

iQnovate Limited

ABN: 26 149 731 644

Annual Report

For the Year Ended 30 June 2014

IQNOVATE LIMITED AND CONTROLLED ENTITIES

ACN: 149 731 644

**Financial Report For The Year Ended
30 June 2014**

IQNOVATE LIMITED AND CONTROLLED ENTITIES

ACN: 149 731 644

Financial Report For The Year Ended 30 June 2014

CONTENTS	Page
Chairperson's Report	1
Operating and Financial Review	2
Corporate Governance Statement	3
Directors' Report	6
Remuneration Report	8
Auditor's Independence Declaration	11
Consolidated Statement of Profit or Loss and Other Comprehensive Income	12
Consolidated Statement of Financial Position	13
Consolidated Statement of Changes in Equity	14
Consolidated Statement of Cash Flows	16
Notes to the Financial Statements	17
Directors' Declaration	39
Independent Auditor's Report	40
Additional Information for Listed Public Companies	42

**IQNOVATE LIMITED ACN: 149 731 644 AND CONTROLLED ENTITIES
CHAIRPERSON'S REPORT**

Dear iQnovate Shareholders

I am pleased to present the 2014 Annual Report and take this opportunity to share with you the progress that iQnovate has made since my previous year's report, as well as a vision of what lies ahead. Our key challenge for the fiscal year 2014 was to build iQnovate share of voice with our clients globally by articulating an irrefutable value proposition and reaffirming our commitment to excellence and innovation through our unique service offering and business model.

This year was very tactical for iQnovate, executing on the strategy we have been formulating over the past two years. The result was an increase in operating revenue when compared to the two previous years and two wholly owned subsidiaries, FarmaForce Pty Ltd and Clinical Research Corporation Pty Ltd (CRC Pty Ltd).

FarmaForce Pty Ltd, a wholly owned iQnovate subsidiary. FarmaForce is a contract sales organisation providing a broad range of sales force solutions to the Australian pharmaceutical industry. In executing its core business strategy, FarmaForce is a pioneer, entering a market estimated to be worth approximately 9 billion USD and with a projected CAGR of 13.9%. We are already, in advanced contractual discussions with global top 10 Pharmaceutical companies about providing strategic sales force solutions in respect of their product portfolio.

CRC Pty Ltd, is the other wholly owned subsidiary of iQnovate Ltd. CRC is an innovative clinical research organisation, specialising in providing dedicated clinical trial and related research services including IP asset management, scientific advisory and due diligence, to the Australian biotechnology sector. In addition to this, CRC clients can access extensive financial, investment and post-commercialisation services through our iQ Group partners that are the perfect compliment to the services provided by CRC. This gives clients significant value-add opportunities right across the clinical development pathway.

iQnovate Ltd has for the last few months been engaged in advanced talks with overseas Academic and Research institutions in regards to licensing and or acquiring research compounds in different therapeutic areas, cancer, neurology, metabolic diseases and immunology.

Some very exciting times are ahead and we look forward to sharing this information with you the very moment it becomes a fact.

To give you a small taste of what lies ahead:

- We are actively seeking acquisition targets within the APAC region

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



Dr George Symmalis
Chairman and Chief Executive Officer

IQNOVATE LIMITED ACN: 149 731 644
OPERATING AND FINANCIAL REVIEW

Principal Activities

The principal activities of the consolidated group during the financial year was to provide global contract scientific services to the Biopharmaceutical industry.

Significant Changes to Activities

The Company has established two subsidiaries during the period, FarmaForce Pty Ltd, a contract sales organisation which provides contract sales solutions to the Pharmaceutical Industry and Clinical Research Corporation Pty Ltd, a clinical research organisation specialising in providing dedicated clinical trial and related research services to the Australian biotechnology sector.

Our Business Model and Objectives

Providing satisfactory returns to our shareholders is our primary objective. Our success in delivering this aim is determined by reference to total shareholder return (TSR) over time, and is compared to the returns achieved by our competitors and the S&P/ASX 200 Index. We strive to continually improve the differential between returns on invested capital over the cost of that capital.

Operating Results

The operating results for the consolidated group show a resulting loss for the fiscal year 2014. That loss amounted to \$1,450,116, after providing for income tax and eliminating non-controlling equity interests. This result was largely due to the increase of expenses attributable to expansion of the employee numbers and establishment of the subsidiaries to build the company's required infrastructure.

Financial Position

The net assets of the Group as at the 30 June 2014 were \$1,262,374.

During the past financial year the Group has invested in developing its business activities to secure its long-term success. In particular, strategic investments have been made in subsidiary companies to diversify its asset base as well as maintaining and expanding investment in key business segments.

The Directors believe the consolidated group is in a strong and stable financial position to expand and grow its current operations.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the group during the financial year apart from the following:-

- i. The Company issued an additional 2,187,500 ordinary shares as a result for the exercising of options held by shareholders.

Changes in controlled entities and divisions:

- ii. Two subsidiary companies, FarmaForce Pty Ltd and Clinical Research Corporation Pty Ltd were each established during the year. These entities have commenced capital raising through an issuing of convertible notes as described in notes 15 and 18 of the financial statements.

Events after the Reporting Period

No matters or circumstances have arisen since the end of the reporting period which would significantly affect or may significantly affect the operations of the group, the results of the operations, or the state of affairs of the group in future financial years subject to securing other and ongoing commercial contractual arrangements.

Future Developments, Prospects and Business Strategies

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

IQNOVATE LIMITED ACN: 149 731 644 AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

The objective of the Board of iQnovate Limited is to create and deliver long-term shareholder value through a range of diversified but interrelated client centric services. Whilst each area of the company's business activities holds significant value and makes a substantial contribution towards achieving the Board's objective, management of the synergies arising from the interrelations between the various business activities is critical to achieving the objective of creating and delivering long-term shareholder value.

The Board considers there to be an unambiguous and positive relationship between the creation and delivery of long-term shareholder value and high-quality corporate governance policies and practices. Accordingly, in pursuing its objective, the Board has committed to a corporate governance framework that strives to foster the values of integrity, respect, trust and openness among and between the Board members, management, employees, customers and suppliers.

iQnovate Limited and its subsidiaries operate as a single economic entity with a unified Board and management. As such, the Board's corporate governance framework applies to all entities within the economic group.

A complete listing of the Board Directors for the year ended 30 June 2014, along with their biographical details, is provided in the Directors' report.

The Board considers that the current Board composition reflects an appropriate balance between executive and non-executive Directors that promotes both the generation of shareholder value and effective governance.

The Board also considers that the current Board composition reflects an appropriate balance of skills, expertise and experience to achieve its objective of creating and delivering long-term shareholder value. The diverse range of business activities the company is involved in necessitates the Board having a correspondingly diverse range of skills, experience and expertise. As the biopharmaceutical and medical device industries constitute a significant part of the company's overall operations, Directors are required to have detailed knowledge and understanding of these industries. Nevertheless, Directors need to have a strong understanding of a range of other areas, including finance, contract law and occupational health and safety requirements.

Notwithstanding the fact that the Board considers its current composition to be appropriate, it has in place an active program for assessing whether individual Directors and the Board as a whole have the skills and knowledge necessary to discharge their responsibilities in accordance with the Board's governance arrangements. Any deficiencies identified by this program can be addressed in a number of ways, including training and the employment of specialist staff. Details of the skills, expertise and experience of each director are provided in the Directors' report.

Audit and Risk Management Committee

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

The names and qualifications of the Audit and Risk Management Committee members and their attendance at meetings of the committee are included in the Directors' report.

Remuneration and Compensation Arrangements Committee

The company has established a Remuneration and Compensation Arrangements Committee comprising two non-executive Directors with the objective of:

- I. developing remuneration policies for Directors and Key Management Personnel, with the assistance of independent external consultants; and
- II. maintaining and reviewing the company's remuneration policies and practices, and reporting to the Board on such matters.

The maximum aggregate amount payable for Non-Executive Directors' Fees as approved by the shareholders in general meeting has been set at \$300,000 per annum. Notwithstanding this, the Directors have set this remuneration for the financial year ended 30 June 2014 at \$120,000. The Constitution provides that aggregate Non-Executive Directors' Fees can only change pursuant to a resolution at a general meeting.

