate mix of skills, experience, expertise and diversity to be well equipped to help the Company navigate the range of challenges faced by the company.

The names, independence status and terms of service of the members of the Board as at the date of this report are set out below:

Directors Name	Independence Status	Length of Service
Kosmas Dimitriou	Non-executive	Since November 2012
George Syrmalis	Executive	Since November 2014
Peter Simpson	Non-executive	Since August 2013
John Stratilas	Independent non-executive	Since February 2012

Accordingly the Company does not have a majority independent directors. This represents a departure from the ASX recommendations. The Board considers this to be satisfactory considering the size and complexity of the business.

Details of the Board member's experience, expertise and qualifications are set out in the Directors' report.

Composition of the Board

The Board's composition is determined based on criteria set out in the Company's constitution and the Board Charter.

The Board seeks to ensure that:

- At any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Company and directors with an external or fresh perspective;
- There is a sufficient number of directors to serve on Board committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities; and
- The size of the Board is appropriate to facilitate effective discussion and efficient decision making.

In accordance with the NSX Listing Rules, the Company must hold an election of Directors each year.

Board committees

To ensure that the responsibilities of the Board are upheld and executed to the highest level, the Board has established the following Board committees:

- Audit and Risk Committee
- Remuneration and Nomination Committee

Each of these committees has established charters and operating procedures in place, which are reviewed on a regular basis. The Board may establish other committees from time to time to deal with matters of special importance. The Committees have access to the Company's executives and senior management as well as independent advice. Copies of the minutes of each Committee meeting are made available to the full Board, and the Chairman of each Committee provides an update on the outcomes at the Board meeting that immediately follows the Committee meeting.

Corporate Governance Statement (continued)

30 June 2016

Board skills matrix

The key skills required by the Board are highlighted in the matrix below, the Board believes that there are sufficient directors with these skills and there are no deficiencies in these skills in the current board.

- Risk and compliance: Identify key risks to the company related to each key areas of operations. Ability to monitor risk and compliance and knowledge of legal and regulatory requirements.
- Financial and Audit: Experience in accounting and finance to analyse statements, assess financial viability, contribute to financial planning, oversee budgets and funding arrangements.
- Strategy: Ability to identify and critically assess strategic opportunities and threats to the organisation. Develop strategies in context to our policies and business objectives.
- Policy development: Ability to identify key issues for the organisation and develop appropriate policy parameters within which the company should operate.

Independent decision making

The Board recognises the important contribution independent Directors make to good corporate governance. All Directors, whether independent or not, are required to act in the best interests of the Company and to exercise unfettered and independent judgment.

A Director is considered to be independent if he or she is free of any interest, position, association or relationship that might influence or reasonably be perceived to influence, in a material respect, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders generally.

If any Director believes there is a change in their independence status, they are required to notify the Board as soon as possible.

The Board has adopted specific principles in relation to directors' independence and considers the following, at least annually, when determining if a Director is independent.

Whether the Director:

- Is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company.
- Is employed, or has previously been employed in an executive capacity by the company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board.
- Has within the last three years been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided.
- Is a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Has a material contractual relationship with the company or another group member other than as a director.

Corporate Governance Statement (continued)

30 June 2016

Role of the Chairman

The Chairman of the Board is responsible for leadership of the Board and for the efficient organisation and conduct of the Board's functioning.

The Chairman facilitates the effective contribution of all directors and promotes constructive and respectful relations between directors and between Board and management.

Nomination Committee

The Nomination Committee meets as required during the year to assist the Board in fulfilling its corporate governance responsibilities in regard to:

- Board appointments, re-elections and performance and general succession planning for Board / Senior Management;
- Directors' induction and continuing development;
- Board Committee membership; and
- Endorsement of Executive appointments.

The Nomination Committee's Charter which is available in the Corporate Governance section of the Company's website, sets out the Committee's responsibilities which include making recommendations to the Board on the appropriate skill mix, personal qualities, expertise and diversity of each position following the annual assessment of the Board. When a vacancy exists or there is a need for particular skills, the Committee, in consultation with the Board, determines the selection criteria based on the skills deemed necessary. Board appointees must stand for election at the next Annual General Meeting of shareholders.

The Committee also makes recommendations to the Board and oversees implementation of the procedure for evaluating the Board's performance.

Access to information

The Board is provided with the information it needs to discharge its responsibilities effectively and all Directors have complete access to senior management through the CEO or Company Secretary at any time.

In certain circumstances, each Director has the right to seek independent professional advice at the Company's expense, within specified limits, or with the prior approval of the Board.

Principle 3: Act ethically and responsibly

Code of conduct

The Company's Corporate Ethics Policy and Corporate Code of Conduct sets out the behaviour required of Directors, employees and contractors as appropriate and include the observance of legal and other compliance obligations that relate to the company's activities from time to time. The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

Corporate Governance Statement (continued)

30 June 2016

A Corporate Code of Conduct has been established requiring directors and employees to:

- Act in the best interest of the entity;
- Act honestly and with high standards of personal integrity;
- Exercise due care and diligence in fulfilling the functions of office;
- Avoid conflicts and make full disclosure of any possible conflicts of interest;
- Comply with the laws and regulations that apply to the entity and its operations;
- Not knowingly participate in any illegal or unethical activity; and
- Comply with the share trading policy outlined in the Code of Conduct.

A Corporate Governance Charter and Board Charter has been adopted which regulates the duties of Directors and their dealings with the company (including the trading of shares in the company) both internally and externally.

Principle 4: Safeguard integrity in corporate reporting

Audit Committee

The Audit and Risk Committee assists the Board in fulfilling its corporate governance responsibilities in regard to:

- The adequacy of the entity's corporate reporting processes;
- Whether the entity's financial statements reflect the understanding of the committee members of, and otherwise provide a true and fair view of, the financial position and performance of the entity;
- The appropriateness of the accounting judgements or choices exercised by management in preparing the entity's financial statements;
- The appointment or removal, rotation, independence and performance of the external auditor;
- The scope and adequacy of the external audit and any non-audit services;
- If, and when, the Company establishes an internal audit function:
 - the appointment or removal of the head of internal audit;
 - the scope and adequacy of the internal audit work plan; and
 - the objectivity and performance of the internal audit function.

The members of the Audit and Risk Committee throughout the Reporting Period were:

Name	Executive / Non-Executive	Independent
Kosmas Dimitriou	Non-executive	No
John Stratilas	Non-executive	Yes
Kelvin Boateng	Company Secretary	No

Corporate Governance Statement (continued)

30 June 2016

Accordingly the Company does not have a majority of independent committee members. This represents a departure from the ASX recommendations. The Board considers this to be satisfactory considering the size and complexity of the business.

The qualifications and experience of the Audit and Risk Committee members and their attendance at Committee meetings is included in the directors' report.

