

IQ-AI Limited

**Annual Report and Financial Statements
for the year ended 31 December 2020**

Registered number: 2044

IQ-AI LIMITED

Annual Report and Financial Statements
For the year ended 31 December 2020

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Chief Executive Officer's Statement

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To the Members of IQ-AI Limited

We are delighted to present the annual report for the twelve months ended 31 December 2020 for IQ-AI Limited ("IQAI" or the "Company").

About IQAI

IQAI was created to accelerate the translation and commercialisation of proven imaging technologies, from the laboratory to routine clinical use, that have potential to dramatically impact the quality of life for patients facing brain tumours and other chronic diseases. Brain tumour patients and especially those diagnosed with glioblastoma multiforme (GBM) face a dismal prognosis. Despite tremendous global efforts that span decades, only incremental improvements have been made in survivability and progression free survival. The unmet clinical need of GBM and other diseases motivates IQAI to continuously innovate and deliver validated products that benefit patients. Since its inception, the Company has aggressively proliferated its product portfolio, accelerated product and technology development, and obtained market clearance for new global territories.

IQAI have made significant progress towards fulfilling its operational and business goals and is particularly primed to capitalise on further distribution and sales of its lead product, IB Clinic®. With that foundation in place, the Company has renewed focus in expanding business activities with channel partners, developing innovative Artificial Intelligence (AI) technologies, and exploring strategic investments including mergers and acquisitions.

IB Clinic

At its core, IB Clinic is based on the research of Kathleen Schmainda, PhD, at the Medical College of Wisconsin (Milwaukee, WI, USA) and consists of software products focused on perfusion and diffusion imaging. The flagship product, IB Neuro™, obtained FDA clearance in 2008 and is the only commercial platform used in national (US) multi-center clinical trials. It has been recognised as the recommended standard for dynamic susceptibility contrast (DSC) perfusion imaging and to our knowledge, IB Neuro is the only commercially available, tissue validated, magnetic resonance imaging (MRI) method that answers the most important question in neuro oncology today: *Is the enhancing region showing tumour or is it an effect due to treatment?* Thus, the Company believes this unique capability is critical for driving accurate decisions when monitoring treatment response.

IB Neuro employs a proprietary approach that accounts for contrast leakage across the blood-brain-barrier (BBB). While the underlying algorithm is the widely accepted Boxerman-Schmainda-Weisskoff (BSW) model, the unique implementation of the BSW model data-conditioning enhancements have rendered IB Neuro highly robust and accurate. Included in IB Neuro is the ability to automatically standardise image intensities and, thereby, translating the "relative" MR values to a fixed and quantitative scale. Therefore, IB Neuro is the only automated and quantitative MR DSC perfusion option available. This standardisation technology is more consistent over the manually intensive "tissue-normalisation" technique and is ideal for monitoring response to treatment.

Designed as a platform-independent algorithm, IB Clinic is focused on widespread distribution and adoption into healthcare facilities of all sizes. Readily available and scalable, IB Clinic is available through AI marketplaces of many channel partners including TeraRecon, Blackford/Bayer, IntelliRAD, QMENTA, Arterys, and CorTechs.ai. Partnerships with major players in healthcare systems are integral to IQAI's distribution and growth strategy. Integrated partnerships are designed to allow IB Clinic to be deployed directly to patient populations and their treating clinicians in a cost-efficient and timely manner. In addition, IQAI also offers its own container-edition which operates independent of any partner.

Operational Progress

2020 marked unique challenges as the Covid-19 pandemic disrupted how we lived and worked. While the direct impact to IQAI's operating subsidiaries, Imaging Biometrics, LLC (IB) and Stone Checker Software Limited (SC) was negligible, the hospitals and healthcare providers to whom we sell were forced to step up and respond to those in need. That sudden and significant shift in resources and priorities forced prospective clients to pause sales activities initiated in the latter half of 2019. Despite these circumstances, we persevered. We regained sales momentum in the second half of 2020, accelerated development of novel technologies, and laid the foundation for an exciting 2021. A testament to the added value that our products are offering and our own marketing efforts.

Chief Executive Officer's Statement (continued)

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Major Highlights

- Announced partnership with AI Metrics, LLC, the team behind Liver Surface Nodularity (LSN) software. The agreement recognises IB as the sole contract manufacturer of LSN and granted global distribution rights. LSN, which received FDA 510(k) market clearance in October 2020, is a first-to-market platform designed as a virtual liver biopsy to non-invasively assess chronic liver disease (CLD).
- Obtained Korean FDA (KFDA) market clearance for SC Software, thereby broadening the sale opportunities for IQAI's distribution partner and a large market.
- Accelerated development of disruptive technologies by enlisting Dr. Jay Urbain, PhD, a recognized software design expert specialising in Artificial Intelligence (AI) and Deep Learning. Substantial milestones were achieved in synthetic T1+C ("Gad-Free") development, auto-segmentation, and myriad other image process enhancements.
- The Directors believe that IB has maintained the leading global position as the most clinically proven, tissue-validated perfusion approach for high-grade glioma as demonstrated in peer-reviewed publications such as the American Journal of Neuroradiology [Performance of Standardized Relative CBV for Quantifying Tumor Burden](#) and Neuro Oncology [Consensus Recommendations for DSC MRI](#)
- Secured another five-year grant award from the US National Cancer Institute (NCI) in collaboration with the Barrow Neurological Institute (BNI, the Mayo Clinic (Arizona, USA), and the Medical College of Wisconsin. The grant includes a way to harmonise the way MRI data is collected across MRI vendors including GE, Siemens, and Philips.
- Expanded access to IB's quantitative and automated solution through new partnerships including Arterys and CorTechs.ai. The relationship with CorTechs.ai was tightened further with the joint development of a neuro oncology platform that leverages IB technology. An FDA 510(k) submission was submitted for this platform in mid-March 2021.
- Entered into a partnership with The Mayo Clinic for the development of IB Trax™, a systematic way to identify and track metastatic lesions. Brain metastases account for the majority of intracranial tumours with 200,000 – 300,000 new diagnoses each year in the US alone. <https://academic.oup.com/noa/article/2/1/vdaa041/5824813>. This partnership included the appointment of Dr. Leland Hu, MD, Assistant Professor of Radiology (Mayo, Arizona) as a Medical Advisor to the Company.
- Installed IB software at another NCI designated cancer center, the Keck Medical Center at USC. The installation includes the fully automated processing available in IB Clinic® - Container edition and IB Clinic® - Mac edition and serves a high volume of brain tumour patients in the greater Los Angeles, California area.
- Initiated discussions with other companies for potential merger and acquisition opportunities. These companies include brain tumour imaging companies that complement IB's core offering.
- During the period, IQAI has worked closely with both the U.S. Patent and Trademark Office and the European Trademark Office for its "Synthetic T1+C" (Gad-Free) and its "Simultaneous Perfusion Imaging with Consecutive Echoes" (SPICE) patent applications, respectively. The Company continues to build out its intellectual property portfolio and are actively evaluating licensing other technologies that will enhance our competitive product positioning.
- Fundamental to the execution of our business plans is the hiring and retention of top-tier professionals. Leading into our projected launch of Synthetic T1C imaging and other AI solutions, we have identified and secured trained resources needed to properly label extensive datasets for AI model development and validation. In addition, the Company will implement a staffing search to add personnel necessary for planned growth including the commercialisation, client support, quality control, and product development. Prospective new hires have expressed sincere excitement to be part of a high-growth opportunity intersecting with a game-changing technology that can affect many patient lives.

