Invion Limited
ACN 76 094 730 417

Appendix 4E – Final Report

Financial year ended
30 June 2015

Results for announcement to the market

Current Reporting Period:	30 June 2015
Previous Reporting Period:	30 June 2014

Revenue and Net Profit

	Up/Down	% change	$ change
Revenue from continuing operations	Down	-30%	88,712
Total income	Up	181%	1,682,003
Loss from ordinary activities after tax	Up	89%	6,157,296
Net Loss for the period	Up	62%	-4,239,612

Dividends
No dividend was proposed or paid. The Company is not yet profitable and therefore there can be no assurance that Invion will become profitable or will pay dividends in the near future. Should any dividends be paid in the future, no assurances can be given as to the level of franking credits attaching to such dividends.

	2013	**2014**	**2015**
Earnings/(Loss) Per Share	(0.96)	(1.27)	(2.15)
Net tangible assets per share	0.02	0.02	0.00
Dividend per share	-	-	-
Share Price	$0.03	$0.07	$0.019

The basic/diluted earnings / (loss) per share for FY2014 has been restated following the Rights Issue that occurred in FY2015.

Brief explanation of income and profit (loss)
Invion is a clinical-stage life sciences (drug development) group. The principal activities during the year were development of the company's three drug assets: INV102 (nadolol) and INV103 (ala-Cpn10) and INV104 (zafirlukast). The increase in loss for the period primarily reflects increased R&D costs with the completion of two phase II clinical trials as well as feasibility and supply manufacturing for the inhaled nadolol program. Increased income reflects increased R&D tax rebate from approved R&D activities.

Statement of accumulated losses	**2015**	**2014**
Balance at the beginning of the year	(123,446,762)	(116,562,825)
Net loss attributable to members of the parent entity	(13,041,233)	(6,883,937)
Balance at end of the year	(136,487,995)	(123,446,762)

Audit Report
This Appendix 4E (Final Report) is based on the audited financial statements for the year ended 30 June 2015, which are attached.

Invion Limited

Financial report

For the year ended 30 June 2015

INVION

Targeting inflammation

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DIRECTORS' REPORT

Your Directors present their report of the Invion Group for the financial year ended 30 June 2015. The Invion Group ("Group") consists of Invion Limited ("Invion" or the "Company") and its wholly owned subsidiary, Invion Inc. The names and details of the Company's Directors in office during the financial year and until the date of this report are detailed below. Directors were in office for the entire period unless noted otherwise.

Mr Brett Heading	Chairman (appointed Chairman 29 April 2015)
Dr Ralph Craven	Chairman (retired from Board 29 April 2015)
Dr Greg Collier	Managing Director & Chief Executive Officer
Dr Mitchell Glass	Executive VP R&D and Chief Medical Officer
Dr James Campbell	Non-executive Director
Mr Warren Brown	Non-executive Director
Mr Gregory Brown	Alternate Director for Mr Warren Brown

Brett Heading BCom LLB (Hons)

Non-executive Chairman

Appointed Non-executive Director, 26 February 2012. Appointed Chairman 29 April 2015.

Mr Heading, a senior partner of law firm McCullough Robertson, brings extensive experience in capital raisings, mergers and acquisitions and board advice gained over the past 27 years as a company director of listed and unlisted companies in the life sciences, property, agribusiness and energy sectors. Mr Heading is a Fellow of the Australian Institute of Company Directors, was a member of the Takeovers Panel from 1997 to 2009, and is a former long-standing member of the Board of Taxation. He is the current Chairman of ASX listed Unity Pacific Limited (ASX:UPG) and a Director of Empire Oil and Gas NL (ASX: EGO). Mr Heading's life sciences experience includes being Chairman of Chemgenex Pharmaceuticals (ASX:CXS) and a director of Peplin Biotech Limited.

Ralph Craven BE PhD FAICD

Non-executive Chairman

Appointed non-executive Director, 4 November 2011. Chairman from 1 December 2011 to 29 April 2015.

Dr Craven has broad experience as a company director across a range of industry sectors. A highly respected member of the international energy industry, Dr Craven's executive career included being CEO of both Ergon Energy Corporation Limited and Transpower New Zealand Limited. Previous appointments include Chair of Ergon Energy Corporation Limited, Chair of Tully Sugar Limited, and Deputy Chair of Arrow Energy Limited (ASX:AOE). Dr Craven's current roles include being non-executive director and Chair of the Audit Committee of Senex Energy (ASX:SXY) and of Mitchell Services (ASX:MSV), non-executive director of AusNet Services (ASX:AST) and Windlab Limited. Dr Craven is also a board member of the International Electrotechnical Commission, which is the leading global organisation that prepares and publishes international standards for all electrical, electronic and related technologies.

Greg Collier PhD

Managing Director & Chief Executive Officer

Appointed Managing Director, 6 May 2013

Dr Collier has more than 20 years experience spanning operational, clinical and scientific aspects of pharmaceutical research, development and commercialisation. He has led the planning and execution of multiple commercial transactions including in and out licensing deals and major M&A activities, and he has successfully taken a drug from discovery through to regulatory approval. Notably, Dr Collier steered ChemGenex Pharmaceuticals from a research-based company with a market capitalisation of $10M to a company with completed clinical trials and regulatory dossiers submitted to the FDA and EMA. In 2011, ChemGenex was sold to Cephalon for $230M. Prior to his commercial pharmaceutical career, Dr Collier had an outstanding academic career resulting in over 150 peer reviewed publications, and senior

authorship on 33 patents. Dr Collier was the inaugural Alfred Deakin Professor at Deakin University, and also held positions at Melbourne University, Monash University and the University of Toronto. In 2010, Dr Collier was awarded the Roche Award of Excellence for his contribution to the biotechnology industry. During the previous three years, Dr Collier has also served as a director of Gemini Biotechnology, Vitality Devices, Barwon Biotechnology, Fusion Biosciences Pty Ltd and Photonz Corporation. On 13 April 2015, Dr Collier was appointed non-executive director of Phosphagenics Limited (ASX:POH).

Mitchell Glass M.D.

Executive Vice President R&D and Chief Medical Officer

Appointed Executive Director, 31 August 2012

Dr Mitchell Glass is a 25 year veteran of the pharmaceutical industry. His experience is broad:- ranging from senior positions in top ten pharmaceutical companies, to investment in and management of start-ups and biotechs. After seven years of research, teaching and patient care at the University of Pennsylvania, Dr Glass joined ICI Pharmaceuticals in 1988 where he established the pulmonary therapeutics group and led the development and submission of the antileukotriene ACCOLATE®. From 1995-6, Dr Glass was Vice President and Director at SmithKline Beecham where he was responsible for cardiovascular, respiratory, renal and metabolic drug development and commercialisation, including submission of the NDA/MAA for COREG®. From 1998 to 2003, Dr Glass was Chief Medical Officer and VP of Clinical Development and Regulatory Affairs of AtheroGenics Inc. (AGIX), where he led product development from IND to initiation of Phase 3 for AGI1067 and was a member of the IPO team. Dr Glass joined AQUMEN Biopharmaceuticals KK and NA as CEO of AQUMEN NA and a Main Board Director. Since 2008, Dr Glass has been a Director of OrphageniX Inc. (gene editing) and AVATAR Biotechnologies (biosimilars) and a consultant in R&D and fundraising to early stage therapeutics companies. Dr Glass graduated from the University of Chicago and is board certified in internal medicine, pulmonary and critical care medicine.

James Campbell PhD MBA

Non-executive Director

Appointed Non-executive Director, 26 February 2012

Dr James Campbell is a senior biotechnology executive with more than 20 years international experience in scientific research, research management, management consulting and venture capital. Dr Campbell has held research positions at the CNRS and the CSIRO. He is a principal of Gemini Biotechnology, a specialist biotechnology advisory services company advising life science companies on M&A, partnering and corporate strategy. Dr Campbell was an executive at ChemGenex Pharmaceuticals for nine years until the company was acquired in 2011, and has served on the investment committee of UniSeed, a $60 million pre-seed venture fund, and various state and local government advisory committees concerning biotechnology. During the previous three years, Dr Campbell has also served as a director of Gemini Biotechnology, Fusion Biosciences Pty Ltd and Vitality Devices. Dr Campbell is currently a non-executive director of Medibio Limited (ASX:MEB), Prescient Therapeutics Limited (ASX:PTX) and is the CEO/MD of Patrys Limited (ASX:PAB).

Warren Brown B Eng

Non-executive Director

Appointed Non-executive Director, 4 November 2011

Mr Warren Brown has extensive experience in managing large projects and large labour forces. He has strong skills in negotiating contracts and corporate strategy. Mr Brown formed a consulting engineering practice in 1992 that employed 25 people at the time of sale in 2005. Prior to this Mr Brown held a management position at Major Engineering Construction where he was responsible for engineering construction projects throughout Queensland. During the past three years Mr Brown has not served as a Director of another public company.

Gregory Brown (alternate Director for Warren Brown)

Mr Gregory Brown was appointed as Alternate Director on 16 January 2012 to act for Mr Warren Brown at any meetings that Mr Warren Brown could not attend. Mr Brown holds a Bachelor of Business degree from the University of Queensland. He has spent his career in banking and presently is a Business Banking Manager with Westpac Banking Corporation.

DIRECTORS' INTERESTS IN INVION SECURITIES

In accordance with section 300(11) of the Corporations Act 2001, the interests of the Directors in the shares and options of Invion Limited, as at the date of this report were:

	Number of Ordinary Shares	Options
B Heading	263,455	1,000,000
G Collier	16,025,638	10,000,000
M Glass	16,652,138	18,812,500
J Campbell	1,175,000	1,500,000
W Brown	11,069,640	1,000,000

COMPANY SECRETARY

Melanie Farris (GIA) BComn GradDip ACG

Ms Farris is an experienced operations, communications and governance professional with a strong track record in the planning, management and delivery of a range of corporate projects across industries including life sciences, investment and not-for-profit. Ms Farris specialities include corporate affairs, compliance, financial management and reporting, policy development, investor and public relations, stakeholder engagement, human resources, M&A due diligence and integration. She has had previous roles with HRH The Prince of Wales's Office, Global Asset Management (GAM), Imperial Cancer Research Fund and The Prince's Foundation; and has volunteered in a professional capacity for groups including NAPCAN and Sands Queensland. An Associate of the Governance Institute of Australia, Ms Farris is also appointed Secretary to the Group's subsidiary, Invion, Inc.

PRINCIPAL ACTIVITIES

Invion is a clinical-stage life sciences (drug development) group. The principal activities during the year were development associated with the Group's three drug assets INV102 (nadolol), INV103 (ala-Cpn10) and INV104 (zafirlukast). There was no significant change in the nature of activities during the year.

OPERATING RESULTS AND DIVIDENDS

The loss after tax of the Group for the year ended 30 June 2015 was $13,041,233 (2014: $6,883,937 loss). A proportion of the loss at $3,039,716 (2014: $2,362,567) was non-cash in nature and comprised the expensing of options, depreciation, net foreign exchange differences and borrowing costs. No dividend was proposed or paid.

CORPORATE STRUCTURE

Invion Limited is an entity incorporated and domiciled in Australia. Invion is listed on the Australian Securities Exchange with the code IVX.

REVIEW OF OPERATIONS

Invion is a clinical-stage life sciences group focussed on the development of treatments for major opportunities in chronic inflammatory and respiratory disease. The Group has operations in Brisbane (Australia) and Delaware (USA), and employed 7.5 full time equivalent employees at 30 June 2015 (2014: 8 FTE). Invion Limited is a company limited by shares incorporated in Australia. Invion's shares have been publicly traded on the Australian Securities Exchange since its listing on 15 February 2011 (ASX:IVX).

Activities in the year under review have been focused on the clinical development of the Group's three drug assets INV102 (nadolol), INV103 (ala-Cpn10) and INV104 (zafirlukast).

The loss attributable to the owners of the Company for the period ended 30 June 2015 was $13,041,233 (2014: $6,883,937 loss) in line with budget expectations. At 30 June 2015 the Group has net assets of $6,860,171 (2014: $10,159,077), a decrease of $3,298,906. No dividend was proposed or paid during the period.

Invion's drug assets

The Group has three drug assets in development, three FDA-regulated, phase II clinical trials and two pre-clinical feasibility studies currently underway. The drugs that the Group is developing are:

- INV102 (nadolol): a *beta blocker* (beta adrenergic biased ligand) currently used to treat high blood pressure and migraine, is being repurposed to treat chronic inflammatory airway diseases (e.g. asthma and COPD).
- INV103 (ala-Cpn10): a *modified naturally occurring human protein* which has been proposed as a founding member of the Resolution Associated Molecular Pattern (RAMPs) family, hypothesised to maintain and restore immune homeostasis.
- INV104 (zafirlukast): a *leukotriene receptor antagonist* (LTRA) that reduces inflammation, constriction of the airways and the build-up of mucus in the lungs.

INV102 (nadolol)

Invion currently has two phase II clinical programs underway for the development of oral nadolol, as well as feasibility studies underway for the development of an inhaled version of the drug.

Invion's phase II clinical trial investigating the use of INV102 in patients with mild asthma known as 'NIMA' (for 'nadolol in mild asthma') commenced in January 2015, and is operating under an Investigational New Drug (IND) application with the US Food and Drug Administration (FDA). The US National Institutes of Health (NIH) is funding the clinical trial with a non-dilutive funding contribution in excess of USD$4 million. The study of approximately 60 patients is being conducted in partnership with Baylor University (Texas), Duke University (North Carolina), and Washington University (St Louis). In September 2014, the Company provided an update on blinded interim data from the trial. Evaluation of data from the first 21 patients to have completed the study showed that patients (n=19) had tolerated titration to their highest dose without severe adverse events; that patients had shown no pattern of cardiovascular or respiratory effects during the four hours of observation required after each titration dose; that during initial titration and through the three months of stable daily dosing, patients demonstrated no requirement to increase rescue medication usage; and that no pattern of adverse events had emerged - a significant finding given that nadolol is currently contraindicated in patients with asthma due to risks associated with worsening bronchospasm. The trial is expected to complete enrolment in 2015.

Invion's chronic bronchitis (smoking cessation) clinical trial is also operating under IND with the FDA. This is a phase II, double blind, randomised, placebo-controlled study of nadolol versus placebo in facilitating smoking cessation in subjects with chronic bronchitis and increased cough and sputum (phlegm). The study is being carried out in collaboration with Washington University (St Louis), Temple University and the Department of Veterans Affairs.

In January 2015, the Company released interim data generated from an assessment of sputum samples collected from patients upon reaching four weeks of maximum tolerated dose treatment. The blind-broken analysis showed clinically relevant changes in four biomarkers of inflammation in treated patients. For those patients receiving nadolol, IL-8, a powerful chemoattractant for inflammatory cells, was stable between visits 6 and 7, with a median decrease in IL-8 levels compared to placebo which showed a median increase in IL-8 levels; ERK2, a biomarker for the beta arrestin pathway, showed a greater median decrease than placebo-treated patients resulting in a lower median value at visit 7 (487 v 1,910 pg/mL); MUC 1, a glycoprotein that lines the surface of epithelial cells in the lung, showed a modest median decrease in patients receiving nadolol and placebo; and Neutrophils, the white blood cells that are the hallmark of inflammation of chronic bronchitis decreased 7% (mean) versus a mean increase of 1.4% in placebo patients.