There are no schemes for retirement benefits for directors other than statutory superannuation arrangements for non-executive/independent directors.

Internal Management Controls

The company's main assets are located in Australia. Control over the operations is exercised by the Board and senior management. The Board also monitors the performance of outside consultants engaged from time to time to complete specific projects and tasks.

Identifying Significant Business Risks

**IQNOVATE LIMITED ACN: 149 731 644 AND CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT**

The Board regularly monitors the operational and financial performance of the company's activities. In conjunction with the Audit and Risk Management Committee, it monitors and receives advice on areas of operational and financial risk and considers strategies for appropriate risk management. All operational and financial strategies adopted are aimed at improving the value of the company's shares and have adopted policies to mitigate this risk through the use of suitably qualified technical personnel. However, the Directors recognise that Biopharmaceutical business is inherently risky.

NSX Corporate Governance

The information below outlines the main corporate governance policies of the company which the Directors adopted by formal resolution on 13 June 2012

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

- Each Director dedicates considerable time and effort to the affairs of the company. The Directors manage to do so despite busy schedules consisting of other work and business commitments. Irrespective of their individual circumstances, the principal focus of each Director's efforts (while adhering to the company's corporate governance framework) must necessarily be promotion of the company's activities and an improvement in shareholder value; and
- The company is committed to adopting corporate governance policies commensurate with its business activities and has adopted a formal Corporate Governance Charter, setting out the roles and responsibilities of the independent committees described above.

It is within the above context that the Directors have established the appropriate corporate governance framework to ensure that the company is compliant with a number of listing NSX Guidelines. In the context of those Guidelines, the Directors make the following observations in relation to the company's corporate governance framework:

NSX Guidelines	Summary of iQnovate Limited's Position
Principle One – Lay solid foundations for management and oversight	The company has two Executive Directors and each subject to contracts regulating their roles with the company, and who report to the board.
Principle Two – Structure Board to Add Value	The company has a Board comprising of two non executive Directors and two Executive Directors with public company experience.
Principle Three – Promote Ethical and Responsible Decision Making	The company has adopted both: - a Corporate Governance Charter and Board Charter – regulating the duties of Directors and their dealings with the company (including the trading of shares in the company) both internally and externally, and - a Corporate Code of Conduct – regulating the Company's external dealings and dealings with Shareholders.
Principle Four – Safeguard Integrity in Financial Reporting	The company has established a separately constituted Audit and Risk Management Committee. The Committee comprises of one executive and two non-executive Directors.
Principle Five – Make Timely and Balanced Disclosure	The company has defined, under its Corporate Ethics Policy, an internal protocol for the reporting of material information to Shareholders and the NSX.
Principle Six – Respect the Rights of Shareholders	The company is committed to all Shareholders and stakeholders having equal and timely access to material information regarding the operations and results of the company. The company will make regular NSX announcements and make this available on its website.
Principle Seven – Recognise and Manage Risk	The Audit & Risk Management Committee has under its Charter responsibility for overseeing the company's risk management and internal control framework and implementation of the processes required to undertake and assess risk management and internal control compliance.

**IQNOVATE LIMITED ACN: 149 731 644 AND CONTROLLED ENTITIES
CORPORATE GOVERNANCE STATEMENT**

<p>Principle Eight – Encourage Enhanced Performance</p>	<p>The company has a formally constituted Remuneration and Nominations Committee. The Company Secretary, Mr Kelvin Boateng, plays an integral role in monitoring the conduct and processes of the Board, as well as the dispatch of material to Board members.</p>
<p>Principle Nine – Remunerate Fairly and Responsibly</p>	<p>A Remuneration Committee has been established which is charged with making recommendations as to all aspects of executive and non-executive director and management and committee remuneration packages. The Committee comprises two non-executive Directors.</p>
<p>Principle Ten – Recognise the Legitimate Interests of Stakeholders</p>	<p>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.</p>

**IQNOVATE LIMITED ACN: 149 731 644 AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

Your Directors present their report on the consolidated entity (referred to herein as the Group) consisting of iQnovate Limited and its controlled entities for the financial year ended 30 June 2014. The information in the preceding Operating and Financial Review forms part of this Directors' Report for the financial year ended 30 June 2014 and is to be read in conjunction with the following information:-

General Information

Directors

The following persons were Directors of iQnovate Limited during or since the end of the financial year up to the date of this report:

Dr George Syrmalis appointed (8/03/2011)

Con Tsigounis appointed (8/03/2011)

William Economos appointed (28/07/2011)

Peter Simpson appointed (28/07/2011)

Particulars of each Director's experience and qualifications are set out later in this report.

Dividends Paid or Recommended

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

Indemnifying Officers or Auditor

During or since the end of the financial year, the company has entered into an agreement to indemnify Directors, and paid \$31,574 in insurance premiums for Directors & Officers Coverage Insurance, which includes cover for these indemnifications.

Proceedings on Behalf of Company

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

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

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 11 of the Financial Report.

Options

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

Grant Date	Date of expiry	Exercise price	Number under option
15 June 2011	17 December 2015	\$0.10	800,000
			<u>800,000</u>

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

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

Information relating to Directors and Company Secretary

Dr George Syrmalis	Chief Executive Officer.
Qualifications	Trained in Nuclear Medicine-radiation immunology.
Experience	Board Member since 2011. Mr Syrmalis founded and led as CEO and Chairman 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	12,256,250 ordinary shares in iQnovate Limited.
Special Responsibilities	Responsibilities include managing the company's operations and delivering long-term shareholder value.
Directorships held in other listed entities during the three years prior to the current year	None
Con Tsigounis	Director (Executive)
Qualifications	N/A
Experience	Board member since 2011. Mr Tsigounis has over 25 years experience in business development and company start-ups, investing and developing companies in the wholesale and retail sectors. He also has extensive experience in the provision of real estate services and development.
Interest in Shares and Options	12,256,250 ordinary shares in iQnovate Limited.
Special Responsibilities	Responsibilities include managing the company's business development strategy.

**IQNOVATE LIMITED ACN: 149 731 644 AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

Directorships held in other listed entities during the three years prior to the current year	None
William Economos	Director (Non-executive).
Qualifications	Member of The institute of Chartered Accountants in Australia since February 1973.
Experience	Board member since 2011. Mr Economos has over 30 years experience in business development and accounting. He is the founder of Economos Chartered Accountants, where under his stewardship the firm had expanded into financial services including financial planning and debt funding. William has extensive experience in advising on taxation, compliance, financial and business planning issues to companies in the retail, wholesale, IT and financial sectors.
Interest in Shares and Options	340,000 ordinary shares in iQnovate Limited.
Special Responsibilities	Mr Economos is a member of the Audit and Risk Management Committee.
Directorships held in other listed entities during the three years prior to the current year	None
Peter Simpson	Director (Non-executive)
Qualifications	M Pharm
Experience	Board member since 2011. Mr Simpson has extensive experience in the pharmaceutical industry and has been involved in the development of pharmaceutical products for both the Australian and International markets. For 8 (eight) years he was the Research and Development Manager at David Bull Laboratories and oversaw the development and approval of over 80 products in the Australian, UK and US markets.
Interest in Shares and Options	None
Special Responsibilities	Mr Simpson is a member of Audit and Risk Management Committee
Directorships held in other listed entities during the three years prior to the current year	IQX Limited

Company Secretary

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

Kelvin Boateng — Bachelor of Economics and Bachelor of Laws from the University of Western Sydney. Kelvin Boateng is iQnovate Limited's Company Secretary and Head, Legal & Commercial Affairs. In his role, he serves as Company Secretary, as Committee Secretary for Board Committees and as a company secretary for various companies in the iQ group. Mr Boateng was appointed as Company Secretary of iQnovate Limited with effect from 22 July 2014. Mr Boateng joined the IQ group 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.

Meetings of Directors

During the financial year, six meetings of Directors (including committees of Directors) were held.

Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Dr George Syrmalis	6	6		
Con Tsigounis	6	6		
William Economos	6	6	1	1
Peter Simpson	6	6	1	1
Dr George Syrmalis			1	1

**IQNOVATE LIMITED ACN: 149 731 644 AND CONTROLLED ENTITIES
REMUNERATION REPORT**

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 2014 at \$120,000.

