FORM: Half yearly/preliminary final report

Name of *issuer*

iQnovate Ltd

ACN or ARBN	Half yearly (tick)	Preliminary final (tick)	Half year/financial year ended ('Current period')
26 149 731 644	✓		1/7/2015 – 31/12/2015

For announcement to the market

Extracts from this statement for announcement to the market *(see note 1).*

				$A,000
Revenue *(item 1.1)*	up	580%	To	1,486
(Loss) for the period *(item 1.9)*	up	91%	to	(3,194)
(Loss) for the period attributable to security holders *(item 1.11)*	up	91%	To	(3,194)

Income Distributions	Current period	Previous corresponding period
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

NTA Backing

(see note 7)

20.1	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	2.07cents	-0.15 cents

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.

21.1	N/A

International Financial Reporting Standards

Under paragraph 39 of AASB 1: First –time Adoption of Australian Equivalents to International Financial Reporting Standards, an entity's first Australian-equivalents-to-IFRS's financial report shall include reconciliations of its equity and profit or loss under previous GAAP to its equity and profit or loss under Australian equivalents to IFRS's. See IG63 in the appendix to AASB 1 for guidance.

22.1	N/A

Under paragraph 4.2 of AASB 1047: Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards, an entity must disclose any known or reliably estimable information about the impacts on the financial report had it been prepared using the Australian equivalents to IFRSs or if the aforementioned impacts are not known or reliably estimable, a statement to that effect.

22.2	N/A

Comments by *director*s
Comments on the following matters are required by the Exchange or, in relation to the half yearly statement, by AASB 134: Interim Financial Reporting. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) but may be incorporated into the directors' report and statement. For both half yearly and preliminary final statements, if there are no comments in a section, state NIL. If there is insufficient space in comment, attach notes to this statement.***Basis of accounts preparation***

If this statement is a half yearly statement, it is a general purpose financial report prepared in accordance with the listing rules and AASB 134: Interim Financial Reporting. It should be read in conjunction with the last annual report and any announcements to the market made by the issuer during the period. This report does not include all notes of the type normally included in an annual financial report.

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible). In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations *(as per paragraphs 16(b), 16(b) and Aus 16.1 of AASB 134: Interim Financial Reporting)*

No events to report.

Any other factors which have affected the results in the period, or which are likely to affect results in the future, including those where the effect could not be quantified.

None.

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

Nil.

Changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows.
(Disclose changes in the half yearly statement in accordance with paragraph16(a) of AASB 134: Interim Financial Reporting. Disclose changes in the preliminary final statement in accordance with paragraphs 28-29 of 108: Accounting Policies, Changes in Accounting Estimates and Errors.)

N/A

An *issuer* shall explain how the transition from previous GAAP to Australian equivalents to IFRS' affected its reported financial position, financial performance and cash flows. (*as per paragraph 38 of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards)*

N/A

Revisions in estimates of amounts reported in previous periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous annual reports if those revisions have a material effect in this half year (*as per paragraph 16(d) of AASB 134: Interim Financial Reporting)*

Refer to Note 19 in the Financials.

Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assts since the last annual report *(as per paragraph 16(j) of AASB 134: Interim Financial Reporting)*

N/A

The nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size or incidence *(as per paragraph 16(c) of AASB 134: Interim Financial Reporting)*

N/A

Effect of changes in the composition of the entity during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinued operations *(as per paragraph 16(i) of AASB 134: Interim Financial Reporting)*

N/A

Annual meeting
(Preliminary final statement only)

The annual meeting will be held as follows:

Place	
Date	
Time	
Approximate date the annual report will be available	

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

   Identify other standards used

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.

3. This statement does give a true and fair view of the matters disclosed (see note 2).

4. This statement is based on financial statements to which one of the following applies:

   - ☐ The financial statements have been audited.
   - ✓ The financial statements have been subject to review by a registered auditor (or overseas equivalent).
   - ☐ The financial statements are in the process of being audited or subject to review.
   - ☐ The financial statements have *not* yet been audited or reviewed.

