

iQX Limited

ACN 155 518 380

Annual Report for the year ended - 30 June 2020

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Directors	Dr George Syrmalis, Chair and Group Chief Executive Officer Peter Simpson John Stratilas
Company secretary	Gerardo Incollingo
Registered office and principal place of business	Level 9, 85 Castlereagh Street Sydney NSW 2000
Share register	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000
Auditor	BDO Audit Pty Ltd Level 11, 1 Margaret Street Sydney NSW 2000
Stock exchange listing	iQX Limited shares are listed on the National Stock Exchange (NSX: IQX)
Website	www.iqxinvestments.com
Corporate Governance Statement	<p>The Directors and management are committed to conducting the business of iQX Limited in an ethical manner and in accordance with the highest standards of corporate governance. iQX Limited's corporate governance policies and procedures comply with Practice Note 14 issued by the National Securities Exchange of Australia (NSX). The Board of Directors has included in its corporate governance policies those matters contained in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) (ASXCGC Recommendations), where applicable. However, the Board of Directors also recognises that full adoption of the ASXCGC Recommendations may not be practical or provide the optimal result given the circumstances of iQX Limited.</p> <p>The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year, has been approved at the same time as the Annual Report and can be found at: https://iqxinvestments.com/corpgov/</p>

On behalf of the Board of Directors, I am pleased to share that iQX Limited continues to deliver significant growth in its portfolio of investments in the bioscience sector for the financial year ended 30 June 2020.

iQX Limited is an investment funds management company specialising in the bioscience sector and is a core member of The iQ Group Global, a consortium of companies that find, fund and develop bioscience discoveries into life-changing medical innovations.

The iQX team has successfully continued to translate The iQ Group Global's strategy into tangible deliverables including:

- The realisation of good value investment at the early stage;
- The further development of iQX Limited's early stage biotechnology assets (the biosensor diagnostic platform);
- The further development its novel anticancer drug platform (TEX Core) from the University of Texas and MD Anderson Cancer Center; and
- Collaboration with the Wyss Institute for Biologically Inspired Engineering, Harvard University in using the Biosensor diagnostic platform for the detection of SARS-CoV-2 antibodies.

The market capitalisation of the Group as at 10 September 2020 was \$51.9 million.

The Group currently owns a 19% equity position in two distinctly different, but complementary portfolio company platforms, a novel Point of Care Test diagnostics platform and a first in class oncology therapy platform.

A) Diagnostic platform

During the year we have continued to heavily invest in the research and development program of the Saliva Glucose Biosensor and the expansion of the Biosensor Diagnostic Test Portfolio.

Key operational milestones include:

- The Biosensor research development program has now commenced the regulatory approval process.
- Given the events of this year and the COVID-19 pandemic, Life Science Biosensor Diagnostics Pty Limited, (the Biosensor company) has collaborated with Harvard's Wyss Institute to develop a COV-2 real time diagnostic test. Any commercial benefits stemming from this collaboration will flow to the Life Science Biosensor Diagnostic commercial entities, GBS Inc. and BiosensX Inc..
- The Biosensor development team has grown significantly, both here and in the USA and our research and development capability now extends beyond The Centre for Organic Electronics at The University of Newcastle to European research and development institutions.
- The initial test being developed from the Biosensor Diagnostic Platform is the Saliva Glucose Biosensor, a glucose test for people living with diabetes intended to replace finger-pick blood testing. Future tests now being incorporated within the development program include several new point of care diagnostic test portfolios for layman and professional use. These include:
 - Biochemistry
 - Immunology
 - Tumour markers
 - Endocrinology
 - Communicable diseases
 - Nucleic acids
- Infrastructure has been established for the impending launch of the Saliva Glucose Biosensor into the Asia Pacific region (APAC). This region consists of 37 countries, including Australia, New Zealand, Japan, China, Singapore, and Malaysia, as well as other smaller countries, addressing approximately 164 million people living with diabetes.

B) Oncology Platform

TEX Core is an anticancer drug platform that has the ability to develop a range of well-tolerated, MRI-detectable cancer therapeutics that target drug-sensitive and drug-resistant solid tumours.

The first cancer therapeutic to be commercialised from the platform is OxaliTex, a new chemical entity (WO 2015/191797) that targets only solid tumour cells, activates within the tumour and overcomes drug-resistance mechanisms with minimal side effects. OxaliTex is currently at late preclinical stage and soon we contemplate commencing clinical trials. The first indication to trial is ovarian cancer, which is also classified by the FDA as an orphan disease, which may result into expedited regulatory approval by the FDA. This year the Company increased its targeted chemotherapy pipeline by adding to its tumour targeting portfolio two more drug candidate programs, resulting in a pipeline of three (3) novel cancer therapeutics; OxaliTex, GemTex and ParpTex.

The Company has further enriched its core platform technology by developing a tumour localising photothermal technology (MangaTex). This technology is different to the Texcore technology as it enables treatment of cancer via a process known as photothermal therapy which eliminates the tumour by heating it up. This is potentially well suited to targeting cancers that are close to the surface of the skin which can be accessible to tissue penetrating light.

The Group will continue to work with the Texas University and MD Anderson Cancer Center research and development group for advancing and bringing to the patients both of the above technologies and the resultant drugs. The TEX Core platform represents extremely valuable intellectual property for the Group, as the IP portfolio consists of approximately twenty (20) patents and is expected to grow further.

To synopsise I would say that iQX Limited, being an investment company continues to meet its corporate objectives of asset appreciation and realisation of new investments. Last but not least, I need to reiterate a business belief, I try to practice in every acquisition we make "you make your money when you buy not when you sell" so in simple terms; it's the acquisition price that will determine our future capital gains rather than a reliance on an appreciating or bull market to create profit.



Dr George Syrmalis

Chair and Group CEO

11 September 2020

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of iQX Limited (referred to hereafter as 'iQX' or the 'Company' or the 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors

The following persons were Directors of the Group during the whole of the financial year and up to the date of this report, unless otherwise stated:

Dr George Syrmalis
Peter Simpson
John Stratilas
Kosmas Dimitriou (resigned on 19 March 2020)

Principal activities

During the financial year the principal activity for the Group consisted of general investing activities and exploring investment opportunities in the Life Science industry.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the Group after providing for income tax amounted to \$4,793,522 (30 June 2019: \$221,771). However, the normalised loss has improved by 41% to \$3,293,522 (30 June 2019: \$5,621,771). The normalised loss excludes a significant item with relation to the net change in the fair value of financial assets (refer to note 13 for details).

Revenue increased by 52% to \$4.1 million in the past year as a result of an increase in capital management advisory services provided, and asset related revenue.

Key highlights this financial year include:

- Revenue increased to \$4.1 million due to increase in fund management activities and shared services revenue; and
- Cash inflows from operations was \$0.9 million.

The iQX team has successfully continued to translate The iQ Group Global's strategy into tangible deliverables including:

- The realisation of good value investment at the early stage;
- The further development of iQX Limited's early stage biotechnology assets (the biosensor diagnostic platform);
- The further development of its investment in a novel anticancer drug platform (TEX Core) from the University of Texas and MD Anderson Cancer Center; and
- Collaboration with the Wyss Institute for Biologically Inspired Engineering, Harvard University in using the Biosensor diagnostic platform for the detection of SARS-CoV-2 antibodies.

Operating highlights

One of the first ASIC authorised equity crowd-sourced funding (CSF) platforms in Australia, Capital Labs only partners with companies launching technology and innovations that have a positive impact on Australia's future. Capital Labs, the crowdfunding platform was created to bring together investors who are looking to invest in positive changes through meaningful innovations to market in sectors alongside life science. The platform launched its first successful investment offering, driving a new era in Australian Healthcare. The funding provided capital for the development of pharmaceutical grade products of \$0.8 million, as part of bringing meaningful innovations to a commercial reality.

Series 8 Life Science Fund (Global) ESVCLP LP (Series 8), managed by subsidiary iQX Investment Services Pty Ltd, was granted unconditional registration from the Department of Industry, Innovation and Science as an early stage venture capital limited partnership. The iQ Series 8 Fund is currently capped at \$100 million.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

On 17 July 2020, the Company issued 1,568,000 fully paid ordinary shares to the Directors under the Employee Incentive Scheme as approved at the EGM on 14 July 2020.

On 30 July 2020, the Company issued a further 288,110,842 fully paid ordinary shares in accordance with the share-split approved by the shareholders at the EGM on 14 July 2020. The shareholders were issued 2 additional shares for every share held at 14 July 2020.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Refer to 'Review of operations' section above.

Environmental regulation

The Directors recognise the importance of environmental and workplace health and safety issues. The Directors are committed to compliance with all relevant laws and regulations to ensure the protection of the environment, the community and the health and safety of employees.