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.

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 iQnovate 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 iQnovate 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 and is based predominantly on the forecast growth of the consolidated group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any change must be justified by reference to measurable 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.

KMP or closely related parties of KMP are prohibited from entering into hedge arrangements that would have the effect of limiting the risk exposure relating to their remuneration.

In addition, the Board's remuneration policy prohibits Directors and KMP from using iQnovate Limited shares as collateral in any financial transaction, including margin loan arrangements.

Performance-based Remuneration

The 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 Board 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 by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, iQnovate Limited bases the assessment on audited figures, however, where the KPI involves comparison of the Group or a division within the Group to the market, independent reports are obtained from organisations such as Standard & Pools.

Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial year, members of KMP of the consolidated group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

Position Held as at 30 June 2014 and any change during the		Contract details (duration & termination)
Group KMP	year	
Dr George Syrmalis	Chief Executive Officer	12 months with an extended term as determined by both parties from time to time from 1 November 2013. 1 month notice required to terminate. Entitled to 1 month salary.
Con Tsigounis	Executive Director	12 months with an extended term as determined by both parties from time to time from 1 November 2013. 1 month notice required to terminate. Entitled to 1 month salary.
William Economos	Non-executive Director	As per statutory limit-no contract
Peter Simpson	Non-executive Director	As per statutory limit-no contract
Spiro Sakiris	Chief Operating Officer and Chief Financial Officer	12 months with an extended term as determined by both parties from time to time from 1 November 2013. 1 month notice required to terminate. Entitled to 1 month salary.

**IQNOVATE LIMITED ACN: 149 731 644 AND CONTROLLED ENTITIES
REMUNERATION REPORT**

Proportions of elements of remuneration related to performance

	Shares/ Units %	Options/ Rights %	Fixed Salary/Fees %	Total %
Group KMP				
Dr George Symmalis	-	-	311,362	311,362
Con Tsigounis	-	-	273,124	273,124
William Economos	-	-	59,999	59,999
Peter Simpson	-	-	67,404	67,404
Spiro Sakiris	-	-	98,325	98,325

Table of Benefits and Payments for the year ended 30 June 2014

	Short-term benefits				Post Employment Benefits		
	Salary, Fees and Leave \$	Profit Share and bonuses \$	Non-monetary \$	Other \$	Pension and superannuation \$	Other \$	
2014							
Group KMP							
Dr George Symmalis	235,000	50,000	-	-	26,362	-	
Con Tsigounis	200,000	50,000	-	-	23,125	-	
William Economos	32,109	25,000	-	-	2,890	-	
Peter Simpson	36,697	25,000	-	-	5,707	-	
Spiro Sakiris	90,000	-	-	-	8,325	-	
Total KMP	593,806	150,000	-	-	66,409	-	
	Long-term benefits		Equity-settled share-based payments		Cash-settled share-based payments	Termination benefits	Total
2014	Incentive Plans \$	LSL \$	Shares/Units \$	Options/Rights \$	\$	\$	\$
Group KMP							
Dr George Symmalis	-	-	-	-	-	-	311,362
Con Tsigounis	-	-	-	-	-	-	273,125
William Economos	-	-	-	-	-	-	59,999
Peter Simpson	-	-	-	-	-	-	67,404
Spiro Sakiris	-	-	-	-	-	-	98,325
Total KMP	-	-	-	-	-	-	810,215

**IQNOVATE LIMITED ACN: 149 731 644 AND CONTROLLED ENTITIES
REMUNERATION REPORT**

2013	Short-term benefits				Post Employment Benefits		Total
	Salary, Fees and Leave \$	Profit Share and bonuses \$	Non-monetary \$	Other \$	Pension and superannuation \$	Other \$	
Group KMP							
Dr George Symmalis	184,500	-	-	-	16,605	-	
Con Tsigounis	157,500	-	-	-	14,175	-	
William Economos	36,697	-	-	-	3,303	-	
Peter Simpson	32,110	-	-	-	2,890	-	
Total KMP	410,807	-	-	-	36,973	-	

2013	Long-term benefits		Equity-settled share-based payments		Cash-settled share-based payments \$	Termination benefits \$	Total \$
	Incentive Plans \$	LSL \$	Shares/Units \$	Options/Rights \$			
Group KMP							
Dr George Symmalis	-	-	-	-	-	-	201,105
Con Tsigounis	-	-	-	-	-	-	171,675
William Economos	-	-	-	-	-	-	40,000
Peter Simpson	-	-	-	-	-	-	35,000
Total KMP	-	-	-	-	-	-	447,780

Securities Received that are not Performance Related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

KMP Shareholdings

The number of ordinary shares in iQnovate Limited held by each KMP of the Group during the financial year is as follows:

	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at End of Year
Dr George Symmalis	12,256,250	-	-	-	12,256,250
Con Tsigounis	12,256,250	-	-	-	12,256,250
William Economos	70,000	-	100,000	170,000	340,000
Peter Simpson	-	-	-	-	-
Spiro Sakiris	162,400	-	82,000	-	244,400
	24,744,900	-	182,000	170,000	25,096,900

Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, rights and shareholdings.

Other transactions with KMP and/or their related parties

There were no other transactions conducted between the Group and KMP or their related parties, other than those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



.....
Dr George Symmalis

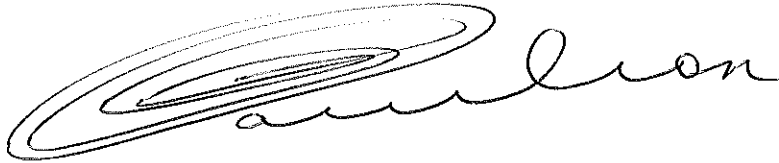
Dated: 10/09/2014

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF IQNOVATE LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Name of Firm Fortunity Assurance



Name of Partner T R Davidson

Date 10/09/2014

Address 155 The Entrance Road

Erina NSW

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	Consolidated Group		Parent Entity	
		2014 \$	2013 \$	2014 \$	2013 \$
Continuing operations					
Revenue	2	-	-	-	-
Other income	2	815,109	-	917,184	172,315
Changes in inventories		-	-	-	-
Raw materials and consumables used		-	-	-	-
Employee benefits expense		(1,213,581)	-	(1,074,298)	(694,639)
Depreciation and amortisation expense		(24,560)	-	(24,027)	(16,014)
Finance costs		-	-	-	-
Impairment of property, plant and equipment		-	-	-	(3,818)
Other expenses		(788,178)	-	(672,004)	(515,171)
IPO and listing costs		(105,319)	-	(105,319)	(119,896)
Office Sharing Cost		(133,586)	-	(61,476)	-
Share of net profits of associates and joint venture entities		-	-	-	-
Profit before income tax	3	(1,450,116)	-	(1,019,941)	(1,177,223)
Tax expense	4	-	-	-	429,082
Net Profit from continuing operations		(1,450,116)	-	(1,019,941)	(748,141)
Net Profit for the year	3	(1,450,116)	-	(1,019,941)	(748,141)
Discontinued operations					
Total comprehensive income for the year		(1,450,116)	-	(1,019,941)	(748,141)
Net profit attributable to:					
Members of the parent entity		(1,450,116)	-	(1,019,941)	(748,140)
Non-controlling interest		-	-	-	-
		(1,450,116)	-	(1,019,941)	(748,140)
Total comprehensive income attributable to:					
Members of the parent entity		(1,450,116)	-	(1,019,941)	(748,140)
Non-controlling interest		-	-	-	-
		(1,450,116)	-	(1,019,941)	(748,140)
Earnings per share					
From continuing and discontinued operations:					
Basic loss per share (cents)	7	(3.81)			

The accompanying notes form part of these financial statements.