The Audit and Risk Committee reports to the full Board after every meeting on all matters relevant to the committee's roles and responsibilities.

External auditor

The Audit and Risk Committee oversees the relationship with the external auditor. In accordance with the *Corporations Act 2001*, the lead Audit Partner on the audit is required to rotate at the completion of a 5-year term.

The external auditor attends the AGM and is available to answer your shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Board have received from its Chief Executive Officer and Chief Financial Officer a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Internal control

The Board is responsible for reviewing the company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Board has received assurance from the Chief Executive Officer and the Chief Operating Officer that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 5: Make timely and balanced disclosure

iQX Limited has established policies and procedures to ensure timely and balanced disclosures of all material matters concerning the Company, and to ensure that all investors have equal and timely access to information on the Company's financial performance.

These policies and procedures include a comprehensive disclosure policy that includes identification of matters that may have a material effect on the price on the Company's securities, quality control procedures over announcements, notifying them to the NSX, posting relevant information on the Company's website and issuing media releases.

The Annual Report includes relevant information about the operations of the Company during the year, key financial information, changes in the state of affairs and indications of future developments. The Annual Reports for the current year and for previous years are available under the Investor Relations section of the company website.

The half year and full year financial results are announced to the NSX and are available to shareholders via the Company and NSX websites.

All announcements made to the market, and related information (including presentations to investors and information provided to analysts or the media during briefings) are made available to all shareholders under the investor relations section of the Company website after they are released to

Corporate Governance Statement (continued)

30 June 2016

the NSX. All NSX announcements, media releases and financial information are available on Company website within one day of public release.

Principle 6: Respect the rights of security holders

The Company Secretary has been nominated as the person responsible for communications with the NSX.

All Executive Management have an ongoing obligation to advise the Company Secretary of any material non-public information which may need to be communicated to the market.

The Company has an Investor Relations Program which promotes effective communication with shareholders, encourages participation at general meetings and encourages communications throughout the year.

The Company engages with its security holders through:

- Giving them ready access to information about the entity and its governance via the Company website;
- Communicating openly and honestly with them;
- Encouraging and facilitating their participation in meetings of security holders; and
- Providing an email address and telephone number on all communication for security holders who wish to contact the Company.

The Company makes all NSX announcements available via its website. In addition, shareholders who are registered receive email notification of announcements.

The Notice of Annual General Meeting (AGM) will be provided to all shareholders and posted on the company's website. Notices for general meetings and other communications with shareholders are drafted to ensure that they are honest, accurate and not misleading and that the nature of the business of the meeting is clearly stated and explained where necessary.

The Board encourages full participation by shareholders at the Annual General Meeting to ensure a high level of Director accountability to shareholders and shareholder identification with the Company's strategy and goals.

For shareholders unable to attend, an AGM question form will accompany the Notice of Meeting, giving shareholders the opportunity to forward questions and comments to the Company or the external auditor prior to the AGM.

Principle 7: Recognise and manage risk

The Board considers identification and management of key risks associated with the business as vital to maximize shareholder wealth. A yearly assessment of the business's risk profile is undertaken and reviewed by the Board, covering all aspects of the business from the operational level through to strategic level risks.

The CEO has been delegated the task of implementing internal controls to identify and manage risks for which the Audit and Risk Management Committee and the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly. The recent economic environment has emphasised the importance of managing and reassessing its key business risks.

The Board is responsible for reviewing the company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Corporate Governance Statement (continued)

30 June 2016

The Board requires management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively.

The Board has received a report from management as to the effectiveness of the company's management of its material business risks.

The Company does not presently have an internal audit function. The evaluation of the risk management and internal control process is the responsibility of the Audit and Risk Management Committee and is performed in conjunction with senior executives. External consultants may be used in certain circumstances, however have not been used during the financial year.

Principle 8: Remunerate fairly and responsibly

The Company's remuneration policy is designed in such a way that it:

- Motivates senior executives to pursue the long-term growth and success of the Company; and
- Demonstrates a clear relationship between senior executives' performance and remuneration.

The remuneration policy, which sets out the remuneration framework for the key management personnel (KMP) was developed by the Remuneration and Nomination Committee after seeking professional advice from independent consultants and was approved by the Board.

All executives receive a base salary, superannuation, fringe benefits, performance incentives and retirement benefits. The Remuneration and Nomination Committee reviews executive remuneration policies and practices annually to ensure that executive packages are referable to company performance, executive performance, comparable information from industry sectors and other listed corporations and independent advice. The performance of executives is measured against criteria agreed half yearly which are based on the forecast growth of the company's profits and shareholder value. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

The Board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives. It will also provide executives with the necessary incentives to achieve long-term growth in shareholder value.

The Company's policies and practices surrounding the payment of bonuses, options and other incentive payments are reviewed by the Remuneration and Nomination Committee annually as part of the review of executive remuneration policies and practices and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to predetermined performance criteria.

Further information about the company's remuneration strategy and policies and their relationship to company performance can be found in the Remuneration Report which forms part of the directors' report, together with details of the remuneration paid to key management personnel.

Remuneration Committee

The responsibilities of the Remuneration and Nomination Committee include a review of and recommendation to the Board on:

- The company's remuneration, recruitment, retention and termination policies and procedures for senior executives.
- Senior executives' remuneration and incentives.

Corporate Governance Statement (continued)

30 June 2016

- Superannuation arrangements.
- The remuneration framework for directors.

Each member of the Remuneration and Nomination Committee:

- Is familiar with the legal and regulatory disclosure requirements in relation to remuneration.
- Has adequate knowledge of executive remuneration issues, including executive retention and termination policies and short term and long term incentive arrangements.

The members of the Remuneration and Nomination Committee throughout the reporting period were:

Name	Executive / Non-Executive	Independent
Kosmas Dimitriou	Non-executive	No
John Stratilas	Non-executive	Yes
Kelvin Boateng	Company Secretary	No

Accordingly the Company does not have a majority of independent committee members. This represents a departure from the ASX recommendations. The Board considers this to be satisfactory considering the size and complexity of the business.

Directors' Report

30 June 2016

The directors present their report, together with the financial statements of the Group, being iQX Limited (the Company) and its controlled entities, for the financial year ended 30 June 2016.

General information

Directors

The names of the directors in office at any time during the year and to the date of this report are:

Directors Name		Length of Service
Kosmas Dimitriou	Chairman	20/11/2012 to current
Dr George Syrmalis	Chief Executive Officer/Director	24/11/2014 to current
Peter Simpson	Director	14/08/2013 to current
John Stratilas	Director	6/02/2012 to current

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

Information on directors

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

Kosmas Dimitriou

Qualifications Bachelor Commerce Laws (University of Western Sydney),
Diploma of Legal Practice (Tax) (University of Sydney)

Experience Kos is in-house tax counsel to a large financial services company. Over the last 11 years, Kos has advised on both domestic and international corporate, life company and managed funds tax structuring issues. For the 6 years prior to MLC, Kos was a tax lawyer at PriceWaterhouseCoopers (PWC) in the PWC Sydney Legal division. Kos was a client tax manager specializing in financial services and advised clients such as Colonial, Bank of America, DB RREEF and Lumley. Kos is experienced in structuring corporate acquisitions and managing highly specialized and innovative fund products.