The operations of the Group are not subject to any particular and significant environmental regulation under the laws of the Commonwealth of Australia or any of its states or territories.

Based on results of enquiries made, the Board is not aware of any significant breaches of environmental regulations during the period covered by this report.

Information on Directors

Name: Dr George Syrmalis
Title: Executive Director, Group CEO and Chair (Appointed as Chair on 23 March 2020)
Qualifications: M.D., PhD / Trained in Nuclear Medicine-Radiation Immunology
Experience and expertise: Dr Syrmalis founded and led as CEO and Chair (1995-2005), the Bionuclear Group SA incorporating Antisoma SA, Bionuclear Institute of Diagnosis and Therapy SA, Bionuclear Research and Development SA, and Vitalcheck SA.
Other current directorships: Executive Director of Farmaforce Limited and iQ3Corp Limited and Executive Director of The iQ Group Global Limited (formerly iQNovate Limited).
Former directorships (last 3 years): None
Special responsibilities: Member of the Remuneration and Nomination Committee and the Audit and Risk Committee (from 23 March 2020)
Interests in shares: 16,145,112 ordinary shares
Interests in rights: 918,000 performance rights

Name: Peter Simpson
Title: Non-Executive Director
Qualifications: Master of Pharmacy
Experience and expertise: Peter 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 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.
Other current directorships: Non-Executive Director of The iQ Group Global Limited (formerly iQNovate Limited)
Former directorships (last 3 years): None
Special responsibilities: Member of the Remuneration and Nomination Committee
Interests in shares: None
Interests in rights: None

Name: John Stratilas
Title: Independent Non-Executive Director
Experience and expertise: John has over 21 years' experience in operating a number of businesses in the food industry and commercial property development and management markets.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chair of the Remuneration and Nomination Committee and the Audit and Risk Committee
Interests in shares: 1,600,000 ordinary shares
Interests in rights: None

Name:	Kosmas Dimitriou (resigned on 19 March 2020)
Title:	Former Non-Executive Director and Chair
Qualifications:	Bachelor Commerce Laws (University of Western Sydney), Diploma of Legal practice (Tax) (University of Sydney)
Experience and expertise:	Kosmas is a tax lawyer with over 18 years' experience in taxation, holding senior roles in the profession and commerce. Kosmas also advises the government and ATO on tax policy and tax law design.
Other current directorships:	Not applicable as no longer a director
Former directorships (last 3 years):	Not applicable as no longer a director
Special responsibilities:	Former Chair of the Remuneration and Nomination Committee and the Audit and Risk Committee
Interests in shares:	Not applicable as no longer a director
Interests in rights:	Not applicable as no longer a director

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Gerardo Incollingo - *Bachelor of Commerce (University of Wollongong), Member CPA Australia.*

Gerardo has more than 20 years of experience in managing the financial affairs of a diverse client base. Gerardo has a key focus on day to day contact management and supporting business in enhancing their profitability. He is Managing Director at LCI Partners, an established multinational accounting, finance and legal firm.

Gerardo is also company secretary of Farmaforce Limited, iQ3Corp Limited and The iQ Group Global Limited (formerly iQNovate Limited).

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each Director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Dr George Syrmalis*	6	6	-	-	-	-
Peter Simpson	6	6	-	-	-	-
John Stratilas**	6	6	1	1	1	1
Kosmas Dimitriou***	4	4	1	1	1	1

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

* Member of the Audit and Risk Committee and the Remuneration and Nomination Committee from 23 March 2020.

** Member of the Audit and Risk Committee and the Remuneration and Nomination Committee throughout the reporting period.

*** Member of the Audit and Risk Committee and the Remuneration and Nomination Committee until 19 March 2020.

Remuneration report (audited)

The remuneration report details the key management personnel ('KMP') remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and the Corporations Regulations 2001.

KMPs are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The following persons were the KMP during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name	Position	Term as KMP
Non-Executive Directors:		
Peter Simpson	Non-Executive Director	From 1 July 2019 to 30 June 2020
John Stratilas	Independent Non-Executive Director	From 1 July 2019 to 30 June 2020
Kosmas Dimitriou	Former Non-Executive Director and Chair	From 1 July 2019 to 19 March 2020
Executive Director:		
Dr George Syrmalis*	Executive Director, Group CEO and Chair	From 1 July 2019 to 30 June 2020

* Appointed as Chair on 23 March 2020

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

Principles used to determine the nature and amount of remuneration

The Board of Directors (the 'Board') has established a Remuneration and Nomination Committee ('RNC') which is currently comprised of the following members:

Name	Position
Dr George Syrmalis	Member
Peter Simpson	Member
John Stratilas	Chair of RNC

The key responsibility of the RNC is to assist the Board in its oversight of:

- the remuneration framework and policy for executive and employee reward;
- the determination of appropriate executive reward, including advice on structure, quantum and mix;
- the determination of achievement of performance measures included in any variable remuneration plan;
- compliance with applicable legal and regulatory requirements; and
- board size, composition and succession planning.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

The Board seeks to set non-executive directors' fees at a level that enables the Group to attract and retain non-executive directors of the highest calibre, while incurring a cost that is acceptable to shareholders.

The Constitution of the Company provides that non-executive directors, other than a Managing Director or an Executive Director, are entitled to directors' fees as determined by the Directors.

NSX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 25 November 2019, where the shareholders approved a maximum annual aggregate remuneration of \$300,000 (including superannuation).

Non-executive directors' fees consist of base fees and committee fees. The payment of committee fees recognises the additional time commitment required by non-executive directors who serve on board committees. A non-executive director who also Chair's the Audit and Risk Committee ('ARC') shall be entitled to an additional fee of \$5,000 (including superannuation) per annum. The Chair of the Board attends all committee meetings but does not receive any additional committee fees in addition to base fees. Non-executive directors may be reimbursed for expenses reasonably incurred in attending to the Company's affairs.

The table below sets out the non-executive directors' fees:

	Chair	Non-executive directors
Board	\$40,000	\$40,000
ARC	\$5,000	Nil
RNC	Nil	Nil

The amounts included in the above table are inclusive of superannuation.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

A. Remuneration principles and strategy

In FY 2020 the executive remuneration framework consisted of fixed remuneration and short and long-term incentives as outlined below. The Group aims to reward executives with a level and mix of remuneration appropriate to their position, responsibilities and performance within the Group and aligned with market practice. Remuneration levels are considered annually through a remuneration review, which considers market data and the performance of the Group and the individual.

B. Detail of incentive plans

Short-term incentive ('STI')

The Group operates an annual STI program available to executives and awards a cash incentive subject to the attainment of clearly defined key performance measures.

Summary of the executive STI plan:

Who participates?	Dr George Syrmalis
How is STI delivered?	Cash
What is the STI opportunity?	Up to 25% of base salary.
What are the performance conditions for FY 2020?	Individual performance goals against annual plans.
How is performance assessed?	On an annual basis, after consideration of performance against key performance indicators ('KPI').

Long-term incentives ('LTI')

The Group operates an LTI program via the Employee Benefits Plan ('EBP') under which directors, employees may be awarded options and performance rights to acquire shares of the Company. EBP awards are made annually in order to align remuneration with the creation of shareholder value over the long-term.

Summary of EBP awards:

Who participates?	All employees of the Group.
How is EBP delivered?	Entitlement to shares and performance rights.
What are the performance conditions?	Individual performance goals against annual plans.
How is performance assessed?	At the end of the relevant performance period, the Group will determine whether and to what extent the participant has satisfied the applicable performance criteria.
When does the award vest?	Awards vest after a total of three years' continual service following achievement of the applicable performance criteria.
How are awards treated on termination?	The participant must be a current employee at vesting date in order to be entitled to shares.
How are awards treated if a change of control occurs?	If a takeover bid or other offer is made to acquire some or all of the issued shares of the Group, participants will generally be entitled to request that all performance rights vest immediately, regardless of whether the relevant performance conditions have been satisfied.
Do participants receive distributions or dividends on unvested EBP awards?	Participants do not receive distributions or dividends on unvested EBP awards.

Consolidated entity performance and link to remuneration

KPIs are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area in which each individual is involved and has a level of control over. The KPI's target areas the Group 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.

Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last four years. This information is taken into account by the Board when setting the STI and LTI for KMP.

Use of remuneration consultants

During the financial year ended 30 June 2020, the Group did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

Voting and comments made at the Company's 2019 Annual General Meeting ('AGM')

At the 2019 AGM, 100% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration
Amounts of remuneration

Details of the remuneration of KMP of the Group are set out in the following tables.