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014**

	Note	Consolidated Group		Parent Entity	
		2014	2013	2014	2013
		\$	\$	\$	\$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	8	691,417	-	376,549	1,356,019
Trade and other receivables	9	70,889	-	238,979	13,460
Other financial assets	10	-	-	-	-
Other assets	13	141,316	-	68,131	18,673
TOTAL CURRENT ASSETS		903,622	-	683,659	1,388,152
NON-CURRENT ASSETS					
Trade and other receivables	9	-	-	-	-
Other financial assets	10	-	-	2	-
Property, plant and equipment	12	287,734	-	95,911	131,459
Deferred tax assets	16	877,275	-	877,275	879,046
Other non-current assets	13	59,760	-	58,240	64,445
TOTAL NON-CURRENT ASSETS		1,224,769	-	1,031,428	1,074,950
TOTAL ASSETS		2,128,391	-	1,715,087	2,463,102
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	14	374,368	-	137,167	115,641
Borrowings	15	-	-	-	-
Current tax liabilities	16	-	-	-	-
Provisions	17	31,582	-	25,305	30,635
TOTAL CURRENT LIABILITIES		405,951	-	162,472	146,276
NON-CURRENT LIABILITIES					
Trade and other payables	14	-	-	-	-
Borrowings	15	460,066	-	-	-
Deferred tax liabilities	16	-	-	-	1,770
Other provisions	17	-	-	-	-
TOTAL NON-CURRENT LIABILITIES		460,066	-	-	1,770
TOTAL LIABILITIES		866,017	-	162,472	148,046
NET ASSETS		1,262,374	-	1,552,614	2,315,056
EQUITY					
Issued capital	18	4,255,239	-	4,115,304	3,857,804
Reserves	25	24,765	-	24,765	24,765
Retained earnings		(3,017,629)	-	(2,587,455)	(1,567,513)
Parent interest		1,262,374	-	1,552,614	2,315,056
Non-controlling interest		-	-	-	-
TOTAL EQUITY		1,262,374	-	1,552,614	2,315,056

The accompanying notes form part of these financial statements.

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014**

Note	Share Capital				Reserves								Subtotal	Non-controlling interests	Total
	Ordinary	Redeemable Preferred	Convertible Preferred	Retained Earnings	Capital Profits Reserve	Revaluation Surplus	Asset Realisation Reserve	Foreign Currency Translation Reserve	General Reserve	Option Reserve	Financial Assets Reserve	Hedge Reserve			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Consolidated Group															
Balance at 1 July 2012	1,999,840	-	-	(819,372)	-	-	-	-	-	24,765	-	-	1,205,233	-	1,205,233
Retrospective adjustment upon change in accounting policy													-	-	-
Balance at 1 July 2012 (restated)	1,999,840	-	-	(819,372)	-	-	-	-	-	24,765	-	-	1,205,233	-	1,205,233
Comprehensive income															
Profit for the year	-	-	-	(748,141)	-	-	-	-	-	-	-	-	(748,141)	-	(748,141)
Total comprehensive income for the year	-	-	-	(748,141)	-	-	-	-	-	-	-	-	(748,141)	-	(748,141)
Transactions with owners, in their capacity as owners, and other transfers															
Shares issued during the year	1,908,500	-	-	-	-	-	-	-	-	-	-	-	1,908,500	-	1,908,500
Transaction costs	(50,536)	-	-	-	-	-	-	-	-	-	-	-	(50,536)	-	(50,536)
Total transactions with owners and other transfers	1,857,964	-	-	-	-	-	-	-	-	-	-	-	1,857,964	-	1,857,964
Balance at 30 June 2013	3,857,804	-	-	(1,567,513)	-	-	-	-	-	24,765	-	-	2,315,056	-	2,315,056
Balance at 1 July 2013	3,857,804	-	-	(1,567,513)	-	-	-	-	-	24,765	-	-	2,315,056	-	2,315,056
Comprehensive income															
Profit for the year	-	-	-	(1,450,116)	-	-	-	-	-	-	-	-	(1,450,116)	-	(1,450,116)
Total comprehensive income for the year	-	-	-	(1,450,116)	-	-	-	-	-	-	-	-	(1,450,116)	-	(1,450,116)
Transactions with owners, in their capacity as owners, and other transfers															
Shares issued during the year	257,500	-	-	-	-	-	-	-	-	-	-	-	257,500	-	257,500
Convertible Notes	139,935	-	-	-	-	-	-	-	-	-	-	-	139,935	-	139,935
Total transactions with owners and other transfers	397,435	-	-	-	-	-	-	-	-	-	-	-	397,435	-	397,435
Balance at 30 June 2014	4,255,239	-	-	(3,017,629)	-	-	-	-	-	24,765	-	-	1,262,374	-	1,262,374

The accompanying notes form part of these financial statements.

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014**

Note	Share Capital			Retained Earnings	Capital Profits Reserve	Asset Revaluation Reserve	Asset Realisation Reserve	Foreign Currency Translation Reserve	General Reserve	Option Reserve	Financial Assets Reserve	Total
	Ordinary	Redeemable Preference	Convertible Preference									
Parent Entity	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2012	1,999,840	-	-	(819,372)	-	-	-	-	-	24,765	-	1,205,233
Retrospective adjustment upon change in accounting policy												-
Balance at 1 July 2012	1,999,840	-	-	(819,372)	-	-	-	-	-	24,765	-	1,205,233
Comprehensive income												
Profit for the year	-	-	-	(748,141)	-	-	-	-	-	-	-	(748,141)
Total comprehensive income for the year	-	-	-	(748,141)	-	-	-	-	-	-	-	(748,141)
Transactions with owners, in their capacity as owners and other transfer												
Shares issued during the year	1,908,500	-	-	-	-	-	-	-	-	-	-	1,908,500
Transaction costs	(50,536)	-	-	-	-	-	-	-	-	-	-	(50,536)
Total transactions with owners and other transfers	1,857,964	-	-	-	-	-	-	-	-	-	-	1,857,964
Balance at 30 June 2013	3,857,804	-	-	(1,567,513)	-	-	-	-	-	24,765	-	2,315,056
Balance at 1 July 2013	3,857,804	-	-	(1,567,513)	-	-	-	-	-	24,765	-	2,315,056
Comprehensive income												
Profit for the year	-	-	-	(1,019,941)	-	-	-	-	-	-	-	(1,019,941)
Total comprehensive income for the year	-	-	-	(1,019,941)	-	-	-	-	-	-	-	(1,019,941)
Transactions with owners, in their capacity as owners and other transfer												
Shares issued during the year	257,500	-	-	-	-	-	-	-	-	-	-	257,500
Total transactions with owners and other transfers	257,500	-	-	-	-	-	-	-	-	-	-	257,500
Balance at 30 June 2014	4,115,304	-	-	(2,587,455)	-	-	-	-	-	24,765	-	1,552,614

The accompanying notes form part of these financial statements.

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014**

	Note	Consolidated Group		Parent Entity	
		2014 \$	2013 \$	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		756,057	-	690,041	209,981
Dividends received		-	-	-	-
Interest received		1,625	-	1,625	-
Payments to suppliers and employees		(2,098,949)	-	(1,940,155)	(1,332,925)
Finance costs		-	-	-	(42)
Income tax paid		-	-	-	-
Net cash provided by operating activities	21a	<u>(1,341,267)</u>	<u>-</u>	<u>(1,248,489)</u>	<u>(1,122,986)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		85,977	-	85,977	-
Proceeds from sale of investments		-	-	-	-
Proceeds from sale of held-for-trading investment		-	-	-	-
Proceeds from sale of [insert asset name]		-	-	-	-
Proceeds from disposal of subsidiary		-	-	-	-
Purchase of trademarks		-	-	-	-
Purchase of property, plant and equipment		(266,812)	-	(74,456)	(77,418)
Purchase of financial assets		-	-	-	-
Purchase of investment property		-	-	-	-
Purchase of available-for-sale investments		-	-	(2)	-
Purchase of derivatives		-	-	-	-
Purchase of held-for-trading investments		-	-	-	-
Purchase of other non-current assets		-	-	-	-
Purchase of investment in equity accounted investments		-	-	-	-
Payment for subsidiary, net of cash acquired		-	-	-	-
Dividends received from equity accounted investments		-	-	-	-
Loans to related parties:					
- payments made		-	-	-	-
- proceeds from repayments		-	-	-	-
Net cash used in investing activities		<u>(180,835)</u>	<u>-</u>	<u>11,519</u>	<u>(77,418)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		257,500	-	257,500	1,908,500
Proceeds from borrowings		600,000	-	-	-
Share buy-back payment		-	-	-	-
Share issue costs		-	-	-	(4,298)
Loans from related parties					
- payments made		-	-	-	-
- proceeds from borrowings		-	-	-	-
Dividends paid by parent entity		-	-	-	-
Dividends paid by controlled entities to non-controlling interests		-	-	-	-
Net cash provided by (used in) financing activities		<u>857,500</u>	<u>-</u>	<u>257,500</u>	<u>1,904,202</u>
Net increase in cash held		<u>(664,602)</u>	<u>-</u>	<u>(979,470)</u>	<u>703,798</u>
Cash and cash equivalents at beginning of financial year		1,356,019	-	1,356,019	652,221
Cash and cash equivalents at end of financial year	8	<u>691,417</u>	<u>-</u>	<u>376,549</u>	<u>1,356,019</u>

The accompanying notes form part of these financial statements.