5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications are attached/~~will follow immediately they are available~~* (*delete one*). (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)

6. The *issuer* has/~~does not have~~* (*delete one*) a formally constituted audit committee.

Sign here: .... Date:14-03-16...
(*Director*/~~*Company secretary*~~)

Print name: Dr George Syrmalis..

iQnovate Ltd and Consolidated Entities

ABN:26 149 731 644

Financial Statements

For the Half Year Ended 31 December 2015

iQnovate Ltd and Consolidated Entities

ABN:26 149 731 644

Contents

For the Half Year Ended 31 December 2015

iQnovate Ltd and Consolidated Entities

ABN:26 149 731 644

Directors' Report

31 December 2015

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 2015.

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	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 activities of the Group during the half year were to provide global contract scientific services to the Biopharmaceutical industry.

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 ($3,193,804) against ($1,672,412) in 2014.

Review of operations

During the past year the Group continued investing in its market development activities.

As a result we are now enjoying collaborations with major global pharmaceutical companies.

Below are the major milestones for the Group in FY2015-16:

- iQnovate developed its commercial and clinical research services through its two subsidiaries FarmaForce Limited and Clinical Research Corporation Pty Ltd;
- FarmaForce successfully entered, and is currently executing, several contracts with major multinational pharmaceutical companies;
- FarmaForce undertook an Initial Public Offering to list its shares on the ASX with an initial market capitalisation of $39m, of which up to 70.6% of the total shares are retained by iQnovate Ltd; and
- Clinical Research Corporation Pty Ltd (CRC) recruited key executive positions and structured a globally unique scientific offering aimed towards the pharmaceutical and biotech industries. 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 binds with the FarmaForce business model. It is our intention to list CRC on the ASX in FY2016-17.

2. Operating results and review of operations for the year continued

Review of operations continued

- iQnovate commenced a private placement offering to sophisticated and professional investors of up to $5m under a placement capacity of 15% of the issued capital.

The architecture of our enterprise, which we have been preparing for the past three years, is based on the following seven pillars:

- Delivery for Shareholders;
- Continued scientific momentum;
- Development of emerging late-stage pipeline IP on compounds or technology platforms;
- Greater combined value through acquisitions and partnerships;
- Transforming biologics and clinical development;
- Capitalisation on a growing biosimilars markets; and
- Momentum in global expansion through exposure to overseas investors.

Our fervent belief is that if we serve our customers exceptionally well and we anticipate and deliver against their needs, we will then deliver meaningful returns to all our stakeholders; including investors, our employees and the patients who ultimately benefit from our success.

3. Other items

Significant changes in state of affairs

During the half-year to 31 December 2015 a wholly owned subsidiary, FarmaForce Limited undertook an IPO and officially listed on the ASX on 27 October 2015.

The Company commenced its IPO through a Replacement Prospectus dated 10 August 2015 for a minimum raise of $5,000,000 and a maximum raise of $6,000,000. An application was lodged with the ASX Limited, for the listing of the Company's shares at the completion of the IPO.

Events after the reporting date

No matters or circumstances have arisen since the end of the half financial 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 $19,847.79 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.

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 2015 has been received and can be found on page 4 of the financial report.

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

Director: ....

Dr George Syrmalis

Dated this ....14th.............. day of ...MARCH.........2016

iQnovate Limited and Consolidated Entities

ABN: 26 149 731 644

FORTUNITY
CHARTERED ACCOUNTANTS • FINANCIAL PLANNERS

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 2015 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