Interest in shares and options None.

Special responsibilities Chairman and a member of Audit and Risk Management and Remuneration and Nomination committees.

Other directorships in listed entities held in the previous three years Kos is a current Non-executive Director of iQ3Corp Ltd.

Directors' Report (continued)

30 June 2016

Peter Simpson

Qualifications Master of Pharmacy (Monash University), Bachelor of Pharmacy (Monash University).

Experience Peter has extensive, over 35 years experience in the pharmaceutical industry and has been involved in the development of pharmaceutical products for both Australian and international markets.

For eight (8) years he was the Research and Development Manager at David Bull Laboratories and oversaw the development and approval of over 80 pharmaceutical products in the Australian, UK and US markets.

Peter held the position of Chief Executive Officer at Biota Holdings Ltd for 8 years. During this time he was responsible for the research and development of an effective drug to cure all forms of influenza. The drug developed was Relenza which was subsequently licensed to Glaxo Limited and has current sales of over US\$1 billion per annum. Currently, Peter maintains his association within the biotechnology and pharmaceutical industries and has an interest in late stage clinical studies and the commercialisation of Australian biomedical innovations and discoveries. Peter also has a keen interest in the fields of clinical immunology and cancer therapies.

Interest in shares and options None.

Special responsibilities Peter is a member of the Investment Committee.

Other directorships in listed entities held in the previous three years Peter is a current Non-executive Director of iQnovate Ltd.

John Stratilas

Experience John brings to the Board over 20 years of experience in operating a number of businesses. During this time he has established, operated and sold businesses in the food industry and commercial property development and management market.

Interest in shares and options 1,600,000 ordinary shares.

Special responsibilities John is a member of Audit and Risk Management and Remuneration and Nomination committees.

Other directorships in listed entities held in the previous three years None.

Directors' Report (continued)

30 June 2016

Dr George Syrmalis

Qualifications	Trained in Nuclear Medicine-radiation immunology.
Experience	Dr Syrmalis founded and led as CEO and Chairman of The Bionuclear Group SA, (1995-2005) incorporating Antisoma SA, Bionuclear Institute of Diagnosis and Therapy SA, Bionuclear Research and Development SA and Vitalcheck SA.
Interest in shares and options	15,811,812 ordinary shares.
Special responsibilities	Dr Syrmalis is Chief Executive Officer.
Other directorships in listed entities held in the previous three years	Dr Syrmalis is a current Executive Director of iQnovate Ltd, FarmaForce Limited and Clinical Research Corporation Pty Ltd.

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

Principal activities and significant changes in nature of activities

The principal activities of the Group during the financial year were:

- General investing activities and exploring investment opportunities in the Life Science industry

There were no significant changes in the nature of the Group's principal activities during the financial year.

Operating results and review of operations for the year

Operating results

Revenue has increased by 77% to \$2.548m (2015 \$1.443m) which was underpinned by 77% growth in financial services activities income of \$1.639m (2015 \$0.519m). The net loss was \$2.347m compared to \$1.275m (2015). This was a continued investment to developing our infrastructure, an increase in employee cost, additional occupancy costs as a result of expansion, and the costs of the convertible note issue to fund the expansion.

The excess of liabilities over assets at year-end were \$346,359 compared to positive net asset of \$1,471,936 in the previous year. This includes as a liability the convertible note issue which had a balance of \$2.175m as at 30th June 2016 these are convertible to equity by the Company.

Directors' Report (continued)

30 June 2016

Dividends paid or recommended

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

Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Group during the year.

Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and results

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental Issues

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Company secretary

The following person held the position of Company secretary at the end of the financial year:

Mr Kelvin Boateng is iQX Limited's Company Secretary and Head, Legal & Commercial Affairs. In this role, he serves as Company Secretary to the Board, as Committee Secretary for Board Committees, and as a Company Secretary for various companies in the IQ Group Global group of companies. Mr Boateng was appointed as Company Secretary of iQX Limited with effect from 22 July 2014.

Mr Boateng joined the Company in May 2014 after spending a number of years as a lawyer in private practice. Mr Boateng has also spent several years as a financial services lawyer at the Australian Securities and Investments Commission. Mr Boateng holds a Bachelor of Economics and a Bachelor of Laws from the University of Western Sydney. Mr Boateng was replaced by Mr Gerardo Incollingo as Company Secretary in August 2016. Mr Incollingo is a Certified Practising Accountant and a partner of the accounting firm LCI Partners.

Meetings of directors

During the financial year, 6 meetings of directors (including committee meetings of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Remuneration & Nomination Committee	
	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend
Kosmas Dimitriou	6	6	1	1	1	1
Peter Simpson	6	6	-	-	-	-
John Stratilas	6	6	1	1	1	1
Dr George Syrmalis	6	6	-	-	-	-

Directors' Report (continued)

30 June 2016

Indemnification and insurance of directors and officers

The Company has agreed to indemnify all the directors and executive officers against all loss, liability and cost suffered or incurred in connection with their offices or a breach by the Company of its obligations for which they may be held liable. The agreement provides for the Company to indemnify all the directors and executive officers provided that:

- (a) **The liability does not arise out of conduct involving a lack of good faith.**
- (b) **The liability is for costs and expenses incurred by the director or officer in defending proceedings in which judgement is given in their favour or in which they are acquitted.**

During or since the financial year, the Company has paid premiums in respect of a contract insuring all the directors of the iQX Limited against legal costs incurred in defending proceedings for conduct other than:

- (a) **A wilful breach of duty.**
- (b) **A contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.**

The total amount of insurance contract premiums paid was \$23,517.

Indemnification of auditors

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Options

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

Grant Date	Date of Expiry	Exercise Price	Number under Option
9 December 2013	9 December 2016	\$0.10	8,775,000
9 December 2013	9 December 2016	\$0.20	1,117,000
			<hr/> 9,892,000 <hr/>

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

For details of options issued to directors and other key management personnel as remuneration, refer to the remuneration report.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2016 has been received and can be found on page 22 of the financial report.

Directors' Report (continued)

30 June 2016

Remuneration report (audited)

Remuneration policy

The Constitution of the Company provides that the non-executive Directors are entitled to remuneration as determined by the Group 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 for non-executive Directors currently determined by the Group is \$300,000 per annum. Notwithstanding this the Directors have set the maximum remuneration for the financial year ended 30 June 2016 at \$175,000.