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

These consolidated financial statements and notes represent those of iQnovate Limited and its Controlled Entities

The financial statements were authorised for issue on 10 September, 2014 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, 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.

(a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the iQnovate Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the Parent controls. The Parent controls an entity when it 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 over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as 'Non-controlling Interests'. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
- (ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- (iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value measurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(b) Income Tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

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

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

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

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

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

(c) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable accounting standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e., the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at reporting date (i.e., the market that maximises the receipts from the sale of the asset or minimises the payment made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and where significant, are detailed in the respective note to the financial statements.

(d) Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(m) for details of impairment).

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

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

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	10%
Plant and Equipment	10% to 15%
Furniture, Fixtures & Fittings	15% to 30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(f) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell where the carrying amount will be recovered principally through sale as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale.

Classification as "held for sale" occurs when: management has committed to a plan for immediate sale; the sale is expected to occur within one year from the date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

A discontinued operation is a component of an entity, being a cash-generating unit (or a group of cash-generating units), that either has been disposed of, or is classified as held for sale, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with the view to resale.

Impairment losses are recognised for any initial or subsequent write-down of an asset (or disposal group) classified as held for sale to fair value less costs to sell. Any reversals of impairment recognised on classification as held for sale or prior to such classification are recognised as a gain in profit or loss in the period in which it occurs.

(g) Financial Instruments

Recognition and Initial Measurement

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

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

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

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

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

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

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

(ii) Loans and receivables

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

Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Held-to-maturity investments

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

Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Available-for-sale investments

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

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) Financial Liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Financial Guarantees

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

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

- the likelihood of the guaranteed party defaulting during the next reporting period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposure if the guaranteed party were to default.

IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised in accordance with AASB 118.

Derecognition

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

(h) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

(i) Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate is included in the Group's profit or loss.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Group's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(j) Intangibles Other than Goodwill

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. They 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 lives ranging from 20 to 40 years.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

(k) Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees.

Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Retirement benefit obligations

Termination benefits

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

Equity-settled compensation

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(l) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

(m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments.

(n) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method.

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

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

(o) Trade and Other Receivables

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

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(l) for further discussion on the determination of impairment losses.

(p) Trade and Other Payables

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

(q) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Goods and Services Tax (GST)

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

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(s) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(t) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statement is presented.

(u) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100. Accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest dollar.

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

(v) New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

The Standards will be applicable retrospectively (subject to the comment on hedge accounting below) and include 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 made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, 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 AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2012–3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

- Interpretation 21: *Levies* (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

- AASB 2013–3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

- AASB 2013–4: *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–4 makes amendments to AASB 139: *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

- AASB 2013–5: *Amendments to Australian Accounting Standards – Investment Entities* (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–5 amends AASB 10: *Consolidated Financial Statements* to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

Note 2 Revenue and Other Income

	Note	Consolidated Group		Parent Entity	
		2014	2013	2014	2013
		\$	\$	\$	\$
(a) Revenue from continuing operations					
Other income					
— Interest Received		1,625	-	1,625	16,405
— Income from other related parties		813,484	-	915,559	155,820
— other income		-	-	-	90
Total other income		<u>815,109</u>	<u>-</u>	<u>917,184</u>	<u>172,315</u>

Note 3 Profit for the Year

Profit before income tax from continuing operations includes the following specific expenses:

	Note	Consolidated Group		Parent Entity	
		2014	2013	2014	2013
		\$	\$	\$	\$
Other Expenses					
Rental expense on operating leases-minimum lease payments		195,357	-	190,938	170,138
Bank charges		1,834	-	1,794	2,841
Auditors remuneration		16,500	-	11,500	8,950
Professional fees		88,667	-	87,647	84,588
Marketing and promotion expenses		105,069	-	69,508	67,985
Utilities expenses		27,183	-	27,183	27,306
Repair and maintenance expenses		1,128	-	1,128	2,848
Registration and filing fees		2,287	-	2,287	1,086
Dues and subscriptions		68,533	-	67,417	23,244
Office Sharing Cost		133,586	-	61,476	-
Printing, postage and stationary		10,391	-	8,633	8,331
Others		137,643	-	142,494	117,853
Total other expenses		<u>788,178</u>	<u>-</u>	<u>672,004</u>	<u>515,170</u>

Note 4 Tax Expense

	Note	Consolidated Group		Parent Entity	
		2014	2013	2014	2013
		\$	\$	\$	\$
The components of tax (expense)/income comprise:					
(a) Current tax		-	-	-	-
Deferred tax	16	-	-	-	(382,844)
Recoupment of prior year tax losses		-	-	-	-
Under/(Over) provision in respect of prior years		-	-	-	(46,237)
	4b	<u>-</u>	<u>-</u>	<u>-</u>	<u>(429,081)</u>
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:					
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2013: 30%)					
— consolidated group		(435,035)	-	(305,982)	(353,167)
— parent entity					
Add:					
Tax effect of:					
— non-deductible depreciation and amortisation		-	-	-	5,950
— non-allowable items		435,035	-	305,982	4,254
— IPO related expenditure		-	-	-	19,832
		<u>-</u>	<u>-</u>	<u>-</u>	<u>(323,131)</u>
Less:					
Tax effect of:					
— Tax depreciation		-	-	-	7,093
— Provision for annual leave		-	-	-	2,009
— Division 40 blackhole expenditure		-	-	-	50,611
— Over-provision in respect of prior years		-	-	-	46,238
Income tax attributable to entity		<u>-</u>	<u>-</u>	<u>-</u>	<u>(429,082)</u>

The applicable weighted average effective tax rates are as follows: 0.0% 0.0% 0.0% 36.4%

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

Note 5 Key Management Personnel Compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2014.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2014	2013
	\$	\$
Short-term employee benefits	743,806	410,807
Post-employment benefits	66,409	36,973
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total KMP compensation	<u>810,215</u>	<u>447,780</u>

Short-term employee benefits

- these amounts include fees and benefits paid to the non-executive chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other key management personnel.

Post-employment benefits

- these amounts are the current year's estimated cost of providing for the Group's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

Other long-term benefits

- these amounts represent long service leave benefits accruing during the year, long-term disability benefits, and deferred bonus payments.

Share-based payments

- these amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the Director's Remuneration Report.