TR Davidson
Partner

155 The Entrance Road, Erina, NSW

Dated this 14 day of March 2016

iQnovate Ltd and Consolidated Entities

ABN:26 149 731 644

Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2015

	Note	2015 $	2014 $
Revenue	3	**1,485,998**	218,514
Cost of Goods sold		**(1,368,929)**	-
Employee benefits expense	4	**(1,311,493)**	(770,944)
Depreciation and amortisation expense	4	**(38,459)**	(25,015)
Overhead sharing costs		**(453,674)**	(417,766)
IPO and listing costs		**(124,331)**	(61,120)
Share Option Expense		**(117,840)**	-
Other expenses		**(1,058,314)**	(615,881)
Finance costs	4	**(206,762)**	(200)
Profit/(Loss) before income tax		**(3,193,804)**	(1,672,412)
Income tax expense		**-**	-
Profit/(Loss) for the half year		**(3,193,804)**	(1,672,412)
Other comprehensive income, net of income tax			
Other comprehensive income for the year		**-**	-
Total comprehensive income		**(3,193,804)**	(1,672,412)
Attributable to:			
Members of the parent entity		**(3,093,996)**	(1,672,412)
Non-controlling interest		**(99,808)**	-
		(3,193,804)	(1,672,412)
Earnings per share			
Basic earnings per share (cents)		**(7.50)**	(4.14)
Diluted earnings per share (cents)		**(7.12)**	(4.03)

The accompanying notes form part of these financial statements.

iQnovate Ltd and Consolidated Entities

ABN:26 149 731 644

Statement of Financial Position

31 December 2015

	Note	31 December 2015 $	30 June 2015 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**3,845,328**	2,492,118
Trade and other receivables	6	**1,545,753**	603,716
TOTAL CURRENT ASSETS		**5,391,081**	3,095,834
NON-CURRENT ASSETS			
Trade and other receivables	6	**62,310**	62,870
Investments in associates	15	**528,000**	-
Property, plant and equipment	7	**652,142**	369,830
Deferred tax assets		**877,275**	877,275
Intangible assets	8	**2,207**	2,454
Other assets		**9,300**	-
TOTAL NON-CURRENT ASSETS		**2,131,234**	1,312,429
TOTAL ASSETS		**7,522,315**	4,408,263
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	**878,594**	794,013
Borrowings	10	**3,391,012**	4,056,927
Other liabilities	11	**534,855**	149,579
TOTAL CURRENT LIABILITIES		**4,804,461**	5,000,519
NON-CURRENT LIABILITIES			
TOTAL LIABILITIES		**4,804,461**	5,000,519
NET ASSETS		**2,717,854**	(592,256)
EQUITY			
Issued capital	13	**11,549,159**	4,697,661
Convertible notes		**371,721**	1,400,000
Reserves		**142,605**	24,765
Retained earnings		**(9,391,060)**	(7,347,681)
Capital raising fees		**(1,662,403)**	(663,251)
Total equity attributable to equity holders of the Company		**1,010,022**	(1,888,506)
Total equity attributable to non-controlling interest		**1,707,832**	1,296,250
TOTAL EQUITY		**2,717,854**	(592,256)

The accompanying notes form part of these financial statements.

iQnovate Ltd and Consolidated Entities

ABN:26 149 731 644

Statement of Changes in Equity

For the Half Year Ended 31 December 2015

2015

	Ordinary Shares	Retained Earnings	Option Reserve	Non-controlling Interests	Total
	$	$	$	$	$
Balance at 1 July 2015	**5,434,410**	**(7,355,306)**	**24,765**	**1,296,250**	**(592,256)**
Total comprehensive income	**-**	**(3,093,996)**	**-**	**(99,808)**	**(3,193,804)**
Shares issued during the half year	**5,459,544**	**-**	**-**	**-**	**5,459,544**
Convertible notes recognised as shares during the half year	**2,903,960**	**-**	**-**	**-**	**2,903,960**
Capital raising costs	**(1,104,753)**	**-**	**-**	**-**	**(1,104,753)**
Convertible notes issued/reconfigured during the half year	**(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 at 31 December 2015	**10,258,476**	**(9,391,059)**	**142,605**	**1,707,832**	**2,717,854**

