

iQnovate Ltd and Consolidated Entities

ABN: 26 149 731 644

Financial Statements

For the Half Year Ended 31 December 2016

FORM: Half yearly/preliminary financial report

Name of issuer:

iQnovate Ltd and Consolidated Entities

ACN: 149 731 644

For the period 1 July 2016 to 31 December 2016

For announcement to the market

Extracts from this statement for announcement to the market.

Consolidated results

	31 December 2016 \$'000	31 December 2015 \$'000	Movement Up/down	Movement %
Revenue	2,052	1,486	Up	38%
Loss from ordinary activities after tax attributable to members	(4,046)	(3,194)	Up	27%
Loss for the period attributable to members	(4,046)	(3,194)	Up	27%

For commentary on the results and outlook, refer to attached 31 December Half-Year Financial Report.

Dividends

No dividends have been paid or declared during the reporting or previous corresponding period, nor do the directors recommend the declaration of a dividend.

Dividends (distributions)	Franked amount per security	Amount per security
Interim dividend	Nil	Nil
Final dividend	Nil	Nil

OTHER

Net tangible assets

Net tangible assets per security with the comparative figure for the previous corresponding period:

Current period: (2.52) cents

Previous corresponding period: 2.07 cents

Control gained over entities having material effect

iQnovate Ltd has gained control of Life Science Biosensor Diagnostics Pty Ltd during the half year with a substantial shareholding. iQnovate Ltd has not lost control over an entity during the period which has had a material effect.

Accounts

The accounts are not subject to a dispute or qualification by the auditor.

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Directors' Report

31 December 2016

The directors present their report, together with the financial statements of the Group, being the Company and its controlled entities, for the half year ended 31 December 2016.

1. General Information

Information on directors

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

Names	Position	Appointed/Resigned
Dr George Syrmalis	Executive	08/03/2011
Con Tsigounis	Executive	08/03/2011
Peter Simpson	Independent non-executive Director	28/07/2011

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

Principal activities

The principal activity of the Group during the half year was to invest in and validate IP assets and continue its research and development programs.

No significant change in the nature of these activities occurred during the half year.

2. Operating results and review of operations for the year

Operating results

The consolidated loss of the Group amounted to (\$4,046,427) against (\$3,193,804) in 2015.

Review of Operations

During the past year the Group continued investing in the research and development activities of the compound BP173, a PTHrP analogue, as well as the development of a novel Biosensor that is intended to monitor glucose levels through saliva.

iQnovate Ltd, through its two subsidiaries has built a leading position within the biopharmaceutical market, in the contract sales and medical affairs space.

- ASX listed FarmaForce Limited successfully entered, and is currently executing, several contracts with major multinational pharmaceutical companies. Revenue increased by 19% over the corresponding prior period, whilst sales force numbers increased 66% during the half year to cater for the increased contract numbers.
- Clinical Research Corporation Pty Ltd (CRC) has recruited key executive positions and structured a globally unique scientific offering of medical affairs and clinical development services, aimed towards the pharmaceutical and biotech industries. CRC is currently working on a new biological compound launch. The strategic value that the CRC offering brings to its clients can address a cycle of more than six years of clinical development that seamlessly amalgamates with the FarmaForce business model.

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Directors' Report (continued)

31 December 2016

- iQnovate Ltd issued 2 bonus shares for each security held in July 2016. This resulted in an additional 82,892,780 securities being allocated to shareholders.
- iQnovate Ltd's subsidiary Life Science Biosensor Diagnostic Pty Ltd has raised \$2.97m in capital for its novel biosensor. These funds are being used to commercialise the device.

3. Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the company during the half year.

Events after the reporting date

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

Indemnification and insurance of officers and auditors

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.

During or since the end of the half financial year, the Company has paid premiums of \$15,934.11 in respect of a contract insuring all the directors of the Company against legal costs incurred in defending proceedings for conduct.

No indemnities have been given or insurance premiums paid, during or since the end of the half financial year, for any person who is or has been an auditor of iQnovate Ltd and Consolidated Entities.

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Directors' Report (continued)

31 December 2016

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the half year ended 31 December 2016 has been received and can be found on page 7 of the financial report.

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

Director: 

Dr George Syrmalis

Dated
this

16 / 03

day of

2017.

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Independent Auditor's Review Report to the members of iQnovate Limited and Consolidated Entities

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of iQnovate Limited and Consolidated Entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

Fortunity Assurance.