In February 2015, the Company announced full enrolment in this phase II trial of oral INV102 (nadolol) in smoking cessation. Patient treatment and follow-up was completed prior to 30 June 2015, and analysis of the data commenced.

The feasibility studies for inhaled nadolol are being conducted under a collaboration with 3M Drug Delivery Systems. The collaboration encompasses manufacture for toxicology and phase I studies. In the period under review, the program has progressed with formulation and device being selected, the manufacture of supplies for toxicology and clinical studies, and the commencement of toxicology studies.

INV103 (ala-Cpn10)

On 18 July 2013, the Company commenced its phase II clinical trial of INV103 (ala-Cpn10) in patients with SLE/lupus. This trial, which aims to generate data on the safety, tolerability, and efficacy of INV103 as a potential new therapy in this disease area, is being conducted in collaboration with the University of Pennsylvania, Northwestern University, and Metroplex Clinical Research Centre (USA).

In September 2014, the Company announced interim data, generated by the analysis of the first two cohorts in the trial. Data analysed included a broad range of serum biomarkers, blood chemistries, adverse drug events, anti-drug antibodies, vital signs, and signs and symptoms of lupus. In the first cohort, in which mild lupus patients received 10mg iv twice weekly, neither serum biomarkers nor stimulated cells showed any statistically significant pattern of response to INV103 (ala-Cpn10). In the second cohort, also in mild lupus patients, serum biomarkers showed no statistically significant cohort-wide response to treatment, due to baseline values at or near the normal range.

Based upon the safety profile generated from these results, the protocol was advanced to dosing patients with mild lupus at 100mg iv twice-weekly, which represents a 10-fold increase over the highest dose used in previous clinical trials of ala-Cpn10, as well as patients with more severe disease. -

INV104 (zafirlukast)

Zafirlukast is a leukotriene receptor antagonist (LTRA) or anti-leukotriene that blocks the action of the cysteinyl leukotriene receptors to reduce inflammation, constriction of the airways, and the build-up of mucus in the lungs. The oral version of the drug, marketed as a generic and by Astra Zeneca as 'Accolate', is a first-in-class anti-leukotriene and treatment for asthma, which in clinical trials has shown an attractive safety and efficacy profile when delivered by inhalation at <1% of the oral dose. Invion has an exclusive, worldwide licence to develop and commercialise all inhaled formulations and applications of zafirlukast. Feasibility for the development of an inhaled form of this drug, forms part of the Company's commercial collaboration with 3M Drug Delivery Systems, as detailed above.

Subsequent to the Balance Date, the Company announced a commitment from Hovione, an international pharmaceutical company expert in inhalation development and manufacturing, to progress development of inhaled INV104 (zafirlukast) as a potential new treatment for asthma. The Company and Hovione will collaborate to develop the dry powder formulation of the compound INV104 (zafirlukast) delivered by Hovione's inhaler. Under the terms of the agreement, Hovione will provide expertise on chemistry, particle engineering, formulation, device and GMP manufacturing to develop and manufacture Zafirlukast Dry Powder Inhaler (DPI), which will be delivered using its proprietary device. As consideration for Hovione's licensing and supply of the finished drug product, Invion will pay an annual royalty to Hovione on total net sales of Zafirlukast DPI.

Zafirlukast is differentiated from other products being re-purposed for inhalation, given the extensive clinical database illustrating both its safety and efficacy. The collaboration has overcome the major impediment to reformulation and development of INV104 by producing a formulation devoid of banned propellants.

Invion has received agreement from the FDA to proceed in an accelerated development of the novel formulation and device. The collaboration has made excellent progress towards a stable formulation, paving the way for the development of INV104 as a novel non-steroidal anti-inflammatory for use in moderate to severe asthmatics.

Financial results

These Financial Statements are prepared on a going concern basis. As a clinical-stage drug development company, and as in prior years, Invion has recorded an operating loss for the period.

Similar to other companies in the biotechnology sector, the Company's operations are subject to risks and uncertainty due primarily to the nature of drug development and commercialisation, and the independent audit report is written with an emphasis of matter. In order for the Company to execute its near term and long term plans, the Board may be required to raise capital sufficient enough to meet operational and program development needs.

The primary expense areas for the Group are in R&D and corporate costs. R&D expenses consist primarily of salaries and related employee benefits for R&D staff, costs associated with clinical trials, non-clinical activities such as toxicology testing, regulatory and medical activities, the manufacture of material for clinical trials and research-related overhead expenses. The most significant costs in the period were for the manufacture of material for clinical trials, the operation of clinical trials, and patent costs.

Corporate expenses consist primarily of salaries and related employee expenses for corporate staff, professional service fees including legal and accounting, compliance-related costs, as well as general overhead including rent and occupancy.

Changes to issued capital

A) Share Purchase and Convertible Security Agreement (SPCSA) with The Australian Special Opportunity Fund, LP

In November 2014, the Company announced it had entered into a Share Purchase and Convertible Security Agreement (SPCSA) with The Australian Special Opportunity Fund, LP (ASOF), an institutional investor managed by The Lind Partners, LLC, for a funding commitment of up to AU$17.4 million. The agreement provided Invion access to funds through a flexible convertible instrument, and the ability to secure additional funding in stages to meet interim financing needs, through the issue of shares at prices that are linked to market prices at the time of issue.

The agreement, which was concluded on 20 March 2015, constituted:

i. a zero interest rate convertible security in the amount of between AU$500,000 to AU$1,000,000 (with a maximum face value of AU$1,060,000);

ii. equity purchases of up to AU$700,000 per month through the issue of ordinary fully paid shares at an issue price of 90% of the volume weighted average price of the company's shares during a predetermined pricing period;

iii. the amounts funded under the agreement bore no interest and were unsecured against the Company's assets except for 3,000,000 shares, which were issued as a security;

iv. a commitment fee of AU$100,000 each, in shares, at execution and on the date that the Company elected to receive the funding; and

v. 7,000,000 unlisted options, which were issued as follows:
   a. 3,500,000 options, issued on execution and exercisable at 120% of the average of the daily VWAPs for the 20 trading days immediately prior to the date of the execution
   b. 3,500,000 options, issued on date of first funding and exercisable at 120% of the average of the daily VWAPs for the 20 trading days immediately prior to the date of the funding

The Company issued a total of 30,021,420 fully paid ordinary shares and 7,000,000 share options under the SPCSA. As part of a strategic review conducted in March 2015, the Company mutually agreed to conclude the SPCSA with ASOF, effective on 24 March 2015, with the convertible security and all other outstanding liabilities repaid. As compensation for the conclusion of the SPCSA, ASOF retained its existing shares and options, and under a settlement deed received a new convertible note with a face value of

$250,000. The settlement deed provided that the note cannot be converted until after 15 December 2015, with some minor exceptions (e.g. change of control, share price >5c). The settlement deed also provides for an increase to the face value of the note to $350,000 upon occurrence of events, including certain capital raisings, as set out in the agreement.

B) Issue of Share Options to a Director

On 21 November 2014, the Annual General Meeting of Shareholders approved the issue of Share Options to Executive Vice President R&D and Chief Medical Officer, Dr Mitchell Glass. On 24 November 2014, a total of 8,812,500 options were issued with an exercise price of $0.12 (12c) and an expiry date of 9 November 2018. Options will vest in accordance with predetermined clinical milestones.

C) Placement and Rights Issue

On 20 March 2015, the Company announced a $5 million Placement and Rights Issue Entitlement Offer. The successful completion of a private placement to institutional and sophisticated investors raised gross proceeds of approximately $895,000 through the issue of 35,826,290 fully paid ordinary shares at $0.025 per share. This price represented a 36% discount to the 3.9c closing price on 11 March 2015 (the last trading day prior to commencement of the placement).

Under the terms of the rights issue, the Company offered existing shareholders 2 new shares for every 7 shares held at the record date (Thursday 26 March) to raise a further $4.1 million at the same price as the private placement.

On 22 April 2015, the Company announced that the Entitlement Offer was fully subscribed with demand exceeding the shares available under the Offer. The Company had therefore completed a further $1.3 million Placement via the issue of 52,458,650 shares at $0.025 per share to sophisticated and professional investors to partially satisfy the strong demand and reduce the amount of scale-back required for the Entitlement Offer Top-Up Facility.

D) Issue of Share Options to staff of Invion

On 28 May 2015, the Company announced the issue of 6,314,635 Share Options to staff of Invion. The Options have an exercise price of $0.04 (4c) and vest in equal amounts over a five year period commencing 9 November 2015. The Options have an expiry date of 9 November 2019.

During the year ended 30 June 2015, no ordinary shares of Invion Limited were issued on the exercise of share options granted. The total issued securities of the Company are as follows:

	At 30 June 2015	At the date of this Report
Ordinary shares	822,747,068	822,747,068
Share Options	63,514,635	63,514,635
Convertible Note	1	1

Other funding arrangements

On 20 March 2015, the Company announced the following funding arrangements:

A) Loans from Directors: unsecured (non-equity related) debt funding was provided by Invion directors for working capital and for the repayment of outstanding liabilities under the SPCSA. Further details are recorded in Note 22 – Related Party Transactions.

B) R&D Tax Offset Funding: The Company entered into an agreement with Metamor Capital Partners to access capital ahead of the anticipated receipt of its R&D tax incentive rebate. This funding facility provides Invion with a valuable capital management tool as it progresses current R&D activities and continues partnering discussions. This non-dilutive (non-equity related) interest-bearing secured facility has a limit of A$1.56M which is due to expire by 1 November 2016. The advanced amount under the loan of $1,042,008 is due for full repayment by 30 October 2015, which payment will be met from the R&D tax incentive rebate.

Forward strategy

The strategy for the 2016 financial year is centred on the continued development and partnering of the Group's four drug development programs: oral INV102 (nadolol), inhaled INV102 (nadolol), INV103 (ala-Cpn10) and INV104 (zafirlukast). This will involve the completion and reporting of data of the three phase II clinical trials currently underway, and the completion of toxicology and commencement of clinical studies for the inhaled respiratory drug programs. Business development activities continue to be geared towards maximising the potential commercial opportunities arising from the value of the Company's assets. In the coming 12 months, the Company aims to realise the value of its assets by way of further equity raising to fund onward clinical development programs, the sale or out-license of one or all of the assets, or via the sale or merger of the Company.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

INV104 (zafirlukast)
Subsequent to the Balance Date, the Company announced a commitment from Hovione, an international pharmaceutical company expert in inhalation development and manufacturing, to progress development of inhaled INV104 (zafirlukast) as a potential new treatment for asthma. The Company and Hovione will collaborate to develop the dry powder formulation of the compound INV104 (zafirlukast) delivered by Hovione's inhaler. Under the terms of the agreement, Hovione will provide expertise on chemistry, particle engineering, formulation, device and GMP manufacturing to develop and manufacture Zafirlukast Dry Powder Inhaler (DPI), which will be delivered using its proprietary device. As consideration for Hovione's licensing and supply of the finished drug product, Invion will pay an annual royalty to Hovione on total net sales of Zafirlukast DPI.

INV103 (ala-Cpn10)
On 17 August 2015, the Company announced it had completed its phase II clinical trial entitled of INV103 (ala-Cpn10) in lupus patients. The Company's decision to complete the trial was based on the review of safety and biochemical markers of effect in 28 subjects across four cohorts, which show that the study had met its objectives and supports the continued development of INV103 (ala-Cpn10) in longer and larger trials in patients with autoimmune diseases.

Three sets of data were reviewed from subjects who received twice-weekly doses of 10, 30 or 100mg of ala-Cpn10, or placebo. The adverse events and clinical chemistry profiles showed that increasing the dose 10-fold over levels used previously in the development of the drug asset could be achieved safely. Serum biomarkers of vascular inflammation were too variable in all cohorts to draw absolute conclusions about biological effect. However significant data were derived from extracting white blood cells from patients before and after certain doses and stimulating these cells (peripheral blood monocytic cells or PBMCs) to produce inflammatory signals. PBMCs are hypothesized to play a critical role in autoimmune diseases.

Subjects in the first cohort, who received 10mg intravenously twice-weekly for four weeks, showed no consistent effect on stimulated PBMC production of 3 key cytokines (IL-1Beta, IL-6 and TNF-alpha) measured at two time points. In contrast, subjects in the second cohort (30mg intravenously twice-weekly for four weeks) showed a consistent decrease in production of all three cytokines measured at the same two time points in stimulated PBMC. Data from the third cohort (100mg intravenously twice-weekly for four weeks) support findings from the second cohort, although, like the placebo data, had some variability.

INV103 (ala-Cpn10) will need scale-up and longer term toxicology to extend these findings from one month to longer term studies in larger groups of subjects. The Company is providing these data to potential partners in the near term, with a view to partnering the program.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity is recorded at the Balance Date at $6,860,171 (2014: $10,159,077) a decrease of $3,298,906. The movement is largely the result of an increase in issued capital associated with the Placement and Rights Issue of March/April 2015, offset by operating loss for the year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The likely developments in the operations of the Group and the expected results from those operations in future financial years will be affected by the outcome of clinical trials and regulatory acceptance in the following development plans:

1. phase II clinical trials of INV102 (nadolol) in asthma and chronic bronchitis;
2. the development of inhaled versions of INV102 (nadolol) and INV104 (zafirlukast); and
3. the phase II trial of INV103 (ala-Cpn10) in lupus.

The Company has identified material risks that may impact success in the above development plans, which are considered common to companies in the life sciences/ drug development sector. These material risks and the strategies in place to seek to manage each of these risks are detailed below.

1 - Clinical development risk: clinical trials depend upon the availability of patients and regulatory approvals, and have no guarantee of returning efficacious results or proving practical or cost effective. The Company seeks to manage recruitment risk by engaging with leading clinical research groups, and maintaining constructive and open communication with them on trial progress. The Company seeks to mitigate regulatory risk maintaining an awareness of current regulatory issues and trends, and through the use of expertise in the development of clinical trial protocols.

2 - Competition: one or more competitor product candidates may be sufficiently safe and effective so as to minimise the real or perceived value of Invion product candidates, thereby negatively affecting the value placed upon our products for licensing or partnering. The Company aims to manage competition risk through ongoing market monitoring and analysis of the development pipelines and the competitor landscape.

3 - Funding risk: the development of the respiratory franchise which includes progress to phase III clinical trials for oral INV102 (nadolol) in smoking cessation; plus the development of two inhaled drugs (INV102 & INV104) are the primary drivers of cash requirements in the coming 2/3 years. The Company has a structured business development program, however to the extent the Company does not find an appropriate partner for its programs, it may need to raise further funds, which may not be available when required or only available on unfavourable terms.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. Nonetheless, the Company aims to ensure high standards of environmental care. To help to ensure continued compliance, the Board and management maintain an awareness of relevant environmental legislation.

UNISSUED SHARES: SHARE OPTIONS

At the date of this report there were 63,514,635 (2014: 44,837,500) unissued ordinary shares under options. During the year ended 30 June 2015, no ordinary shares of Invion Limited were issued on the exercise of share options granted.