Chief Executive Officer's Statement (continued)

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Pioneering Next-Generation Health Technology Solutions

IQAI is an artificial intelligence-enabled imaging diagnostics company, focused on optimising the clinical management and decision making of disease for the benefit of patients and those who care for them. The goal of the Company is to offer the most accurate and validated solutions in a cost-efficient manner in an effort to lower healthcare costs and improve a patient's quality of life. IQAI believes IB Clinic is a powerful prognostic tool that is ready to help clinicians and patients slow disease progression by supporting treatment decision making. The Company continues to broaden application of IB Clinic in new areas including metastatic cancers, low-grade tumours, stroke, and paediatric tumours.

On a Mission to Combat a Devastating and Costly Disease – Primary Brain Tumour

Primary brain tumors have a global incidence of 3.9 per 100,000 persons. Of those, 52% are glioblastoma multiforme (GBM); the most common and aggressive brain tumor. It is estimated that around 250,000 new cases of GBM are diagnosed each year with over 200,000 deaths worldwide. The Company's foundational technology and expertise has led to the development of quantitative imaging solutions that aid clinicians in the accurate assessment of treatment response for these patients. After surgery, contrast enhanced MRI is the gold standard imaging technique for monitoring treatment response and watching for recurrence. Patients undergo interval imaging every 2-3 months for the first two years after radiotherapy, and then every 4-6 months indefinitely. Radiologic imaging drives therapy decisions, however, it is well acknowledged that current contrast enhanced methods are insufficient. Areas of contrast enhancement on MRI may indicate true tumour recurrence or may simply be due to treatment-related effects that indicate a good prognosis for the patient. Conventional imaging is further confounded by the onslaught of new treatment therapies. IQAI has undergone repeated studies that demonstrates the output of IB Clinic to accurately correlate with actual tissue biopsy samples. Therefore, the Company remains enthusiastic that IB Clinic's addresses this unmet and critical medical need.

In addition, IB Delta T1™ maps, which objectively delineate true regions of contrast enhancement, substantially increase clinical productivity. Neuro radiologists often disagree, up to 50-60% of the time, where contrast enhancing regions are present. IB Delta T1 maps can detect very subtle regions of enhancement which can appear invisible on standard imaging, and subtracts out artifacts and confounding factors, such as post-surgical blood products. The Directors believe that together the combination of IB Neuro and Delta T1 maps provide the foundation of a proven and objective neuro oncology solution.

Focus areas 2021:

1. Business Growth

The top priority for the Company remains the continued increase in sales and distribution of its advanced imaging solutions. Through the availability of IB Clinic- Container edition and the continued expansion of global distribution partners and distributors, the Company is highly optimistic by renewed discussions currently underway with NCI-designated cancer centers and other major hospitals. These centers treat and monitor high volumes of brain tumour patients. The Company's automated solutions are ideally suited to efficiently provide personalised diagnosis and treatment response assessment in an extremely cost-effective manner. The volume-based annual subscription fee associated with institutions such as these is a substantial increase over the traditional licensing model used previously.

Moreover, Covid-19 exposed opportunities in healthcare that the Company was able to exploit. As part of every new installation of IB Clinic throughout 2020, "remote-in" capability was included to assist those working from home during the pandemic. This capability also facilitated sales to sites with multiple satellite imaging locations that are staffed by limited neuro radiologists. By merging teleradiology, AI, and advanced analytics, the Company's solutions enabled healthcare providers to stay connected with patients throughout their clinical journey and ensured them uninterrupted access to exclusive quantitative imaging technology.

Chief Executive Officer's Statement (continued)

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The Company continues to evaluate growth strategies to aggressively increase sales and marketing in Europe, the USA, and globally. Options include restructuring agreements with AI channel partners in a manner that incentivises direct interaction with IQAI experts who can best explain the underlying technology and clinical approach of IQAI solutions. Another option is more direct integrations of IQAI technology on established image workstations and servers. A prime example is the integration of the MR perfusion technology in an entirely new oncology platform with CorTechs.ai. This platform, OnQ Neuro, combines the best-of-breed technologies from both companies and a US FDA 510(k) application has been submitted by CorTechs.ai and is currently under review.

Merger and acquisition (M&A) activity has surfaced exciting opportunities for growth and outreach. The Company intends to continue with these discussions in 2021.

Overall, interest in IQAI's advanced visualisation technology was renewed during the latter half of 2020. Spring boarding off the momentum gained through sales, the Company anticipates announcing several significant installations during 2021. This includes direct sales as well as sales through our established channel partners and distributors.

2. Product Development

IQAI recognises the sustaining lifeblood of any organisation is the development of new technologies and products. Each of the continued development efforts possess a potentially significant impact across a range of areas. These areas include new products that directly improve patient diagnostics and care, reducing healthcare costs through streamlined workflows and reduced expenses, and even broadening the indicated use of core products to benefit an even broader patient population. The major programs are listed below:

- **IB Trax™:** In a co-development partnership with The Mayo Clinic, IB Trax is a new product platform that will leverage the Company's existing quantitative solutions to streamline the identification and reporting of metastatic lesions. Plagued by error rates as high as 30%, the current process is labour-intensive and cumbersome. IB Trax will seek to automate numerous steps and offer an organised approach for tracking and reporting of volumetric changes. The commercialisation pathway is also benefitted by an established CPT code based on generic 3D image analysis.
- **Synthetic T1+C (Gad-Free):** Significant technology leaps were made during 2020 for generating "synthetic", with contrast, images using only non-contrast images as inputs. Reducing/Eliminating use of contrast media has both safety and cost advantages. The Company is accelerating the preparation of a very large and varied dataset for final testing and validation. In parallel, close communication is maintained with the United States Patent and Trademark Office (USPTO), and the Company is optimistic that the zero percent (0%) patent application has been sufficiently detailed for the USPTO to render a decision. The AI model being developed is in itself an innovative and sophisticated and is considered a Trade Secret. In addition, a small survey comparing synthetic T1+C to actual T1+C images was recently sent to a select group of neuro radiologists. While more testing and training of the model remains, the preliminary results of this initial survey show the promising potential of the model. Specifically, the neuro radiologists rendered the same clinical decision in 88% of the cases if only presented with synthetic T1+C. This initial positive outcome underscores the validity of the IQAI model and ultimately reaffirms the potential of translating the Synthetic T1+C into routine clinical use.
- **Simultaneous Perfusion Imaging with Consecutive Echoes (SPICE):** In addition to the Synthetic T1+C AI model, the Company continues to offer alternative methods to reduce dependence on Gadolinium as a contrast agent (GBCA). The Company's patented "dual-echo" approach, or SPICE, is a unique acquisition and post-processing approach that provides two singular sets of

Chief Executive Officer's Statement (continued)

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output that otherwise requires separate MR acquisitions. Using SPICE, a single MR acquisition and a 50% reduction in GBCA, produces both dynamic susceptibility contrast (DSC) and dynamic contrast enhanced (DCE) parameter maps. Each of which provide useful physiologic information for brain tumor assessment. In addition, the low flip angle (LFA) method eliminates the need to administer a pre-load dose of GBCA. This approach is currently standardised at leading brain tumour imaging centers.