FORTUNITY ASSURANCE

155 The Entrance Road, Erina, NSW

Dated: *16 March, 2017*

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Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2016

	Note	2016 \$	2015 \$
Revenue	3	2,051,550	1,485,998
Cost of goods sold		(1,773,961)	(1,368,929)
Employee benefits expense	4	(1,961,363)	(1,311,493)
Depreciation and amortisation expense	4	(66,019)	(38,459)
Overhead sharing costs		(443,301)	(453,674)
IPO and listing fees		(41,658)	(124,331)
Share Option Expense		-	(117,840)
Other expenses		(1,251,148)	(1,058,314)
Finance costs	4	(560,527)	(206,762)
Loss before income tax		(4,046,427)	(3,193,804)
Income tax expense		-	-
Loss for the half year		(4,046,427)	(3,193,804)
Other comprehensive income, net of income tax			
Other comprehensive income for the year		-	-
Total comprehensive loss for the half year		(4,046,427)	(3,193,804)
Loss attributable to:			
Members of the parent entity		(3,585,521)	(3,093,996)
Non-controlling interest		(460,906)	(99,808)
		(4,046,427)	(3,193,804)
Losses per share			
Basic losses per share (cents)		(5.03)	(7.50)
Diluted losses per share (cents)		(4.73)	(7.12)

iQnovate Ltd and Consolidated Entities

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Statement of Financial Position

As at 31 December 2016

	Note	31 December 2016 \$	30 June 2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	483,877	2,159,311
Trade and other receivables	6	4,359,582	1,581,721
Prepayments		2,921,864	-
Current tax receivables		916	916
TOTAL CURRENT ASSETS		7,766,239	3,741,948
NON-CURRENT ASSETS			
Trade and other receivables	6	64,261	63,278
Investments in other associates	15	556,145	538,000
Property, plant and equipment	7	652,692	662,065
Deferred tax assets		877,275	877,275
Intangible assets	8	174,299	1,891
TOTAL NON-CURRENT ASSETS		2,324,672	2,142,509
TOTAL ASSETS		10,090,911	5,884,457
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	3,407,069	1,704,073
Deferred revenue		2,640,154	-
Borrowings	10	9,266,650	5,421,844
Other liabilities	11	-	54,980
TOTAL CURRENT LIABILITIES		15,313,873	7,180,897
NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		15,313,873	7,180,897
NET LIABILITIES		(5,222,962)	(1,296,440)
EQUITY			
Issued capital	13	11,424,247	12,077,138
Convertible notes		1,131,369	510,245
Reserves		142,605	142,605
Accumulated losses		(16,496,302)	(12,910,781)
Capital raising fees		(2,018,724)	(1,656,640)
Total equity attributable to equity holders of the Company		(5,816,805)	(1,837,433)
Total equity attributable to non-controlling interest		593,843	540,993
TOTAL EQUITY		(5,222,962)	(1,296,440)

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Statement of Changes in Equity

For the Half Year Ended 31 December 2016

2016

	Ordinary Shares \$	Accumulated losses \$	Option Reserve \$	Non- controlling Interests \$	Total \$
Balance as at 1 July 2016	10,930,743	(12,910,781)	142,605	540,993	(1,296,440)
Total comprehensive income for the period	-	(3,585,521)	-	(460,906)	(4,046,427)
Shares issued	-	-	-	-	-
Convertible notes recognised as shares	-	-	-	-	-
Capital raising costs	(362,084)	-	-	-	(362,084)
Convertible notes issued/reconfigured	621,124	-	-	7,493	628,617
Recognition of non- controlling interest	(652,891)	-	-	506,263	(146,628)
Share based payment transactions	-	-	-	-	-
Balance as at 31 December 2016	10,536,892	(16,496,302)	142,605	593,843	(5,222,962)

2015

	Ordinary Shares \$	Accumulated losses \$	Option Reserve \$	Non- controlling Interests \$	Total \$
Balance as at 1 July 2015	5,434,410	(7,355,306)	24,765	1,296,250	(592,256)
Total comprehensive income for the period	-	(3,093,996)	-	(99,808)	(3,193,804)
Shares issued	5,459,544	-	-	-	5,459,544
Convertible notes recognised as shares	2,903,960	-	-	-	2,903,960
Capital raising costs	(1,104,753)	-	-	-	(1,104,753)
Convertible notes issued/reconfigured	(922,677)	-	-	50,000	(872,677)
Recognition of non- controlling interest	(1,512,008)	1,050,618	-	461,390	-
Share based payment transactions	-	-	117,840	-	117,840
Balance as at 31 December 2015	10,258,476	(9,391,059)	142,605	1,707,832	2,717,854