2014

	Ordinary Shares	Retained Earnings	Option Reserve	Non-controlling Interests	Total
	$	$	$	$	$
Balance at 1 July 2014	4,115,304	(2,978,866)	24,765	139,935	1,301,138
Total other comprehensive income	-	(1,672,412)	-	-	(1,672,412)
Shares issued during the half year	160,000	-	-	-	160,000
Capital raising costs	(244,808)	-	-	-	(244,808)
Convertible notes issued classified as equity	-	-	-	394,459	394,459
Balance at 31 December 2014	4,030,496	(4,651,278)	24,765	534,394	(61,623)

The accompanying notes form part of these financial statements.

iQnovate Ltd and Consolidated Entities

ABN:26 149 731 644

Statement of Cash Flows

For the Half Year Ended 31 December 2015

	Note	31 December 2015 $	31 December 2014 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**987,806**	143,564
Payments to suppliers and employees		**(4,116,031)**	(1,828,011)
Interest received		**22,805**	2,514
Interest paid		**(1,392)**	(200)
Net cash used by operating activities		**(3,106,812)**	(1,682,133)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		**-**	484
Acquisition of intangible assets		**(9,306)**	-
Purchase of property, plant and equipment		**(320,771)**	(72,290)
Investment in associates		**(528,000)**	-
Net cash used by investing activities		**(858,077)**	(71,806)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		**5,077,039**	160,000
Proceeds from the issue of convertible notes		**1,160,000**	1,675,500
Repayment of borrowings		**(72,359)**	-
Payment of capital raising costs		**(846,581)**	(214,873)
Net cash provided by financing activities		**5,318,099**	1,620,627
Net increase/(decrease) in cash and cash equivalents held		**1,353,210**	(133,312)
Cash and cash equivalents at beginning of year		**2,492,118**	691,417
Cash and cash equivalents at end of half financial year	5	**3,845,328**	558,105

The accompanying notes form part of these financial statements.

The half year financial report covers iQnovate Ltd and its controlled entities ('the Group'). iQnovate Ltd 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.

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 2015 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 2015, 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 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).

2 Summary of Significant Accounting Policies continued

(a) Revenue and other income continued

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.

(b) Finance costs

Finance cost includes 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 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.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Group, 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	10-15%
Cost	15-30%

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 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).

2 Summary of Significant Accounting Policies continued

(d) Financial instruments continued

Financial Assets

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

- loans and receivables

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

(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.

2 Summary of Significant Accounting Policies continued

(e) Cash and cash equivalents continued

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 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 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 recognised 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 half 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.

(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 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.

2 Summary of Significant Accounting Policies continued

(i) Basis for consolidation continued

A list of controlled entities is contained in Note 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 accounted 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 net 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.

(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

Revenue from continuing operations

	31 December 2015 $	31 December 2014 $
Revenue		
- Contract Revenue	**1,463,194**	216,000
	1,463,194	216,000
Finance income		
- Other interest received	**22,804**	2,514
	22,804	2,514
Total Revenue	**1,485,998**	218,514

4 Result for the Half Year

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

	31 December 2015 $	31 December 2014 $
Finance costs		
- Other interest expense	**206,762**	200
	206,762	200
Other expenses:		
- Employee benefits expense	**1,311,493**	770,944
- Depreciation of property, plant and equipment	**38,459**	25,015

5 Cash and Cash Equivalents

	31 December 2015 $	30 June 2015 $
Cash at bank and on hand	**3,845,328**	2,492,118
	3,845,328	2,492,118

Notes to the Financial Statements

For the Half Year Ended 31 December 2015

6 Trade and Other Receivables

	31 December 2015 $	30 June 2015 $
CURRENT		
Trade receivables	**1,050,258**	209,332
	1,050,258	209,332
Prepayments	**164,998**	143,495
Deposits	**597**	597
Related party receivables	**20,307**	94,316
Other receivables	**309,593**	155,976
Total current trade and other receivables	**1,545,753**	603,716

	31 December 2015 $	30 June 2015 $
NON-CURRENT		
Deposits	**62,310**	62,870
Total non-current trade and other receivables	**62,310**	62,870