Note 6 Auditors' Remuneration

	Consolidated Group		Parent Entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
Remuneration of the auditor for:				
— auditing or reviewing the financial report	16,500	-	11,500	8,950
— taxation services	-	-	-	-
— due diligence services	-	-	-	-
— taxation services provided by related practice of auditor	-	-	-	-
	<u>16,500</u>	<u>-</u>	<u>11,500</u>	<u>8,950</u>
Remuneration of other auditors of subsidiaries for:				
— auditing or reviewing the financial statements of subsidiaries	-	-	-	-

Note 7 Earnings per Share

	Consolidated Group	
	2014	2013
	\$	\$
(a) Reconciliation of earnings to profit or loss		
Profit	(1,450,116)	-
Profit attributable to non-controlling equity interest		
Redeemable and converting preference share dividends		
Earnings used to calculate basic EPS	<u>(1,450,116)</u>	<u>-</u>
Dividends on converting preference shares		
Earnings used in the calculation of dilutive EPS	<u>(1,450,116)</u>	<u>-</u>
(b) Reconciliation of earnings to profit or loss from continuing operations		
Profit from continuing operations	(1,450,116)	-
Profit attributable to non-controlling equity interest in respect of continuing operations		
Redeemable and converting preference share dividends		
Earnings used to calculate basic EPS from continuing operations	<u>(1,450,116)</u>	<u>-</u>
Dividends on converting preference shares		
Earnings used in the calculation of dilutive EPS from continuing operations	<u>(1,450,116)</u>	<u>-</u>
(c) Reconciliation of earnings to profit or loss from discontinued operations		
Profit from discontinued operations	-	-
Profit attributable to non-controlling equity interest	-	-
Earnings used to calculated basic EPS from discontinued operations	<u>-</u>	<u>-</u>

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	No.	No.
(d) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS		
Weighted average number of dilutive options outstanding	38,034,015	-
Weighted average number of dilutive converting preference shares on issue	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	38,034,015	-

Note 8 Cash and Cash Equivalents

	Note	Consolidated Group		Parent Entity	
		2014	2013	2014	2013
		\$	\$	\$	\$
Cash at bank and on hand		691,417	-	376,549	1,356,019
Short-term bank deposits		-	-	-	-
	Note 24	691,417	-	376,549	1,356,019

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents		691,417	-	376,549	1,356,019
		691,417	-	376,549	1,356,019

Note 9 Trade and Other Receivables

	Note	Consolidated Group		Parent Entity	
		2014	2013	2014	2013
		\$	\$	\$	\$
CURRENT					
Trade receivables		70,889	-	67,927	13,460
Provision for impairment		-	-	-	-
		70,889	-	67,927	13,460
Term receivables		-	-	-	-
Provision for impairment		-	-	-	-
		-	-	-	-
Amounts receivable from related parties					
— wholly-owned subsidiaries		-	-	171,052	-
Total current trade and other receivables		70,889	-	238,979	13,460

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

Note 10 Other Financial Assets

	Note	Consolidated Group		Parent Entity	
		2014	2013	2014	2013
		\$	\$	\$	\$
(a) Available-for-sale financial assets					
NON-CURRENT					
Unlisted Investments, at fair value					
— shares in other related parties	10b	-	-	2	-
		-	-	2	-
Total available-for-sale financial assets	Note 24	-	-	2	-

		Consolidated Group		Parent Entity	
		2014	2013	2014	2013
		\$	\$	\$	\$

(b) Investments in related parties

Available-for-sale financial assets includes the following investments held in related party entities:

		Consolidated Group		Parent Entity	
		2014	2013	2014	2013
		\$	\$	\$	\$
Investment at fair value					
(i) Unlisted					
Farmaforce Pty Ltd					
Research staff hire					
iQnovate Limited has a 100% interest in Farmaforce Pty Ltd					
				1	-
Investment at cost					
(ii) Unlisted					
Clinical Research Corporation Pty Ltd					
Research					
iQnovate Limited has a 100% interest in Clinical Research Corporation Pty Ltd					
				1	-
Investment at cost					

Note 11 Interests in Subsidiaries

Information about Principal Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares or ordinary units which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of subsidiary	Principal place of business	Ownership interest held by the Group		Proportion of non-controlling interests	
		2014 (%)	2013 (%)	2014 (%)	2013 (%)
Farmaforce Pty Ltd	Sydney	100%		0%	
Clinical Research Corporation Pty Ltd	Sydney	100%		0%	

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

Note 12 Property, Plant and Equipment

	Consolidated Group		Parent Entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
PLANT AND EQUIPMENT				
Plant and equipment:				
At cost	59,119	-	23,350	25,287
Accumulated depreciation	(5,800)	-	(5,601)	(6,253)
Accumulated impairment losses	-	-	-	-
	<u>53,319</u>	<u>-</u>	<u>17,750</u>	<u>19,034</u>
Plant and equipment leased to external parties pursuant to operating leases				
At cost	-	-	-	-
Accumulated depreciation	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Leasehold improvements				
At cost	209,948	-	71,621	71,912
Accumulated amortisation	(2,504)	-	(2,468)	(5,103)
Total Leasehold Improvements	<u>207,444</u>	<u>-</u>	<u>69,153</u>	<u>66,809</u>
Furniture & Fittings				
Furniture & Fittings Acc Dep'n	28,830	-	10,790	36,899
	<u>(1,858)</u>	<u>-</u>	<u>(1,780)</u>	<u>(5,476)</u>
	<u>26,971</u>	<u>-</u>	<u>9,009</u>	<u>31,423</u>
Computer equipment				
Computer equipment	-	-	-	16,836
Accumulated depreciation	-	-	-	(5,745)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,091</u>
Computer software				
Computer software	-	-	-	5,545
Accumulated depreciation	-	-	-	(2,443)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,102</u>
Total plant and equipment	<u>287,734</u>	<u>-</u>	<u>95,911</u>	<u>131,459</u>
Total property, plant and equipment	<u>287,734</u>	<u>-</u>	<u>95,911</u>	<u>131,459</u>

(a) Movements in Carrying Amounts

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

	Computer Equipment \$	Computer Software \$	Leasehold Improvements \$	Plant and Equipment \$	Furniture & Fittings \$	Total \$
Consolidated Group:						
Balance at 1 July 2012	-	-	-	-	-	-
Balance at 30 June 2013	-	-	-	-	-	-
Additions	17,540	4,896	262,376	60,585	52,874	398,271
Disposals	(10,562)	(1,833)	(47,720)	(3,418)	(22,444)	(85,977)
Depreciation expense	(6,978)	(3,063)	(7,212)	(3,848)	(3,459)	(24,560)
Balance at 30 June 2014	<u>-</u>	<u>-</u>	<u>207,444</u>	<u>53,319</u>	<u>26,971</u>	<u>287,734</u>

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

Parent Entity:

Balance at 1 July 2012	11,718	4,488	-	22,024	31,825	70,055
Additions	1,991	-	71,912	665	2,850	77,418
Disposals	-	-	-	-	-	-
Additions through acquisition of entity	-	-	-	-	-	-
Depreciation expense	(2,618)	(1,386)	(5,103)	(3,655)	(3,252)	(16,014)
Balance at 30 June 2013	11,091	3,102	66,809	19,034	31,423	131,459
Additions	6,229	1,794	57,240	5,783	3,410	74,456
Disposals	(10,562)	(1,833)	(47,720)	(3,418)	(22,444)	(85,977)
Revaluation increments/(decrements)	-	-	-	-	-	-
Depreciation expense	(6,758)	(3,063)	(7,176)	(3,649)	(3,381)	(24,027)
Balance at 30 June 2014	-	-	69,153	17,750	9,008	95,911

Note 13 Other Assets

	Consolidated Group		Parent Entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
CURRENT				
Prepayments	87,634	-	69,208	18,673
Other	53,682	-	(1,078)	-
	141,316	-	68,131	18,673
NON-CURRENT				
Other	59,760	-	58,240	64,445
	59,760	-	58,240	64,445

Note 14 Trade and Other Payables

	Note	Consolidated Group		Parent Entity	
		2014	2013	2014	2013
		\$	\$	\$	\$
CURRENT					
Unsecured liabilities					
Trade payables		298,059	-	78,244	71,399
Sundry payables and accrued expenses		76,310	-	58,923	44,242
		374,368	-	137,167	115,641

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	Note	Consolidated Group		Parent Entity	
		2014	2013	2014	2013
		\$	\$	\$	\$
(a) Financial liabilities at amortised cost classified as trade and other payables					
Trade and other payables					
— Total current		374,368	-	137,167	115,641
— Total non-current		-	-	-	-
		<u>374,368</u>	<u>-</u>	<u>137,167</u>	<u>115,641</u>
Less: construction contract advances and payables					
Less: other payables (net amount of GST payable)					
Financial liabilities as trade and other payables	Note 24	<u>374,368</u>	<u>-</u>	<u>137,167</u>	<u>115,641</u>

Note 15 Borrowings

	Note	Consolidated Group		Parent Entity	
		2014	2013	2014	2013
		\$	\$	\$	\$
NON-CURRENT					
Unsecured liabilities					
Unsecured Loans-Convertible Notes		460,066	-	-	-
		<u>460,066</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-current borrowings		<u>460,066</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total borrowings	Note 24	<u>460,066</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note 16 Tax