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Statement of Cash Flows

For the Half Year Ended 31 December 2016

	Note	31 December 2016 \$	31 December 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		1,563,467	987,806
Payments to suppliers and employees		(6,312,083)	(4,116,031)
Interest received		6,541	22,805
Interest paid		(45,549)	(1,392)
Income tax paid		-	-
Net cash used by operating activities		(4,787,624)	(3,106,812)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of intangible assets		-	(9,306)
Purchase of property, plant and equipment		(221,236)	(320,771)
Investment in associates		(18,145)	(528,000)
Net cash used by investing activities		(239,381)	(858,077)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from the issue of shares		270,000	5,077,039
Proceeds from the issue of convertible notes		4,983,727	1,160,000
Repayment of borrowings		-	(72,359)
Payment of capital raising costs		(1,902,156)	(846,581)
Net cash provided by financing activities		3,351,571	5,318,099
Net decrease in cash and cash equivalents held		(1,675,434)	1,353,210
Cash and Cash equivalents at beginning of year		2,159,311	2,492,118
Cash and Cash equivalents at end of the half year	5	483,877	3,845,328

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Notes to the Financial Statements

For the Half Year Ended 31 December 2016

The half-year financial report covers iQnovate Ltd and its controlled entities ("the Group"). iQnovate Ltd is a for-profit Company, 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.

Comparatives are consistent with prior years, unless otherwise stated.

1. Basis of Preparation

This condensed interim financial report for the reporting period ending 31 December 2016 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard *AASB 134: Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of iQnovate Ltd and Consolidated Entities and controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

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. Interim financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards 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.

2. Summary of Significant Accounting Policies

(a) 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 company 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).

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.

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Notes to the Financial Statements (continued)

For the Half Year Ended 31 December 2016

2. Summary of Significant Accounting Policies (continued)

(a) Revenue and other income (continued)

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

(b) Finance costs

Finance costs include all interest-related expenses, other than those arising from financial assets at fair value through profit or loss.

(c) 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.

Where the cost model is used, the assets 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 assets, where applicable.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the asset's 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:

Leasehold Land	10%
Plant and Equipment	10% to 15%
Cost	15% to 30%

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.

(d) 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 the initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit and 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

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Notes to the Financial Statements (continued)

For the Half Year Ended 31 December 2016

2. Summary of Significant Accounting Policies (continued)

(d) 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 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 the profit or loss.

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

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

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 Company uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

The Company'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.

Notes to the Financial Statements (continued)

For the Half Year Ended 31 December 2016

2. Summary of Significant Accounting Policies (continued)

(e) 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 statement of cash flows and are presented within current liabilities on the statement of financial position.

(f) Employee benefits

Provision is made for the Company'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 one year 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 high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognized in profit or loss.

(g) 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.

(h) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options, which vest immediately, are recognised as a deduction from equity, net of any tax effects.

Preference share capital is classified as equity if it is non-redeemable or redeemable only at the company's option, and any dividends are discretionary.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary.

Notes to the Financial Statements (continued)

For the Half Year Ended 31 December 2016

2. Summary of Significant Accounting Policies (continued)

(i) Basis for 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 cash flows 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 15 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.

Associates

Interests in associates, where the investor has significant influence over the investee, are counted for using the equity method in accordance with AASB 128 *Investments in Associates and Joint Ventures*. Under this method, the investment is initially recognised as cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

(j) Business combinations

Business combinations are accounted for by applying the acquisition method, which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the next identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration, which forms part of the combination, is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise, subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

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Notes to the Financial Statements (continued)

For the Half Year Ended 31 December 2016

2. Summary of Significant Accounting Policies (continued)

(k) Convertible notes

Convertible notes are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible notes, the fair value of the liability component is estimated using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability at amortised cost (net of transactions costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity. The carrying amount of the conversion option is not re-measured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