- Automated “FTB” maps: Fractional Tumor Burden (FTB) maps, an acronym made popular by the pioneering developer of the technique, leverages underlying IQAI technology to present clinicians with an objective and quantitative class map of standardised cerebral blood volume measurements. This map offers an objective visual that stratifies regions of high vascular activity corresponding to brain tumour. The automated approach uses AI to eliminate the final manual processing step, and it is currently being evaluated by the Company’s medical advisors for testing and feedback. The Directors’ believe that a distinct advantage of a fully automated FTB workflow is the immediate and widespread distribution potential with the Company’s established channel partners who limit integration to only automated algorithms. In parallel with this technological advantage, the Company is preparing to submit an FDA 510(k) application to broaden the intended use for high-grade brain tumours in adults. If granted, the Directors consider that this would expand global marketing opportunities, further differentiating IQAI as leader in the space, and pave the way for subsequent regulatory clearances using a similar approach.
- IB CAD™: The AI solution will identify areas of infiltrating cancer cells that are invisible using current imaging techniques. The Directors consider that this ability to “detect the undetectable” will revolutionise the entire spectrum of care for brain tumor patients including optimising treatment on a per patient basis. Development has been accelerated with funding from an awarded grant from the US National Cancer Institute (NCI) of which Kathleen Schmainda, PhD, is the Principal Investigator (PI). This five-year, \$3 million grant is the third grant awarded in two years which the Company is a recipient. Funding for all three grants directly fuels product development and further strengthens collaborations with leading academic research hospitals. These collaborative relationships allow the Company to maintain the pulse of clinical operations and needs, technology breakthroughs, and innovative ideas.
- OnQ Neuro is a multi-parametric oncology platform developed by IQAI’s partner CorTechs.ai. The platform incorporates IQAI’s perfusion technology and complements existing technology and reporting features of CorTechs.ai. An FDA 510(k) has been submitted to the FDA and is under review. The platform represents one of the most comprehensive oncology platforms and, once FDA cleared, will be immediately accessible to CorTech’s large installed base.
- The Company continues to enhance its flagship algorithms contained in IB Clinic. Following the November 2020 release, the development team is focused on incorporating new features and parameter maps in 2021. Many of the enhancements include “behind the scenes” functionality such as improved motion correction and image registration, as well as processing speed optimization. Other enhancements consist of ensuring the incoming data to be processed is adequate and, if not, providing information to the user to alert them to suspect data. A new parameter map, percent signal recovery (PSR), has been incorporated as an optional output for IB Neuro. All these enhancements and new features are the result of capturing and responding to client feedback as part of its certified Quality Management System (QMS). The Company expects to submit a 510(k) application to the US FDA in early Q3 to broaden the indicated use.
- The Company continued its participation in the US National Cancer Institute’s Quantitative Imaging Network (QIN) and remains its ONLY industrial participant. This includes NCI grant

Chief Executive Officer's Statement (continued)

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funding under the U01 “academic-industrial partnership” grant mechanism, of which Kathleen Schmainda, PhD is the PI. Early into the second (of five) years, the aim of the QIN is the clinical validation and translation of quantitative imaging biomarkers. IB Clinic continues to evolve and benefit from the direct input and exposure of the 31 other participating research institutions. Recently, the NCI’s Clinical Trial Branch initiated discussions to evaluate IB software for deployment in another multi-center clinical trial.

- The Company also is building upon its world-leading position in brain tumor treatment under the NCI-funded effort with Barrow Neurological Institute, the Mayo Clinic, and the Medical College of Wisconsin. Under PI Chad Quarles, PhD, a primary aim of this grant is the harmonisation of MRI data acquisition with global scanner vendors GE, Siemens, and Philips Medical. Standardising on an optimised MR acquisition approach across all the major scanner vendors will achieve a long-awaited milestone in the MR community; one that will benefit patients and care providers around the world.

3. Gallium Maltolate (GaM)

The recent announcement of the Company’s investment and commitment to an FDA Phase I clinical trial to understand the safety and toxicity of GaM in GBM patients is a move into the therapeutic space. As noted previously, approximately 250,000 new cases of GBM are diagnosed annually. Treatment options are limited, and prognosis remains dismal with a median survival of 14 months.

Pre-clinical studies have shown the administration of GaM significantly reduces the size of tumours. <https://mct.aacrjournals.org/content/17/6/1240> GaM shares certain properties with iron, which is needed in large quantities to support rapid tumour growth. Essentially, the cancer cells are tricked into consuming gallium instead of iron, starving the tumour and inhibiting cancer growth. In addition, prior studies demonstrate the unique ability of GaM to permeate across the blood-brain-barrier and reach the cancer cells. Many existing chemotherapy agents are not able to penetrate the brain and reach tumour cells.

The Company’s decision to sponsor the trial was made after comprehensive discussions with r. Chris Chitambar, MD, Emeritus Professor of Medicine and Biophysics, Division of Hematology and Oncology at the Medical College of Wisconsin (MCW). Dr. Chitambar and Dr. Jennifer Connelly, MD are Co-PIs of the study and are both long-standing collaborators with Kathleen Schmainda, PhD. The Company’s advanced brain tumour imaging is ideally suited to monitor treatment efficacy for this trial. Although still at a very early stage, the Company is seeking an IP protected therapy that will offer the promise of real treatment advance, enhanced quality of life, and improved mortality rates.

4. StoneChecker®

In Q4 2020, the Company announced the strategic decision to retain the StoneChecker Software. This decision was made in response to several factors including the unexpected and accelerated advancements in other product development priorities, as well as feedback received from trial users of the software. Later that same quarter, the Company issued a new release of StoneChecker which enhanced key workflow aspects including an upstream interface to facilitate the porting of CT kidney datasets to the platform as well as reporting enhancements. Currently, the Company is negotiating with two distributors on different continents and arranging product demonstrations to KOL’s in their respective regions. The Company has identified further enhancements, including fully automating StoneChecker processing, and will resource those efforts as other business priorities are completed.