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 includes three non-executive Directors. The Board has agreed that all 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 policy of iQX Limited has been designed to align Key Management Personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board of iQX Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the high-quality KMP to run and manage the consolidated group, as well as create goal congruence between Directors, executives and shareholders.

The performance of KMP is measured against criteria agreed biannually with each executive. All bonuses and incentives must be linked to predetermined performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

All remuneration paid to KMP is valued at the cost to the company and expensed.

Performance-based Remuneration

The Key Performance Indicators (KPIs) are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Company believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short term and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

Directors' Report (continued)

30 June 2016

In determining whether or not a KPI has been achieved, iQX Limited bases the assessment on where appropriate on audited figures. However, in circumstances where the KPI involves comparison of the Group or a division within the Group to the market, independent reports may be obtained from organisations such as Standard & Poors. The use of such figures reduces any risk of contention relating to payment eligibility. The Board does not believe that performance conditions should include a comparison with factors external to the Group at this time.

Service Agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of director.

The remuneration and other terms of employment for executive Directors and other senior executives are set out in formal service agreements as summarised below.

Both the CEO and COO have a target STI opportunity set at a maximum of 25% of fixed remuneration and are eligible to receive 153,000 and 90,000 performance rights respectively per annum under the employee benefit plan.

All service agreements are for an unlimited duration and do not expire after a fixed term. The agreements for executives (other than the Chief Executive Officer and Chief Operations Officer which require six months notice) may be terminated by giving one month notice (except in cases of termination for cause where termination is immediate).

In cases of resignation, no separation payment is made to the executive, except for amounts due and payable up to the date of ceasing employment, including accrued leave entitlements.

Directors' Report (continued)

30 June 2016

Remuneration details for the year ended 30 June 2016

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the Group.

Table of benefits and payments

	salary & fees ¹	bonus	short term car allowance	termination payment	post employment pension and superannuation	Total
2016	\$	\$	\$	\$	\$	\$
Directors						
Kosmas Dimitriou	32,109	-	-	-	3,050	35,159
Peter Simpson	32,109	-	-	-	3,050	35,159
John Stratilas	32,109	-	-	-	3,050	35,159
Dr George Symmalis	275,272	-	-	-	24,047	299,319
KMP						
Spiro Sakiris	161,462	-	-	-	14,926	176,388
	533,061	-	-	-	48,123	586,184

	salary & fees ¹	bonus	short term car allowance	termination payment	post employment pension and superannuation	Total
2015	\$	\$	\$	\$	\$	\$
Directors						
Kosmas Dimitriou	32,109	-	-	-	2,916	35,025
Alex Dimos	8,645	-	-	-	821	9,466
Anthony Panoyan	107,527	-	-	13,846	11,530	132,903
Peter Simpson	36,634	-	-	-	3,525	40,159
John Stratilas	32,109	-	-	-	3,050	35,159
Dr George Symmalis	235,249	112,500	-	-	32,063	379,812
KMP						
Spiro Sakiris	122,629	30,000	25,000	-	16,419	194,048
	574,902	142,500	25,000	13,846	70,324	826,572

1. Includes annual leave entitlements

Directors' Report (continued)

30 June 2016

Securities received that are not performance related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

Key management personnel options and rights holdings

[illegible]

* Not applicable, Alex Dimos resigned as a director in November 2014.

Key management personnel shareholdings

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

	Balance at beginning of year	Other Changes during the year	Balance at the end of year
30 June 2016			
Directors			
Alex Dimos	-	-	-
John Stratilas	1,600,000	-	1,600,000
Dr George Syrmalis	15,811,112	-	15,811,112
Other KMP			
Spiro Sakiris	266,730	-	266,730
	<u>17,677,842</u>	<u>-</u>	<u>17,677,842</u>

Directors' Report (continued)

30 June 2016

Key management personnel shareholdings (continued)

	Balance at beginning of year	Other Changes during the year	Balance at the end of year
30 June 2015			
Directors			
Alex Dimos	38,990	(38,990)	* N/A
John Stratilas	1,600,000	-	1,600,000
Dr George Syrmalis	15,811,112	-	15,811,112
Other KMP			
Spiro Sakiris	266,730	-	266,730
	<u>17,716,832</u>	<u>(38,990)</u>	<u>17,677,842</u>

* Not applicable, Alex Dimos resigned as a director in November 2014.

KMP related party transactions

The Group undertook the following transactions with:

- An entity over which the key management person or family member has, directly or indirectly, control, joint control or significant influence, during the reporting period.

This is disclosed as under the related party disclosure note as per note 21 to the annual financial statements.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Director:



Dated this 8 day of September, 2016

Auditor's Independence Declaration

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
IQX LIMITED
ACN 155 518 380

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 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.

FORTUNITY ASSURANCE

A handwritten signature in black ink, appearing to read 'TR Davidson', is written over a faint, circular watermark or seal.

TR Davidson

Partner

Dated: 13 September, 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2016

		Consolidated	
		2016	2015
	Note	\$	\$
Revenue	3	2,548,224	1,443,273
Finance Income		6,199	9,484
Other income		1,096	29
Direct Costs	3	(2,089,887)	(617,148)
Employee benefits expense	4	(1,403,762)	(1,278,982)
IPO listing costs		-	(110,166)
Depreciation and amortisation expense		(27,165)	(16,954)
Consulting fees paid		(135,598)	(110,480)
Occupancy costs		(157,882)	-
Other expenses		(769,955)	(594,337)
Finance costs	4	(318,716)	(180)
Loss before income tax		(2,347,446)	(1,275,461)
Income tax expense		-	(836)
Total comprehensive income for the year		(2,347,446)	(1,276,297)
Loss attributable to:			
Members of the parent entity		(2,347,446)	(1,276,297)
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)		(2.26)	(1.27)
Diluted earnings per share (cents)		(1.87)	(1.02)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2016

		Consolidated	
	Note	2016	2015
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	471,077	968,009
Trade and other receivables	8	1,050,714	475,125
Other financial assets	9	5,413	5,413
Capital work-in-progress	10	595,246	-
TOTAL CURRENT ASSETS		2,122,450	1,448,547
NON-CURRENT ASSETS			
Financial assets	9	35,254	116,712
Investment in associates	21	269,000	-
Investment in joint ventures		7,700	-
Property, plant and equipment	11	203,079	117,460
Deferred tax assets		1,320	1,320
Intangible assets	12	48,842	25,266
TOTAL NON-CURRENT ASSETS		565,195	260,758
TOTAL ASSETS		2,687,645	1,709,305
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	805,027	210,796
Employee benefit liabilities		51,281	24,426
Borrowings	14	2,175,549	-
Provision for income tax		2,147	2,147
TOTAL CURRENT LIABILITIES		3,034,004	237,369
NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		3,034,004	237,369
NET ASSETS / (DEFICIENCY)		(346,359)	1,471,936
EQUITY			
Issued capital	15	5,453,087	4,923,936
Reserves		167,530	167,530
Accumulated losses		(5,966,976)	(3,619,530)
Total equity attributable to equity holders of the Company		(346,359)	1,471,936
TOTAL EQUITY		(346,359)	1,471,936