3. Revenue and Other Income

	31 December 2016 \$	31 December 2015 \$
Revenue		
- Contract revenue	1,856,529	1,463,194
- Shared services revenue	175,480	-
Finance Income		
- Other interest received	6,541	22,804
- Rebate	13,000	-
Total Revenue	2,051,550	1,485,998

4. Result for the Half Year

The result for the half year includes the following specific expenses:

Finance Costs

- Other interest expense	46,633	206,762
- Interest on convertible notes	513,894	

Other expenses:

- Employee benefits expense	1,961,363	1,311,493
- Depreciation of property, plant and equipment	57,882	38,459
- Amortisation of intangibles	8,137	-

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Notes to the Financial Statements (continued)

For the Half Year Ended 31 December 2016

5. Cash and cash equivalents

	31 December 2016 \$	30 June 2016 \$
Cash at bank and on hand	<u>483,877</u>	<u>2,159,311</u>

6. Trade and other receivables

CURRENT

Trade receivables	546,171	216,415
Prepayments	221,943	164,997
Deposits	597	597
Related party receivables	732,196	236,234
Other receivables	725,456	44,652
Work in progress	2,133,219	918,826
Total current trade and other receivables	<u>4,359,582</u>	<u>1,581,721</u>

NON-CURRENT

Deposits	64,261	63,278
Total non-current trade and other receivables	<u>64,261</u>	<u>63,278</u>

7. Property, plant and equipment

PLANT AND EQUIPMENT

Plant and equipment		
At cost	243,413	213,946
Accumulated depreciation	(102,469)	(75,904)
Total plant and equipment	<u>140,944</u>	<u>138,042</u>
Furniture, fixtures and fittings		
At cost	129,403	110,364
Accumulated depreciation	(22,862)	(16,388)
Total furniture, fixtures and fittings	<u>106,541</u>	<u>93,976</u>
Leasehold Improvements		
At cost	492,835	492,835
Accumulated amortization	(87,628)	(62,788)
Total leasehold improvements	<u>405,207</u>	<u>430,047</u>
Total property, plant and equipment	<u>652,692</u>	<u>662,065</u>

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Notes to the Financial Statements (continued)

For the Half Year Ended 31 December 2016

7. Property, plant and equipment (continued)

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

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

	Plant and Equipment \$	Furniture, Fixtures and Fittings \$	Improvements \$	Total \$
Half Year ended 31 December 2016				
Balance at the beginning of year	138,042	93,976	430,047	662,065
Additions	29,470	19,039	-	48,509
Depreciation expense	(26,568)	(6,474)	(24,840)	(57,882)
Balance at the end of the half year	140,944	106,541	405,207	652,692
Year ended 30 June 2016				
Balance at the beginning of year	133,343	36,713	199,774	369,830
Additions	49,339	66,555	268,446	384,340
Disposals	-	-	-	-
Depreciation expense	(44,640)	(9,292)	(38,173)	(92,105)
Balance at the end of the year	138,042	93,976	430,047	662,065

8. Intangible Assets

	31 December 2016 \$	30 June 2016 \$
Other intangible assets		
Cost	183,081	2,536
Accumulated amortisation and impairment	(8,782)	(645)
Total Intangibles	174,299	1,891

iQnovate Ltd and Consolidated Entities

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Notes to the Financial Statements (continued)

For the Half Year Ended 31 December 2016

9. Trade and other payables

	31 December 2016 \$	30 June 2016 \$
CURRENT		
Unsecured liabilities		
Trade payables	1,418,752	455,465
Employee benefits	232,011	205,700
Sundry payables and accrued expenses	547,213	215,395
Related party payables	119,785	718,247
Other payables	1,089,308	109,266
	3,407,069	1,704,073

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

10. Borrowings

CURRENT		
Unsecured liabilities:		
Convertible notes	9,266,650	5,421,844
Total current borrowings	9,266,650	5,421,844

During the half-year ended 31 December 2016 the Group raised Convertible Note interests valued at \$4,056,000 (30 June 2016: \$4,580,000) excluding transaction costs.

Of this amount, \$100,000 was raised by the Company's subsidiary Clinical Research Corporation (CRC), and \$986,000 by iQnovate Ltd. Both of these series are convertible by the relevant company and are at 0% coupon rate.

Life Science Biosensor Diagnostics Pty Ltd, through its wholly owned subsidiary, Glucose Biosensor (Greater China) Pty Ltd, raised the amount of \$2,970,800 at 7% coupon rate, convertible by the company.