	Short-term benefits				Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Other**	Super-annuation	Long service leave	Equity-settled***	
2020	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Peter Simpson	36,530	-	-	-	3,470	-	-	40,000
John Stratilas	36,530	-	-	-	3,470	-	-	40,000
Kosmas Dimitriou*	30,822	-	-	-	2,928	-	-	33,750
<i>Executive Directors:</i>								
Dr George Syrmalis	559,821	-	-	112,465	53,183	25,267	223,763	974,499
	<u>663,703</u>	<u>-</u>	<u>-</u>	<u>112,465</u>	<u>63,051</u>	<u>25,267</u>	<u>223,763</u>	<u>1,088,249</u>

* includes remuneration from 1 July 2019 up to date of resignation 19 March 2020.

** includes car allowance, annual leave and FBT.

*** In table 7 of the remuneration report of 30 June 2019 the share-based payments given to executive directors were correctly disclosed. However the executive remuneration table for FY19 did not include the share-based payments. Since this aligned with the profit and loss statement and only during FY20 management identified that the performance rights with grant date in FY15, FY16 and FY17 for director Dr George Syrmalis were not historically accounted for. This was deemed to be immaterial for the profit and loss statement of FY19. The correct historical share based payments costs of FY15, FY16 and FY17 are now included in FY20 explaining the increase in share-based payments expenses compared to the executive table for FY19.

	Short-term benefits				Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Other*	Super-annuation	Long service leave	Equity-settled	
2019	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Peter Simpson	36,530	-	-	-	3,470	-	-	40,000
John Stratilas	36,530	-	-	-	3,470	-	-	40,000
Kosmas Dimitriou	41,096	-	-	-	3,904	-	-	45,000
<i>Executive Directors:</i>								
Dr George Syrmalis	449,958	87,891	-	49,140	51,491	16,663	48,960	704,103
	<u>564,114</u>	<u>87,891</u>	<u>-</u>	<u>49,140</u>	<u>62,335</u>	<u>16,663</u>	<u>48,960</u>	<u>829,103</u>

* This includes car allowance, annual leave and FBT.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2020	2019	2020	2019	2020	2019
<i>Non-Executive Directors:</i>						
Peter Simpson	100%	100%	-	-	-	-
John Stratilas	100%	100%	-	-	-	-
Kosmas Dimitriou	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Dr George Syrmalis	77%	81%	-	12%	23%	7%

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2020	2019	2020	2019
<i>Executive Directors:</i>				
Dr George Syrmalis	-	100%	-	-

No bonus is payable at the year end.

Service agreements

Remuneration arrangements for executive KMP are formalised in employment agreements. The key terms and conditions of executive employment agreements for the year ended 30 June 2020 are outlined in the table below.

Executive name:	Dr George Syrmalis
Position:	Executive Director, Group CEO and Chair (Appointed as Chair on 23 March 2020)
Effective date:	1 January 2020
Fixed annual remuneration:*	\$625,560
Term:	Ongoing
Executive notice period:	6 months
Company notice period:**	6 months
Termination payment:***	Superannuation will be paid irrespective of the termination benefits cap under the Corporations Act 2001

* Fixed annual remuneration includes base salary plus superannuation contributions in accordance with superannuation guarantee legislation. Dr George Syrmalis' fixed annual remuneration up to 31 December 2019 was \$500,448 (plus car allowance \$25,000), which was revised to \$625,560 (plus car allowance \$25,000) effective 1 January 2020.

** The Company may terminate employment immediately and without notice in certain circumstances, including where the executive has committed a serious or persistent breach of their employment agreement or where the executive has been dishonest or fraudulent in the course of performing their duties.

*** Subject to the termination benefits cap under the Corporations Act 2001, with the exception superannuation as detailed above.

Share-based compensation

Issue of shares

There were no shares issued to Directors and other KMP as part of compensation during the year ended 30 June 2020.

Options

There were no options over ordinary shares issued to Directors and other KMP as part of compensation that were outstanding as at 30 June 2020.

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of Directors and other KMP in this financial year or future reporting years are as follows:

Name	Grant date	Vesting date	Number of rights granted
Dr George Syrmalis	01/04/2015	01/04/2018	153,000
Dr George Syrmalis	01/04/2016	01/04/2019	153,000
Dr George Syrmalis	01/04/2017	01/04/2020	153,000
Dr George Syrmalis	01/04/2018	01/04/2021	153,000
Dr George Syrmalis	01/04/2019	01/04/2022	153,000
Dr George Syrmalis	01/04/2020	01/04/2023	153,000
			918,000

Each performance right confers the entitlement to a fully paid ordinary share after three years of employment after the first anniversary.

The value of the performance rights granted during the year ended 30 June 2020 as part of the remuneration is \$223,763 (2019: \$48,960).

Additional information

The earnings of the Group for the five years to 30 June 2020 are summarised below:

	2020	2019	2018	2017	2016
	\$	\$	\$	\$	\$
Revenue	4,142,502	2,732,532	1,760,036	3,400,230	458,337
(Loss)/profit after income tax	(4,793,522)	(221,771)	(2,719,702)	14,218,387	(2,347,446)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2020	2019	2018*	2017*	2016*
Share price at financial year end (\$)	0.35	0.32	0.32	0.40	0.43
Basic earnings per share (cents per share)	(1.12)	(0.06)	(2.21)	12.22	(2.26)
Diluted earnings per share (cents per share)	(1.12)	(0.06)	(2.21)	12.22	(2.26)

* Earnings per share between 2016 to 2018 have not been adjusted to give effect to the share-split which occurred subsequent to the year end.

Additional disclosures relating to KMP

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Dr George Syrmalis	16,145,112	-	-	-	16,145,112
John Stratilas	1,600,000	-	-	-	1,600,000
	17,745,112	-	-	-	17,745,112

Performance rights holding

The number of performance rights over ordinary shares in the Company held during the financial year by each Director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Allotted	Expired/forfeited/other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Dr George Syrmalis	765,000	153,000	-	-	918,000
	<u>765,000</u>	<u>153,000</u>	<u>-</u>	<u>-</u>	<u>918,000</u>

This concludes the remuneration report, which has been audited.

Shares under option

There were no unissued ordinary shares of iQX Limited under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of iQX Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Shares under performance rights

As at 11 September 2020, 1,854,000 performance rights have been granted to participants as part of the iQX Limited's Employee Benefits Plan. These performance rights will vest and be issued to eligible members contingent on satisfying a service condition.

Shares issued on the exercise of performance rights

As at 11 September 2020, 918,000 ordinary shares of iQX Limited were issued in relation to performance rights during the year ended 30 June 2020 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of BDO Audit Pty Ltd

There are no officers of the Company who are former partners of BDO Audit Pty Ltd.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

Auditor

BDO Audit Pty Ltd was appointed as auditor during the year and continues in office in accordance with section 327 of the Corporations Act 2001.

The appointment follows the resignation of BDO East Coast Partnership in accordance with section 329(5) of the Corporation Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



Dr George Syrmalis
Chair

11 September 2020

DECLARATION OF INDEPENDENCE BY TIM AMAN TO THE DIRECTORS OF IQX LIMITED

As lead auditor of iQX Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of iQX Limited and the entities it controlled during the period.



Tim Aman
Director

BDO Audit Pty Ltd

Sydney

11 September 2020

iQX Limited

**Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2020**



	Note	Consolidated 2020 \$	2019 \$
Revenue	5	4,142,502	2,732,532
Share of losses of associates accounted for using the equity method	12	(62,680)	(49,111)
Net fair value (loss)/gain on financial assets	13	(1,500,000)	5,400,000
Interest revenue calculated using the effective interest method		136,989	61,147
Other income	6	381,331	-
Expenses			
Employee benefits expense	7	(3,106,643)	(2,081,094)
Depreciation expense	7	(774,398)	(75,929)
Impairment of intangible assets	16	-	(1,393,910)
Occupancy costs		(887,199)	(1,440,207)
Consultancy fees		(711,670)	(383,256)
Other expenses	8	(2,536,015)	(1,617,005)
Finance costs	7	(1,103,622)	(859,556)
(Loss)/profit before income tax benefit/(expense)		(6,021,405)	293,611
Income tax benefit/(expense)	9	1,227,883	(515,382)
Loss after income tax benefit/(expense) for the year attributable to the owners of iQX Limited		(4,793,522)	(221,771)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of iQX Limited		<u>(4,793,522)</u>	<u>(221,771)</u>
		Cents	Cents
Basic earnings per share	24	(1.12)	(0.06)
Diluted earnings per share	24	(1.12)	(0.06)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