DIRECTORS' MEETINGS

The number of meetings of Directors and committees of Directors held in the year to 30 June 2015, and the number of meetings attended by each Director, is as follows:

	Board of Directors Meetings		Audit & Risk Management Committee Meetings		Nomination and Remuneration Committee Meetings	
	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended
R Craven	22	21	2	2	2	2
G Collier	23	23	-	-	-	-
M Glass	23	20	-	-	-	-
J Campbell	23	23	-	-	2	2
B Heading	23	20	2	2	2	2
W Brown (i)	23	23	2	2	2	2

(i) On 16 January 2012, with the approval of the Board, Mr Warren Brown appointed Mr Gregory Thomas Brown to act as an alternate Director at any Board Meeting which Mr Warren Brown is unable to attend. As at the date of this report, Mr Gregory Thomas Brown has not attended any meetings of the Board.

COMMITTEE MEMBERSHIP

At the date of this report the Company has the following Committees of the Board in place:

- Audit and Risk Management Committee, the members of which are independent Non-executive Directors Mr Warren Brown (chair), Mr Brett Heading and Dr James Campbell.
- Nomination and Remuneration Committee, the members of which are independent Non-executive Directors Dr James Campbell (chair), Mr Brett Heading and Mr Warren Brown.

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2015 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and its regulations. This information has been audited as required by section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director, whether executive or otherwise.

For the purposes of this report, the term "Director" refers to Non-executive Directors (NEDs) only. "KMP" refers to Executive Directors and other key management personnel.

The names and details of the Directors and KMPs of the Group in office during the financial year and until the date of this report are detailed below. Directors and KMPs listed are in office at the date of the report. There were no changes to KMP after the Balance Date and before the date this financial report was authorised for issue.

(i) Non-executive Directors

Mr Brett Heading	Appointed Chairman on 29 April 2015
Dr James Campbell	Director
Mr Warren Brown	Director
Dr Ralph Craven	Director *
Mr Gregory Brown	*Alternate Director* **

(ii) Executive Directors

Dr Greg Collier	Managing Director and Chief Executive Officer
Dr Mitchell Glass	Executive Vice President R&D and Chief Medical Officer

(iii) Other key management

Ms Melanie Farris	Head of Operations and Company Secretary
Mr Tom Coogan	Consultant ***

* Dr Ralph Craven retired from the Board of Invion on 29 April 2015

** Mr Gregory Brown was appointed as an alternate Director on 16 January 2012. Mr Brown has not attended any meetings of the Board.

*** Mr Tom Coogan, of Coogans Pty Limited, provides the Company with accounting services. Ms Farris and Mr Coogan together provide the chief financial officer declaration to Directors required under Section 295A of the Corporations Act.

Principles used to determine the nature and amount of remuneration

Remuneration philosophy

The key principle of Invion's remuneration policy is to ensure that remuneration is set at levels that will attract, motivate, reward and retain personnel to improve business results and thereby maximise stakeholder benefit. Remuneration is assessed by reference to employment market conditions, including benchmarking, as well as the relative size and nature of the Group's operations. The financial and non-financial objectives of the Company are also considered when assessing the remuneration of Directors and other key management personnel. The Board has established a Nomination and Remuneration Committee which is responsible for, amongst other things, determining and reviewing compensation arrangements for key management personnel. The expected outcomes of the remuneration structure are:

- attraction of high quality management to the Group;
- retention and motivation of key personnel; and
- performance incentives that allow executives to share in the success of the group.

Given the company is a clinical-stage life sciences group, and hence is not generating revenues or profits, remuneration is not currently linked to traditional financial measures. Rather remuneration incentives are discretionary, based on an individual's performance against the agreed operational targets and business outcomes in the year.

Nomination and Remuneration Committee

The objective of the Nomination and Remuneration Committee is to assist the Board of Invion Limited in fulfilling its duties and responsibilities by reviewing, advising and making recommendations to the Board on:

(a) Nomination

- making recommendations to the Board in relation to Board composition, taking into account diversity objectives and the required mix of skills and experience;
- recommending to the Board a process for succession planning;
- recommending to the Board an induction process for new Directors;
- recommending and implementing a process for evaluating the performance of the Board, taking into account diversity objectives and the required mix of skills and experience;
- evaluating the performance of the CEO and other Key Management Personnel; and

- monitoring the implementation by management of the strategic objectives and policies listed above.

(b) Remuneration

- reviewing and implementing policies for the purposes of using remuneration to foster long-term growth and success;
- monitoring the implementation by management of the Board's strategic objectives and policies;
- recommending to the Board remuneration for Non-executive Directors;
- recommending to the Board remuneration arrangements for the CEO and other Key management Personnel; and
- overseeing the implementation of any Company share plan or other incentive scheme (including the vesting and conversion to ordinary shares).

Directors' fees and Non-executive Director remuneration

In accordance with the Constitution of the Company and ASX Listing Rules, the aggregate remuneration of Non-executive Directors is determined from time to time by General Meeting. The last determination for Invion Limited was made prior to the appointment of any of the current Directors, at the General Meeting of Shareholders held on 15 July 2011. At that Meeting, Shareholders approved an aggregate annual remuneration pool for Non-executive Directors of $750,000. The total Non-executive Director remuneration of Invion Limited for the year ended 30 June 2015 utilised $253,800 of this authorised amount. The Board will not seek an increase at the 2015 Annual General Meeting.

Fees to Non-executive Directors reflect the obligations, responsibilities and demands which are made on Directors. Non-executive Directors' fees are reviewed periodically by the Board. In conducting these reviews the Board considers market information to seek to ensure that fees are in line with the market. Although the Chairman of the Board receives a higher fee, the remuneration of Non-executive Directors consists only of Directors fees, NEDs do not receive committee fees o r retirement benefits. Non-executive Directors are however able to participate in incentive plans, if any, under which share Options and/or Performance Rights may be issued. In consideration of market norms and managing the Company's financial position, the Directors resolved to reduce Directors' fees by approximately 30% effective 1 May 2013.

Executive Directors and other key management personnel remuneration

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- reward KMPs for Group and individual performance;
- align the interest of KMPs with those of shareholders; and
- ensure total remuneration is competitive by market standards.

KMP remuneration is fixed, with any bonuses being paid on an assessment by the Nomination and Remuneration Committee and approval by the Board. The Group has implemented a bonus scheme consisting of both a quantitative element based on the Group's financial position and results; and a qualitative element based on an assessment of individual performance and contribution during the year.

Current KMP remuneration packages consist of the following key elements:

- Fixed remuneration – base salary, superannuation and non-monetary benefits;
- Variable remuneration – short term incentives (STI) and long term incentives (LTI).

The proportion of fixed and variable remuneration for each KMP is set out in the remuneration tables below.

Fixed remuneration

Currently, all KMP fixed remuneration is by salary package only, with an election to apportion this between salary and superannuation in the form of salary sacrifice. It is intended that the structure be optimal for the recipient without undue cost for the Group. There are no guaranteed base salary increases fixed in the contract of any KMP.

Variable remuneration: short-term incentive (STI)

The Group operates an annual STI program and awards a discretionary cash bonus subject to a combination of Group-based financial and non-financial measures and demonstrated individual performance. Individual performance targets are set to represent the key drivers for Group success and are relevant to an individual's role in the Group. They include the cash position of the Group, achievement against published milestone targets, and general performance. The total potential STI available is set at a level so as to provide sufficient incentive to achieve operational targets but also to ensure that the cost to the Group is reasonable in the circumstances. The STI program is solely discretionary and is considered on an annual basis by the Nomination and Remuneration Committee.

Following a recommendation of the Nomination and Remuneration Committee to the Board based on the current climate and the company's financial position, bonus payments were not made to any KMP or employee.

Variable remuneration: long-term incentive (LTI)

The objectives of the LTI plan are to reward KMPs and other employees in a manner that aligns remuneration with the creation of shareholder wealth, and rewards staff for continued loyalty. Share options are issued under the company's executive and employee share option plan (ESOP). Grants of share options to executives and staff are decided by the Nomination and Remuneration Committee. Options are typically granted to vest in equal portions over five years at a specific exercise price, the first vesting period occurring generally up to 12 months after the grant date. The terms of the options, and what happens to options in the event of cessation of employment, are at the discretion of the Board. However generally, if an option holder ceases employment prior to options vesting, the options are generally forfeited. If the options are vested at the time of cessation of employment, the option holder generally has 30 days after the last date of employment to exercise the options, unless the cessation of employment is due to death or disability. The conditions of the company's ESOP provide that a recipient may not transfer, encumber or otherwise deal in the options.

At the date of this report there were 56,514,635 Options on issue under the ESOP. The exercise price, vesting conditions and expiry dates of Options under ESOP are variable. A summary of the numbers of Options issued under ESOP with these various terms, is as detailed below:

Exercise price	Vesting conditions	Expiry date
– 16,875,000 Options have an exercise price of $0.09 – 10,525,000 Options have an exercise price of $0.10 – 22,800,000 Options have an exercise price of $0.12 – 6,314,635 Options have an exercise price of $0.04	– 38,514,635 Options vest in equal portions over five years (20% per year) – 18,000,000 Options vest in accordance with pre-determined clinical development milestones	– 27,400,000 Options have an expiry date of 9 November 2017 – 14,175,000 Options have an expiry date of 9 November 2018 – 8,625,000 Options have an expiry date which is 10 years after the clinical development milestone vesting event – 6,314,635 Options have an expiry date of 9 November 2019
Total Options on issue under ESOP = 56,514,635	Total Options on issue under ESOP = 56,514,635	Total Options on issue under ESOP = 56,514,635

Company performance and the link to short term and long term incentives

- Short term incentive: rewards are issued based on an individual's achievement of financial and non-financial measures and are specific to an individual's contribution to the company.

- Long term incentive: the exercise price of share options is set to be not less than 150% of the ordinary share price on the day the options are issued, thereby linking the exercise of share options to the performance of the company. As at the date of this report, none of the options issued under the ESOP have been exercised.

Employment contracts

All Executive Directors and KMPs have rolling contracts, not limited by term. Details of current Executive Director contracts are as follows:

Executive	Remuneration	Notice period	STI and treatment of STI on termination	LTI and treatment of LTI on termination
Dr Greg Collier	Base salary of $330,000 subject to annual review. Exclusive of superannuation paid at government-determined levels (currently 9.50%).	Resignation: six months' notice. Termination: accrued legal entitlements plus severance of up to 12 months base salary (subject to any limitations under the Corporations Act). Termination for cause: accrued legal entitlements.	Eligible to receive an annual bonus of up to 30% of base salary. Payout of any performance bonus is at the discretion of the Board. The treatment of STIs on termination is at Board discretion.	Eligible to participate in the company's Employee Share Option Plan (ESOP). Any issue of shares or options is subject to shareholder approval. The treatment of LTIs on termination is at Board discretion.
Dr Mitchell Glass	Base salary of $318,804 (USD$277,200) subject to annual review. Employee benefits in the form of a health-insurance plan reimbursement of up to $31,250 (USD$24,000) per annum.	Resignation: six months' notice. Termination: accrued legal entitlements plus severance of up to 12 months base salary (subject to any limitations under the Corporations Act). Termination for cause: accrued legal entitlements.	Eligible to receive an annual bonus of up to 20% of base salary. Payout of any performance bonus is at the discretion of the Board. The treatment of STIs on termination is at Board discretion.	Eligible to participate in the company's Employee Share Option Plan (ESOP). Any issue of shares or options is subject to shareholder approval. The treatment of LTIs on termination is at Board discretion.

Standard non-executive KMP termination provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of any STI on termination	Treatment of any LTI on termination
Resignation	In accordance with statutory provisions	In accordance with statutory provisions	Unvested awards forfeited	At the discretion of the Board, however generally, any unvested awards are forfeited.
Termination for cause	None	None	Unvested awards forfeited	Unvested awards forfeited
Termination in cases of death, disablement, redundancy or notice without cause	In accordance with statutory provisions	In accordance with statutory provisions	Board discretion	Board discretion

Details of remuneration

Details of the remuneration of the Directors and other key management personnel of Invion Limited are set out below. Directors and other key management personnel were in office for the full period unless otherwise stated. Performance conditions associated with the remuneration disclosed in the table below is as noted.

Remuneration for the year ended 30 June 2015

				STI	LTI	Total	Bonus and Option	Bonus and Option
	Salary & Fees	Superann-uation	Other	Discretion-ary Bonus	Share-based payment (Options)			
	$	$	$	$	$	$	$	%
Non-executive Directors								
R Craven (i)	75,000	7,125	-	-	8,224	90,349	8,224	9%
J Campbell (ii)	50,000	4,750	-	-	8,224	62,974	8,224	13%
B Heading (ii)	62,175	-	-	-	5,482	67,657	5,482	8%
W Brown (ii)	50,000	4,750	-	-	5,482	60,232	5,482	9%
G Brown	-	-	-	-	-	-	-	-
	237,175	16,625	-	-	27,412	281,212	27,412	
Executive Directors								
G Collier	330,000	31,350	-	-	77,100	438,450	77,100	18%
M Glass (iii)	318,804	-	23,494	-	73,233	415,531	73,233	18%
	648,804	31,350	23,494	-	150,333	853,981	150,333	
Other KMPs								
M Farris	123,000	11,685	-	-	22,986	157,671	22,986	15%
T Coogan	75,180	-	-	-	-	75,180	-	-
	198,180	11,685	-	-	22,986	232,851	22,986	

(i) Dr Ralph Craven retired from the Board on 29 April 2015. Dr Craven deferred the payment of fees and superannuation for the month of April 2015. The amounts shown above reflect fees and superannuation accrued for the full financial year to 30 June 2015. Deferred fees are reflected in the Consolidated Statement of Financial Position under 'Trade and Other Payables.'

(ii) Dr James Campbell, Mr Brett Heading and Mr Warren Brown deferred the payment of fees and superannuation for the six months from April to September 2015. The amounts shown above reflect fees and superannuation accrued for the full financial year to 30 June 2015. Deferred fees are reflected in the Consolidated Statement of Financial Position under 'Trade and Other Payables.

(iii) The amount under "other" reflects health insurance employee benefit.

Remuneration for the year ended 30 June 2014

				STI	LTI	Total	Bonus and Option	Bonus and Option
	Salary & Fees	Superann-uation	Other	Discretion-ary Bonus	Share-based payment (Options)			
	$	$	$	$	$	$	$	%
Non-executive Directors								
R Craven	90,000	8,325	-	-	13,222	111,547	13,222	12%
J Campbell	50,000	4,625	-	-	13,222	67,847	13,222	19%
B Heading	54,500	-	-	-	8,815	63,315	8,815	14%
W Brown	50,000	4,625	-	-	8,815	63,440	8,815	14%
G Brown	-	-	-	-	-	-	-	-
	244,500	17,575	-	-	44,074	306,149	44,074	
Executive Directors								
G Collier	304,597	28,175	-	90,000	150,137	572,909	240,137	42%
M Glass (i)	267,365	-	19,900	52,910	88,148	428,323	141,058	33%
	571,962	28,175	19,900	142,910	238,285	1,001,232	381,195	
Other KMPs								
M Farris	120,000	11,100	-	24,000	14,814	169,914	38,814	23%
T Coogan (ii)	81,203	-	-	-	-	81,203	-	-
	201,203	11,100	-	24,000	14,814	251,117	38,814	

(i) The amount under "other" reflects health insurance employee benefit.