Notes to the Financial Statements

For the Half Year Ended 31 December 2015

7 Property, plant and equipment

	31 December 2015 $	30 June 2015 $
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	**205,902**	164,607
Accumulated depreciation	**(51,779)**	(31,264)
Total plant and equipment	**154,123**	133,343
Furniture, fixtures and fittings		
At cost	**110,363**	43,809
Accumulated depreciation	**(10,448)**	(7,096)
Total furniture, fixtures and fittings	**99,915**	36,713
Leasehold Improvements		
At cost	**437,311**	224,389
Accumulated amortisation	**(39,207)**	(24,615)
Total leasehold improvements	**398,104**	199,774
Total property, plant and equipment	**652,142**	369,830

(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 half year:

	Plant and Equipment $	Furniture, Fixtures and Fittings $	Improvements $	Total $
Year ended 31 December 2015				
Balance at the beginning of year	**133,343**	**36,713**	**199,774**	**369,830**
Additions	**41,295**	**66,554**	**212,922**	**320,771**
Depreciation expense	**(20,515)**	**(3,352)**	**(14,592)**	**(38,459)**
Balance at the end of the half year	**154,123**	**99,915**	**398,104**	**652,142**
Year ended 30 June 2015				
Balance at the beginning of year	53,319	26,972	207,443	287,734
Additions	105,839	14,979	15,362	136,180
Disposals	(351)	-	(920)	(1,271)
Depreciation expense	(25,464)	(5,238)	(22,111)	(52,813)
Balance at the end of the half year	133,343	36,713	199,774	369,830

Notes to the Financial Statements

For the Half Year Ended 31 December 2015

8 Intangible Assets

	31 December 2015 $	30 June 2015 $
Other intangible assets		
Cost	**2,542**	2,536
Accumulated amortisation and impairment	**(335)**	(82)
Total Intangibles	**2,207**	2,454

9 Trade and Other Payables

	31 December 2015 $	30 June 2015 $
CURRENT		
Unsecured liabilities		
Trade payables	**29,115**	215,436
Employee benefits	**135,689**	115,745
Sundry payables and accrued expenses	**441,245**	255,213
Related party payables	**158,650**	66,379
Other payables	**113,895**	141,240
	878,594	794,013

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

10 Borrowings

	31 December 2015 $	30 June 2015 $
CURRENT		
Unsecured liabilities:		
Convertible Notes	**3,391,012**	4,056,927
Total current borrowings	**3,391,012**	4,056,927

10 Borrowings continued

During the half-year ended 31 December 2015, the Group issued 0% coupon Convertible Note interests valued at$1,160,000 (30 June 2014: $5,460,500).

Of the $1,160,000 Convertible Notes issued during the half year ended 31 December 2015, $350,000 were issued by the Company's subsidiary Clinical Research Corporation (CRC) and are convertible to ordinary shares in CRC from the date of its admission on an approved stock exchange. $810,000 worth of Notes were issued by the Company and are convertible at the Company's discretion.

During the half year, the Company's subsidiary, FarmaForce Limited, listed on the Australian Stock Exchange and its convertible notes (original cost of $3,860,500) were all converted to shares at this time.

The current year balances from the above disclosures consist of:

	31 December 2015	30 June 2015
	$	$
Opening balance	**4,056,927**	**460,066**
Liability portion of convertible notes issued/reconfigured	**2,138,278**	**3,704,184**
Less transaction costs	**(105,600)**	**(373,753)**
Liability converted to shares during the half year	**(2,903,962)**	**-**
Add implied interest	**205,369**	**266,430**
	3,391,012	**4,056,927**

11 Other Liabilities

CURRENT		
Amounts invoiced for services not yet completed at year end	**534,855**	149,579

12 Dividends

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

13 Issued Capital

	31 December 2015	30 June 2015
	$	$
(2015: 131,446,390) Ordinary shares	**11,549,159**	4,697,661

(a) Ordinary shares

	No.	No.
At the beginning of the reporting period	**41,243,390**	39,643,390
Shares issued during the year		
Issues of shares (27/10/2015)	**90,000,000**	1,600,000
Employee share plan issues	**203,000**	-
At the end of the reporting period	**131,446,390**	41,243,390

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.