iQX Limited
Consolidated statement of financial position
As at 30 June 2020



	Note	Consolidated 2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	10	313,157	189,228
Trade and other receivables	11	2,843,262	1,005,535
Prepayments		39,051	297,968
Total current assets		<u>3,195,470</u>	<u>1,492,731</u>
Non-current assets			
Trade and other receivables	11	1,231,379	1,207,805
Investments in associates and joint ventures accounted for using the equity method	12	195,140	220,349
Financial assets at fair value through profit or loss	13	23,386,098	24,893,995
Property, plant and equipment	14	390,452	382,791
Right-of-use assets	15	2,510,908	-
Intangibles	16	4,000	4,000
Deferred tax assets	9	5,256,909	4,180,021
Total non-current assets		<u>32,974,886</u>	<u>30,888,961</u>
Total assets		<u>36,170,356</u>	<u>32,381,692</u>
Liabilities			
Current liabilities			
Trade and other payables	17	6,515,057	1,729,809
Borrowings	18	4,788,081	-
Lease liabilities	19	577,178	-
Employee benefits	20	450,123	214,365
Total current liabilities		<u>12,330,439</u>	<u>1,944,174</u>
Non-current liabilities			
Borrowings	18	-	4,401,020
Lease liabilities	19	2,037,525	-
Deferred tax liabilities	9	6,801,315	6,937,791
Employee benefits	20	135,787	64,584
Total non-current liabilities		<u>8,974,627</u>	<u>11,403,395</u>
Total liabilities		<u>21,305,066</u>	<u>13,347,569</u>
Net assets		<u>14,865,290</u>	<u>19,034,123</u>
Equity			
Contributed equity	21	13,633,353	13,633,353
Reserve	22	715,521	90,832
Retained earnings		516,416	5,309,938
Total equity		<u>14,865,290</u>	<u>19,034,123</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

iQX Limited
Consolidated statement of changes in equity
For the year ended 30 June 2020



Consolidated	Contributed equity \$	Reserve \$	Retained earnings \$	Total equity \$
Balance at 1 July 2018	9,806,272	-	5,531,709	15,337,981
Loss after income tax expense for the year	-	-	(221,771)	(221,771)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(221,771)	(221,771)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares (note 21)	4,076,742	-	-	4,076,742
Share issue costs	(249,661)	-	-	(249,661)
Share-based payments (note 34)	-	90,832	-	90,832
Balance at 30 June 2019	<u>13,633,353</u>	<u>90,832</u>	<u>5,309,938</u>	<u>19,034,123</u>
Consolidated	Contributed equity \$	Reserve \$	Retained earnings \$	Total equity \$
Balance at 1 July 2019	13,633,353	90,832	5,309,938	19,034,123
Loss after income tax benefit for the year	-	-	(4,793,522)	(4,793,522)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(4,793,522)	(4,793,522)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 34)	-	624,689	-	624,689
Balance at 30 June 2020	<u>13,633,353</u>	<u>715,521</u>	<u>516,416</u>	<u>14,865,290</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

iQX Limited
Consolidated statement of cash flows
For the year ended 30 June 2020



	Note	Consolidated 2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		4,649,637	2,977,273
Proceeds as client monies from crowd funding		749,045	-
Payments to client from crowd funding		(749,045)	-
Payments to suppliers and employees		(3,703,455)	(5,163,103)
Government grants received		134,000	-
Interest received		91	2,151
Interest paid		(191,624)	(26,398)
		<u>888,649</u>	<u>(2,210,077)</u>
Net cash from/(used in) operating activities	32		
Cash flows from investing activities			
Payments for property, plant and equipment	14	(127,039)	(167,264)
Payments for intangibles	16	-	(253,496)
Payments for investment in associates	12	(37,471)	(41,400)
Investment in related party bond		221,207	(876,418)
		<u>56,697</u>	<u>(1,338,578)</u>
Net cash from/(used in) investing activities			
Cash flows from financing activities			
Proceeds from issue of shares	21	-	3,911,293
Interest paid on convertible notes		(451,232)	(450,378)
Repayment of lease liabilities		(370,185)	-
		<u>(821,417)</u>	<u>3,460,915</u>
Net cash (used in)/from financing activities			
Net increase/(decrease) in cash and cash equivalents		123,929	(87,740)
Cash and cash equivalents at the beginning of the financial year		189,228	276,968
		<u>313,157</u>	<u>189,228</u>
Cash and cash equivalents at the end of the financial year	10		

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover iQX Limited as a consolidated entity consisting of iQX Limited ('iQX', or the 'Company' or the 'parent entity') and the entities it controlled (together the 'Group') at the end of, or during, the year. The financial statements are presented in Australian dollars, which is iQX Limited's functional and presentation currency.

iQX Limited is a listed public company limited by shares, incorporated and domiciled in Australia. The Company is listed on the National Stock Exchange of Australia. Its registered office and principal place of business is:

Level 9, 85 Castlereagh Street
Sydney, NSW 2000

A description of the nature of the Group's operations and its principal activities is included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 11 September 2020. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted at the beginning of the reporting period, 1 July 2019, using the modified retrospective approach and as such the comparatives have not been restated. A lease for office space was entered into in March 2018 for which a right-of-use asset and lease liability was recognised of \$3,165,928 at the date of adoption, with a \$nil adjustment to equity as follows:

Note 2. Significant accounting policies (continued)

	1 July 2019 \$
Operating lease commitments as at 1 July 2019 (AASB 117)	3,610,724
Operating lease commitments discount based on the weighted average incremental borrowing rate 7.5% (AASB 16)	(444,796)
Right-of-use assets (AASB 16)	<u>3,165,928</u>
Lease liabilities (AASB 16)	<u>(3,165,928)</u>
Impact on opening retained earnings as at 1 July 2019	<u><u>-</u></u>

Interpretation 23 Uncertainty over Income Tax

The Group has adopted Interpretation 23 from 1 July 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 112 'Income Taxes' in circumstances where uncertain tax treatments exist. The interpretation requires: the Group to determine whether each uncertain tax treatment should be treated separately or together, based on which approach better predicts the resolution of the uncertainty; the Group to consider whether it is probable that a taxation authority will accept an uncertain tax treatment; and if the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, measuring the tax uncertainty based on either the most likely amount or the expected value. In making the assessment it is assumed that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. Interpretation 23 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of adoption on accumulated losses as at 1 July 2019.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a net loss of \$4,793,522 for the year ended 30 June 2020 and net operating cash inflows of \$888,649. As at 30 June 2020, the Group had net current liabilities of \$9,134,469 including \$1,171,404 net related party payables and net assets of \$14,865,290. The net loss and net current liability position do prima facie give rise to a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern.

However, the directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after considering the following factors:

- The Group's business model is based upon generating returns by acquiring early stage life science IP and with its specialist in-house knowledge, developing the acquired IP into diagnostic or therapeutic bioscience assets. Accordingly, profits are generated by increase in the value of the assets as they are developed and reach clinical milestones. This is reflected in the net asset amount of \$14,865,290 which includes access to \$23,386,098 of investments recorded at fair value; and
- Capital raisings by way of equity in relation to projects from its related parties and the related party flow through arrangements to provide funds to allow iQX to operate as a going concern.

In the event that the Group does not meet the above factors, it may not be able to continue its operations as a going concern and therefore may not be able to realize its assets and discharge its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group were not to operate as a going concern.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Note 2. Significant accounting policies (continued)

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of iQX Limited as at 30 June 2020 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

Foreign currency transactions

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

Note 2. Significant accounting policies (continued)

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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 tax authority is included in other receivables or other 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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Group may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Group's financial statements.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

COVID-19 pandemic

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Investment in associates

The Directors have assessed whether their equity investments between 20% and 50% represent a significant influence over those companies. In assessing significant influence, the Directors have considered the percentage ownership interest, representation on the Board of Directors, the interchange of management personnel, and material transactions between the entities. Primarily on ownership interest, the Directors have concluded that all investments in which the Group owns 20% to 50% interest are regarded as having significant influence and have therefore been equity accounted and disclosures have been included in note 12.

Note 4. Operating segments

Identification of reportable operating segments

The Group is organised into two operating segments: 1) financial services fees; and 2) office and shared services fees, charged to related parties. These operating segments are based on the internal reports that are reviewed and used by the Group Chief Executive Officer and the Acting Chief Financial Officer (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The information reported to the CODM is on a monthly basis.

Reliance on major customers

The majority of the Group's revenue is derived from related parties.

Operating segment information

The following segment information is provided to the CODM.

Consolidated	2020	2019
Segment	\$	\$
Financial services fees	1,001,236	593,334
Office and shared services fees	3,141,266	2,139,198
	<u>4,142,502</u>	<u>2,732,532</u>

Information on segment gross profit and segment net assets is not provided to the CODM.

Geographical information

The Group's revenue is derived only from Australia.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the CODM. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Revenue

	Consolidated	
	2020	2019
	\$	\$
Financial services fees	1,001,236	593,334
Office and shared services fees	3,141,266	2,139,198
	<u>4,142,502</u>	<u>2,732,532</u>
Total revenue	<u>4,142,502</u>	<u>2,732,532</u>

Timing of revenue recognition

All revenue is recognised over a period of time.