(ii) Mr Tom Coogan, of Coogans Pty Limited, provides the Company with accounting services. Ms Farris and Mr Coogan together provide the chief financial officer declaration to Directors required under Section 295A of the Corporations Act.

Equity instruments

The number of options awarded, vested, exercised, lapsed and expired during the year is as follows:

	Award date	Awarded	Fair value per option	Vesting date	Number	Exercise price	Expiry date	Vested during the year	Lapsed during the year	Exercised during the year	Eligible to exercise at 30 June
R Craven (i)	9/11/2012	1,500,000	2.95c	9/10/2013	300,000	9c	9/11/2017	-	-	-	-
				9/10/2014	300,000			300,000	-	-	600,000
				9/10/2015	300,000			-	-	-	-
				9/10/2016	300,000			-	-	-	-
				9/10/2017	300,000			-	-	-	-
J Campbell	9/11/2012	1,500,000	2.95c	9/10/2013	300,000	9c	9/11/2017	-	-	-	-
				9/10/2014	300,000			300,000	-	-	600,000
				9/10/2015	300,000			-	-	-	-
				9/10/2016	300,000			-	-	-	-
				9/10/2017	300,000			-	-	-	-
B Heading	9/11/2012	1,000,000	2.95c	9/11/2013	200,000	9c	9/11/2017	-	-	-	-
				9/11/2014	200,000			200,000	-	-	400,000
				9/11/2015	200,000			-	-	-	-
				9/11/2016	200,000			-	-	-	-
				9/11/2017	200,000			-	-	-	-
W Brown	9/11/2012	1,000,000	2.95c	9/10/2013	200,000	9c	9/11/2017	-	-	-	-
				9/10/2014	200,000			200,000	-	-	400,000
				9/10/2015	200,000			-	-	-	-
				9/10/2016	200,000			-	-	-	-
				9/10/2017	200,000			-	-	-	-
G Collier	14/08/2013	10,000,000	2.98c	9/10/2013	2,000,000	10c	9/11/2017	-	-	-	-
				9/10/2014	2,000,000			2,000,000			4,000,000
				9/10/2015	2,000,000			-	-	-	-
				9/10/2016	2,000,000			-	-	-	-
				9/10/2017	2,000,000			-	-	-	-
M Glass	9/11/2012	10,000,000	2.95c	9/10/2013	2,000,000	9c	9/11/2017	-	-	-	-
				9/10/2014	2,000,000			2,000,000	-	-	4,000,000
				9/10/2015	2,000,000			-	-	-	-
				9/10/2016	2,000,000			-	-	-	-
				9/10/2017	2,000,000			-	-	-	-
	24/11/2014	8,812,500	1c	in accordance with clinical development milestones	8,812,500	12c	9/11/2018	-	-	-	-
M Farris	9/11/2012	1,000,000	2.95c	9/10/2013	200,000	9c	9/11/2017	-	-	-	-
				9/10/2014	200,000			200,000	-	-	400,000
				9/10/2015	200,000			-	-	-	-
				9/10/2016	200,000			-	-	-	-
				9/10/2017	200,000			-	-	-	-
	10/03/2014	1,000,000	4.06c	9/10/2014	200,000	12c	9/11/2018	200,000	-	-	200,000
				9/10/2015	200,000			-	-	-	-
				9/10/2016	200,000			-	-	-	-
				9/10/2017	200,000			-	-	-	-
				9/10/2018	200,000			-	-	-	-
	28/05/2015	1,702,353	1.06c	9/10/2015	340,473	4c	9/11/2019	-	-	-	-
				9/10/2016	340,470			-	-	-	-
				9/10/2017	340,470			-	-	-	-
				9/10/2018	340,470			-	-	-	-
				9/10/2019	340,470			-	-	-	-
T Coogan		-						-	-	-	-

(i) Dr Ralph Craven retired form the Board of Invion on 29 April 2015

The full value of options awarded, vested, exercised and lapsed during the period is as follows:

	Full value of options granted $	Full value of options exercised $	Full value of options lapsed $
Non-executive Directors			
R Craven	-	-	-
J Campbell	-	-	-
B Heading	-	-	-
W Brown	-	-	-
G Brown	-	-	-
Executive Directors			
G Collier	-	-	-
M Glass	130,979	-	-
Other KMPs			
M Farris	18,111	-	-
T Coogan	-	-	-
	149,090	-	-

Shareholdings of Directors, Executives and Key Management Personnel for the year ended 30 June 2015

	Balance 1 July	Shares issued from Options exercised	Net Acquired / (Disposed)	Balance 30 June
R Craven (i)	1,100,000	-	571,429	1,671,429
G Collier	15,361,352	-	664,286	16,025,638
M Glass	15,658,611	-	993,527	16,652,138
J Campbell	1,175,000	-	-	1,175,000
B Heading	204,909	-	58,546	263,455
W Brown	11,069,640	-	-	11,069,640
M Farris	108,000	-	-	108,000
T Coogan	280,000	-	-	280,000
	44,957,512	**-**	**2,287,788**	**47,245,300**

(i) Dr Ralph Craven retired from the Board of Invion on 29 April 2015

Shareholdings of Directors, Executives and Key Management Personnel for the year ended 30 June 2014

	Balance 1 July	Shares issued from Options exercised	Net Acquired / (Disposed)	Balance 30 June
R Craven	757,282	-	342,718	1,100,000
G Collier	14,444,686	-	916,666	15,361,352
M Glass	13,677,032	-	1,981,579	15,658,611
J Campbell	433,333	-	741,667	1,175,000
B Heading	195,151	-	9,758	204,909
W Brown	10,619,230	-	450,410	11,069,640
M Farris	100,000	-	8,000	108,000
T Coogan	241,700	-	38,300	280,000
	40,468,414	**-**	**4,489,098**	**44,957,512**

Option holdings of Directors, Executives and Key Management Personnel for year ended 30 June 2015

	Balance 1 July	Remuneration Options granted	Lapsed	Exercised	Balance 30 June	Vested 30 June	Exercisable 30 June	Unexercisable 30 June
R Craven (i)	1,500,000	-	-	-	1,500,000	600,000	600,000	900,000
G Collier	10,000,000	-	-	-	10,000,000	4,000,000	4,000,000	6,000,000
M Glass	10,000,000	8,812,500	-	-	18,812,500	4,000,000	4,000,000	14,812,500
J Campbell	1,500,000	-	-	-	1,500,000	600,000	600,000	900,000
B Heading	1,000,000	-	-	-	1,000,000	400,000	400,000	600,000
W Brown	1,000,000	-	-	-	1,000,000	400,000	400,000	600,000
M Farris	2,000,000	1,702,353	-	-	3,702,353	600,000	600,000	3,102,353
T Coogan	-	-	-	-	-	-	-	-
	27,000,000	10,514,853	-	-	37,514,853	10,600,000	10,600,000	26,914,853

(i) Dr Ralph Craven retired from the Board of Invion on 29 April 2015

Option holdings of Directors, Executives and Key Management Personnel for year ended 30 June 2014

	Balance 1 July	Remuneration Options granted	Lapsed	Exercised	Balance 30 June	Vested 30 June	Exercisable 30 June	Unexercisable 30 June
R Craven	1,500,000	-	-	-	1,500,000	300,000	300,000	1,200,000
G Collier	-	10,000,000	-	-	10,000,000	2,000,000	2,000,000	8,000,000
M Glass	10,000,000	-	-	-	10,000,000	2,000,000	2,000,000	8,000,000
J Campbell	1,500,000	-	-	-	1,500,000	300,000	300,000	1,200,000
B Heading	1,000,000	-	-	-	1,000,000	200,000	200,000	800,000
W Brown	1,000,000	-	-	-	1,000,000	200,000	200,000	800,000
M Farris	1,000,000	1,000,000	-	-	2,000,000	200,000	200,000	1,800,000
T Coogan	-	-	-	-	-	-	-	-
	16,000,000	11,000,000	-	-	27,000,000	5,200,000	5,200,000	21,800,000

The disclosure of shares and options held by Key Management Personnel (KMP) are determined in accordance with the requirements of AASB 124, which requires that KMP holdings also include the holdings of 'close family members'. Disclosure of 'close family member' holdings is not required by the Corporations Act 2001 and therefore the figures shown above may differ from those holdings reported in at Note 19 to the Consolidated Financial Statements.

Director Loans

In March 2015, the Company entered into loan agreements with each Invion Director subsequent to which unsecured (non-equity related) debt funding was provided by Invion directors to the Company for working capital and for the repayment of outstanding liabilities. The key terms of the loan are:

- Advance: Each director loaned the Company $200,000 (for a total loan amount from Directors to the Company of $1,200,000);
- Term: 8 months from 19 March 2015;
- Interest rate: 10% per annum. Interest accrues daily and is payable at termination (19 October 2015).

Subsequent to 30 June, each Director and related party has agreed to a variation of the original loan agreement on the following terms:

(i) a new definition of 'Successful Capital Raising' which means 'the issue of new shares in the Company raising a minimum of $5 million (before offer costs) is added;

(ii) the definition of 'Termination Date' was deleted and replaced with:
'means the earlier of:
   a. 14 July 2016;
   b. the date which is 5 Business Days after the Company completes a Successful Capital Raising; or
   c. the date on which the Lender demands payment of the Money Owing following the occurrence of an Event of Default.'

Invion Limited Performance and Shareholder Wealth

Relative movements in Basic Earnings per share, Net tangible assets per share and Dividend per share (cents per share) for the last four years are as follows. Period end share price has been included as one measure of shareholder wealth:

	2011	2012	2013	2014	2015
Earnings/(Loss) Per Share (i)	(11.32)	(2.59)	(0.96)	(1.27)	(2.15)
Net tangible assets per share	(0.01)	0.02	0.02	0.02	0.00
Dividend per share	-	-	-	-	-
Share Price	$0.63	$0.06	$0.03	$0.07	$0.019

(i) The basic/diluted earnings per share for FY2014 has been restated following the Rights Issue that occurred in FY2015

INDEMNITY

Subject to the Corporations Act and rule 26.2 of the Constitution of Invion Limited, the Company must indemnify each Director, Secretary and Executive Officer to the maximum extent permitted by law against any liability incurred by them by virtue of their holding office as, and acting in the capacity of, Director, Secretary or Executive Officer of the Company, other than:

a) a liability owed to the Company or a related body corporate of the Company;

b) a liability for a pecuniary penalty order under section 1317G Corporation Act or a compensation order under section 1317H Corporations Act;

c) a liability owed to a person other than the Company that did not arise out of conduct in good faith.

The Company has paid premiums in respect of a contract insuring its Directors, the Company Secretary and Executive Officers for the financial year ended 30 June 2015. Under the Company's Directors and Officers Liability Insurance Policy, the Company cannot release the nature of the liabilities insured by the policy or the amount of the premium.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during or since the financial year.

PROCEEDINGS ON BEHALF OF THE COMPANY

Litigation

On 2 July 2014, the Company advised that the defendants in proceedings had lodged a notice of appeal against the decision of former Chief Justice de Jersey, delivered in the Supreme Court of Queensland on 4 June 2014, for Invion Limited (formerly CBio Limited) in its case against former officers of the Company. The Appeal was heard on 23 February 2015.

The proceedings related to the resignations in October 2011 of the Company's then executive chairman, chief executive officer and chief financial officer; and gross payments made to these officers. Invion sought orders requiring the repayment of termination payments that were made to the defendants. Invion alleged that the termination payments were in breach of the defendant's fiduciary duties to the Company, and contravened the statutory duties imposed on them by sections 180, 181 and 182 Corporations Act 2001 (Cth).

The Supreme Court of Queensland had determined that the defendants be required to repay the sum of $1,071,482. The Court also dismissed the counterclaim by the defendants in which they sought damages from Invion for allegedly breaching an agreement pursuant to which bonus payments should have been paid after their resignations. Subsequent judgment was delivered on 20 June 2014 in relation to interest and costs, pursuant to which the Company is to receive $1,306,283, in aggregate, for the original judgment and accumulated interest, plus costs of the action on an indemnity basis.

The defendants have sought leave to appeal the Court of Appeal judgment to the High Court. Whilst the Directors consider that the prospects of the appeal are poor, no receivable has been recorded in these Financial Statements.

The Company intends to use all avenues available to it to recover the judgment debt of $1,306,283. The Directors consider that the risk of a liability arising out of the litigation is remote. As such there is no contingent liability recorded in these Financial Statements.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

A statement of independence has been provided by the Company's auditor, Ernst & Young, and is included in the attached financial report.

NON-AUDIT SERVICES

During the year the Company's auditor performed non-audit services. The provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001,* and the Directors are satisfied that the nature and scope of the non-audit services provided did not compromise auditor independence. The details of the services provided and their costs are as follows:

	$
Accounting review of the Share Purchase and Convertible Security Agreement with the Australian Special Opportunities Fund	20,000
Independent accountant report for 2015 Rights Issue	7,931
	27,931

Signed in accordance with a resolution of Directors



Brett Heading

Chairman

31 August 2015

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2015

	Note	2015 $	2014 $
Continuing Operations			
Grant received		**185,355**	**207,337**
Interest received		**26,188**	**92,918**
Total revenue		**211,543**	**300,255**
Other income	6a	**2,399,980**	**629,265**
Employee benefits expense	6d	**(1,630,402)**	**(1,682,771)**
Depreciation, amortisation	6c	**(1,343,209)**	**(1,954,646)**
Finance costs	6f	**(1,105,997)**	**(19,413)**
Administration & corporate expense	6b	**(2,008,614)**	**(1,837,592)**
Rent and occupancy expense		**(65,057)**	**(49,154)**
Share based payment expense	20a	**(714,183)**	**(434,345)**
Research and development costs	6e	**(8,689,294)**	**(1,850,781)**
Patent costs		**(332,869)**	**(438,232)**
Business development		**(238,951)**	**(309,495)**
Loss before income tax from continuing operations		**(13,517,053)**	**(7,646,911)**
Income tax benefit	7	**475,820**	**762,974**
Loss from continuing operations after income tax		**(13,041,233)**	**(6,883,937)**
Other comprehensive income			
Items may be reclassified subsequently to profit or loss:			
Unrealised exchange differences on translation of foreign subsidiary		**1,957,234**	**39,550**
Total comprehensive loss for the year		**(11,083,999)**	**(6,844,387)**
Basic/diluted earnings per share for profit / (loss) from continuing operations attributable to the ordinary equity holders of the parent			
Earnings / (loss) per share (cents)	17	**(2.15)**	**(1.27)**

The basic/diluted earnings per share for FY2014 has been restated following the Rights Issue that occurred in FY2015

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the Financial Statements.