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity For the Year Ended 30 June 2016

2016		Ordinary Shares	Accumulated losses	Option reserve	Total
	Note	\$	\$	\$	\$
Balance at 1 July 2015		4,923,936	(3,619,530)	167,530	1,471,936
Loss attributable to members of the Parent entity		-	(2,347,446)	-	(2,347,446)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	(2,347,446)	-	(2,347,446)
<i>Transactions with owners in their capacity as owners</i>					
Capital raising costs written off		84,938	-	-	84,938
Convertible note issued during the year		444,213	-	-	444,213
Balance at 30 June 2016		5,453,087	(5,966,976)	167,530	(346,359)

2015		Ordinary Shares	Accumulated losses	Option reserve	Total
	Note	\$	\$	\$	\$
Balance at 1 July 2014		3,615,427	(2,343,233)	167,530	1,439,724
Loss attributable to members of the parent entity		-	(1,276,297)	-	(1,276,297)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	(1,276,297)	-	(1,276,297)
<i>Transactions with owners in their capacity as owners</i>					
Capital raising costs		(122,491)	-	-	(122,491)
Convertible notes issued during the year		1,431,000	-	-	1,431,000
Balance at 30 June 2015		4,923,936	(3,619,530)	167,530	1,471,936

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows For the Year Ended 30 June 2016

		Consolidated	
		2016	2015
	Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		856,289	1,527,453
Payments to suppliers and employees		(3,159,467)	(2,998,369)
Interest received		6,199	9,484
Interest paid		(6,977)	-
Net cash (used in) operating activities	24	(2,303,956)	(1,461,432)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		-	1,368
Payment for capital work-in-progress		(595,246)	-
Payment for investment in associate		(269,000)	-
Payment for investment in joint venture		(7,700)	-
Proceeds from disposal of financial assets		81,458	-
Payment for intangible asset		(23,576)	(6,757)
Purchase of property, plant and equipment		(112,784)	(39,840)
Net cash used in investing activities		(926,848)	(45,229)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from the issue of convertible notes		2,308,023	1,431,000
Advances from related parties		330,840	-
Payment from loan to funds		95,009	-
Payment for capital raising costs		-	(122,491)
Net cash provided by financing activities		2,733,872	1,308,509
Net increase/(decrease) in cash and cash equivalents held		(496,932)	(198,152)
Cash and cash equivalents at beginning of year		968,009	1,166,161
Cash and cash equivalents at end of financial year	7	471,077	968,009

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements For the Year Ended 30 June 2016

The financial report covers iQX Limited Ltd and its controlled entities ('the Group'). iQX Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 8th September 2016.

1. Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

These financial statements and associated notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals 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.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 21 to the financial statements.

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 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.

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

2. Summary of Significant Accounting Policies (continued)

(b) Income Tax

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured 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 (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

2. Summary of Significant Accounting Policies (continued)

(c) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

(d) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that 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.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

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

Interest revenue

Interest is recognised using the effective interest method.

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.

Other income

Other income is recognised on an accruals basis when the Group is entitled to it.

(e) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

2. Summary of Significant Accounting Policies (continued)

(f) Property, Plant and Equipment

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

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Plant and Equipment	10% to 15%
Furniture, Fixtures and Fittings	15% to 30%
Leasehold improvements	10%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(g) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- held-to-maturity investments.

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

2. Summary of Significant Accounting Policies (continued)

(g) Financial instruments (continued)

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the consolidated statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Group's trade and most other receivables fall into this category of financial instruments.

Discounting is omitted where the effect of discounting is considered immaterial.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

In some circumstances, the Group renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Group does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets:

- Acquired principally for the purpose of selling in the near future
- Designated by the entity to be carried at fair value through profit or loss upon initial recognition or
- Which are derivatives not qualifying for hedge accounting.

The Group has some derivatives which are designated as financial assets at fair value through profit or loss.

Assets included within this category are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in finance income or expenses in profit or loss.

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

2. Summary of Significant Accounting Policies (continued)

(g) Financial instruments (continued)

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Group's management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets or which have been designated in this category.

All available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income.

Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

Losses recognised in prior period consolidated statement of profit or loss and other comprehensive income statements resulting from the impairment of debt securities are reversed through the consolidated statement of profit or loss and other comprehensive income, if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired. Although the Group uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

The Group's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

All of the Group's derivative financial instruments that are not designated as hedging instruments in accordance with the strict conditions explained in AASB 139 are accounted for at fair value through profit or loss.

Notes to the Consolidated Financial Statements (continued) For the Year Ended 30 June 2016

2. Summary of Significant Accounting Policies (continued)

(g) Financial instruments (continued)

Hedging

On initial recognition of the hedge, documentation is prepared which shows the relationship between the hedged item and the hedging instrument, the risk management plan for the hedge and the methods for testing prospective and retrospective effectiveness.

Cash flow hedges

Where the risk management plan is to reduce variability in cashflows for a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss - the hedge is deemed to be a cash flow hedge.

The effective portion of the change in the fair value of the derivative is taken to other comprehensive income until the period in which the non-financial asset affects profit or loss. Any ineffective portion of the change in fair value of the derivative is taken immediately to profit or loss.

Fair value hedges

Changes in the fair value of derivatives and the hedged item where the hedge has been designated as a fair value hedge are taken to profit or loss.

Impairment of financial assets

At the end of the reporting period the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Available-for-sale financial assets

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

2. Summary of Significant Accounting Policies (continued)

(h) Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(i) Intangible Assets

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. Patents and trademarks are amortised over their useful life.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

(j) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the consolidated statement of cash flows and are presented within current liabilities on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

2. Summary of Significant Accounting Policies (continued)

(k) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

(l) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(m) Adoption of new and revised accounting standards

The accounting policies adopted are consistent with those of the previous financial year.

The new and amended Australian Accounting Standards and AASB Interpretations that apply for the first time in 2015/2016 do not impact the financial statements of the company.

(n) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided not to early adopt these Standards. The following summarises those future requirements, and their impact on the Group where the standard is relevant:

Notes to the Consolidated Financial Statements (continued) For the Year Ended 30 June 2016

2. Summary of Significant Accounting Policies (continued)

(n) New Accounting Standards and Interpretations (continued)

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019). When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers. This standard and its consequential amendments to other standards are applicable to annual reporting periods beginning on or after 1 January 2017. 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, based on the performance obligations associated with the provision of those goods or services. For goods, the performance obligation is satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided.