Accounting policy for revenue

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Financial services fees

Revenue is derived from retainer fees and fees for services based on a fixed percentage. This is recognised over time as the services are rendered.

Office and shared services fees

Revenue is derived from services provided and is recognised over time as the services are rendered based on either a fixed price of an hourly rate.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Note 6. Other income

	Consolidated	
	2020	2019
	\$	\$
Pass through income	247,331	-
Government grants	134,000	-
	<u>381,331</u>	<u>-</u>
	<u>381,331</u>	<u>-</u>

Note 6. Other income (continued)

Pass through income

The Group recognised pass through income in the form of IP procurement from Life Science Biosensor Diagnostics Pty Limited, a related party of iQX Limited. The income recognised represents the Group's share on the income in line with its ownership interest.

Government grants

During the year the Group received payments from the Australian Government amounting to \$50,000 as part of its 'Boosting Cash Flow for Employers' scheme in response to the COVID-19 pandemic. These non-tax amounts have been recognised as government grants and will be recognised as income only once there is reasonable assurance that the Group will comply with any conditions attached.

The Group also received \$84,000 from JobKeeper support payments from the Australian Government, which are passed on to eligible employees. These have been recognised as government grants in the financial statements and recorded as other income over the periods in which the related employee benefits are recognised as an expense.

Note 7. Expenses

	Consolidated	
	2020	2019
	\$	\$
(Loss)/profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	26,856	22,374
Plant and equipment	69,368	36,383
Furniture, fixtures and fittings	23,154	17,172
Land and buildings right-of-use assets	655,020	-
Total depreciation	<u>774,398</u>	<u>75,929</u>
<i>Employee benefits expense</i>		
Wages and salaries	2,032,353	1,766,635
Compulsory superannuation contributions	133,637	156,217
Increase in liability for annual leave	224,198	45,632
Increase in liability for long service leave	71,202	21,778
Share-based payments	645,253	90,832
Total employee benefits expense	<u>3,106,643</u>	<u>2,081,094</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on lease liabilities	220,499	-
Interest expense on convertible notes	870,918	844,936
Bank fees	12,205	14,620
Total finance costs	<u>1,103,622</u>	<u>859,556</u>

Note 8. Other expenses

	Consolidated	
	2020	2019
	\$	\$
Accounting and legal fees	164,071	173,400
Advertising and marketing	461,515	70,918
Commission expenses	37,000	-
Insurance	115,256	149,125
Software and licensing	351,493	226,510
Travel and accommodation	17,613	13,172
Recruitment fees	240,554	163,368
Exchange and listing fees	21,830	37,623
Office and administration	477,339	375,174
Outsourced employees' costs	176,737	194,655
Equipment rental expenses	33,275	-
Expected credit losses	90,041	-
Website development	102,120	5,588
Other	247,171	207,472
	<u>2,536,015</u>	<u>1,617,005</u>

Note 9. Income tax

	Consolidated	
	2020	2019
	\$	\$
<i>Income tax (benefit)/expense</i>		
Current tax	(14,519)	75,490
Deferred tax - origination and reversal of temporary differences	<u>(1,213,364)</u>	<u>439,892</u>
Aggregate income tax (benefit)/expense	<u>(1,227,883)</u>	<u>515,382</u>
Deferred tax included in income tax (benefit)/expense comprises:		
Increase in deferred tax assets	(1,076,888)	(1,270,487)
Increase/(decrease) in deferred tax liabilities	<u>(136,476)</u>	<u>1,710,379</u>
Deferred tax - origination and reversal of temporary differences	<u>(1,213,364)</u>	<u>439,892</u>
<i>Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate</i>		
(Loss)/profit before income tax benefit/(expense)	<u>(6,021,405)</u>	<u>293,611</u>
Tax at the statutory tax rate of 27.5%	(1,655,886)	80,743
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Expenditure not allowable for income tax purposes	468,321	446,749
True up adjustments	129,388	(69,695)
Tax adjustment on consolidation	108,924	(25,680)
Other adjustments	(27,924)	83,265
Other (effect of change in tax rate)	<u>(250,706)</u>	<u>-</u>
Income tax (benefit)/expense	<u>(1,227,883)</u>	<u>515,382</u>

Note 9. Income tax (continued)

	Consolidated	
	2020	2019
	\$	\$
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss (cumulative effect):		
Property, plant and equipment	255,777	246,708
Prepayments and provisions	231,393	97,266
Lease liabilities	626,896	-
Capital raising costs	137,003	243,613
Prior year losses carried forward	3,268,449	2,828,249
Current year losses	722,876	764,185
Other	14,515	-
Deferred tax asset	<u>5,256,909</u>	<u>4,180,021</u>
Movements:		
Opening balance	4,180,021	2,909,534
Credited to profit or loss	1,076,888	1,270,487
Closing balance	<u>5,256,909</u>	<u>4,180,021</u>
Consolidated		
	2020	2019
	\$	\$
<i>Deferred tax liability</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss (cumulative effect):		
Property, plant and equipment	81,093	(43,722)
Right-of-use assets	600,948	-
Capital raising costs	13,731	13,731
Financial instruments	5,867,272	6,841,396
Other	238,271	126,386
Deferred tax liability	<u>6,801,315</u>	<u>6,937,791</u>
Movements:		
Opening balance	6,937,791	5,227,412
Charged/(credited) to profit or loss	(136,476)	1,710,379
Closing balance	<u>6,801,315</u>	<u>6,937,791</u>

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 9. Income tax (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 10. Cash and cash equivalents

	Consolidated	
	2020	2019
	\$	\$
<i>Current assets</i>		
Cash at bank	<u>313,157</u>	<u>189,228</u>

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 11. Trade and other receivables

	Consolidated	
	2020	2019
	\$	\$
<i>Current assets</i>		
Other receivables	47,445	140,330
Related party receivables	1,793,352	865,205
Less: Allowance for expected credit losses	(20,528)	-
	<u>1,772,824</u>	<u>865,205</u>
Bonds with related parties*	1,022,993	-
	<u>2,843,262</u>	<u>1,005,535</u>
<i>Non-current assets</i>		
Bonds with related parties*	969,505	876,418
Less: Allowance for expected credit losses	(69,513)	-
	<u>899,992</u>	<u>876,418</u>
Bank guarantee**	331,387	331,387
	<u>1,231,379</u>	<u>1,207,805</u>
	<u><u>4,074,641</u></u>	<u><u>2,213,340</u></u>

* Refer to note 30 for details of bonds with related parties.

** Bank guarantee is for the lease agreement for 85 Castlereagh Street, Sydney, NSW 2000.

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2020	2019	2020	2019	2020	2019
	%	%	\$	\$	\$	\$
Not overdue	2.35%	-	3,833,295	1,464,542	90,041	-
30 to 90 days overdue	-	-	-	261,113	-	-
Over 90 days overdue	-	-	-	156,298	-	-
			<u>3,833,295</u>	<u>1,881,953</u>	<u>90,041</u>	<u>-</u>

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2020	2019
	\$	\$
Opening balance	-	-
Additional provisions recognised	90,041	-
Closing balance	<u>90,041</u>	<u>-</u>

The Group has assessed that the impact of COVID-19 on its debt recovery and expected credit losses is immaterial.

Note 11. Trade and other receivables (continued)

Accounting policy for trade and other receivables

Trade receivables and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30-60 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 12. Investments in associates and joint ventures accounted for using the equity method

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current assets</i>		
Investment in associates	<u>195,140</u>	<u>220,349</u>

Interests in associates and joint ventures

Interests in associates and joint ventures are accounted for using the equity method of accounting. Information relating to associates and joint ventures that are material to the Group are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020	2019
		%	%
New Frontier Holding LLC	USA	20.00%	20.00%
Nereid Enterprises Pty Ltd*	Australia	20.00%	20.00%
Nereid Enterprises LLC*	USA	20.00%	20.00%
Antisoma Therapeutics Pty Ltd	Australia	38.00%	38.00%
Ethical Bioscience Investments Fund Pty Ltd ('EBI')	Australia	50.00%	-

* Subsidiaries of New Frontier Holding LLC.
New Frontier Holding LLC and its subsidiaries are referred to as 'New Frontier Group'.

Nereid Enterprises Pty Ltd provides corporate events and promotional services to the healthcare industry and related parties of iQX Limited.