Consolidated Statement of Financial Position

as at 30 June 2015

	Notes	2015 $	2014 $
Current Assets			
Cash and cash equivalents	18a	**2,284,513**	**3,952,538**
Trade and other receivables	8a	**1,918,212**	**662,249**
Other current assets	9	**133,819**	**141,774**
Total Current Assets		**4,336,544**	**4,756,561**
Non-Current Assets			
Trade and other receivables	8b	**52,083**	**67,400**
Property, plant and equipment	10	**26,723**	**28,971**
Intangible assets	11	**11,683,939**	**9,877,686**
Total Non-Current Assets		**11,762,745**	**9,974,057**
Total Assets		**16,099,289**	**14,730,618**
Current Liabilities			
Trade and other payables	12	**2,054,258**	**668,747**
Financial liabilities	12	**2,578,744**	**15,924**
Short-term provisions	13	**81,260**	**107,520**
Total Current Liabilities		**4,714,262**	**792,191**
Non-Current Liabilities			
Deferred tax liabilities	7b	**4,506,761**	**3,764,259**
Long-term provisions	13	**18,095**	**15,091**
Total Non-Current Liabilities		**4,524,856**	**3,779,350**
Total Liabilities		**9,239,118**	**4,571,541**
Net Assets		**6,860,171**	**10,159,077**
Equity			
Issued Capital	14	**119,884,852**	**112,941,342**
Reserves	16	**23,463,314**	**20,664,497**
Accumulated Losses		**(136,487,995)**	**(123,446,762)**
Total Equity		**6,860,171**	**10,159,077**

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2015

	Issued capital $	Options reserve $	Foreign currency translation reserve $	Convertible Note Reserve $	Accumulated losses $	Total equity $
As at 1 July 2014	112,941,342	18,266,301	(88,518)	2,486,714	(123,446,762)	10,159,077
Loss for the period	-	-	-	-	(13,041,233)	(12,250,198)
Other comprehensive income	-	-	1,957,234	-	-	1,166,199
Total comprehensive income	**-**	**-**	**1,957,234**	**-**	**(13,041,233)**	**(11,083,999)**
Shares issued to directors and related parties	-	-	-	-	-	-
Issue of share capital	7,566,321	-	-	-	-	7,566,321
Transaction costs	(622,811)	-	-	-	-	(622,811)
Share based payment	-	841,583	-	-	-	841,583
As at 30 June 2015	119,884,852	19,107,884	1,868,716	2,486,714	(136,487,995)	6,860,171

	Issued capital $	Options reserve $	Foreign currency translation reserve $	Convertible Note Reserve $	Accumulated losses $	Total equity $
As at 1 July 2013	107,407,805	17,831,956	(128,068)	2,486,714	(116,562,825)	11,035,582
Loss for the period	-	-	-	-	(6,883,937)	(6,883,937)
Other comprehensive income	-	-	39,550	-	-	39,550
Total comprehensive income	**-**	**-**	**39,550**	**-**	**(6,883,937)**	**(6,844,387)**
Shares issued to directors and related parties	114,280	-	-	-	-	114,280
Issue of share capital	5,888,675	-	-	-	-	5,888,675
Transaction costs	(469,418)	-	-	-	-	(469,418)
Share based payment	-	434,345	-	-	-	434,345
As at 30 June 2014	112,941,342	18,266,301	(88,518)	2,486,714	(123,446,762)	10,159,077

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2015

	Notes	2015 $	2014 $
Cash flows from/(used in) operating activities			
Payments to suppliers and employees		**(11,554,517)**	**(6,231,665)**
Cash received in the course of operations		**215,834**	**316,294**
R&D tax rebate		**1,173,561**	**1,477,985**
Interest received		**33,921**	**85,184**
Taxes relating to US subsidiary (non-income)		**-**	**(1,721)**
Net cash used in operating activities	18b	**(10,131,201)**	**(4,353,923)**
Cash flows from/(used in) investing activities			
Purchase of plant & equipment		**(8,325)**	**(20,869)**
Purchase of bank guarantee		**-**	**(42,720)**
Proceeds from bank guarantee		**-**	**104,603**
Intellectual property in-licence		**(237,504)**	**(262,496)**
Net cash (used in)/provided by investing activities		**(245,829)**	**(221,482)**
Cash flows from/(used in) financing activities			
Proceeds from borrowings		**2,242,008**	**-**
Proceeds from borrowings under SPCSA		**1,450,000**	**-**
Repayment of borrowings under SPCSA		**(420,000)**	**-**
Proceeds from issue of Convertible Security		**1,000,000**	**-**
Repayment of Convertible Security		**(1,210,000)**	**-**
Proceeds from issue of shares		**6,287,499**	**6,002,955**
Borrowing costs paid		**(67,795)**	**-**
Costs of capital raising		**(622,811)**	**(469,418)**
Net cash provided by financing activities		**8,658,901**	**5,533,537**
Net (decrease)/ increase in cash held		**(1,718,129)**	**958,132**
Net foreign exchange differences		**50,104**	**(56,542)**
Cash and equivalents at beginning of the financial period		**3,952,538**	**3,050,948**
Cash and equivalents at the end of the financial period	18a	**2,284,513**	**3,952,538**

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the Financial Statements.

1. CORPORATE INFORMATION

Invion Limited is a for profit company limited by shares incorporated in Australia whose shares have been publicly traded on the Australian Securities Exchange since its listing on 15 February 2011 (ASX:IVX). Invion Limited is a clinical-stage life sciences (drug development) company. The Company is focused on the development of treatments for major market opportunities in inflammatory diseases including asthma, chronic bronchitis and lupus. Invion has three drug assets in development, and three phase II clinical trials, regulated by the Food & Drug Administration (FDA), currently underway in the United States. INV102 (nadolol), a beta blocker (beta adrenergic biased ligand) currently used to treat high blood pressure and migraine, is being repurposed to treat chronic inflammatory airway diseases, including asthma and chronic obstructive pulmonary disease (COPD). INV104 (zafirlukast) is a leukotriene receptor antagonist (LTRA) that reduces inflammation, constriction of the airways and the build-up of mucus in the lungs. INV103 (ala-Cpn10) is a modified, naturally occurring human protein which has been proposed as a founding member of the Resolution Associated Molecular Pattern (RAMPs) family hypothesised to maintain and restore immune homeostasis.

The Invion Group ("the Group") consists of Invion Limited ("Invion" or "the Company") and its wholly owned subsidiary Invion, Inc. The Group has operations in Brisbane (Australia) and Delaware (USA).

This consolidated financial report of Invion Limited for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 31 August 2015.

2. SEGMENT REPORTING

The Invion Group operates as a clinical-stage life sciences (drug development) group with operations in Australia and the United States. The Group does not currently consider that the risks and returns of the Group are affected by differences in either the products or services it provides, nor the geographical areas in which the Group operates. As such the Group operates as one segment. Group performance is evaluated based on operating profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Group financing (including finance costs and finance income) and income taxes are managed on a Group basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards as issued by the Australian Accounting Standards Board and International Accounting Standards Board. The financial report is presented in Australian dollars.

New accounting standards and interpretations

Changes in Accounting Policy
The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2014, none of which had a material impact on the financial position or performance of the Group:

- Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132 Financial Instruments)
- Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]
- Amendments to AASB 1031 Materiality
- Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
- AASB 2014-1 Part A -Annual Improvements 2010–2012 Cycle
- Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ended 30 June 2015:

- AASB15 Revenue from Contracts with Customers
- AASB 9 Financial Instruments
- AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments toAASB 116 and AASB 138)
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

The Group has not elected to early adopt any other new standards or amendments that are issued but not yet effective. The future impacts of the above are being assessed by the Group.

3.2. Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis. New accounting standards and interpretations, including those issued but not yet effective, are detailed in Note 3.1. The effect of adopting new standards and interpretations effective this year are also disclosed at Note 3.1.

3.3. Going concern

The report has been prepared on a going concern basis. The Group incurred an operating loss after income tax of $13,041,233 (2014: $6,883,937 loss) for the year ended 30 June 2015. At 30 June 2015 the Group has net assets of $6,860,171 (2014: net assets of $10,159,077) and net current liabilities of $377,718 (2014: net current assets of $3,964,370). Included with current liabilities at 30 June 2015 are loans from directors and related parties of $1,200,000 – the repayment date for which has, subsequent to year end, been extended to 14 July 2016 or an earlier event as set out in Note 12. In common with other companies in the biotechnology sector, the Group's operations are subject to risks and uncertainty due primarily to the nature of the drug development and commercialisation. In order for the Group to execute its near term and longer term plans, the Board will be required to raise capital sufficient enough to meet operational and program development needs. These conditions of uncertainty and the need to raise further capital give rise to significant uncertainty as to whether the Group will be able to continue as a going concern and be able to pay its debts as and when they fall due.

To fund the next stage of the Company's strategy, the Directors expect to announce a capital raising initiative during the first week of September 2015. The Directors cannot be certain that sufficient capital can be raised in order to complete the programs as outlined in the Directors' Report. In the event that such arrangements are not entered into or are not successful, there is uncertainty whether Invion will continue as a going concern and the Group may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different from those stated in the financial report. This report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should Invion not be able to continue as a going concern.

3.4. Basis of consolidation

The consolidated financial statements comprise the financial statements of Invion Limited and its wholly-owned subsidiary Invion Inc., as at 30 June 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Specifically, the Group controls a subsidiary if and only if the Group has:

- Power over the subsidiary (i.e. existing rights that give it the current ability to direct the relevant activities of the subsidiary);
- Exposure, or rights, to variable returns from its involvement with the subsidiary, and

– The ability to use its power over the subsidiary to affect its returns.

The Group re-assesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.5. Convertible Notes

Convertible notes are recognised initially at fair value in the statement of financial position as financial liabilities, net of transaction costs. Subsequent to initial recognition convertible notes are measured at fair value through the profit and loss. The conversion option within the convertible note represents an embedded derivative. Embedded derivatives are only separated from the host contract if the criteria in AASB 139 are satisfied. Where interest is charged on convertible notes, the liability is increased over the term of the liability using the effect interest rate implicit in the note.

3.6. Property, plant and equipment (PPE)

Plant and equipment is stated at cost less depreciation and impairment in value. Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

	2015	2014
Plant and equipment	10%-50%	10%-50%
Computer equipment	20%-50%	20%-50%
Furniture and fittings	10%-20%	10%-20%

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

3.7. Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. Any gains or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amounts of the item) is included in the statement of comprehensive income in the period the item is derecognised.

3.8. Acquisition of assets

All assets acquired including property, plant and equipment (PPE) and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market prices at the date of acquisition are used as fair value,

except where the notional price at which they could be placed in the market is a better indication of fair value.

3.9. Recoverable amount of assets

At each Balance Date, the Group assesses whether there is any indication that an intangible asset or PPE may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell, and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

3.10. Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. Terms of receivables are between 30 and 45 days. Interest is taken up as income on an accrual basis.

3.11. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit and loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Statement of Comprehensive Income when the asset is derecognised.

Funding right

The Funding Right was acquired by the Group on the purchase of the subsidiary and relates to the US NIH grant (USD$4.4 million) which is funding the Group's phase II clinical trial in asthma patients. The grant was been amortised over two years, which was the period over which the benefit was received.

Patents – Intellectual Property

The Group made upfront payments to purchase patents. The patents have been granted for periods of up to 20 years by the relevant authority, often with the option of renewal at the end of this period.

Research and development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of the expected future benefit. Amortisation is recorded in the Consolidated Statement of Comprehensive Income. During the development, the asset is tested for impairment annually.

A summary of the policies applied to the Group's intangible assets is as follows:

	Funding Right	Patents	Development Costs
Useful lives	Finite	Finite	Finite
Amortisation method used	Amortised on a straight-line basis over the period of the grant	Amortised on a straight-line basis over the period of the patent	Amortised on a straight-line basis over the expected period of available use
Internally generated or acquired	Acquired	Acquired	Internally generated

3.12. Fair value measurement

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability; or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group reviews and analyses any movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For

this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.13. Research and development expenditure

Amounts incurred on research and development activities are expensed as incurred, except to the extent that such development costs are expected beyond any reasonable doubt to be recoverable.

3.14. Income taxes

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probably that the temporary differences will not reverse in the foreseeable future

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward or unused tax assets an unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Balance Date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax asset and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the Balance Date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the Consolidated Statement of Comprehensive Income.

3.15. Other taxes

Revenues, expenses and assets and liabilities are recognised net of the amount of goods and services tax (GST) except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense as applicable; or
- Where receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

3.16. Cash and short term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. Bank overdrafts are carried at the principal amount. Interest is charged as an expense on an accrual basis.

3.17. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

- Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.
- Fee income derived from research & development contracts which is dependent on the satisfaction of certain contractual conditions will be treated as unearned income and be recorded as a liability until any conditions are met, at which time the income will be recognised.
- Contract research income is recognised as and when the relevant research expenditure is incurred. If the Company receives income in advance of incurring the relevant expenditure, it is treated as deferred income as the Company does not control the income until the relevant expenditure has been incurred.
- R&D tax rebate income is accrued following management's determination of anticipated R&D tax rebate income, and is based on an assessment of R&D expenditure in the period and advice received from R&D tax advisors.

3.18. Foreign currency

The Group's consolidated financial statements are presented in Australian Dollars, which is also the Parent's functional currency. For each entity the Group determines the functional currency, and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit and loss with the exception of monetary items that are designed as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit and loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit and loss.

3.19. Trade and other payables
Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services, whether or not billed to the consolidated entity. Payables to related parties are carried at amortised loss. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

3.20. Issued capital
Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

3.21. Leased assets
Leases under which the Group assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases. Payments made under operating leases are expensed on a straight line basis over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

3.22. Superannuation
Contributions are made to approved employee superannuation funds at the rate as directed by the Superannuation Guarantee Legislation. For the period ending 30 June 2015, this was 9.50% of employees' gross salaries. Contributions are recognised as an expense against income as they are made.

3.23. Employee provisions
Provisions are recognised when Invion has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When Invion expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Balance Date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such an applicable corporate bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Wages, Salaries and Annual Leave
Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to Balance Date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at Balance Date, including related on-costs, such as workers compensation insurance and payroll tax.

Long Service Leave
The amount provided for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made in connection with employees' services provided up to Balance Date. The provision is calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at Balance Date, including related on-costs, such as workers compensation insurance and payroll tax.

3.24. Government grants
Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

3.25. Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognised in the statement of comprehensive income when the liabilities are de-recognised and as well as through the amortisation process.

3.26. Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement for borrowings, finance charges in respect of finance leases and foreign exchange differences. Interest payments in respect of financial instruments classified as liabilities are included in borrowing costs. Ancillary costs incurred in connection with the arrangement of borrowings are netted against the relevant borrowings and amortised over their life. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which necessarily take a substantial period of time to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for acquisition, construction or production of a qualifying asset, the capitalised amount of the borrowing costs include costs incurred in relation to that borrowing net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

3.27. Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing the net profit / (loss) attributable to members for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company outstanding during the year. Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares outstanding during the year. As the Company incurred a loss for the current and previous year, potential ordinary shares, being options to acquire ordinary shares, are considered non-dilutive and therefore not included in the diluted earnings per share calculation.

3.28. Share-Based Payment Transactions

The Group provides benefits to employees, including Directors, of the Group and to selected contractors in the form of share based payment transactions, whereby participants render services in exchange for shares or rights over shares (equity-settled transactions). The Group also provided benefits to an institutional investor as part as compensation for a funding agreement. The costs of the equity settled transactions with participants are measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black Scholes option-pricing model. In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Invion Limited. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity settled transactions at each Balance Date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company will ultimately vest. This opinion is based on the best available information at Balance Date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest. Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award is treated as if it were a modification of the original award, as described in this paragraph.