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

2. Summary of Significant Accounting Policies (continued)

(n) New Accounting Standards and Interpretations (continued)

The financial impact on the financial statements of the Group of adopting this standard in future periods is being assessed and is not expected to be significant.

3. Revenue and Other Income

Revenue from continuing operations

	Consolidated	
Revenue	2016	2015
	\$	\$
– Fee – financial services activities	1,639,865	923,975
– shared services revenue	908,359	519,298
	2,548,224	1,443,273
Finance income		
– other interest received	6,199	9,484
Finance income	6,199	9,484
Total Revenue	2,554,423	1,452,757

Other Income

Gain on disposal of financial assets measured at fair value through profit or loss

1,096 -

Net gain on disposal of property, plant and equipment

- 29

Total other income

1,096 **29**

Direct Costs

- Fee – financial services activities
- shared services costs

1,285,528 617,148

804,359 -

2,089,887 **617,148**

4. Result for the Year

2016 2015
\$ \$

The result for the year was derived after charging / (crediting) the following items:

Finance Costs

Financial liabilities measured at amortised cost:

- Other interest expense
- Implied interest on debt portion of convertible note

6,977 180

311,739 -

Total finance costs

318,716 **180**

The result for the year includes the following specific expenses:

Other expenses:

Employee benefits expense

1,403,762 1,278,982

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

5. Income Tax Expense

	2016 \$	2015 \$
(a) The major components of tax expense (income) comprise:		
Current tax expense		
— Local income tax - current period	-	656
Deferred tax expense		
— Origination and reversal of temporary differences	-	180
Income tax expense for continuing operations	-	836
(b) Reconciliation of income tax to accounting profit:		
Profit	(2,347,446)	(1,276,297)
Tax	30%	30%
	(704,234)	(382,889)
Add:		
Tax effect of:		
Expenditure not allowable for income tax purposes	103,794	2,679
Temporary differences not brought to account	(4,228)	17,095
Deferred tax assets not brought to accounts	604,668	363,951
Income tax expense	-	836

6. Operating Segments

Segment information

Identification of reportable segments

The Company has identified its operating segment based on internal reporting that is reviewed and used by the CEO in assessing the performance of the segment.

The operating segment is identified by management based on the nature of services provided. The services provided by iQX Limited are of an investor in Life Sciences and Biotech start ups, with the business representing a strategic position that serves a unique segment of the market.

All revenue disclosed in the financials statements in FY16 and the prior year are from related parties based in Australia.

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

7. Cash and cash equivalents

	2016	2015
	\$	\$
Cash at bank in hand	471,077	968,009
	<u>471,077</u>	<u>968,009</u>

Reconciliation of cash

Cash and Cash equivalents reported in the consolidated statement of cash flows are reconciled to the equivalent items in the consolidated statement of financial position as follows:

Cash and cash equivalents	471,077	968,009
---------------------------	---------	---------

8. Trade and other receivables

	2016	2015
	\$	\$
CURRENT		
Prepayments	173,207	40,649
Deposits	59,407	55,140
Related party receivables	760,417	67,536
Other receivables and accruals	57,683	216,791
Loans to funds	-	95,009
Total current trade and other receivables	<u>1,050,714</u>	<u>475,125</u>

9. Other financial assets

	2016	2015
	\$	\$
CURRENT		
Financial assets at fair value through profit or loss	(a) 5,413	5,413
NON-CURRENT		
Available for sale financial assets	(b) 35,254	116,712
(a) Financial assets at fair value through profit or loss		
held-for-trading Australian listed shares	5,413	5,413
Total financial assets at fair value through profit and loss	<u>5,413</u>	<u>5,413</u>
(b) Available-for-sale financial assets comprise:		
Listed investments		
– shares in listed entities - fair value	20,004	102,962
– shares in other related parties - fair value	15,250	13,750
Total available-for-sale financial assets	<u>35,254</u>	<u>116,712</u>

10. Capital work-in-progress

	2016	2015
	\$	\$
Capital work-in-progress	595,246	-

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

11. Property, plant and equipment

	2016	2015
	\$	\$
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	78,258	48,137
Accumulated depreciation	(20,968)	(8,252)
Total plant and equipment	57,290	39,885
Furniture, fixtures and fittings		
At cost	46,247	14,391
Accumulated depreciation	(6,475)	(2,961)
Total furniture, fixtures and fittings	39,772	11,430
Leasehold improvements		
At cost	125,891	76,408
Accumulated depreciation	(19,874)	(10,263)
Total leasehold improvements	106,017	66,145
Total property, plant and equipment	203,079	117,460

(a) Movements in carrying amounts of property, plant and equipment

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

Consolidated	Plant and Equipment \$	Furniture, Fixtures and fittings \$	Improvements \$	Total \$
Year ended 30 June 2016				
Balance at the beginning of year	39,885	11,430	66,145	117,460
Additions	30,121	31,856	49,483	111,460
Depreciation expense	(12,716)	(3,514)	(9,611)	(25,841)
Balance at the end of the year	57,290	39,772	106,017	203,079

Consolidated	Plant and Equipment \$	Furniture, Fixtures and fittings \$	Improvements \$	Total \$
Year ended 30 June 2015				
Balance at the beginning of year	16,900	8,988	70,024	95,912
Additions	30,161	4,299	5,380	39,840
Disposals - written down value/ transfers	526	(135)	(1,730)	(1,339)
Depreciation expense	(7,702)	(1,722)	(7,529)	(16,953)
Balance at the end of the year	39,885	11,430	66,145	117,460

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

12. Intangible Assets

	2016 \$	2015 \$
<i>Other intangible assets</i>		
Cost	48,842	25,266
Total Intangibles	48,842	25,266
	Other intangible assets	Total
	\$	\$
(a) Movements in carrying amounts of intangible assets		
Consolidated		
Balance at the beginning of the year	25,266	25,266
Additions	23,576	23,576
Closing value at 30 June 2016	48,842	48,842

13. Trade and other payables

	2016 \$	2015 \$
CURRENT		
Unsecured liabilities		
Trade payables	234,678	10,278
Sundry payables and accrued expenses	239,509	83,135
Related party payables	330,840	-
Other payables	-	117,383
	805,027	210,796

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

14. Borrowings

	2016 \$	2015 \$
CURRENT		
Convertible Notes	2,028,287	-
Convertible Notes – interest on the debt portion	239,812	-
Convertible Notes – transaction costs between equity and liability	(92,550)	-
	2,175,549	-

During the year ended 30 June 2016 the Company issued 0% interest \$2,441,000 (2015: \$nil) in Convertible Notes, resulting in total face value of Convertible Notes issued of \$2,441,000 as at 30th June 2016.