Chief Executive Officer's Statement (continued)

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5. Liver Surface Nodularity (LSN)[™]

LSN obtained FDA clearance and CE mark approval during Q4 2020. The software expands the Company's portfolio in whole-body application and, as a plugin to the Mac-based OsiriX platform, is a natural extension to the widely accepted IB-OsiriX option. In conjunction with the owners of LSN technology, AI Metrics, LLC, the Company continues to serve as the contract manufacturer for AI Metrics by providing development, manufacturing, and distribution of LSN which are necessary to fulfil regulatory requirements. Together, the respective companies continue to explore new applications and integration of the underlying technology.

6. Marketing and Sales Strategies

All products developed and distributed by IQAI are designed for easy integration into the clinical workflow and allow for unlimited scalability. The automated and platform-independent features of IB Clinic – Container edition have afforded IQAI an unparalleled pathway into radiologic settings of all sizes. This application is pre-configured with network information to allow seamless routing of datasets between the scanners, IB Clinic, and the PACS. Client specified maps are automatically computed and are instantaneously available for review by a radiologist at a PACS workstation or at a remote workstation. Busy radiologists and MR Technologist are no longer required to access another 3rd party workstation to obtain their desired diagnostic information and remote access has provided clinician with flexible work options during the Covid-19 pandemic.

The Company continues to expand access to its core algorithms via integration into channel partner platforms. The channel partners offer platforms that allow 3rd party solutions to be integrated for purchase via "AI Marketplaces" and cloud-based applications. Recently, TeraRecon and IB entered into a new agreement that connects the end user with IB experts sooner during the sales cycle. And, of particular significance, Bayer has teamed with IB partner, Blackford, to develop and launch its own marketplace platform featuring select vendor applications. In addition to IB's products chosen as part of this new launch, the Company is proud that it will be included in one of the earlier launch phases as part of the new Bayer platform.

7. Paycheck Protection Program

On April 14, 2020, the Company, entered into an original loan agreement with BMO Harris Bank as the lender ("Lender") for a loan in an aggregate principal amount of \$52,495 (the "Loan") pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and implemented by the U.S. Small Business Administration. The Loan matures in two years and bears interest at a rate of 1% per year, with all payments deferred through the six-month anniversary of the date of the Loan. Principal and interest are payable monthly commencing on October 29, 2020 and may be prepaid by the Company at any time prior to maturity without penalty. The Company has applied for forgiveness of amounts due under the Loan, with the amount of potential loan forgiveness to be calculated in accordance with the requirements of the PPP based on payroll costs, any mortgage interest payments, any covered rent payments, and any covered utilities payments during the 8–24-week period after the origination date of the Loan. The Company utilised the proceeds of the Loan for payroll and other qualifying expenses, but there can be no assurances that any portion of the Loan will be forgiven. The balance on the PPP loan was \$52,495 as of December 31, 2020 and has been classified as a current liability in notes payable in the accompanying consolidated balance sheet at December 31, 2020.



Trevor Brown
Chief Executive Officer

Strategic Report

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The Directors present their strategic report on the group for the year ended 31 December 2020.

Principal activities

The principal activity of the Group is the provision of convenient, cost-effective and clinical treatments to patients in the field of medical imaging diagnostics, based on proven technologies. A review of the business is included within the Chief Executive Officer's Statement on page 2.

Strategy

IQ-AI's vision is to become a leader in the field of medical imaging diagnostics. The Company purchased 100% of the equity in Stone Checker Software Limited in June 2017, and in March 2018 purchased Imaging Biometrics LLC ("IB") with its suite of advanced imaging diagnostic software products.

Event since the year end

Events since the year end are reported under Note 23 to the financial statements.

Results for the 2020 financial period

The summary results are found in the primary statements of the Group, primarily being the Income Statement, the Statement of Comprehensive Income and Statement of Financial Position.

In summary:

- The net interest cost for the Group for the period was £31,812 (2019: £28,975)
- Group revenue for the year was £255,314 (2019: £272,867)
- Administrative expenses from continuing operations increased to £933,462 (2019: £885,757)
- Group loss after tax from continuing operations was £717,534 (2019: £638,654)
- Taxation charge was £nil for the period (2019: £nil)
- Basic and diluted loss per share from continuing operations was 0.48p (2019: 0.50p loss)
- As at 31 December 2020, the Group had cash and cash equivalents of £478,910 (2019: £865,875)
- The Group's net assets decreased to £1,071,354 (2019: £1,659,649)
- Intangible assets, comprising intellectual property, imaging and diagnostic software and goodwill, increased to £889,177 (2019: £567,396)

Key performance indicators

The main KPI for the Group is achieving its cash flow forecasts whilst efforts continue to implement the new investing policy.

The Board monitors its cash flow carefully to ensure that it has the funds necessary to meet its on-going working capital requirements, and planned product development costs. Detailed forecasts are produced and reported against on a regular basis.

Future developments

With the encouraging results from the clinical studies, the Company is in an excellent position to deliver benefits to patients, as well as generate value for stakeholders. Further commentary on the Group's future developments can be found in the Chief Executive's Statement on page 2.

Strategic Report (continued)

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Principal risks and uncertainties

This section describes the principal risk factors that the Directors believe could materially affect the Group's risk and performance. Information relating to financial risk management is included in note 21 to the financial statements.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Board reviews cash flow projections at periodic intervals during the year as well as information regarding cash balances. At balance sheet date, the Group had cash balances of £478,910 (2019: £865,875). The financial forecasts indicate that the Group is expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Interest rate risk

The Group has convertible loan notes totalling £196,364, including accrued interest, outstanding as at 31 December 2020 (2019: £668,278). The notes accrue interest at a fixed rate of 6% p.a. and, as such, carries a limited interest rate risk.

Cash resources are held in current, floating rate accounts.

Market risk

Market price risk arises from uncertainty about the future valuations of financial instruments held in accordance with the Group's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future of the economy and its impact upon the economic environment in which these companies operate.

Risk Table

The following table, whilst not an exhaustive list as other risks may arise or existing risks may materially increase in the future, sets out the principal risks and uncertainties to the continuing Group. These are listed in no order of priority, and alongside the description of each risk is a note of the main mitigating factors and actions the Group is taking to address that risk.

Risks/uncertainties to the continuing Group		
Issue	Risk/Uncertainty	Mitigation
Imaging Biometrics and Stone Checker may be subject to medical regulatory risk	Without medical regulatory approval it would be difficult to market and sell the products.	The products are medical devices under Classification 1 (medical software), which is the lowest level of classification requiring the least regulatory oversight as they are non-invasive and non-sterile. The products are not used for treatment but are rather used for diagnosis.
Intellectual property	The Group's success depends, in part, on its ability to obtain and maintain protection for its intellectual and proprietary information, so that it can prevent others from making, using or selling its inventions or proprietary rights. The Group's patent applications may not be granted, and its existing patent rights may be successfully challenged and revoked.	The Group invests in maintaining and protecting this intellectual property to reduce risks over the enforceability and validity of the Group's patents. The Group works closely with its legal advisors and obtains where necessary opinions on the intellectual property landscape relevant to the Group's programmes and activities.