3.29. Significant accounting judgements, estimates and assumptions

Management bases its judgements and estimates on historical experience and on other factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Impairment

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If any such indication exists, the Group will estimate the recoverable amount of the asset. In assessing whether there is any indication that an asset may be impaired, the Group considers external and internal sources of information including market forces, the Group's market capitalisation, evidence of obsolescence, significant changes with an adverse effect on the Group or its assets, and any financial projections.

Taxes

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees and other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined with using a Black Scholes standard model, with the assumptions detailed in Note 20(b). The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

R&D Tax rebate income

R&D tax rebate income is accrued following management's determination of anticipated R&D tax rebate income, and is based on an assessment of R&D expenditure in the period and advice received from R&D tax advisors.

4. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and making assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, and liquidity risk is monitored through the development of future rolling cash flow forecasts. Financial assets and liabilities have contractual maturities of less than twelve months.

4.1. Interest rate risk

The Group's exposure to market interest rates relates primarily to its cash holdings. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to a mix of fixed and variable interest arrangements. The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at Balance Date. This sensitivity analysis demonstrates the effect on the current year results which could result from a change in these risks. As at 30 June 2015, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows. The table below shows the impact on cash to exposure to variable interest rates:

Change in profit/(loss) and equity	2015 $	2014 $
Increase in interest rate by 2%	**63,766**	**71,991**
Decrease in interest rate by 2%	**(63,766)**	**(71,991)**

4.2. Foreign currency risk

The major foreign currency exposure is in US Dollars (USD). This is as a result of cash funds held and both receivable and payable contracts entered into in this currency. The Group maintains foreign currency bank accounts denominated in USD in order to minimise foreign currency risk exposure. The Group had a deficit of foreign currency receivables over payables of $1,818,723 at 30 June 2015 (2014: $253,295 deficit). Cash held in USD and the investment in the US subsidiary, Invion, Inc., are the only assets exposed to foreign currency risk at the Balance Date. Trade creditors are the only liability exposed to foreign currency risk at the Balance Date. As at 30 June 2015, the effect on profit and equity as a result of changes in the value of the Australian Dollar to USD, with all other variables remaining constant, would be as follows:

Change in profit/(loss) and equity	2015 $	2014 $
Improvement in AUD by 15%	**16,505**	**9,389**
Decline in AUD by 15%	**(22,327)**	**(6,940)**

4.3. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to standardised financial assets, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to and forming part of the financial report. The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments.

4.4. Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources will be available as and when required, as well as ensuring capital raising initiatives are conducted in a timely manner as required.

2015	1-6 months $	6-12 months $	1-5 years $	>5 years $	Total $
Financial Liabilities					
Trade and other payables	2,054,258	-	-	-	2,054,258
Convertible Note (i)	385,000	-	-	-	385,000
Loans from Directors (ii)	1,200,000	-	-	-	1,200,000
Other secured loans (iii)	974,213	-	-	-	974,213
Notes payable (iv)	-	19,531	-	-	19,531
Total Financial Liabilities	4,613,471	19,531	-	-	4,633,002

(i) As compensation for the conclusion of the Share Purchase and Convertible Security Agreement, the Australian Special Opportunity Fund received a convertible note to the face value of $250,000. The Settlement Deed also provides for an increase to the face value of the note to $350,000 upon occurrence of certain events, including certain capital raisings as set out in the agreement. This Note cannot be converted until after 15 December 2015, with some minor exceptions (e.g. change of control, share price >5c). The convertible note is measured at fair value, refer to note 5.

(ii) Unsecured (non-equity related) debt funding was provided by Invion directors for working capital and for the repayment of outstanding liabilities. Further details are recorded in Note 22 – Related Party Transactions.

(iii) The Company entered into an agreement with Metamor Capital Partners to access capital ahead of the

anticipated receipt of its R&D tax incentive rebate. This funding facility provides Invion with a valuable capital management tool as it progresses current R&D activities and continues partnering discussions. This non-dilutive (non-equity related) interest-bearing secured facility has a limit of A$1.56M which is due to expire by 1 November 2016. The advanced amount under the loan of $1,042,008 is due for full repayment by 30 October 2015, which payment will be met from the R&D tax incentive rebate.

(iv) Note Payable liabilities assumed on acquisition of Inverseon, Inc.

2014	1-6 months $	6-12 months $	1-5 years $	>5 years $	Total $
Financial Liabilities					
Trade and other payables	668,747	-	-	-	668,747
Note payable (i)	-	15,924	-	-	15,924
Total Financial Liabilities	668,747	15,924	-	-	684,671

(i) Note Payable liabilities assumed on acquisition of Inverseon, Inc.

4.5. Equity risk

The Company has a Share Purchase Agreement in place with Numoda Capital Innovations (NCI) under which NCI have committed to acquire Invion shares via private placement and open market transactions whilst INV102 and INV103 clinical trials are ongoing. NCI's total commitment under the agreement is for an investment of up to $2 million to occur across current and future clinical trials. The Board of Invion estimated in 2012 that the value of shares to be purchased and placed relative to the two clinical trials currently underway will be in the order of $250,000. At the date of this report, NCI had invested approximately $40,000 via open market purchase, and $65,000 via private placement for a total investment of approximately $105,000.

The Company also has a Convertible Note on issue to the Australian Special Opportunity Fund with a face value of $250,000. This Note cannot be converted until after 15 December 2015, with some minor exceptions (e.g. change of control, share price >5c). The settlement deed also provides for an increase to the face value of the note to $350,000 upon occurrence of events, including certain capital raisings, as set out in the agreement.

4.6. Net fair values

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. The following methods and assumptions were used to estimate the fair values: cash and short-term deposits, receivables and other assets, trade and other current liabilities, convertible notes, loans from directors, and other unsecured loans approximate their carrying value largely due to the short-term maturities of these instruments. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of Consolidated Statement of Financial Position and in the notes to and forming part of the financial report.

5. FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Group's liabilities which are measured at fair value after initial recognition.

			Fair value measurement using		
	Date of valuation	**Total**	**Quoted prices in active markets (Level one)**	**Significant observable inputs (Level two)**	**Significant unobservable inputs (Level three)**
Financial liabilities measured at fair value					
Convertible Note	30 June 2015	(385,000)	-	-	(385,000)
		(385,000)	-	**-**	**(385,000)**

Valuation Technique

In determining Fair Value, consideration is given to the price that would be paid to transfer the liability in an orderly transaction between market participants at the measurement date. Determination of the fair value of the convertible note has thus taken into the contractual obligations of the Company, expectations regarding the timing of conversion, the conversion price/actual share price and the probability of any other events occurring that would result in an increase to the face value of the convertible note as set out in the contract with the counterparty. Disclosure of quantitative unobservable inputs has not been made as they are not expected to materially impact the amount recorded.

Reconciliation of recurring Level 3 fair value movements

Convertible Note	**30 June 2015**
	$
Opening balance	-
Additions	385,000
Closing balance	385,000

Comparative disclosures have not been made as the Group did not hold any financial liabilities measured using Level 3 inputs in the prior period.

6. INCOME & EXPENSES

	2015 $	2014 $
(a) Other Income		
Unrealised/realised foreign exchange gain	**(47,554)**	**-**
Other income	**20,459**	**1,459**
R&D tax rebate	**2,427,075**	**627,806**
	2,399,980	**629,265**
(b) Administration & corporate expenses:		
Legal fees	**203,508**	**373,580**
Compliance costs	**259,366**	**207,789**
Consulting fees incl. accounting, business development	**885,189**	**430,730**
Insurance	**162,255**	**138,709**
Unrealised/realised foreign exchange loss	**-**	**95,408**
Other, including salaries and director fees	**498,296**	**591,376**
	2,008,614	**1,837,592**
(c) Depreciation & amortisation		
Amortisation:		
- Funding right	**197,456**	**1,023,744**
- Intellectual property	**1,080,268**	**889,080**
- Licence fee	**50,000**	**32,964**
Depreciation of non-current assets:		
- Plant and equipment	**15,485**	**8,858**
	1,343,209	**1,954,646**
(d) Employee benefits expense		
Salaries, wages & fees	**1,361,296**	**1,355,895**
Superannuation	**66,158**	**71,658**
Payroll tax	**12,034**	**11,432**
Employee entitlements	**97,226**	**102,783**
Redundancy and eligible termination payments to non-executive employees	**-**	**67,500**
Other staff costs	**93,688**	**73,503**
	1,630,402	**1,682,771**

	2015 $	2014 $
(e) Research and development		
Clinical trial costs	**5,291,715**	**1,072,013**
Drug production and supply	**939,680**	**594,587**
Feasibility studies (inhaled programs)	**2,457,864**	**-**
Other research and development costs	**35**	**184,181**
	8,689,294	**1,850,781**
(f) Finance costs		
Interest expense on loans from Directors	**32,548**	**-**
Interest expense on other secured loans	**31,728**	**-**
Expenses paid pursuant to SPSCA	**1,022,471**	**-**
Other fees and fees to advisors	**19,250**	**19,413**
	1,105,997	**19,413**

	2015 $	2014 $
7. INCOME TAX		
(a) Statement of comprehensive income		
Current income tax		
Current income tax benefit	**2,402,857**	**1,779,827**
Deferred income tax		
Future income tax benefit arising from the reversal of the deferred tax liability recognised on acquisition of the subsidiary	**475,820**	**762,974**
Income tax losses not recognised as a deferred tax asset	**(2,402,857)**	**(1,779,827)**
Income tax benefit reported on the statement of comprehensive income	**475,820**	**762,974**

(b) A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting Loss before income tax	**(13,517,053)**	**7,646,911**
At the Company's statutory income tax rate of 30%:	**4,055,116**	**2,294,073**
Non tax deductible items – permanent differences	**(2,108,410)**	**(815,900)**
Tax benefit arising on amortisation of deferred tax liability acquired on acquisition	**475,820**	**762,974**
Effect of higher tax rate in US	**456,151**	**76,146**
Income tax losses not recognised as a deferred tax asset	**(2,402,857)**	**(1,554,319)**
	475,820	**762,974**

	2015 $	2014 $
Tax assets (At 30%)		
Domestic tax losses	**35,049,999**	**33,262,656**
Temporary differences – including balances in equity	**1,010,548**	**1,160,922**
Subsidiary foreign tax losses (at 40%)	**2,740,610**	**916,005**
Total unrecorded tax assets	**38,801,157**	**35,339,583**
Deferred tax liability		
Recognised on acquisition of subsidiary	**5,152,600**	**5,152,600**
Effect of amortisation of intellectual property	**(1,698,847)**	**(645,300)**
Effect of amortisation of funding right	**(841,047)**	**(743,041)**
Effect of foreign currency translation	**1,894,055**	**-**
	4,506,761	**3,764,259**

At 30 June 2015 Invion had significant estimated, unconfirmed and un-recouped losses as disclosed above. No future income tax benefit for the tax losses incurred by the Group has been recognised as an asset. Due to the complexity of Invion's changing shareholder base and operations, combined with income tax legislation, the amount of the Company's available tax losses as at 30 June 2015 which are available for carry forward use cannot be determined with a sufficient degree of probability. Management will undertake a detailed review of the ability to carry forward and use these losses on a needs basis. As a result of this the losses disclosed as available may not be available in full.

The Deferred Tax Liability represents the notional tax payable on the value of the Intellectual Property and Funding Right at the time of acquisition of the subsidiary at the US tax rate of 40%. This liability reduces as the intellectual property and funding right are amortised.

	2015 $	2014 $
(c) Temporary differences (not recognised)		
Capital raising costs	**348,814**	**447,503**
Patent costs	**218,691**	**226,031**
Research licence	**225,000**	**270,000**
Other expenses	**155,760**	**172,835**
Unrealised foreign exchange loss /(gain)	**2,977**	**6,223**
Provisions and accruals	**59,306**	**38,330**
	1,010,548	**1,160,922**

The losses disclosed as at 30 June 2015 will only be obtained in future periods if future assessable income of a nature and of an amount sufficient to enable the benefit to be realised; the conditions for deductibility imposed by tax legislation continue to be complied with; and, no changes in tax legislation adversely affect Invion in realising the benefit.

	2015 $	2014 $
8. TRADE & OTHER RECEIVABLES		
(a) Current		
Other debtors	**8,085**	**-**
Bank guarantee deposit(i)	**24,936**	**-**
R&D tax rebate	**1,880,000**	**626,486**
Interest receivable	**-**	**7,733**
Other – unsecured	**852**	**18,799**
GST refundable	**4,339**	**9,231**
	1,918,212	**662,249**

Terms and conditions
All receivables are non-interest bearing and are usually settled on terms of between 30 and 45 days. Credit risk is assessed as low on all receivables.

(i) Guarantee deposit lodged with Invion's bank as support for the lease of premises which was tenanted by the Company in May 2014.

(b) Non-current		
Bank Guarantee Deposit	**52,083**	**67,400**
	52,083	**67,400**

	2015 $	2014 $
9. OTHER ASSETS		
Current – Prepayments	**133,819**	**141,774**
	133,819	**141,774**

	2015 $	2014 $
10. PROPERTY, PLANT & EQUIPMENT		
Total property, plant and equipment		
- At Cost	**83,824**	**70,336**
- Accumulated Depreciation and Amortisation	**(57,101)**	**(41,365)**
Total written down value	**26,723**	**28,971**

11. INTANGIBLE ASSETS

	2015 $	2014 $
Intellectual property	**19,204,000**	**15,494,500**
Less: impairment (i)	**(4,125,000)**	**(4,125,000)**
Less: Accumulated amortisation	**(3,395,061)**	**(1,646,214)**
Net carrying value	**11,683,939**	**9,723,286**
Funding Right	**2,698,647**	**2,012,000**
Less: Accumulated amortisation	**(2,698,647)**	**(1,857,600)**
Net carrying value	**-**	**154,400**
	11,683,939	**9,877,686**
Reconciliation of intellectual property (at cost)		
Balance at beginning of year	**9,723,286**	**10,145,330**
Foreign currency translation gain/(loss)	**3,090,921**	**-**
INV104 in-licence (ii)	**-**	**500,000**
Amortisation charge	**(1,130,268)**	**(922,044)**
Closing carrying value at 30 June 2015	**11,683,939**	**9,723,286**
Reconciliation of funding right (at cost)		
Balance at beginning of year	**154,400**	**1,178,144**
Foreign currency translation gain/(loss)	**43,056**	**-**
Amortisation charge	**(197,456)**	**(1,023,744)**
Closing carrying value at 30 June 2015	**-**	**154,400**
	11,683,939	**9,877,686**

Description of intangible assets

The Group owns intellectual property on two drug assets INV102 (acquired in merger with Inverseon, Inc in August 2012), and, INV103 (purchased in prior years). The INV102 patents owned by Invion are being amortised over the life of the patent, which is 13 years from acquisition. The Funding Right relates to the US NIH grant (USD$4.4 million) which is funding the Group's phase II clinical trial in asthma patients. The grant was amortised over two years, which is the period over which the benefit was received.