Note 12. Investments in associates and joint ventures accounted for using the equity method
(continued)

(i) Summarised financial information of New Frontier Group

	New Frontier Group 2020 \$	2019 \$
<i>Summarised statement of financial position</i>		
Current assets	51,175	13,026
Non-current assets	836,247	1,092,651
Total assets	887,422	1,105,677
Current liabilities	48,483	3,932
Total liabilities	48,483	3,932
Net assets	<u>838,939</u>	<u>1,101,745</u>
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	72,709	36,809
Expenses	(374,998)	(427,848)
Loss before income tax	(302,289)	(391,039)
Other comprehensive income	(11,113)	145,487
Total comprehensive loss	<u>(313,402)</u>	<u>(245,552)</u>
<i>Reconciliation of the Group's carrying amount</i>		
Opening carrying amount	220,349	228,060
Additional investment	37,471	41,400
Comprehensive loss for the period	(62,680)	(49,111)
Closing carrying amount	<u>195,140</u>	<u>220,349</u>

(ii) Ethical Bioscience Investments Fund Pty Ltd - Joint venture ('EBI')

The Group has a 50% interest in EBI. EBI offers various fixed term investments for investors looking to invest across the global bioscience sector. This is a joint venture with The iQ Group Global Limited (formerly iQNovate Limited), a related party of the Group.

Note 12. Investments in associates and joint ventures accounted for using the equity method (continued)

Summarised financial information of EBI

	2020 \$
Summarised statement of financial position	
Cash and cash equivalents	539
Current assets	69,248
Non-current assets	<u>1,636,320</u>
Total assets	<u>1,706,107</u>
Trade and other payables	(88,323)
Current financial liabilities	(1,804,146)
Non-current financial liabilities	<u>(198,292)</u>
Total liabilities	<u>(2,090,761)</u>
Net liabilities	<u><u>(384,654)</u></u>
<i>Summarised statement of profit or loss and other comprehensive income</i>	
Revenue	7
Expenses	<u>(384,661)</u>
Loss before income tax	<u>(384,654)</u>
Other comprehensive loss	<u>-</u>
Total comprehensive loss	<u><u>(384,654)</u></u>

As at 30 June 2020, EBI incurred a loss of \$384,654. The Group's 50% share of loss in EBI of \$192,367 has not been recognised as it exceeds the Group's net investment in EBI. The cumulative net loss not recognised as at 30 June 2020 is \$192,367.

The joint venture had no capital commitments as at 30 June 2020. There were no other contingent liabilities.

Accounting policy for associates and joint ventures

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Note 12. Investments in associates and joint ventures accounted for using the equity method (continued)

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

Note 13. Financial assets at fair value through profit or loss

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current assets</i>		
Shares in unlisted companies - designated at fair value through profit or loss*	23,371,598	24,871,598
Shares in listed companies - held for trading	14,500	14,250
Investments in listed unit trusts - held for trading	-	8,147
	<u>23,386,098</u>	<u>24,893,995</u>

* The fair value of the investment in relation to shares in unlisted companies (GBS Inc.) was reduced by \$1,500,000 based on the fair value assessment performed by management. The reduction in the fair value was due to dilution from preference share holdings.

Refer to note 26 for further information on fair value measurement.

Accounting policy for investments and other financial assets - Refer to note 2.

Note 14. Property, plant and equipment

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current assets</i>		
Leasehold improvements - at cost	259,037	256,186
Less: Accumulated depreciation	(54,258)	(27,402)
	<u>204,779</u>	<u>228,784</u>
Plant and equipment - at cost	291,592	173,404
Less: Accumulated depreciation	(154,462)	(85,094)
	<u>137,130</u>	<u>88,310</u>
Furniture, fixtures and fittings - at cost	101,313	95,313
Less: Accumulated depreciation	(52,770)	(29,616)
	<u>48,543</u>	<u>65,697</u>
	<u>390,452</u>	<u>382,791</u>

Note 14. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements \$	Plant and equipment \$	Furniture, fixtures and fittings \$	Total \$
Balance at 1 July 2018	153,892	100,197	37,367	291,456
Additions	97,266	24,496	45,502	167,264
Depreciation expense	(22,374)	(36,383)	(17,172)	(75,929)
Balance at 30 June 2019	228,784	88,310	65,697	382,791
Additions	2,851	118,188	6,000	127,039
Depreciation expense	(26,856)	(69,368)	(23,154)	(119,378)
Balance at 30 June 2020	<u>204,779</u>	<u>137,130</u>	<u>48,543</u>	<u>390,452</u>

Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	5-10 years
Plant and equipment	5-10 years
Furniture, fittings and equipment	10-20 years

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 15. Right-of-use assets

	Consolidated 2020 \$	2019 \$
<i>Non-current assets</i>		
Land and building - right-of-use	3,165,928	-
Less: Accumulated depreciation	(655,020)	-
	<u>2,510,908</u>	<u>-</u>

Additions to the right-of-use assets during the year were \$nil.

Note 15. Right-of-use assets (continued)

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 16. Intangibles

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current assets</i>		
Development costs	-	334,038
Less: Impairment	-	(334,038)
	<u>-</u>	<u>-</u>
Website and software - at cost	-	1,059,872
Less: Impairment	-	(1,059,872)
	<u>-</u>	<u>-</u>
Trademark - at cost	4,000	4,000
	<u>4,000</u>	<u>4,000</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Development costs \$	Website and software \$	Trademark \$	Total \$
Balance at 1 July 2018	80,542	1,059,872	4,000	1,144,414
Additions	253,496	-	-	253,496
Impairment of assets	(334,038)	(1,059,872)	-	(1,393,910)
Balance at 30 June 2019	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>
Balance at 30 June 2020	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>

Note 16. Intangibles (continued)

Accounting policy for intangible assets

Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Development costs

Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit.

Website and software

Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Trademark

Trademarks are not amortised when their useful lives are assessed to be indefinite and instead tested annually for impairment.

Note 17. Trade and other payables

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Trade payables	895,774	653,632
Related party payables (refer to note 30)	4,867,213	537,425
Sundry payables and accrued expenses	752,070	538,752
	<u>6,515,057</u>	<u>1,729,809</u>

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 18. Borrowings

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Convertible notes	4,788,081	-
<i>Non-current liabilities</i>		
Convertible notes	-	4,401,020
	<u>4,788,081</u>	<u>4,401,020</u>

Note 18. Borrowings (continued)

The convertible notes are at a coupon rate of 9% per annum and mature in February 2021.

Refer to note 25 for further information on financial instruments.

Accounting policy for borrowings

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

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a financial liability (net of transaction costs) on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components on initial recognition.

Note 19. Lease liabilities

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Lease liability	577,178	-
<i>Non-current liabilities</i>		
Lease liability	2,037,525	-
	<u>2,614,703</u>	<u>-</u>

Refer to note 25 for further information on financial instruments.

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 20. Employee benefits

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Annual leave	325,154	152,531
Superannuation	83,457	62,325
Payroll	41,512	(491)
	<u>450,123</u>	<u>214,365</u>
<i>Non-current liabilities</i>		
Long service leave	<u>135,787</u>	<u>64,584</u>
	<u><u>585,910</u></u>	<u><u>278,949</u></u>

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Other long-term employee benefits

Liabilities for long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 21. Contributed equity

	Consolidated			
	2020	2019	2020	2019
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>142,157,421</u>	<u>142,157,421</u>	<u>13,633,353</u>	<u>13,633,353</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2018	127,058,372		9,806,272
Issue of shares	18 October 2018	4,901,298	\$0.27	1,323,349
Issue of shares	16 January 2019	4,608,308	\$0.27	1,244,243
Issue of shares	26 April 2019	5,589,443	\$0.27	1,509,150
Share issue costs		-	-	(249,661)
Balance	30 June 2019	<u>142,157,421</u>		<u>13,633,353</u>
Balance	30 June 2020	<u><u>142,157,421</u></u>		<u><u>13,633,353</u></u>

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Note 21. Contributed equity (continued)

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

Share buy-back

There is no current on-market share buy-back.

Capital risk management

Management control the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

The capital risk management policy remains unchanged from the 2019 Annual Report.

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 22. Reserve

	Consolidated 2020 \$	2019 \$
Share-based payments reserve	<u>715,521</u>	<u>90,832</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration.

Movements in share-based payment reserve

Consolidated	Share-based payments \$
Balance at 1 July 2018	-
Share-based payments	<u>90,832</u>
Balance at 30 June 2019	90,832
Share-based payments	<u>624,689</u>
Balance at 30 June 2020	<u><u>715,521</u></u>

Note 23. Dividends

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Accounting policy for dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Note 24. Earnings per share

	Consolidated	
	2020	2019
	\$	\$
Loss after income tax attributable to the owners of iQX Limited	<u>(4,793,522)</u>	<u>(221,771)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>426,472,263</u>	<u>400,861,501</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>426,472,263</u>	<u>400,861,501</u>
	Cents	Cents
Basic earnings per share	(1.12)	(0.06)
Diluted earnings per share	(1.12)	(0.06)

The weighted average number of ordinary shares for the current and comparative period has been adjusted to give effect to the share-split which occurred subsequent to the year end.