Strategic Report (continued)

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TexRAD Limited – use of Intellectual property	<p>Stone Checker’s ability to exploit its products is reliant upon the terms of an exclusive licence from TexRAD Limited which grants Stone Checker the right to use the TexRAD’s patents in the field of urolithiasis and to research, develop or have developed, make or have made, keep, use, import, export, sell and supply products based upon the TexRAD Plug-in pursuant to the terms of the licence agreement dated 20 August 2015.</p> <p>TexRAD may terminate this agreement under a number of circumstances, which would prevent Stone Checker being able to develop and sell its products.</p>	<p>Balaji Ganeshan of TexRAD works very closely with Stone Checker in the development of the products.</p> <p>The Group continuously monitors its ongoing compliance with the terms of the licence agreement.</p>
Identifying further suitable investments	<p>The Group is dependent upon the ability of the Directors to identify suitable investment opportunities and to implement its investing policy. The Directors are continuing their search to identify further opportunities in line with the Company’s investing policy for creating value.</p> <p>The Directors may be unable to identify further targets and thus the Company may not be able to invest its cash in a manner which accomplishes its objectives.</p> <p>There is no guarantee that the Company will be able to acquire further identified opportunities, or indeed complete the investment.</p> <p>The Group’s ability to ascertain the merits or risks of the operations of a target company or business.</p> <p>The Group’s ability to deploy the net proceeds on a timely basis.</p> <p>The availability and cost of equity or debt capital for future transactions.</p>	<p>The Group has formal investment criteria to identify suitable, earnings-enhancing acquisition targets and employs experienced professionals to drive the acquisition process.</p>
Raising emergency funding	<p>In the event of a significant issue arising for which the Group is required to access substantial liquid funds in excess of its available cash balances, it may not be easy to obtain additional funds as and when required and on acceptable terms.</p>	<p>The Group monitors its cash requirements carefully and in the need of significant additional funds would look to increase its financing.</p>
Loss of key personnel	<p>The Group comprises of a few key individuals in a market which requires high quality experienced staff. Any unforeseen loss of these key personnel would be damaging to the Group. The retention of their services cannot be guaranteed.</p>	<p>The Group has a continuity program in place to ensure that Directors would be able to minimise the disruption caused by the potential loss of key personnel.</p>

Strategic Report (continued)

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The Group may be adversely affected by the enforcement of and changes in legislation and regulation affecting its business	Compliance with various laws and regulations does impose compliance costs and restrictions on the Group, with fines and/or sanctions for non-compliance.	The Group monitors legislative and regulatory changes and alters its business practices where appropriate.
The Group relies on the experience and talent of its senior management and on its ability to recruit and retain key employees	The successful management and operations of the Group are reliant upon the contributions of senior management and directors. In addition, the Group's future success depends in part on its ability to continue to recruit, motivate and retain highly experienced and qualified management and directors.	The Group offers incentives in the form of share options or warrants to incentivise its senior management.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Officer's Statement on page 2.

The financial position of the Group, its cash flows and liquidity position are described in this business review. In addition, note 21 to the financial statements include the Group's objectives, policies and processes for managing its capital, the financial risk management objectives, details of its financial instruments and its exposure to credit risk and liquidity risk. As highlighted in note 21, the Group meets its day to day working capital requirements through its revenue generating cash flows, discrete fund raises and the issue of convertible loan notes.

The Company's employees carry out their duties remotely, via the network infrastructure in place. As a result, there was no disruption to the operational activities of the Company during the COVID-19 social distancing and working from home restrictions. All key business functions continue to operate at normal capacity.

The Directors have prepared Group forecasts and projections, which show that the Group has a reasonable expectation of maintaining sufficient working capital to enable the Group to meet its liabilities as they fall due for the foreseeable future, being a period of not less than 12 months from the date of approval of this report. At 31 December 2020, the Group had cash balances of £478,910 (2019: £865,875). Additional financial support, if required, will be available from the Chief Executive Officer through the convertible loan facility.

After making appropriate enquiries, the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

This report was approved by the board of directors on 19 April 2021 and signed on behalf of the board by:



Trevor Brown
Chief Executive Officer

Directors' Report

Annual Report and Financial Statements
For the year ended 31 December 2020

The Directors present their annual report and audited financial statements for the year ended 31 December 2020.

Incorporation

IQ-AI Limited is incorporated in Jersey, Channel Islands.

During 1996, the Group created a twinned share structure with IQ-AI Holdings (UK) plc to enable UK based shareholders to receive a UK dividend and thereby avoid being double taxed on the Jersey dividend.

As a result of a General Meeting held in June 2017, the twinned share structure has been discontinued. Shareholders now only hold shares in IQ-AI Limited, which are listed on the Main Market (standard segment) of the London Stock Exchange.

In January 2018, IQ-AI Holdings (UK) plc was dissolved and removed from the register at Companies House in the United Kingdom.

Full details of the share capital are provided in note 16 to the financial statements.

Results and dividends

The audited financial statements for the year for the Group and Company are set out on pages 25 to 48.

No dividends will be distributed for the year ended 31 December 2020 (2019: £nil).

Directors

The directors, who served throughout the year, were as follows:

Mr T Brown	Chief Executive Officer
Dr Qu Li	Non-Executive Chairman
Mr V Kaushal	Non-Executive Director
Mr M Schmainda	Non-Executive Director

Biographical details of the Directors are given on page 18.

The interests of the Directors in the shares of the company and their service contracts are noted in the Remuneration Committee report on pages 19 to 20. The Directors have no interests in share options and awards.

Although an overseas Company, the Directors have sought to ensure that the financial statements of the Company and the Group comply with the disclosure requirements of Jersey Company Law and the listing requirements of the UK Listing Authority.

Capital expenditure

During the year, the Group did not invest in any capital expenditure (2019: £nil). The Group made an investment in product development during the period of £68,962 (2019: £112,115).

Except for the loan received under the Paycheck Protection Program, the Group held no bank debt at 31 December 2020 (2019: £nil). Currently, the Group retains clearing facilities with the bank.

Share capital

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 16. Each share carries the right to one vote at general meetings of the Company and carries no right to fixed income.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Directors' Report (continued)

Annual Report and Financial Statements
For the year ended 31 December 2020

Significant agreements/takeovers directive

There are a number of agreements that take effect, alter or terminate upon a change of control of the Group such as commercial contracts and employee share option/award schemes. None of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole.

Charitable and political donations

The Company did not make any political or charitable donations during the year ended 31 December 2020 (2019: £nil).

Employees

The Company's policy is to provide equal opportunities to all present and potential employees, including, where practical, those who are disabled.

The Group believes in respecting individuals and their rights in the workplace. With this in mind, specific policies are in place covering harassment and bullying, whistle blowing, equal opportunities and data protection.

Ratio of men to women

At 31 December 2020, there were two women (2019: 2) employed across the Group making 32% (2019: 32%) of our Group-wide employee base.

The Board is satisfied that it has the appropriate balance of skills, experience and expertise necessary, and will give due regard to diversity in the event of further changes to both its own membership and/or the membership of the senior management team.