The current year balances from the above disclosures consist of:

	31 December 2016 \$	30 June 2016 \$
Opening balance	5,421,844	4,056,927
Liability portion of convertible notes issued/reconfigures	3,884,693	3,977,787
Less: transaction costs	(1,954)	(150,856)
Liability converted to shares during the half year	(458,510)	(2,903,962)
Add implied interest	420,577	441,948
Closing balance	9,266,650	5,421,844

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Notes to the Financial Statements (continued)

For the Half Year Ended 31 December 2016

11. Other Liabilities

	31 December 2016 \$	30 June 2016 \$
CURRENT		
Revenue received in advance	-	54,980

12. Dividends

There were no dividends declared or paid in the current or previous financial half year.

13. Issued Capital

	31 December 2016 \$	30 June 2016 \$
214,339,251 (2016: 131,446,390) Ordinary shares	11,427,247	12,077,138

(a) Ordinary shares

	No.	No.
At the beginning of the reporting period	131,446,390	41,243,390
Shares issued during the reporting period in parent	82,892,780	203,000
Shares acquired in subsidiary	81	90,000,000
Employee share plan issues	-	-
At the end of the reporting period	214,339,251	131,446,390

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.

The Company does not have authorised capital or par value in respect of its shares.

In July, 2016, iQnovate Ltd issued 82,892,780 new securities to existing shareholders in an entitlement of two bonus shares for each existing security held.

During the half, iQnovate Ltd acquired 81 shares in a subsidiary, Life Science Biosensor Diagnostics Pty Ltd.

iQnovate Ltd and Consolidated Entities

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Notes to the Financial Statements (continued)

For the Half Year Ended 31 December 2016

14. Key Management Personnel Disclosures

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

	31 December 2016	31 December 2015
	\$	\$
Short-term employee benefits	359,794	600,243
Post-employment benefits	33,509	54,497
	393,303	654,740

15. Interests in Subsidiaries

(a) Composition of the Group	Principal place of business / Country of Incorporation	Percentage Owned (%) [*] 31 December 2016	Percentage Owned (%) [*] 30 June 2016
Subsidiaries:			
FarmaForce Limited	Australia	70.60	70.60
Clinical Research Corporation Pty Ltd	Australia	100.00	100.00
Life Science Biosensor Diagnostics Pty Ltd	Australia	81.00	-
Associates:			
New Frontier Holdings LLC ¹	USA	34.12	34.12

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

¹ Percentage shown is net of non controlling interest.

	31 December 2016	30 June 2016
	\$	\$
Consideration paid	556,145	538,000
Share of net assets acquired	556,145	538,000

16. Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2016 (30 June 2016: None).

iQnovate Ltd and Consolidated Entities

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17. Related Parties

(a) 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:

	Shared services revenue \$	Consultancy & Other revenue \$	Office & Overhead sharing costs \$	Other expenses \$	Balance Outstanding	
					Between parent & subsidiaries \$	With related parties \$
Related parties	666,255		329,543	21,467	1,230,007	(154,946)
Subsidiaries	-	367,322	604,533	-	(1,230,007)	4,942

18. Events Occurring After the Reporting Date

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

19. Company Details

The registered office of and principal place of business of the Company is:

iQnovate Ltd and Consolidated Entities
Level 6, 222 Clarence Street
SYDNEY NSW 2000

iQnovate Ltd and Consolidated Entities

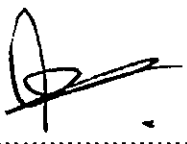
ABN 26 149 731 644

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 7 to 23 in accordance with the *Corporations Act 2001* including:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. give a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date
2. In the director's 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 with the continuing support of creditors.

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

Director 
.....
Dr George Symmalis

Dated this 16 day of 03 2017.

iQnovate Limited and Consolidated Entities

ABN: 26 149 731 644

Independent Auditor's Review Report to the members of iQnovate Limited and Consolidated Entities

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of iQnovate Limited and Consolidated Entities, which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of profit or loss and other comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of iQnovate Limited and Consolidated Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of iQnovate Limited and Consolidated Entities, would be in the same terms if given to the directors as at the time of this auditor's report.

iQnovate Limited and Consolidated Entities

ABN: 26 149 731 644

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2016, there have been:

- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

Fortunity Assurance.

FORTUNITY ASSURANCE

155 The Entrance Road, Erina, NSW

Dated: *16 March, 2017*