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

14. Borrowings (continued)

The current year balance as disclosed above consists of:

	IQX \$	Total \$
Opening Balance	-	-
Liability portion of convertible notes issued/reconfigured	2,028,287	2,028,287
Less: Transaction costs	(92,550)	(92,550)
Plus: Implied interest	239,812	239,812
	<u>2,175,549</u>	<u>2,175,549</u>

15. Issued Capital

	2016 \$	2015 \$
(2015: 100,760,000) Ordinary shares	4,154,000	4,154,000
Convertible notes	1,875,213	1,431,000
Share and note issue costs written off against share premium	(576,126)	(661,064)
Total	<u>5,453,087</u>	<u>4,923,936</u>

(a) Ordinary shares

	No.	No.
At the beginning of the reporting period	100,760,000	100,760,000
Add: Allotment of shares from exercise of Loyalty options	9,450,000	-
At the end of the reporting period	<u>110,210,000</u>	<u>100,760,000</u>

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

10c Loyalty options

The Company has 13,950,000 (2015: 23,400,000) Loyalty options outstanding to be exercised at 10c each expiring on the three year anniversary of the admission to the Official List of the NSX. The option holders must be holding the underlying shares, to be able to exercise the option.

20c Economos options

The Company has 1,117,000 (2015: 1,117,000) Economos options outstanding to be exercised at 20c each expiring on the three year anniversary of the admission to the Office List of the NSX.

16. Earnings per Share

	2016	2015
	\$	\$
(a) Reconciliation of earnings to profit or loss from continuing operations		
Loss from continuing operations	(2,347,446)	(1,276,297)
(b) Earnings used to calculate overall earnings per share		
Earnings used to calculate overall earnings per share	(2,347,446)	(1,276,297)
(c) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	103,633,835	100,760,000
Weighted average number of dilutive options outstanding	21,643,165	24,517,000
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	125,277,000	125,277,000

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

17. Capital and Leasing Commitments

	2016 \$	2015 \$
(a) Operating Lease		
Minimum lease payments under non-cancellable operating leases:		
– not later than one year	159,662	152,505
– between one year and five years	107,851	268,571
	<u>267,513</u>	<u>421,076</u>

Operating leases have been taken out for 34 months. Lease payments are increased on an annual basis to reflect market rentals.

18. Financial Risk Management

The Group is exposed to a variety of financial risks through its use of financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The Group does not speculate in financial assets.

The most significant financial risks to which the Group is exposed to are described below:

Specific risks

- Market risk - currency risk, interest rate risk and price risk
- Credit risk
- Liquidity risk

Financial instruments used

The principal categories of financial instrument used by the Group are:

- Trade receivables
- Cash at bank
- Investments in listed shares
- Trade and other payables

Objectives, policies and processes

Risk management is carried out by the Group's risk management committee under the delegated power from the Board of Directors. The Finance Manager has primary responsibility for the development of relevant policies and procedures to mitigate the risk exposure of the Group, these policies and procedures are then approved by the risk management committee and tabled at the board meeting following their approval.

Reports are presented at each Board meeting regarding the implementation of these policies and any risk exposure which the Risk Management Committee believes the Board should be aware of.

Specific information regarding the mitigation of each financial risk to which the Group is exposed is provided below.

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

18. Financial Risk Management (continued)

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods.

At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.

The Group's liabilities have contractual maturities which are summarised below:

Consolidated	Not later than 1 month	
	2016	2015
	\$	\$
Trade payables and other payables	805,027	210,796
Convertible notes	2,175,549	-
Total	2,980,576	210,796

Market risk

(i) Foreign currency sensitivity

Most of the Group transactions are carried out in Australian Dollars. Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in US Dollars.

To mitigate the Group's exposure to foreign currency risk, non-Australian Dollar cash flows are monitored in accordance with the Group's risk management policies

The implications of this is that unrealised foreign exchange gains and losses are recognised in profit and loss in the period in which they occur.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

18. Financial Risk Management (continued)

The Board receives regular reports summarising the turnover, trade receivables balance and aging profile.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

19. Key Management Personnel Disclosures

Key management personnel remuneration included within employee expenses for the year is shown below:

	2016	2015
	\$	\$
Short-term employee benefits	537,627	727,351
Post-employment benefits	48,557	70,325
Termination benefits	-	13,845
	<u>586,184</u>	<u>811,521</u>

Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 21: Related Party Transactions.

20. Remuneration of Auditors

	Consolidated	
	2016	2015
	\$	\$
Remuneration of the auditor of the parent entity, for:		
— auditing or reviewing the financial statements	16,000	19,816

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

21. Interests in Subsidiaries, Joint Venture and Associate

(a) Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2016	Percentage Owned (%)* 2015
Subsidiaries:			
iQX Investment Services Pty Limited	Australia	100	100
The iQ Group Global Pty Ltd	Australia	100	100
iQ Capital Partners (No.1) Pty Ltd	Australia	100	100
iQ Series 8 Life Science Fund (Global) Pty Ltd	Australia	100	100
iQ Series 8 GP	Cayman Islands	100	100
Joint venture:			
Iridium Capital Pty Ltd ²	Australia	50	-
Associates:			
New Frontier Holdings LLC ¹	USA	20	-
The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries			

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

¹The Group acquired 20% interest in New Frontier Holdings LLC. At the reporting date, the fair value of the net assets of the investee was \$1,413,338 and paid-up capital \$1,413,338.

	\$
Consideration paid	269,000
Share of net assets acquired	269,000

²The Group acquired 50% interest in Iridium Capital Pty Ltd. At the reporting date, the fair value of the net assets of the joint venture was \$15,400 and paid-up capital \$15,400.

	\$
Consideration paid	7,700
Share of net assets acquired	7,700

22. Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2016 (30 June 2015: None).

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

23. Related Parties

(a) The Group'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 any director (whether executive or otherwise) of that entity are considered key management personnel.

For details of remuneration disclosures relating to key management personnel, refer to Note 19: Interests of Key Management Personnel (KMP) and the remuneration report in the Directors' Report.

Other transactions with KMP and their related entities are shown below.

(ii) Subsidiaries:

The consolidated financial statements include the financial statements of iQX Limited and its subsidiaries. For details of subsidiaries, see note 21.