Health and safety

The Group is committed to providing a safe place of work for employees. Group policies are reviewed on a regular basis to ensure that policies regarding training, risk assessment, safe working and accident management are appropriate. There are designated officers responsible for health and safety and issues are reported at each board and executive meeting.

Greenhouse gas emissions

The Group is aware that it needs to measure its operational carbon footprint in order to limit and control its environmental impact. However, given the very limited nature of its operations during the year under review, it has not been practical to measure its carbon footprint. In the future, the Group will only measure the impact of its direct activities, as the full impact of the entire supply chain of its suppliers cannot be measured practically.

Statement of disclosure to independent auditors

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

PKF Littlejohn LLP have expressed their willingness to continue in office as auditor and will be proposed for reappointment at the next Annual General Meeting.

This report was approved by the board of directors on 19 April 2021 and signed on behalf of the board by:



Trevor Brown
Chief Executive Officer

Statement of Directors' Responsibilities

Annual Report and Financial Statements
For the year ended 31 December 2020

The Directors are responsible for preparing the annual report and the financial statements in accordance with the applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company, and of the profit or loss of the Group and Company for that period.

In preparing these financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether the IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping accounting records that are sufficient to show and explain the Group's and Company's transactions. These records must disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable the Directors to ensure that any financial statements prepared comply with the Companies (Jersey) Law 1991, as amended. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud, error, non-compliance with law and regulations and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' Remuneration report and Corporate Governance statement that comply with that law and those regulations.

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in Jersey governing the preparation and dissemination of financial statements, which may vary from the legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Corporate Governance Report

Annual Report and Financial Statements

For the year ended 31 December 2020

IQ-AI has a standard listing on the London Stock Exchange and is thus not required to comply with the requirements of the U.K. Corporate Governance Code (“the Code”) as issued by the Financial Reporting Council. The disclosures below are required by the UKLA’s Disclosure and Transparency Rule 7.

The Board is committed to ensuring the highest standards of corporate governance, and voluntarily complies with, subject to a small number of exceptions listed below, the supporting principles and provisions set out in the Code.

In order to implement its business strategy, the Company has adopted a corporate governance structure whereby the key feature is a board of directors comprising at present one executive and three non-executives, where despite the Company’s early stage of development, and its registration being in Jersey, the board strives to observe the Quoted Companies Alliance revised Corporate Governance Code for Small and Mid-Size Quoted Companies (‘the QCA Code’) which the Company has voluntarily adopted. The voluntary adoption of the QCA Code is over and above the requirements of Jersey law.

The Company regularly updates its corporate governance policies and procedures to reflect the changes made to corporate governance guidelines. The following describes the ways in which the Company complies with the detailed provisions of the Code. It includes full disclosure of the limited number of areas in which the Company is non-compliant and explanations why this is so.

The two areas of non-compliance with the Code are;

- neither the Chairman, nor the other member of the Audit Committee, has any relevant accounting experience; and
- the Audit Committee is made up of only two members and not at least three independent non-executive Directors.

Meetings of the Board of Directors

Four Board meetings were held during the year. The Directors’ attendance record during the year are as follows:

	Attendance at Board Meetings
T Brown	4
Dr Q Li	4
V Kaushal	4
M Schmainda	4

The terms of appointment of the Non-Executive Directors are made available for inspection at the AGM, along with the service contract for the Executive Director. The Non-Executives do not have a fixed term of office in their letters of appointment.

Re-election

The articles of association require each director to retire and submit themselves for re-election every three years, but also that at least one third of the Directors must be submitted for re-election every year.

On an annual basis, the Chairman considers the performance of the Board and discusses with the Company Secretary the re-election process. Given the performance of the Company, the Chairman has confirmed that the Directors being submitted for election in 2021 continue to be highly effective, qualified and committed to their respective roles.

Insurance cover

The Company maintains insurance with a limit of £5m to cover its Directors and officers against the cost of defending themselves against civil legal proceedings taken against them. To the extent permitted by law, the Company also indemnifies its Directors and officers. Neither protection applies in the event of fraud or dishonesty.

Corporate Governance Report (continued)

Annual Report and Financial Statements

For the year ended 31 December 2020

Board objectives and operation

The key objectives of the Board are as follows:

- The agreement of strategy.
- The agreement of the detailed set of objectives and policies that facilitate the achievement of strategy.
- Monitoring the performance of executive management in the delivery of objectives and strategy.
- Monitoring and safeguarding the financial position of the Company and Group to ensure that objectives and strategy can be delivered.
- Approval of major capital expenditure and other expenditure that is not part of the defined objectives or strategic plan.
- Approving corporate transactions - this includes any potential acquisition or disposal.
- Delegating clear levels of authority to the Executive management team. This is represented by the defined system of internal controls which is reviewed by the Audit Committee.
- Providing the appropriate framework of support and remuneration structures to encourage and enable Executive management to deliver the objectives and strategies of the Company.
- Monitoring the risks being entered into by the Company and ensuring that all of these are properly evaluated.
- Approval of all external announcements.

A schedule is maintained of matters reserved to the Board for decision.

The Board formally met four times in 2020 (2019: 4); the Directors' attendance is summarised on page 14.

For each Board meeting, each Board member receives a pack of information, including financial reports, project updates and a formal agenda together with any relevant documentation.

Nominations Committee

The committee consists of the Chairman and the Chief Executive. The committee meets as required to fulfil its duties of reviewing the Board structure and composition and identifying and nominating candidates to fill Board vacancies as they arise.

No formal induction process exists for new Directors, but the Chairman ensures that each individual is given a tailored introduction to the Company and fully understands the requirements of the role.

Appraisal of Non-Executive Directors

The Chief Executive normally carries out an annual formal appraisal of the performance of the Non-Executive Directors which takes into account the objectives set in the previous year and the individual's performance in the fulfilment of these objectives. However, given the CEO is the only Executive Director, a formal annual appraisal of the Chief Executive is carried out by the Non-Executive Chairman. All the appraisals of the Non-Executive Directors are provided to the Remuneration Committee.

Remuneration Committee

The report of the Remuneration Committee is included in this annual report. Formal terms of reference for the Remuneration Committee have been documented and are made available for review at the AGM.

Corporate Governance Report (continued)

Annual Report and Financial Statements

For the year ended 31 December 2020

Audit Committee

Formal terms of reference for the committee have been documented and are made available for review at the AGM.

The terms of reference of the Audit Committee include the following requirements:

- To monitor the integrity of financial statements and of any formal announcements relating to the Company's financial performance.
- To review the Company's internal controls and risk management systems.
- To make recommendations to the Board in relation to internal control matters that require improvement or modification.
- To make recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and to approve remuneration.
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process.
- To establish and monitor whistle blowing procedures.

No internal audit function exists due to the size of the Group. This is reviewed annually by the Audit Committee which reflects on any increased risk or regulatory changes in the period under review in making their recommendation to the Board.