	Consolidated Group		Parent Entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
CURRENT				
Income tax payable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Exchange Differences	Closing Balance
	\$	\$	\$	\$	\$	\$
NON-CURRENT						
Consolidated Group						
Deferred tax assets						
Balance at 30 June 2013	-	-	-	-	-	-
Provisions	9,190	-	-	-	-	9,190
Transaction costs on equity issue	184,646	-	-	-	-	184,646
Benefit attributable to tax losses	683,074	-	-	-	-	683,074
Property, plant and equipment						
- impairment	-	-	-	-	-	-
- Tax allowance	-	-	-	-	-	-
Other	2,136	(1,771)	-	-	-	365
Balance at 30 June 2014	<u>879,046</u>	<u>(1,771)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>877,275</u>

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

The amount of deductible temporary differences and unused tax losses for which no deferred tax assets (\$) have been brought to account:

- temporary differences \$19,897
- tax losses: operating losses \$377,597

The benefits of the above temporary differences and unused tax losses will only be realised if the conditions for deductibility set out in Note 1(b) occur. These amounts have no expiry date.

	Opening Balance \$	Charged to Income \$	Charged directly to Equity \$	Changes in Tax Rate \$	Exchange Differences \$	Closing Balance \$
Parent Entity						
Deferred tax liability						
Property, plant and equipment						
- tax allowance	1,839	(69)	-	-	-	1,770
Balance as at 30 June 2013	1,839	(69)	-	-	-	1,770
Property, plant and equipment						
- tax allowance	1,770	(1,770)	-	-	-	-
Balance as at 30 June 2014	1,770	(1,770)	-	-	-	-
Deferred tax assets						
Provisions	7,809	1,381	-	-	-	9,190
Transaction costs on equity issue	184,646	-	-	-	-	184,646
Benefit attributable to tax losses	299,790	383,284	-	-	-	683,074
Property, plant and equipment						
- impairment	-	-	-	-	-	-
Other	4,027	(1,891)	-	-	-	2,136
Balance as at 30 June 2013	496,272	382,774	-	-	-	879,046
Provisions	9,190	(1,771)	-	-	-	7,419
Transaction costs on equity issue	184,646	-	-	-	-	184,646
Benefit attributable to tax losses	683,074	-	-	-	-	683,074
Property, plant and equipment						
- impairment	-	-	-	-	-	-
Other	2,136	-	-	-	-	2,136
Balance as at 30 June 2014	879,046	(1,771)	-	-	-	877,275

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:

- temporary differences \$19,877(2013: \$22,421)
- tax losses: operating losses \$377,567 (2013: \$0)

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

Note 17 Provisions

	Consolidated Group		Parent Entity	
	2014	2013	2014	2013
CURRENT	\$	\$	\$	\$
Employee Benefits				
Opening balance at 1 July 2013	-	-	30,635	26,029
Additional provisions	31,582	-	-	34,143
Amounts used	-	-	(5,330)	(29,537)
Balance at 30 June 2014	31,582	-	25,305	30,635
Total	31,582	-	25,305	30,635

Analysis of Total Provisions

	Consolidated Group		Parent Entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
Current	31,582	-	25,305	30,635
Non-current	-	-	-	-
	31,582	-	25,305	30,635

Note 18 Issued Capital

	Consolidated Group		Parent Entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
39,643,390 (2013: 37,527,890) fully paid ordinary shares	4,537,661	-	4,537,661	4,280,161
Convertible notes classified as equity	139,934	-	-	-
Share issue transaction cost	(422,357)	-	(422,357)	(422,357)
	4,255,239	-	4,115,304	3,857,804
(a) Ordinary Shares				
At the beginning of the reporting period	No.	No.	No.	No.
37,455,890	-	37,455,890	35,475,390	
Shares issued during the year				
— 28/02/2013				1,980,500
— 23/02/2013	1,187,500	-	1,187,500	-
— 19/06/2014	1,000,000	-	1,000,000	-
At the end of the reporting period	39,643,390	-	39,643,390	37,455,890

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Note 19 Capital and Leasing Commitments

	Consolidated Group		Parent Entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
(a) Operating Lease Commitments				
Non-cancellable operating leases contracted for but not recognised in the financial statements				
Payable — minimum lease payments				
— not later than 12 months	158,412	-	158,412	183,637
— between 12 months and five years	405,340	-	405,340	97,438
	563,752	-	563,752	281,075

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

(b) **Capital Expenditure Commitments**

The company has no capital commitments as at reporting date

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

Note 20 Contingent Liabilities and Contingent Assets

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

Note 21 Cash Flow Information

	Consolidated Group		Parent Entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
(a) Reconciliation of Cash Flow from Operating Activities with Profit after Income Tax				
Profit after income tax	(1,450,116)	-	(1,019,941)	(748,141)
Cash flows excluded from profit attributable to operating activities				
Finance costs on debentures				
Non-cash flows in profit				
Amortisation				
Depreciation	24,560	-	24,027	19,832
Write-off of capitalised expenditure				
(Increase)/decrease in trade and term receivables	(57,427)	-	(225,518)	46,999
(Increase)/decrease in prepayments				(5,381)
(Increase)/decrease in other assets	(117,958)	-	(43,253)	(7,770)
Increase/(decrease) in trade payables and accruals	258,727	-	21,526	(4,049)
Increase/(decrease) in income taxes payable				
Increase/(decrease) in deferred taxes payable				
(Increase)/decrease in deferred taxes receivable				(429,081)
Increase/(decrease) in provisions	947	-	(5,330)	4,605
Cash flow from operating activities	<u>(1,341,267)</u>	<u>-</u>	<u>(1,248,489)</u>	<u>(1,122,986)</u>

Note 22 Events After the Reporting Period

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

Note 23 Related Party Transactions

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.

ii. **Entities subject to significant influence by the Company**

Any entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence.

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

(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:

	Consolidated Group		Parent Entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
Other Related Parties				
Purchase of goods and services				
Consulting fees paid to a related entity, IQ3Corp Limited, in which Mr Spiro Sakiris is a Director.	21,818	-	21,818	-
Payment of office sharing cost to a related entity, IQX Limited, in which Dr George Symmalis is a CEO.	61,476	-	61,476	28,000
	<u>83,294</u>	<u>-</u>	<u>83,294</u>	<u>28,000</u>

Sales of goods and services

Payment received for office sharing cost from a related entity, IQX Limited, in which Dr George Symmalis is a CEO	292,889	-	201,005	-
Payment received for office sharing cost from a related entity, IQ3Corp Limited, in which Mr Spiro Sakiris is a Director	403,093	-	403,093	-
	<u>695,982</u>	<u>-</u>	<u>604,098</u>	<u>-</u>

Beneficial Holdings

	No	No	No	No
Ordinary Shares	25,096,900	-	25,096,900	24,582,500

Note 24 Financial Risk Management

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

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

		Consolidated Group		Parent Entity	
	Note	2014	2013	2014	2013
		\$	\$	\$	\$
Financial Assets					
Cash and cash equivalents	8	691,417	-	376,549	1,356,019
Loans and receivables	9	70,889	-	238,979	13,460
Available-for-sale financial assets					
— at fair value					
— unlisted investments	10a	-	-	2	-
		<u>-</u>	<u>-</u>	<u>2</u>	<u>-</u>
Total available-for-sale financial assets	10a	-	-	2	-
Total Financial Assets		<u>762,306</u>	<u>-</u>	<u>615,530</u>	<u>1,369,479</u>
Financial Liabilities					
Financial liabilities at amortised cost					
— Trade and other payables	14	374,368	-	137,167	115,641
— Borrowings	15	460,066	-	-	-
Total Financial Liabilities		<u>834,434</u>	<u>-</u>	<u>137,167</u>	<u>115,641</u>

Financial Risk Management Policies

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

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

Specific Financial Risk Exposures and Management

a. Liquidity risk

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

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider that there is any material risk that the bank will terminate such facilities. The bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts outstanding at year-end could become repayable within 12 months. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