14 Key Management Personnel Disclosures

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

	31 December 2015	30 June 2015
	$	$
Short-term employee benefits	**600,243**	762,967
Post-employment benefits	**54,497**	72,483
	654,740	835,450

15 Interests in Subsidiaries

(a) Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2016	Percentage Owned (%)* 2015
Subsidiaries:			
FarmaForce Limited	Australia	**70.60**	100.00
Clinical Research Corporation Pty Limited	Australia	**100.00**	100.00
Associates:			
New Frontier Holdings LLC	USA	**40.00**	-

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

16 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2015 (31 December 2014:None).

Notes to the Financial Statements

For the Half Year Ended 31 December 2015

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	Overhead sharing costs	Other sharing transactions	Balance outstanding	
				Receivables	Payables
Related Parties (Re Group)	158,000	453,674	54,000	-	238,974
Subsidiaries (Re Holding Company)	-	-	-	533,536	-

Mr Spiro Sakiris is both the Chief Operations Officer and the Chief Financial Officer of all of the above related parties.

18 Statement of Cash Flows

The table below dissects the comparative balances of the Statement of Cash Flows for the period ending 31 December 2014. There was no impact to the Statement of Comprehensive Income or Statement of Financial Position in relation to this dissection.

Statement of Cash Flows (Extract)

	12 months 31 December 2014	Dissection	6 months 31 December 2014
	$	$	$
Receipts from customers	**146,078**	(2,514)	143,564
Payments to suppliers and employees	**(1,841,611)**	13,600	(1,828,011)
Purchase of property, plant and equipment	**(264,720)**	192,430	(72,290)
Proceeds from the issue of convertible notes	**2,275,501**	(600,001)	1,675,500
Payment of capital raising costs	**(296,490)**	81,617	(214,873)
Cash and cash equivalents at beginning of year	**376,549**	314,868	691,417
Total	**395,307**	**-**	**395,307**

19 Convertible Notes

As a result of a change in the underlying factors used to determine the financial liability component of the convertible notes, it has been estimated that the fair value of the liability component of the convertible notes which have now been accounted for in liabilities is, $1,732,677 (net of transaction costs). This amount is included in the Statement of Changes in Equity under the classification of "convertible notes issued/reconfigured during the half year". Implied interest has been calculated with an interest expense of $205,369 (iQN and CRC) impacting the Statement of Profit and Loss in a manner consistent with the Australian Accounting Standards.

20 Events Occurring After the Reporting Date

No other matters or circumstances have arisen since the end of the half 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.

21 Company Details

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

iQnovate Ltd and Consolidated Entities
Level 3
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 5 to 22 are in accordance with the *Corporations Act 2001*, including;

   a. complying with Accounting Standard AASB 134; Interim Financial Reporting and

   b. give a true and fair view of the consolidated group's financial position as at 31 December 2015 and of its performance of the half-year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director ....

Dr George Syrmalis

Dated this 14th day of MARCH 2016

FORTUNITY
CHARTERED ACCOUNTANTS • FINANCIAL PLANNERS

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 2015, 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.

FORTUNITY
CHARTERED ACCOUNTANTS • FINANCIAL PLANNERS

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 2015, 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

TR Davidson
Partner

155 The Entrance Road, Erina, NSW

Dated this 14 day of March 2016

PrimeGlobal An Association of Independent Accounting Firms

Liability limited by a scheme approved under Professional Standards Legislation

Fortunity Assurance ABN 95 862 442 962
Erina Business Park 155 The Entrance Road
PO Box 3622 Erina NSW 2250 Australia
Tel: 02 4304 8888 Fax: 02 4304 8800
info@fortunity.com.au www.fortunity.com.au

LHA_1015