The Audit Committee met three times during the year and after the year end. Matters considered at these meetings included: reviewing and approving the report and financial statements for the year ended 31 December 2019, the half year results to 30 June 2020 and the report and financial statements for the year ended 31 December 2020; discussion with the external auditors to confirm their independence and scope for audit work; considering the reports from external auditors identifying any accounting or judgemental issues requiring the board's attention and the auditors' assessment of internal controls; reviewing the company's risk register and business continuity procedures; and considering the adequacy of the whistle-blowing facility, the anti-bribery training and monitoring and data protection policy and procedures.

The Audit Committee chairman has maintained dialogue with the auditors outside of the scheduled meetings and meets with the auditors without the presence of the Executive Director and members of the finance team.

The company did not engage its auditor for any non-audit services, which has safeguarded the Auditor's objectivity and independence.

The Audit Committee considers independence from a number of perspectives, not only the materiality of fee income to the audit firm in question. It is only after considering these aspects (along with a report on independence from the external auditor) does it conclude and make recommendations to the Board.

None of the members of the Audit Committee have a formal accounting qualification though all have operated at the highest levels of businesses. The Board is content that the overall level of qualification within the Audit Committee is currently sufficient to enable it to discharge satisfactorily its obligations.

In addition to the Non-Executive Director and the Chief Executive, the external auditor was invited to attend part of the meetings where relevant.

Internal controls

The Board is responsible for the Group and Company's system of internal control and for reviewing its effectiveness. Given the size of the organisation and the level of transactions involved there are limited controls documented and in operation which is appropriate for the Group in its current state.

The Audit Committee consider each year if the current level of internal control is appropriate. On advice from the Audit Committee, the Board does not consider any additional independent verification of the system of internal control to be required, based on the size of the Company and the Group, and the non-complex nature of both its management systems and financial structure.

Corporate Governance Report (continued)

Annual Report and Financial Statements

For the year ended 31 December 2020

The Group operates certain controls specifically relating to the production of consolidated financial information, covering operational procedures, validation and review.

The above procedures reflect the Group's commitment to ensuring it has policies in place that ensure high standards of integrity and transparency throughout its operations. Further, when these procedures detect unauthorised practises, the Group is committed to correction of such events. The Group is committed to analysing its internal controls to make them more robust and further limit the risk of such incidents. The Board believes such action properly reflects the Group's commitment to financial discipline and integrity at all levels. The Board has reviewed the effectiveness of internal control systems in operation during the financial period in accordance with the guidelines set out in the FRC's Risk Guidance report, through the processes set out above and no weaknesses or failings were identified.

Dialogue with major shareholders

The Company places considerable importance on communications with shareholders. Discussions take place with major shareholders with the Company's delegating authority to the Chairman and Chief Executive to present the strategy and financial results of the Group.

Annual general meeting

At its AGM the Company complies with the provisions of the Code relating to the disclosure of proxy votes, the separation of resolutions and attendance of Directors, particularly committee chairpersons. The timing of the despatch of the formal notice of the AGM also complies with the Code.

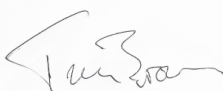
The Directors consider that all the resolutions to be put to the AGM, to be held in May/June 2021, are in the best interests of the Company and its shareholders. The Board will be voting in favour of them and unanimously recommends that shareholders do also.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- (i) the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- (ii) the annual report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This report was approved by the board of directors on 19 April 2021 and signed on behalf of the board by:



Trevor Brown
Chief Executive Officer

Directors' Information

Annual Report and Financial Statements
For the year ended 31 December 2020

Trevor Brown

Trevor has been a strategic investor in equities and real estate for more than 30 years. He is currently a Director of Remote Monitored Systems plc and Braveheart Group plc.

Dr Qu Li

Qu Li is a Non-Executive Director of IQ-AI Limited. With over 25 years of experience in international mergers, acquisitions and joint ventures, Dr Li has completed turnkey transactions ranging from \$5m-\$200m and raised more than \$300 million over the last 10 years. Dr Li is the founder and Chairman of China Ventures Ltd, a leading consultancy and venture capital company, specialising in Sino/Western business and offering a wide range of skills associated with international business transactions. Dr Li relocated to the UK over 20 years ago, where she obtained her Doctor of Philosophy at Leeds University and then established her business base. She is a qualified engineer and a successful business entrepreneur who has worked on activities related to government, industry and commerce in China, South East Asia, South America, Europe and the US for over 20 years.

Apart from her business commitments, Dr Li devotes great effort, interest and financial support to the development of young entrepreneurs across the globe. She sits on the advisory board of the Business School of Leeds University and is one of the Leaders in Resident for the post graduates.

Vinod Kaushal

Vinod is a Non-Executive Director of IQ-AI Limited. Vinod is a well-seasoned healthcare industry executive with nearly 30 years' experience in predominantly commercial and general management roles. He has worked nationally, regionally and globally for several blue chip and SME companies.

Having been a member of the team which orchestrated the international launch of Losec®/Prilosec® at Astra to its place as the global No. 1 selling pharmaceutical, Vinod was Head of Global Marketing at Novo Nordisk, Senior Vice President Fresenius Kabi, Vice President of Amersham/GE Health's Neurology business, Vice President at Royal Numico/Danone and CEO of SPL amongst other pivotal roles.

Since leaving Big Pharma, Vinod has recently been focused on entrepreneurial activities with several successful SMEs in the Pharma/Healthcare space. With an impressive deal sheet to his name, Vinod has been involved in various IP and business acquisitions. His career has seen him relate to investors on several global stock exchanges and he is an accomplished external speaker. Vinod holds a BSc (Hons) in Biochemistry from Warwick University and an MBA from Henley Business School.

Michael Schmainda

Michael was appointed as a Non-Executive Director of IQ-AI Limited on 18 December 2019. Michael has a 20-year history of successfully building global medical imaging businesses including Prism Clinical Imaging and Imaging Biometrics. As co-founder of IB, and has overseen all aspects of the company's development, operation, and growth since its inception. He has established strong collaborative relationships with leaders in the medical imaging field who drive new product development and has led the translation and commercialisation of sophisticated imaging solutions, achieved regulatory approvals in the US and Europe, and global product adoption.

Michael's career began with 3M Company, a company renowned for bringing new products to market, where he held leadership roles across multiple industries including the life science sector. Prior to IB, Michael was a foundational member of Prism Clinical Imaging, secured the initial investment for the company, and served as president and COO.

Remuneration Committee Report

Annual Report and Financial Statements
For the year ended 31 December 2020

The Remuneration Committee presents its report for the year ended 31 December 2020.

Membership of the Remuneration Committee

The Remuneration Committee is currently comprised of Dr Li and V Kaushal.

Subject to what appears below, no other third parties have provided advice that materially assisted the Remuneration Committee during the period.

Remuneration policy

The Group's remuneration policy is to retain and motivate its staff with rewards linked to performance and results which promote the interest of the shareholders. Bonus awards for employees are assessed annually taking into account the Group results.