As at 30 June 2020 and 30 June 2019, there were no performance rights over ordinary shares excluded from the calculation of the weighted average number of ordinary shares used in calculating diluted earnings per share due to being anti-dilutive in nature.

Note 25. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group's policy is not to trade in or use derivatives to hedge its risks.

The Group's Board of Directors (the 'Board') has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports to the Board on its activities.

The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all workplace participants understand their roles and obligations.

The Board has also established a Finance Committee, consisting of senior executives of the Group, which meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The Finance Committee's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. The Finance Committee operates under policies approved by the Board.

Market risk

Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

Note 25. Financial instruments (continued)

The Group does not have any foreign currency risk as it does not have any future commercial transactions and recognised financial assets and financial liabilities denominated in a currency other than its functional currency.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

Interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. At the reporting date, the Group had no variable interest rate borrowings.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

No sensitivity analysis has been performed for the exposure to interest rate risk on the Group's bank balance as the exposure is not significant.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

Trade and other receivables that are overdue are considered to be of high credit quality. Refer to note 11 for aging of trade and other receivables.

The Group held cash and cash equivalents of \$313,157 at 30 June 2020 (2019: \$189,228). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on rating agency Standard and Poor's ratings.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 25. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

Consolidated - 2020	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	6,515,057	-	-	-	6,515,057
<i>Interest-bearing</i>						
Convertible notes	9.00%	4,788,081	-	-	-	4,788,081
Lease liability	7.50%	531,904	655,292	1,427,507	-	2,614,703
Total non-derivatives		11,835,042	655,292	1,427,507	-	13,917,841

Consolidated - 2019	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	1,729,809	-	-	-	1,729,809
<i>Interest-bearing</i>						
Convertible notes	9.00%	-	-	4,401,020	-	4,401,020
Total non-derivatives		1,729,809	-	4,401,020	-	6,130,829

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 26. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Shares in unlisted companies	-	23,371,598	-	23,371,598
Shares in listed companies	14,500	-	-	14,500
Bonds with related parties	-	1,992,498	-	1,992,498
Total assets	14,500	25,364,096	-	25,378,596
<i>Liabilities</i>				
Convertible notes	-	4,788,081	-	4,788,081
Total liabilities	-	4,788,081	-	4,788,081
Consolidated - 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Shares in unlisted companies	-	24,871,598	-	24,871,598
Shares in listed companies	14,250	-	-	14,250
Bonds with related parties	-	876,418	-	876,418
Investments in listed unit trusts	8,147	-	-	8,147
Total assets	22,397	25,748,016	-	25,770,413
<i>Liabilities</i>				
Convertible notes	-	4,401,020	-	4,401,020
Total liabilities	-	4,401,020	-	4,401,020

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Shares in unlisted companies

The shares in unlisted companies were revalued on 30 June 2020 and 30 June 2019 based on internal assessments performed by management, with reference to independent private placements made in the investment vehicle.

The planned listing of the underlying investment (GBS Inc.), subsidiary of Life Science Biosensor Diagnostics Pty Limited ('LSBD'), will entail 11.5% (2019: 12%) of the total equity of GBS Inc. compared to 19% direct ownership of iQX Limited in LSBD. This is due to the effect of dilution of ownership of external preference share holdings on the level of GBS Inc. As at 30 June 2020, management have valued LSBD at \$119,492,987 (2019: \$128,333,096).

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Note 26. Fair value measurement (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 27. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	776,168	717,808
Post-employment benefits	88,318	62,335
Share-based payments	223,763	48,960
	<u>1,088,249</u>	<u>829,103</u>

Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the Company, and unrelated firms:

	Consolidated	
	2020	2019
	\$	\$
<i>Audit services - BDO* and related network firms</i>		
Audit or review of the financial statements	<u>122,300</u>	<u>31,500</u>
<i>Other services - BDO* and related network firms</i>		
Taxation services	<u>6,390</u>	<u>17,530</u>
	<u>128,690</u>	<u>49,030</u>
<i>Audit services - unrelated firms</i>		
Audit or review of the financial statements	<u>-</u>	<u>18,396</u>

* The BDO entity performing the audit of the Group transitioned from BDO East Coast Partnership to BDO Audit Pty Ltd on 1 August 2020. The disclosures include amounts received or due and receivable by BDO East Coast Partnership, BDO Audit Pty Ltd and their respective related entities.

Note 29. Contingencies

The Group has no contingent liabilities and assets as at 30 June 2020 and 30 June 2019.

Note 30. Related party transactions

Parent entity

iQX Limited is the parent entity and ultimate controlling entity of the Group.

The Group transacted with the following related companies.

<i>Related party</i>	<i>Relationship</i>
The iQ Group Global Limited (formerly iQNovate Limited) and controlled entities	Common directorship and key management personnel
iQ3Corp Limited and controlled entities	Common directorship and key management personnel
OncoTEX Inc	Common directorship and key management personnel
Nereid Enterprises Pty Ltd	An associate with common directorship and/key management personnel
Ethical Bioscience Investments Pty Ltd	An associate with common directorship and/key management personnel
BiosensX Pty Ltd	Common directorship and key management personnel

Subsidiaries

Interests in subsidiaries are set out in note 33.

Associates

Interests in associates are set out in note 12.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the Directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2020	2019
	\$	\$
Revenue:		
Financial services fees received from related parties	940,012	593,334
Shared services fees received from related parties	3,141,266	2,139,198
Other income:		
Pass through income from related parties	247,331	-
Expenses:		
Payment of shared services fees to related parties (within occupancy costs)	466,933	531,036

Note 30. Related party transactions (continued)

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated 2020 \$	2019 \$
Current receivables:		
Trade and other receivables from related parties (net of expected credit losses)*	1,772,824	865,205
Current payables:		
Trade and other payables to related parties**	4,867,213	537,425

* Trade and other receivables from related parties include amounts receivable from Life Science Biosensor Diagnostics Pty Limited of \$1,491,499.

** Trade and other payables to related parties include amounts payable to The iQ Group Global Limited (formerly iQNovate Limited) of \$2,598,701 and Ethical Bioscience Investments Fund Pty Ltd of \$1,636,320.

All transactions were made on normal commercial terms and conditions.

Other receivables from related parties

The following balances are outstanding at the reporting date in relation other receivables from related parties:

	Consolidated 2020 \$	2019 \$
Current receivables:		
Bonds with related parties*	1,022,993	-
Non-current receivables:		
Bonds with related parties*	899,992	876,418

** Details of bonds with related parties*

Related party	Terms	Consolidated 2020 \$	Consolidated 2019 \$
The iQ Group Global Limited (formerly iQNovate Limited) (a)	Maturity date of the bond is 30 June 2021, with a simple annual coupon rate of 9%.	1,022,993	876,418
iQ3Corp Limited (b)	Maturity date of the bond is 30 June 2022, with a simple annual coupon rate of 9%.	899,992	-
		<u>1,922,985</u>	<u>876,418</u>

(a) Balance as at 30 June 2020 includes interest accrued and capitalised of \$146,575.

(b) Balance as at 30 June 2020 includes interest accrued and capitalised of \$42,505.

Bond held with related parties are initially recognised at fair value and subsequently measured at amortised cost.

Note 31. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2020	2019
	\$	\$
(Loss)/profit after income tax	(4,088,650)	340,550
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	(4,088,650)	340,550

Statement of financial position

	Parent	
	2020	2019
	\$	\$
Total current assets	3,135,082	604,389
Total non-current assets	31,896,122	31,560,259
Total assets	35,031,204	32,164,648
Total current liabilities	16,281,499	857,639
Total non-current liabilities	2,190,065	11,336,290
Total liabilities	18,471,564	12,193,929
Net assets	<u>16,559,640</u>	<u>19,970,719</u>
Equity		
Contributed equity	13,633,353	13,633,353
Share-based payments reserve	715,521	90,832
Retained earnings	2,210,766	6,246,534
Total equity	<u>16,559,640</u>	<u>19,970,719</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 or 30 June 2019.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 32. Cash flow information

Reconciliation of loss after income tax to net cash from/(used in) operating activities