(iii) Other related parties include close family members of key management personnel and entities that are controlled.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(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:

	Consulting fee income (\$)	Shared services revenue (\$)	Underwriting fees received (\$)	Shared overhead costs (\$)	Company secretarial fees (\$)	Other transaction costs (\$)	Owed to the Company* (\$)
2016							
Associates	(142,837)	(679,998)	(150,000)	575,392	36,720	156,988*	630,201
Subsidiaries	(66,000)	(20,000)	-	-	-	-	143,346
	Consulting fee income (\$)	Shared services revenue (\$)		Consulting fees paid (\$)	Company secretarial fees (\$)	Capital raising costs (\$)	Owed by the Company* (\$)
2015							
Associates	(923,975)	(519,298)		617,148	18,360	118,982	67,536
Subsidiaries	-	(40,000)		-	-	-	16,128

*Transactions described as Other transactions comprise of:

Recruitment fees	\$93,183
Other administrative costs	\$63,805

*Amounts owed by/to the Company are trade receivables earned under standard credit terms

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

24. Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	Consolidated	
	2016	2015
	\$	\$
Profit for the year	(2,347,446)	(1,276,297)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
– depreciation and amortisation	27,165	16,953
– net gain on disposal of property, plant and equipment	-	(29)
– unrealised (gains)/losses on investments	-	(34,431)
– interest on convertible notes	311,739	-
– capital raising cost written off	84,938	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
– (increase)/decrease in trade and other receivables	(670,598)	(280,220)
– (increase)/decrease in other financial assets	-	45,488
– (increase)/decrease in deferred tax receivable	-	180
– increase/(decrease) in trade and other payables	263,391	51,010
– increase/(decrease) in employee benefit liability	26,855	15,258
– increase/(decrease) in income taxes payable	-	656
Cashflow from operations	<u>(2,303,956)</u>	<u>(1,461,432)</u>

Notes to the Consolidated Financial Statements (continued)

For the Year Ended 30 June 2016

25. Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

26. Company Details

The registered office of the company is:

iQX Limited
Level 3, 222 Clarence Street
Sydney NSW 2000

The principal places of business are:

Level 3, 222 Clarence Street
Sydney NSW 2000


Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2016 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in accounting policy note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have given the declarations required by Section 295A that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. 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



Director



Dated this 8th September, 2016

Independent Audit Report to the members of iQX Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IQX LIMITED ACN 155 518 380

Report on the Financial Report

We have audited the accompanying financial report of IQX Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Corporations Act 2001. 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

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 judgment, 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 Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the Directors of Iqnovate Limited would be in the same terms if provided to the Directors as at the date of this auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
IQX LIMITED
ACN 155 518 380**

Auditor's Opinion

In our opinion:

- (a) the financial report of IQX Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of IQX Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

FORTUNITY ASSURANCE



TR Davidson
Partner

Dated: 13 September, 2016

Additional Information for Listed Public Companies

30 June 2016

NSX ADDITIONAL INFORMATION

Additional information required by the NSX Listing Rules clause 6.9 and not disclosed elsewhere in this report is set out below. This information is effective as at 30 June 2016.

1. Composition of the Group

	Principal place of business / Country of Incorporation	Main Business	Percentage Owned (%) [*] 2016	Percentage Owned (%) [*] 2015
Subsidiaries:				
iQX Investment Services Pty Limited	Australia	Australian Financial Services licensee	100	100
The iQ Group Global Pty Ltd	Australia	Non - trading Investment management	100	100
iQ Capital Partners (No.1) Pty Ltd	Australia	Investment management	100	100
iQ Series 8 Life Science Fund (Global) Pty Ltd	Australia	Investment management	100	100
iQ Series 8 GP	Cayman Islands	Investment management	100	100
Joint venture:				
Iridium Capital Pty Ltd	Australia	Non-trading	50	-
Associate:				
New Frontier Holdings LLC	USA	Asset management	20	-

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

2. Forecasts

There have been no forecasts made during the period.

3. Significant contracts with Directors, child entities or controlling shareholders

Refer to Note 21 for details of material related party transactions.

4. Waivers

- (a) There are no arrangements where the directors have waived or agreed to waive any emoluments
- (b) There are no arrangements where a shareholder has waived or agreed to waive any dividends.

5. Historical Summary Table

Item	2012	2013	2014	2015	2016
Profit / (Loss)	(\$114,639)	(\$982,311)	(\$1,246,196)	(\$1,276,297)	(\$2,347,446)
Assets	\$1,271,696	\$462,376	\$1,610,169	\$1,709,305	\$2,687,645
Liabilities	\$1,384,335	\$1,606,520	\$170,358	\$237,369	\$3,034,004

Additional Information for Listed Public Companies (continued)

30 June 2016

6. Explanatory statement relating group activities

Refer to Chairman's Report for details of the *Group's* activities. Refer to "Significant Changes in State of Affairs" in the Directors' Report for significant changes in affairs of the *Group* which may influence the trend of activities and income (or loss)

7. Substantial shareholders

The number of substantial shareholders and their associates are set out below:

Shareholders	Number of shares
Abiogenises Pty Ltd	15,600,000
Ruminate Investments Pty Ltd	15,228,572
Adaptive Radiation Pty Ltd	8,888,888
Agparaskevi Pty Ltd	8,000,000
Life Science Investments Pty Ltd	6,000,000
Zero Hedge Investments Pty Ltd	5,550,000

8. Voting rights

Ordinary Shares

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

Options

No voting rights

9. Distribution of equity security holders

Holding	Holdings	Ordinary Shares	Percentage
1,001 – 5,000	2	6,000	0.005
5,001 – 10,000	11	108,000	0.098
10,001 – 100,000	98	5,174,000	4.695
100,000 and over	74	104,922,000	95.202
Total	185	110,210,000	100.000

Additional Information for Listed Public Companies (continued)**30 June 2016****10. Ten largest shareholders**

	Ordinary shares	
	Number held	% of issued shares
Abiogenises Pty Ltd	15,600,000	14
Ruminate Investments Pty Ltd	15,228,572	14
Adaptive Radiation Pty Ltd	8,888,888	8
Agparaskevi Pty Ltd	8,000,000	7
Life Science Investments Pty Ltd	6,000,000	5
Zero Hedge Investments Pty Ltd	5,550,000	5
Biotechnology Holdings Pty Ltd	4,261,112	4
Babi Holdings Pty Ltd	4,000,000	4
TTS Two Investments Pty Ltd	2,900,000	3
Oasis Bulls Pty Ltd	1,950,000	2

11. Ten largest option holders

	Options	
	Number held	% of outstanding options
(i) 10c iQ Loyalty Options (Expire December 2016)		
Oasis Bulls Pty Ltd	2,175,000	16
Rassan Enterprises Pty Ltd	1,500,000	11
Gyema Business Centre Pty Ltd	1,500,000	11
Maddbray Investments Pty Ltd	1,350,000	10
Small M	1,200,000	9
Sultana C	975,000	7
JBS Fashion Beauty Coordinates Pty Ltd	750,000	5
Danes N	750,000	5
GKJB Group Pty Ltd	750,000	5
Will Investments NSW Pty Ltd	750,000	5
(ii) 20c Economos Options (Expire December 2016)		
E Capital Investments Pty Ltd	1,117,000	100

12. Securities exchange

The Company is listed on the National Securities Exchange of Australia.