(i) Consideration of impairment

The Directors do not consider there have been any indicators of impairment of the acquired intangible asset (INV102) during the year and up until the date of this report.

The Directors have continued to provide against the notional book value (i.e. fully impair) the INV103 intellectual property given the risks and uncertainties associated with the continued research and development and ultimate commercialisation of this asset.

(ii) In-licence of IP
On 28 October 2013, the Company announced the execution of an exclusive, worldwide licence agreement with US-based Accolade Pharma LLC, for intellectual property to develop inhaled formulations of zafirlukast for the treatment of asthma and other respiratory conditions. A licence fee of $500,000 was payable by the Company to Accolade Pharma LLC in equal installments over a 12 month period commencing January 2014. The in-licenced intellectual property is reflected as an intangible asset and is being amortised over the term of the licence agreement, to 1 January 2024.

	2015 $	2014 $
12. TRADE & OTHER PAYABLES		
Trade creditors	**1,705,068**	**527,427**
Accrued expenses	**245,888**	**110,880**
Director related payables	**70,754**	**30,440**
Director related accruals	**32,548**	**-**
	2,054,258	**668,747**
Financial liabilities		
Notes payable	**19,531**	**15,924**
Convertible Note	**385,000**	**-**
Loans from Directors and related parties	**1,200,000**	**-**
Other secured loan (R&D tax offset funding)	**974,213**	**-**
	2,578,744	**15,924**

Director related payables reflect expense reimbursements due to Executive Directors at 30 June 2015, accrued interest on Director loans (see Note 22, Related Party Transactions) and the balance of fees outstanding to McCullough Robertson Lawyers (see Note 23, Other Transactions). Director related accruals refers to deferred Non-Executive Director fees for the three months from April-June 2015.

Trade creditors are non-interest bearing and are normally settled on 30-day terms. Related party payables are non-interest bearing and are payable for services provided in the ordinary course of operations. Details of payments made to Directors are set out in the Directors' Report. Details of payments made to related parties are set out in Note 22 - Related Party Transactions.

Notes Payable related to Notes assumed in the acquisition on Inverseon Inc.

The Convertible Note is on issue to the Australian Special Opportunities Funds (ASOF), as compensation for the March 2015 conclusion of the Share Purchase and Convertible Security Agreement (SPCSA) dated November 2014. This Note cannot be converted until after 15 December 2015 (conversion date), with some minor exceptions (e.g. change of control, share price >5c). The convertible note can be converted any time after the conversion date within a 24 month period. The settlement deed also provides for an increase to the face value of the note to $350,000 upon occurrence of events, including certain capital raisings, as set out in the agreement. The conversion price is the

(a) the lesser of:
- 2.5 cents
- Price per share at 90% of the average lowest VWAP during 20 consecutive trading days prior to conversion; and
- If the Company raises funds by issuing equity at a price per share of less than 2.5 cents during the period commencing on execution date and ending 3 months after Execution date, the price per Share at which the capital raising was effected; and

(b) In relation to a conversion deemed at the end of the 24 month term conversion price is determined per (a) above using the last day as the conversion notice date

Details of the fair value measurement are set out in Note 5.

The loans from Directors are unsecured (non-equity related) debt funding which was provided by directors and related parties for working capital and for the repayment of outstanding liabilities under the SPCSA. The original termination date of the loan was 8 months from 19 March 2015. Subsequent to 30 June, each Director and related party has agreed to a variation of the original loan agreement on the following terms:

(i) a new definition of 'Successful Capital Raising' which means 'the issue of new shares in the Company raising a minimum of $5 million (before offer costs) is added;

(ii) the definition of 'Termination Date' was deleted and replaced with:
'means the earlier of:
a. 14 July2016;
b. the date which is 5 Business Days after the Company completes a Successful Capital Raising; or
c. the date on which the Lender demands payment of the Money Owing following the occurrence of an Event of Default.'

R&D Tax Offset Funding: The Company entered into an agreement with Metamor Capital Partners to access capital ahead of the anticipated receipt of its R&D tax incentive rebate. This funding facility provides Invion with a valuable capital management tool as it progresses current R&D activities and continues partnering discussions. This non-dilutive (non-equity related) interest-bearing secured facility has a limit of A$1.56M which is due to expire by 1 November 2016. The advanced amount under the loan of $1,042,008 is due for full repayment by 30 October 2015, which payment will be met from the R&D tax incentive rebate.

	2015 $	2014 $
13. PROVISIONS		
Current		
- Short-term employment provisions	**81,260**	**107,520**
Non-current		
- Long-term employment provisions	**18,095**	**15,091**
	99,355	**122,611**

	2015 Number	2015 $	2014 Number	2014 $
14. ISSUED CAPITAL				
Ordinary shares fully paid	**822,747,068**	**119,884,852**	**541,225,440**	**112,941,342**
Movements in shares on issue				
As at 1 July	**541,225,440**	**112,941,342**	**459,696,460**	**107,407,805**
Shares issued pursuant to SPCSA with ASOF (i)	**30,021,420**	**1,278,822**	**-**	**-**
Shares issued to related parties	**-**	**-**	**3,013,332**	**114,280**
Shares issued in Placement (ii)	**88,284,940**	**2,207,123**	**66,666,671**	**5,000,000**
Shares issued in Rights Issue (ii)	**163,215,268**	**4,080,376**	**11,848,977**	**888,675**
Transaction costs	**-**	**(622,811)**	**-**	**(469,418)**
As at 30 June	**822,747,068**	**119,884,852**	**541,225,440**	**112,941,342**

(i) In November 2014, the Company announced it had entered into a Share Purchase and Convertible Security Agreement (SPCSA) with The Australian Special Opportunity Fund, LP (ASOF), an institutional investor managed by The Lind Partners, LLC, for a funding commitment of up to AU$17.4 million. The agreement provided Invion access to funds through a flexible convertible instrument, and the ability to secure additional funding in stages to meet interim financing needs, through the issue of shares at prices that are linked to market prices at the time of issue. As part of a strategic review conducted in March 2015, the Company mutually agreed to conclude the SPCSA with ASOF, effective on 24 March 2015, with the convertible security and all other outstanding liabilities were repaid. As compensation for the conclusion of the SPCSA, ASOF retained its existing shares, including 3,000,000 collateral shares, and options, and received a new convertible note with a face value of $250,000. The Settlement Deed also provides for an increase to the face value of the Note to $350,000 upon the occurrence of certain events including certain capital raisings as set out in the agreement. This Note cannot be converted until after 15 December 2015, with some minor exceptions (e.g. change of control, share price >5c).

(ii) On 20 March 2015, the Company announced a $5 million Placement and Rights Issue Entitlement Offer. The successful completion of a private placement to institutional and sophisticated investors raised gross proceeds of approximately $895,000 through the issue of 35,826,290 fully paid ordinary shares at $0.025 per share. This price represented a 36% discount to the 3.9c closing price on 11 March 2015 (the last trading day prior to commencement of the placement). Under the terms of the rights issue, the Company offered existing shareholders 2 new shares for every 7 shares held at the record date (Thursday 26 March) to raise a further $4.1 million through the issue of 163,215,268 fully paid ordinary shares at the same price as the private placement. On 22 April 2015, the Company announced that the Entitlement Offer was fully subscribed with demand exceeding the shares available under the Offer. The Company had therefore completed a further $1.3 million Placement via the issue of 52,458,650 shares at $0.025 per share to sophisticated and professional investors to partially satisfy the strong demand and reduce the amount of scale-back required for the Entitlement Offer Top-Up Facility.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holders to one vote per share, either in person or by proxy, at a meeting of the Company.

Share Purchase Agreement with Numoda Capital Innovations

In December 2012, the Group engaged the services of Numoda Corporation for the provision of clinical trial management services for the INV102 and INV103 phase II clinical trials. At the same time, the Group entered into a Share Purchase Agreement (SPA) with Numoda Capital Innovations (NCI).

Under the share purchase agreement, NCI have committed to acquire Invion shares via private placement and open market transactions whilst INV102 and INV103 clinical trials are ongoing. NCI's total commitment under the agreement is for an investment of up to $2 million to occur across current and future clinical trials. The Board of Invion estimated in 2012 that the value of shares to be purchased and placed relative to the two clinical trials currently underway will be in the order of $250,000. At the date of this report, NCI had invested approximately $40,000 via open market purchase, and $65,000 via private placement for a total investment of approximately $105,000.

15. CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the Parent. The primary objectives of the Group's capital management are to ensure adequate capital is maintained to support the continuance of the Group as a going concern, and to maintain optimal returns to shareholders and benefits to other stakeholders. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders (if any), return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2015 and 2014. The gearing ratios for the year ended 30 June 2015 and 30 June 2014 are as follows:

	2015 $	2014 $
Total borrowings (at face value)	**2,578,744**	**15,924**
Less: cash and cash equivalents	**(2,284,513)**	**(3,952,538)**
Net debt / (cash)	**294,231**	**(3,936,614)**
Total equity (including liabilities at face value)	**6,860,171**	**10,159,077**
Total net debt plus equity	**7,154,402**	**6,222,466**
Gearing ratio	**4%**	**(39%)**

16. RESERVES

	2015 $	2014 $
Balance at 1 July	**20,664,497**	**20,190,602**
Share based payment	**714,183**	**434,345**
Options issued under SPSCA	**127,400**	**-**
Translation of subsidiary	**1,166,199**	**39,550**
Balance at 30 June	**22,672,279**	**20,664,497**

Nature and purpose of reserves

The equity reserve records:

(i) Option reserve: Items recognised as an expense with respect to share-based consideration;

(ii) Foreign currency translation reserve: Translation of foreign subsidiary

(iii) Convertible note reserve: The equity component of convertible notes.

	2015 $	2014 $
17. EARNINGS PER SHARE		
Basic (loss) per share from continuing operations (cents per share) (i)	**(2.15)**	**(1.27)**
Note: The basic/diluted earnings / (loss) per share for FY2014 has been restated following the Rights Issue that occurred in FY2015.		
Income and share data used in the calculation of basic & diluted earnings per share:		
Loss from continuing operations after income tax expense	**(13,041,233)**	**(6,883,937)**
Weighted average number of ordinary shares outstanding during the year used in calculation of basic & diluted EPS	**606,457,292**	**541,225,620**
Effect of dilutive securities:		
- Share options (ii)	-	-
Adjusted weighted average number of ordinary shares outstanding during the year used in calculation of basic & diluted EPS	**606,457,292**	**541,225,620**

(i) The basic/diluted earnings per share for FY2014 has been restated following the Rights Issue that occurred in FY2015
(ii) As the Company incurred a loss for the current year, potential ordinary shares - being options to acquire ordinary shares - are considered non-dilutive.

18. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2015 $	2014 $
Cash at bank	**2,281,909**	**951,477**
Term deposit	**-**	**3,000,000**
Petty cash	**2,604**	**1,061**
	2,284,513	**3,952,538**
(b) Reconciliation of net cash flows from operating activities to operating loss after income tax		
Operating loss after taxation	**(13,041,233)**	**(6,883,937)**
Non cash items		

Depreciation, Amortisation	**1,343,209**	**1,954,646**
Equity based compensation (i)	**714,183**	**434,345**
Non cash Financing costs	**972,400**	**-**
Net foreign exchange	**9,924**	**95,408**
Income Tax Benefit	**(475,820)**	**(764,695)**
Change in assets and liabilities		
(Increase)/decrease in receivables and prepayments	**(1,227,806)**	**913,923**
Increase/(decrease) in payables	**1,597,198**	**(134,600)**
(Decrease)/ increase in provisions	**(23,256)**	**30,987**
Net cash flows used in operating activities	**(10,131,201)**	**(4,353,923)**

(i) Includes costs associated with the Share Purchase and Convertible Security Agreement with the Australian Special Opportunity Fund

19. KEY MANAGEMENT PERSONNEL

(a) Compensation for key management personnel	**2015 $**	**2014 $**
Short-term employee benefits	**1,107,653**	**1,204,476**
Post-employment benefits	**59,660**	**56,850**
Share based payments	**200,731**	**297,173**
	1,368,044	**1,558,499**

20. SHARE-BASED PAYMENTS

	2015 $	**2014 $**
(a) Recognised share-based payment expense		
Expenses arising from equity-settled share-based payment transactions	**714,183**	**434,345**
	714,183	**434,345**

(b) Types of share-based payment plans

Executive and Employee Share Option Plan

On 21 November 2014, the Annual General Meeting of Shareholders approved the issue of Share Options to Executive Vice President R&D and Chief Medical Officer, Dr Mitchell Glass. On 24 November 2014, a total of 8,812,500 options were issued with an exercise price of $0.12 (12c) and an expiry date of 9 November 2018. Options will vest in accordance with predetermined clinical milestones.

On 22 May 2015, the Company announced the issue of 6,314,635 Share Options to staff of Invion. The Options have an exercise price of $0.04 (4c) and vest in equal amounts over a five year period commencing 9 October 2015. The Options have an expiry date of 9 November 2019.

During the year ended 30 June 2015, no ordinary shares of Invion Limited were issued on the exercise of share options granted. The fair value of options granted during the 12 months ended 30 June 2015 was estimated on the date of grant using the Black-Scholes option pricing model applying the following assumptions:

Options issued 24 November 2014	
Dividend yield (%)	0.00
Expected volatility (%)	90
Average risk-free interest rate over life (%)	3.25
Expected life (months)	47
Weighted average share price ($)	$0.054

Options issued 28 May 2015	
Dividend yield (%)	0.00
Expected volatility (%)	90
Average risk-free interest rate over life (%)	3.25
Expected life (months)	53
Weighted average share price ($)	$0.022

Options have no voting or dividend rights, and there are no cash settlement alternatives.

"Other" Options

7,000,000 share options remain on issue to the Australian Special Opportunity Fund in relation to the Share Purchase and Convertible Security Agreement signed in November 2014 and concluded in March 2015. These options have an exercise price of $0.721 and expire in November 2017. Those options not exercised within the prescribed period will lapse. Options have no voting or dividend rights. There are no cash settlement alternatives.

Options issued November 2014	
Dividend yield (%)	0.00
Expected volatility (%)	80
Average risk-free interest rate over life (%)	2.6
Expected life (months)	36
Weighted average share price ($)	$0.057

Summary of Above: Options on issue at the date of this Report

Directors	Employees	Consultants	Other	Total
33,812,500	9,587,282	13,114,853	7,000,000	63,514,635

Share Based Transactions

(c) Summary of options granted during the year ending 30 June 2015

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options issued during the year:

	Number 2015	WAEP 2015	Number 2014	WAEP 2014
Outstanding at the beginning of year	**44,837,500**	**$0.1182**	21,050,000	$0.1246
Options issued during the year	**22,127,135**	**$0.0820**	25,287,500	$0.1119
Options lapsed during the year	**(3,450,000)**	**$0.3091**	(1,500,000)	$0.0900
Options exercised during year	-	**-**	-	-
Outstanding at the end of the year	**63,514,635**	**$0.0955**	**44,837,500**	**$0.1182**

A total of 12,135,000 Share Options were vested and exercisable at 30 June 2015. The weighted average exercise price for these options is $0.10

The following average inputs were applied to the option pricing model:

Weighted average exercise price	$0.08
Weighted average life of the option	45 months
Underlying share price	$0.04
Expected share price volatility	87%
Risk free interest rate	3.04%
Range of exercise price	$0.04 – $0.12

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

21. COMMITMENTS AND CONTINGENCIES

Corporate commitments

In May 2012 the Company entered into a four-year lease for new premises. In March 2013 the Company assigned its lease to a third party and subsequently entered into a sub-lease. The sublease expires in April 2016. Current sub-lease payments are approximately $24,000 per annum. The Company has no "make good" obligation at the expiration of the lease term. In October 2014, Invion, Inc (subsidiary company) renewed a 12 month lease for premises. Lease payments are approximately $25,000 per annum.