	Consolidated	
	2020	2019
	\$	\$
Loss after income tax benefit/(expense) for the year	(4,793,522)	(221,771)
Adjustments for:		
Depreciation and amortisation	774,398	75,929
Impairment of intangibles	-	1,393,910
Net fair value loss/(gain) on financial assets	1,500,000	(5,400,000)
Share of loss - associates	62,680	49,111
Share-based payments	645,253	90,832
Development cost write-off classified as investing cashflow	-	253,497
Interest paid on convertible notes	387,061	394,560
Non-cash capital raising fees	-	145,129
Non-cash interest income on bonds-capitalised	(136,980)	-
Deferred revenue written off	(175,385)	-
Expected credit losses	90,041	-
Other non-cash items	180,074	38,886
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,768,213)	(165,033)
Decrease/(increase) in deferred taxes	(1,227,883)	439,892
Decrease/(increase) in prepayments	258,917	(139,560)
Increase in trade and other payables	4,785,247	857,193
Increase/(decrease) in employee benefits	235,758	(22,652)
Increase in provision for long service leave	71,203	-
Net cash from/(used in) operating activities	<u>888,649</u>	<u>(2,210,077)</u>

Note 33. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020	2019
		%	%
Prosoma Therapeutics (No.1) Pty Ltd	Australia	100%	100%
Prosoma Therapeutics (No.2) Pty Ltd	Australia	100%	100%
Prosoma Therapeutics (No.3) Pty Ltd	Australia	100%	100%
Prosoma Therapeutics (No.4) Pty Ltd	Australia	100%	100%
Prosoma Therapeutics (No.5) Pty Ltd	Australia	100%	100%
Life Science Ventures (No.1) Pty Ltd	Australia	100%	100%
Life Science Ventures (No.2) Pty Ltd	Australia	100%	100%
Life Science Ventures (No.3) Pty Ltd	Australia	100%	100%
Life Science Ventures (No.4) Pty Ltd	Australia	100%	100%
Life Science Ventures (No.5) Pty Ltd	Australia	100%	100%
iQX Capital Pty Ltd	Australia	100%	100%
Neoteric Holdings LLC	USA	100%	100%
iQX Investment Services Pty Ltd	Australia	100%	100%
Life Science Holdings Pty Ltd	Australia	100%	100%
Life Science Nominees (No.2) Pty Ltd ATF The Series 8 (Part ii) Global Unit Trust	Australia	100%	100%

Note 33. Interests in subsidiaries (continued)

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
Life Science Holdings Pty Ltd (formerly The iQ Group Global APAC Pty Ltd)	Australia	100%	100%
iQ Series 8 Life Science Fund (Global) Management Pty Ltd	Australia	100%	100%
iQ Capital Partners (No.1) Pty Ltd	Australia	100%	100%
iQ Series 8 Life Science Fund (Global) Pty Ltd	Australia	100%	100%
iQ Series 8 GP (Cayman Islands)	Cayman Islands	100%	100%
Planetary Capital Holdings Pty Ltd	Australia	100%	100%
iQ Series 8 Life Science Fund (Global) Management LP	Australia	100%	100%
iQ Series 8 Life Science (Global) LP	Australia	100%	100%
Neutron Investment Group Pty Ltd	Australia	100%	100%

Note 34. Share-based payments

Performance rights

For the year ended 30 June 2020, the Group has recognised \$645,253 share-based payment expense in the consolidated statement of profit or loss (2019: \$90,832). The share-based payment expense recognised includes GBS Inc. shares awarded to staff by GBS Inc. (a related party of the Company) for an amount of \$20,564.

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, options or performance rights over shares, that are provided to employees in exchange for the rendering of services.

These compensation benefits are provided to employees via the Employee Benefits Plan ('EBP'), unless otherwise stated. Under the EBP directors and employees may be awarded options and performance rights to acquire shares of the Company. The object of the EBP is to help the Group recruit, reward, retain and motivate its directors and employees. Further under the EBP, after 12 months of service an employee will annually receive a lot of shares based on an agreed quantity per their individual employment contract. The shares granted under the EBP will vest after an employee has served a further 3 years after receiving rights to the shares.

The fair value of equity-settled share-based payments is recognised as an expense proportionally over the vesting period with a corresponding increase in equity. The fair value of instruments is calculated under the grant date model where the Group measures the fair value of a share-based payment award issued to an employee on the grant date and recognised over the period during which the employees become unconditionally entitled to shares.

The fair value is calculated at grant date as the fair value of each share granted multiplied by the number of shares expected to eventually vest. There is a service condition (non-market vesting condition) which is taken into account by adjusting the number of shares which will eventually vest and are not taken into account in the determination of the grant date fair value.

Note 35. Events after the reporting period

On 17 July 2020, the Company issued 1,568,000 fully paid ordinary shares to the Directors under the Employee Incentive Scheme as approved at the EGM on 14 July 2020.

On 30 July 2020, the Company issued a further 288,110,842 fully paid ordinary shares in accordance with the share-split approved by the shareholders at the EGM on 14 July 2020. The shareholders were issued 2 additional shares for every share held at 14 July 2020.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Dr George Syrmalis
Chair

11 September 2020

INDEPENDENT AUDITOR'S REPORT

To the members of iQX Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of iQX Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group’s ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Fair Value of investments held in Life Science Biosensor Diagnostics Pty Ltd (‘LSBD’)

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group’s investment in LSBD has been accounted for as a financial asset carried at fair value through profit or loss as per management’s initial designation.</p> <p>There is additional complexity and judgement in determining the fair value of this asset given that the asset does not currently generate revenue.</p>	<p>Our audit procedures performed to address the key audit matter included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • Assessed and reviewed the judgements and assumptions made by the Group in determining the fair value of the financial asset; • Use of internal auditors expert to assist in assessing managements valuation model and related assumptions; • Reviewed the impact of the existence of external preference shares on the valuation provided by management; • Verified that the accounting treatment is in accordance with AASB 9: <i>Financial instruments</i>; and • Assessed the appropriateness of the Group’s disclosures in respect of the financial assets.



Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of iQX Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

BDO Audit Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'Tim Aman'.

Tim Aman
Director

Sydney, 11 September 2020

The shareholder information set out below was applicable as at 28 August 2020.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	1
1,001 to 5,000	-
5,001 to 10,000	2
10,001 to 100,000	43
100,001 and over	241
	<hr/>
	287
	<hr/> <hr/>
Holding less than a marketable parcel	1
	<hr/> <hr/>

The number of shareholders holding less than a marketable parcel of ordinary shares is based on iQX Limited's closing share price of \$0.12 on 28 August 2020.

Equity security holders

Ten largest quoted equity security holders

The names of ten largest security holders of quoted equity securities are listed below:

	Number held	Ordinary shares % of total shares issued
Abiogenises Pty Ltd	46,800,000	10.83
Ruminante Investments Pty Ltd	45,685,716	10.57
Adaptive Radiation Pty Ltd	26,666,664	6.17
Agparaskevi Pty Ltd (Agparaskevi A/C)	24,000,000	5.55
Life Science Investments Pty Ltd (Life Science Superfund A/C)	18,000,000	4.17
Zero Hedge Investments Pty Ltd (Zero Hedge Investments A/C)	17,568,000	4.07
Biotechnology Holdings Pty Ltd (Biotechnology A/C)	12,783,336	2.96
Babi Holdings Pty Ltd (CLT Super Fund A/C)	12,180,000	2.82
TTS Two Investments Pty Ltd (TTS Discretionary A/C)	8,700,000	2.01
Anest Holdings Pty Ltd (S&T Sakiris Super Fund A/C)	7,742,700	1.79
	<hr/>	
	220,126,416	50.94
	<hr/> <hr/>	

Unquoted equity securities

	Number on issue	Number of holders
Performance rights over ordinary shares issued	1,854,000	6

Substantial holders

	Ordinary shares % of total shares issued
	Number held
(i) Ruminant Group	
Ruminant Investments Pty Ltd	45,685,716
TTS Two Investments Pty Ltd (TTS Discretionary A/C)	8,700,000
Anthony Tsigounis Pty Ltd	609,000
	<u>54,994,716</u>
	<u>12.72</u>
(ii) Life Science Group	
Life Science Investments Pty Ltd (Life Science Superfund A/C)	18,000,000
Zero Hedge Investments Pty Ltd (Zero Hedge Investments A/C)	17,568,000
Biotechnology Holdings Pty Ltd (Biotechnology A/C)	12,783,336
	<u>48,351,336</u>
	<u>11.20</u>
(iii) Abiogenesis Pty Ltd	<u>46,800,000</u>
	<u>10.83</u>
(iv) Agparaskevi Group	
Agparaskevi Pty Ltd (Agparaskevi A/C)	24,000,000
Babi Holdings Pty Ltd (CLT Super Fund A/C)	12,180,000
	<u>36,180,000</u>
	<u>8.37</u>
(v) Adaptive Radiation Group	
Adaptive Radiation Pty Ltd	26,666,664
Sequential Investments Pty Ltd 1	4,800,000
	<u>31,466,664</u>
	<u>7.28</u>

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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

On-market buy-back

There is no current on market buy-back.

There are no other classes of equity securities.

Restricted securities and securities subject to voluntary escrow

There are no restricted securities and securities subject to voluntary escrow on 28 August 2020.