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

Financial liability and financial asset maturity analysis

Consolidated Group	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Financial liabilities due for payment								
Convertible notes	-	-	460,065	-	-	-	460,065	-
Trade and other payables	374,368	-	-	-	-	-	374,368	-
Total contractual outflows	374,368	-	460,065	-	-	-	834,433	-
Less bank overdrafts							-	-
Total expected outflows	374,368	-	460,065	-	-	-	834,433	-

Consolidated Group	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Financial Assets - cash flows realisable								
Cash and cash equivalents	691,417	-	-	-	-	-	691,417	-
Trade, term and loans receivables	70,887	-	-	-	-	-	70,887	-
Total anticipated inflows	762,304	-	-	-	-	-	762,304	-
on financial instruments	387,936	-	(460,065)	-	-	-	(72,129)	-

Financial liability maturity analysis

Parent Entity	Within 1 Year		1 to 5 years		Over 5 years		Total contractual cash flow	
	2014	2013	2014	2013	2014	2013	2014	2013
Financial liabilities due for payment								
Trade and other payables (excl. est. annual leave)	137,167	115,641	-	-	-	-	137,167	115,641
Amounts payable to related parties	-	-	-	-	-	-	-	-
Total contractual outflows	137,167	115,641	-	-	-	-	137,167	115,641
Less bank overdrafts							-	-
Total expected outflows	137,167	115,641	-	-	-	-	137,167	115,641

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

Parent Entity	Within 1 Year		1 to 5 years		Over 5 years		Total contractual cash flow	
	2014	2013	2014	2013	2014	2013	2014	2013
Financial Assets - cash flows realisable								
Cash and cash equivalents	376,549	1,356,019	-	-	-	-	376,549	1,356,019
Trade, term and loans receivables	238,978	13,460	-	-	-	-	238,978	13,460
Total anticipated inflows	615,527	1,369,479	-	-	-	-	615,527	1,369,479
on financial instruments	478,360	1,253,838	-	-	-	-	478,360	1,253,838

b. Market Risk

i. Interest rate risk

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

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates, exchange rates and commodity and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

Year ended 30 June 2014	Consolidated Group		Parent Entity	
	Profit	Equity	Profit	Equity
	\$	\$	\$	\$
+/- 2% in interest rates	13,828	13,828	7,531	7,531

Year ended 30 June 2013	Consolidated Group		Parent Entity	
	Profit	Equity	Profit	Equity
	\$	\$	\$	\$
+/- 2% in interest rates	27,120	27,120	27,120	27,120

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments, which are carried at amortised cost (i.e. term receivables, held-to-maturity assets, loan liabilities), are to be held until maturity and therefore the fair value figures calculated bear little relevance to the Group.

	Note	2014		2013	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		\$	\$	\$	\$
Consolidated Group					
Financial assets					
Cash and cash equivalents	8	691,417	691,417	1,356,019	1,356,019
Trade and other receivables					
- non-related parties - term and trade receivables	9	70,889	70,888	13,460	13,460
Total trade and other receivables	9	70,889	70,888	13,460	13,460
Total financial assets		762,306	762,305	1,369,479	1,369,479
Financial liabilities					
Trade and other payables	14	374,368	374,368	115,641	115,641
Convertible notes	15	460,065	460,065	-	-
Total financial liabilities		834,433	834,433	115,641	115,641

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	Footnote	2014		2013	
		Net Carrying Value \$	Net Fair Value \$	Net Carrying Value \$	Net Fair Value \$
Parent Entity					
Financial assets					
Cash and cash equivalents	8	376,549	376,549	1,356,019	1,356,019
Trade and other receivables					
- non-related parties - term and trade receivables	9	238,979	238,978	13,460	13,460
Total trade and other receivables	9	238,979	238,978	13,460	13,460
<i>Available-for-sale financial assets:</i>					
- at fair value					
- unlisted investments		2	-	-	-
Total financial assets at fair value through profit or loss		2	-	-	-
- at recoverable amount					
Total available-for-sale financial assets	10	2	-	-	-
Investments - held-to-maturity		-	-	-	-
Total financial assets		854,509	854,505	1,382,939	1,382,939
Financial liabilities					
Trade and other payables	14	137,167	137,167	115,641	115,641
Total financial liabilities		137,167	137,167	115,641	115,641

- (i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values. The fair values of receivables and payables are determined on the basis of an income approach using a discounted cash flow methodology. Discount rates are based on market interest rates for similar instruments and range between 7.8% and 9.3%, depending upon the nature of the instrument.

Note 25 Reserves

Option Reserve

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

Note 26 Company Details

The registered office of the company is:

iQnovate Limited

Level 3, 222 Clarence St

Sydney NSW 2000

The principal places of business are:

iQnovate Limited

Level 3, 222 Clarence St

Sydney NSW 2000

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of iQnovate Limited, the directors of the company declare that:

1. the financial statements and notes, as set out on pages 12 to 38, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated group;
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; and
3. the directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed.

Director



Dr George Syrmalis

Dated this

10th

day of

Sept

2014

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
IQNOVATE LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of iQnovate Limited which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising 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 of the 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 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. Those 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 entity'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, which has been given to the directors of iQnovate Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

- a. the financial report of iQnovate 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 2014 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
IQNOVATE LIMITED**

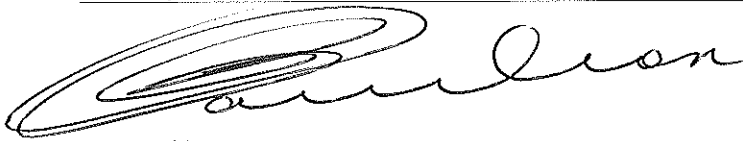
Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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 iQnovate Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Name of Firm: Fortunity Assurance



Name of Partner: T R Davidson

Address: 155 The Entrance Road
Erina NSW

Dated this 10th day of September 2014

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

Additional Information Required to be Disclosed as per Clause 6.9 of NSXA Listing Rules as per Revision 1St April 2011.

- (1) Principle Activities - Refer Directors' Report.
- (2) The company established two wholly owned subsidiaries during the year and the details are as follows:-
 - Farmaforce Pty Ltd
 - Clinical Research Corporation Pty Ltd
- (3)
 - (i) Directors Interests – refer Directors' Report.
 - (ii) Any rights to subscribe to debt or equity instruments by any of the directors are disclosed in the Director's Report.
- (4) There have been no forecasts made during the year.
- (5) The executive directors continue under their unexpired service contracts as disclosed in the Directors' Report, being 12 months with an extended term of 12 months from 1 May 2014.
- (6) Refer Note 23 in relation to significant contracts with directors, child entities or controlling shareholder interest.
- (7) There are no arrangements where the directors have waived or agreed to waive any emoluments.
- (8) There are no arrangements where a shareholder has waived or agrees to waive any emoluments.
- (9) Historical Summary Table

Item	2012	2013	2014
Profit / (Loss)	(675,459)	(748,141)	(1,450,116)
Assets	\$1,332,792	\$2,463,102	\$2,128,391
Liabilities	\$246,559	\$146,276	\$866,017

- (10) The year was tactical in nature as the company continued to develop its infrastructure which included establishment of its subsidiary companies, recruitment of appropriate experienced staff , marketing expenditure to establish the group's presence in the relevant market segments and continued building of the group's infrastructure. This resulted in an increase in overheads compared to the previous year.

Refer to "Significant Changes in State of Affairs" in the Directors' Report for further significant changes in affairs of the company which may influence the data in (9).

- (11) Refer "Corporate Governance Statement".
- (12) Top Ten Shareholders as at the date of this report.

**IQNOVATE LIMITED ACN: 149 731 644
AND CONTROLLED ENTITIES
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Biotechnology Holdings Pty Ltd	12,256,250
Con Tsigounis Pty Ltd	12,256,250
Anthony Tsigounis Pty Ltd	1,437,500
Mr Terence Rego & Mrs Carina Rego	400,000
To The Stars Pty Ltd	388,566
Mobery Pty Ltd	375,000
Mr John Stratilas	346,000
Belcorp Holdings Pty Ltd	340,000
Gpi Investments Pty Ltd	340,000
J K Consultancy Services	340,000