R&D commitments

At the Balance Date, the Company had contractual commitments relating to R&D development activities totalling approximately $0.73 million (30 June 2014: $2 million).

On 30 March 2001, the Company entered into a Royalty Agreement with CSL Limited (CSL). This agreement was entered into contemporaneously with the Deed of Assignment, an agreement which assigned CSL's rights to its Research Agreement with Uniquest Pty Ltd to CSL for payment of $125,000. The Royalty Agreements stipulates that Invion is to pay royalties to CSL after commercialisation of products developed under the Research Agreement.

Contingencies related to litigation
The Directors consider that the risk of a liability arising out of the litigation (as noted in the Directors' Report) is remote. As such there is no contingent liability recorded in these Financial Statements.

	Within one year $	After one but within five years $
Operating leases		
Premises	33,362	-
Telephone, broadband, photocopying, printing	623	-
	33,985	-
R&D Commitments		
Clinical trial costs	734,211	-
	734,211	-

22. RELATED PARTY TRANSACTIONS

Loans from Directors
In March 2015, the Company entered into loan agreements with each Invion Director subsequent to which unsecured (non-equity related) debt funding was provided by Invion directors to the Company for working capital and for the repayment of outstanding liabilities. The key terms of the loan are:

- Advance: Each director loaned the Company $200,000 (for a total loan amount from Directors to the Company of $1,200,000).
- Term: 8 months from 19 March 2015
- Interest rate: 10% per annum. Interest accrues daily and is payable at termination (19 October 2015).

Subsequent to 30 June, each Director and related party has agreed to a variation of the original loan agreement on the following terms:

(i) a new definition of 'Successful Capital Raising' which means 'the issue of new shares in the Company raising a minimum of $5 million (before offer costs) is added;
(ii) the definition of 'Termination Date' was deleted and replaced with:
'means the earlier of:
d. 14 July 2016;
e. the date which is 5 Business Days after the Company completes a Successful Capital Raising; or
f. the date on which the Lender demands payment of the Money Owing following the occurrence of an Event of Default.'

Transactions with the subsidiary
Invion Limited is the parent entity in the Group. Details of the Group's subsidiary are set out below. During the period the parent transacted with the subsidiary. All transactions have been eliminated on consolidation.

		% equity interest	
Name	**Country of incorporation**	**2015**	**2014**
Invion Inc.	USA	**100%**	**100%**

23. OTHER TRANSACTIONS

McCullough Robertson Lawyers has provided legal advisory services to the Company since 2004. Mr Brett Heading, who was appointed to the Board on 26 February 2012, is a Partner at McCullough Robertson. In the reporting period, fees of $329,991 were paid or were payable to McCullough Robertson in connection with the provision of legal advisory services to the Company, including disbursements payable for items including court fees and fees payable to Counsel engaged on the Company's behalf.

24. PARENT NOTE

Information relating to Invion Limited (the Parent)

	2015 $	2014 $
Current assets	**4,111,665**	**6,382,634**
Total assets	**10,498,919**	**14,031,921**
Current liabilities	**3,620,653**	**626,802**
Total liabilities	**3,638,748**	**641,893**
Issued capital	**119,884,852**	**112,941,342**
Retained earnings / (losses)	**(134,619,279)**	**(120,209,237)**
Reserves	**21,594,598**	**20,657,923**
Profit / (loss) of the Parent entity	**(14,410,042)**	**(4,943,960)**
Total comprehensive profit / (loss) of the Parent entity	**(14,410,042)**	**(4,943,960)**

25. SUBSEQUENT EVENTS

INV104 (zafirlukast)

Subsequent to the Balance Date, the Company announced a commitment from Hovione, an international pharmaceutical company expert in inhalation development and manufacturing, to progress development of inhaled INV104 (zafirlukast) as a potential new treatment for asthma. The Company and Hovione will collaborate to develop the dry powder formulation of the compound INV104 (zafirlukast) delivered by Hovione's inhaler. Under the terms of the agreement, Hovione will provide expertise on chemistry, particle engineering, formulation, device and GMP manufacturing to develop and manufacture Zafirlukast Dry Powder Inhaler (DPI), which will be delivered using its proprietary device. As consideration for Hovione's licensing and supply of the finished drug product, Invion will pay an annual royalty to Hovione on total net sales of Zafirlukast DPI.

INV103 (ala-Cpn10)

On 17 August 2015, the Company announced it had completed its phase II clinical trial entitled of INV103 (ala-Cpn10) in lupus patients. The Company's decision to complete the trial was based on the review of safety and biochemical markers of effect in 28 subjects across four cohorts, which show that the study had met its objectives and supports the continued development of INV103 (ala-Cpn10) in longer and larger trials in patients with autoimmune diseases.

Three sets of data were reviewed from subjects who received twice-weekly doses of 10, 30 or 100mg of ala-Cpn10, or placebo. The adverse events and clinical chemistry profiles showed that increasing the dose 10-fold over levels used previously in the development of the drug asset could be achieved safely. Serum biomarkers of vascular inflammation were too variable in all cohorts to draw absolute

conclusions about biological effect.

However significant data were derived from extracting white blood cells from patients before and after certain doses and stimulating these cells (peripheral blood monocytic cells or PBMCs) to produce inflammatory signals. PBMCs are hypothesized to play a critical role in autoimmune diseases.

Subjects in the first cohort, who received 10mg intravenously twice-weekly for four weeks, showed no consistent effect on stimulated PBMC production of 3 key cytokines (IL-1Beta, IL-6 and TNF-alpha) measured at two time points. In contrast, subjects in the second cohort (30mg intravenously twice-weekly for four weeks) showed a consistent decrease in production of all three cytokines measured at the same two time points in stimulated PBMC. Data from the third cohort (100mg intravenously twice-weekly for four weeks) support findings from the second cohort, although, like the placebo data, had some variability.

INV103 (ala-Cpn10) will need scale-up and longer term toxicology to extend these findings from one month to longer term studies in larger groups of subjects. The Company is providing these data to potential partners in the near term, with a view to partnering the program.

	2015 $	2014 $
26. AUDITORS REMUNERATION		
Amounts received or due and receivable by the auditors of the Company for:		
- an audit of the financial report	**79,600**	**77,250**
- accounting review of the Share Purchase and Convertible Security Agreement with the Australian Special Opportunities Fund	**20,000**	**-**
- an independent accountant's report for the 2015 Rights Issue	**7,931**	**-**
- taxation services and taxation advisory	**-**	**29,191**
	107,351	**106,441**

Directors' Declaration

In the opinion of the Directors:

(a) the financial statements and notes of the Group are 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 2015 and of its performance for the year ended on that date; and

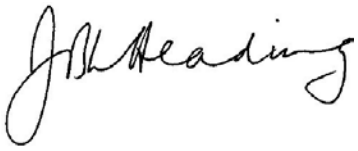
ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 3.1; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(d) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2015.

Signed in Brisbane on 31 August 2015
On behalf of the Board



Brett Heading
Chairman

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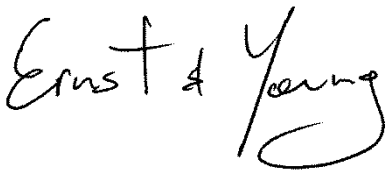
Auditor's Independence Declaration to the Directors of Invion Limited

In relation to our audit of the financial report of Invion Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Ric Roach
Partner
31 August 2015

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Building a better working world

Independent audit report to members of Invion Limited

Report on the financial report

We have audited the accompanying financial report of Invion Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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Opinion

In our opinion:

a. the financial report of Invion Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 3.

Report on the remuneration report

We have audited the Remuneration Report included in pages 12 to 22 of the directors' report for the year ended 30 June 2015. 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.

Opinion

In our opinion, the Remuneration Report of Invion Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 3.3 in the financial report which indicates that the consolidated entity is dependent on the raising of additional funds to continue activities. As a result of this matter, there is significant uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Ernst & Young

Ric Roach
Partner
Brisbane
31 August 2015

Invion Limited ACN 094 730 417

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Brisbane, QLD, 4000
Australia
Tel: (07) 3295 0500
Fax: (07) 3295 0599
www.inviongroup.com

Share Registry
Shareholder information in relation to shareholding or share transfer can be obtained by contacting the Company's share registry:
Link Market Services, Locked Bag A14,
Sydney South, NSW, 1235
Tel: 1300 554 474
Fax: (02) 9287 0303
Email: registrars@linkmarketservices.com.au
www.linkmarketservices.com.au

For all correspondence to the share registry, please provide your Security-holder Reference Number (SRN) or Holder Identification Number (HIN).

Change of address
Changes to your address can be updated online at www.linkmarketservices.com.au or by obtaining a Change of Address Form from the Company's share registry. CHESS sponsored investors must change their address details via their broker.

Annual General Meeting
The Annual General Meeting will be held at 10.00am, Friday 20 November 2015 at the offices of McCullough Robertson Lawyers, Level 11, 66 Eagle Street, Brisbane.

Annual report mailing list
All shareholders are entitled to receive the Annual Report. In addition, shareholders may nominate not to receive an annual report by advising the share registry in writing, by fax, or by email, quoting their SRN/HIN.

Securities exchange listing
Invion's shares are listed on the Australian Securities Exchange and trade under the ASX code IVX. The securities of the Company are traded on the ASX under CHESS (Clearing House Electronic Sub-register System)

ASX Shareholder Disclosures
The following additional information is required by the Australian Securities Exchange in respect of listed public companies. The information is current as at 17 July 2015.

1. Total securities on issue

ASX code	Description	Expiry	Listed	Unlisted
IVX	Ordinary shares	-	822,747,068	
IVXAI	Options ($0.09)	09.11.17		16,875,000
IVXAK	Options ($0.10)	09.11.17		225,000
IVXAK	Options ($0.10)	09.11.17		10,300,000
IVXAM	Options ($0.12)	09.11.18		22,800,000
IVXAN	Options ($0.0721) ASOF	11.11.17		3,500,000
IVXAO	Options ($0.0721) ASOF	22.11.17		3,500,000
IVXAQ	Options ($0.04)	9.11.18		6,314,635
IVXAP	$250k Convertible Security	10.11.16	-	
			822,747,068	**63,514,635**
		TOTAL FULLY DILUTED	**886,261,703**	

Distribution of equity securities – ordinary shares

The number of security investors holding less than a marketable parcel at 17 July 2015 was 1547 and they held 10,228,354 securities.

	Number of holders	Number of shares	% Issued Capital
100,000 and over	1,107	729,379,361	88.65
50,001 to 100,000	641	49,710,474	6.04
10,001 to 50,000	1436	38,734,741	4.71
5,001 to 10,000	438	3,506,217	0.43
1,001 to 5,000	419	1,311,272	0.16
1 to 1,000	302	105,003	0.01
	4,343	822,747,068	100

2. Voting rights

Shareholders in Invion Limited have a right to attend and vote at general meetings. At a general meeting, individual shareholder may vote in person or by proxy. All quoted and unquoted share options, and convertible notes, have no voting rights.

3. Substantial shareholders

The Company has not received notice from any shareholder as being a substantial holder in the Company.

4. Share buy-back

There is no current or planned buy-back of the Company's shares.

5. Statement in accordance with ASX Listing Rule 4.10.19

The Company confirms that is has used the cash and assets in a form readily convertible to cash at the time of admission in a way consistent with its business objectives.

6. Twenty largest shareholders - ordinary shares

Rank	Name	17 Jul 2015	%IC
1	DR WILLIAM GARNER	31,294,179	3.80
2	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	22,680,477	2.76
3	HIMSTEDT & CO PTY LTD	19,542,935	2.38
4	CITICORP NOMINEES PTY LIMITED	18,026,024	2.19
5	BARWON BIOTECHNOLOGY PTY LTD	14,711,352	1.79
6	DR MITCHELL GLASS	13,677,032	1.66
7	JEAN-LUC TETARD	13,157,895	1.60
7	CARLOS ADOLFO MUNOZ	13,157,895	1.60
8	BNP PARIBAS NOMS PTY LTD	10,500,000	1.28
9	BASILDENE PTY LTD	9,458,597	1.15
10	M P A M M PTY LTD	8,752,074	1.06
11	ELMAR SCHNEE	8,500,000	1.03
12	MR WARWICK JOHN SPILLER & MRS CAROL ANN SPILLER	8,358,429	1.02
13	ACE PROPERTY HOLDINGS PTY LTD	7,000,000	0.85
14	DR AMIE FRANKLIN	6,943,623	0.84
15	RETIREWELL COMMERCIAL SERVICES PTY LTD	6,642,857	0.81
16	KTEC HOLDINGS	6,627,348	0.81
17	HIMSTEDT SUPERANNUATION PTY LTD	6,428,572	0.78
18	DR CHOON-JOO KHO	5,400,000	0.66
19	COMMON GOOD CORPORATION PTY LTD	4,998,049	0.61
20	MR MENA ABDELMESSIH	4,715,607	0.57
	Total	**240,572,945**	**29.24**
	Balance of register	**582,174,123**	**70.76**
	Grand total	**822,747,068**	**100.00**

7. Twenty largest shareholders - quoted share options

No options are quoted.

8. Holders of greater than 20% unquoted securities

The following shareholders hold greater than 20% or more of the following unquoted equity securities (by class) of the Company:

Class of unquoted equity security	Holders with >20% of the equities securities in each class	Number of equity securities held
Share options exercisable at $0.10 each on or before 9 November 2017	Dr Greg Collier	10,000,000
Share options exercisable at $0.09 each on or before 9 November 2017	Dr Mitchell Glass	10,000,000
Share options exercisable at $0.12 each that vest and expire in accordance with clinical development milestones	Dr Mitchell Glass	8,812,500

Corporate Directory

Directors

Mr Brett Heading, Chairman
Dr Greg Collier, Managing Director & CEO
Dr Mitchell Glass, Executive VP R&D and CMO
Dr James Campbell, Executive Director
Mr Warren Brown, Non-executive Director
Mr Gregory Brown (Alternate Director)

Company Secretary

Ms Melanie Farris

Registered Office

c/- McCullough Robertson Lawyers
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P: (07) 3295 0500
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E: investor@inviongroup.com
W: www.inviongroup.com

Australian Business Number

76 094 730 417

Securities Exchange Listing

Australian Securities Exchange
ASX Code: IVX

Auditors

Ernst & Young
Brisbane
Australia

Lawyers

McCullough Robertson Lawyers
Brisbane
Australia

Share Registry

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia
P: 1300 554 474
F: (02) 9287 0303
W: www.linkmarketservices.com.au