Policy Table:

Objective	Operation	Maximum potential value
<p>Base salary The basic salary element of remuneration is set in relation to responsibilities, length of service and contribution to the Group's activities.</p> <p>Reflects level of responsibility and achievement of individual.</p>	<p>Base salary is set annually on 1 January.</p> <p>Salary levels are reviewed on an annual basis by reference to the median for comparable positions in main market companies of a similar market capitalisation and with similar revenues to the Group. Broadly the Group seeks to pitch base salary around the median level for such comparable positions without tracking it mechanistically.</p>	<p>Broadly pitched around the median level for comparable positions.</p> <p>When considering any increases to base salaries in the normal course (as opposed to a change in role or responsibility), the Board will take into consideration:</p> <ul style="list-style-type: none"> - Reference to the increases provided to Executives in the comparator group. - Pay and employment conditions of employees throughout the Group, including increases provided to the employee population - Inflation
<p>Other benefits To provide competitive levels of employment benefits.</p>	<p>Futures benefits may include:</p> <ul style="list-style-type: none"> - Private medical insurance. - Permanent health insurance. - Life assurance of two times base salary. <p>The level of benefits provided is reviewed annually to ensure they remain market competitive.</p>	<p>Cost of providing life assurance, private medical insurance and permanent health insurance.</p>
<p>Non-Executive Director Fees To attract Non-Executive Directors with the requisite skills and experience to perform the role.</p>	<p>Fee levels are set at the level paid for comparable roles at companies of a similar size and complexity to IQ-AI Limited within the main market. The Non-Executive Director fee structure is a matter for the full Board.</p>	<p>Fee levels are set by reference to the median of this peer group. Fee levels are reviewed annually in January. When considering any increases to fee levels in the normal course, the Board will take into consideration:</p> <ul style="list-style-type: none"> - Increases provided to comparable roles in the comparator group; - Pay and employment conditions of employees throughout the Company, including increases provided to the employee population; and - Inflation.

Remuneration Committee Report (continued)

Annual Report and Financial Statements

For the year ended 31 December 2020

Share options

No share option scheme is provided to the Directors of the Company.

Directors' pensions

The Company does not provide a pension scheme. Additionally, no dependent pensions or benefits are provided.

Remuneration policy for Executive and Non-Executive Directors

The Remuneration Committee seeks to provide the remuneration packages necessary to attract, retain and motivate Executive and Non-Executive Directors of the quality required to manage the business of the Group and seeks to avoid paying more than is necessary for this purpose. In establishing the level of remuneration of each director, the committee has regard to packages offered by similar companies.

Consistent with this policy, the benefit packages awarded to Executive and Non-Executive Directors comprise a mix of performance and non-performance elements. During 2020, the Executive and Non-Executive Directors' pay was not based on the Group achieving financial targets.

Directors' interests (held directly or indirectly) in the Company's shares

	2020 Number	2019 Number
T Brown*	49,813,236	38,294,766
Dr Q Li	-	-
V Kaushal	-	-
M Schmainda**	9,108,400	9,108,400

*Includes shares held by Free Association Books Limited.

** Includes shares held by related parties

Directors' emoluments

The following table summarises the emoluments of Directors during the year.

	Salary and fees £	Pension £	Benefits £	2020 Total £	2019 Total £
T Brown	100,000	-	-	100,000	65,000
V Kaushal	30,000	-	-	30,000	30,000
Dr Q Li*	30,000	-	-	30,000	30,000
M Schmainda	-	-	-	-	-
TOTAL	160,000	-	-	160,000	125,000

*Dr Qu Li's services were invoiced by China Ventures Limited.



Dr Qu Li

Chairman of the Remuneration Committee

19 April 2021

Independent auditor's report to the members of IQ-AI Limited

Annual Report and Financial Statements

For the year ended 31 December 2020

Opinion

We have audited the financial statements of IQ-AI Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Consolidated Income Statement: the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- a) Reviewing management's assessment of going concern.
- b) Determining if all relevant information has been included in the assessment of going concern including completeness of forecast expenditure.
- c) Analysing cash flow forecasts and budgets, reviewing the underlying assumptions in relation to revenue and expenditure and checking mathematical accuracy.
- d) Considering the cash position at and after the year end.
- e) Reviewing and stress-testing the reasonable worst-case forecast scenario prepared by management and the financial resources available to deal with this outcome.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the members of IQ-AI Limited

Annual Report and Financial Statements

For the year ended 31 December 2020

Our application of materiality

The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. The materiality applied to the group financial statements was £27,000 (2019: £36,000) based on 5% of the loss before tax. The performance materiality was £17,900 (2019: £25,200). The materiality applied to the parent company financial statements was £17,000 (2019: £13,800) based on 5% of the loss before tax. The performance materiality was £13,600 (2019: £9,660). For each component in the scope of our group audit, we allocated a materiality that was less than our overall group materiality. As a group whose trade is in the process of expanding through product development and existing product revenue streams, loss before tax was considered the most appropriate benchmark to shareholders.

We agreed with those charged with governance that we would report all differences identified during the course of our audit in excess of £1,350 (2019: £1,800) for the group, and £850 (2019: £690) for the parent company. We also agreed to report any other differences below that threshold that we believe warranted reporting on qualitative grounds.

Our approach to the audit

Our audit is risk based and is designed to focus our efforts on the areas at greatest risk of material misstatement, aspects subject to significant management judgement as well as greatest complexity, risk and size.

In designing our audit, we determined materiality and assessed the risk of material misstatement in the group and parent company financial statements. We looked at areas involving significant accounting estimates and judgements by the directors and considered future events that are inherently uncertain, in particular with regard to the recognition and valuation of intangible assets. We also assessed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

In addition to the parent company, two material components were identified. Both components were subject to an audit conducted directly by us.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit responded to the key audit matter
<p>Recognition and valuation of intangible assets (refer to notes 2 and 11)</p> <p><i>As shown in note 11 of the financial statements, the group reported £685,116 (2019: £439,100) of intangible assets as at 31 December 2020.</i></p> <p><i>There is a risk that the Intellectual Property (IP) and software developed and under development may not be correctly capitalised in accordance with IAS 38. Additionally, there is a risk that projects under development are not fully recoverable and whether existing commercially available products have any indicators of impairment.</i></p>	<p>We performed the following work to address the identified risk:</p> <ul style="list-style-type: none"> • substantively tested a sample of development expenditure to assess their eligibility for capitalisation under IAS 38; • assessed any accounting policy differences regarding recognition and valuation between US GAAP and international accounting standards; • re-performed the calculation of the amortisation charge in accordance with the disclosed accounting policy;

Independent auditor’s report to the members of IQ-AI Limited

Annual Report and Financial Statements

For the year ended 31 December 2020

<p><i>The subjectivity of the judgements and estimates, together with the significant carrying value of intangible assets, make this area a key focus for the audit.</i></p>	<ul style="list-style-type: none"> • completed substantive testing on additions; • assessed compliance of the capitalised IP expenditure with the recognition criteria under IAS38 and challenged management on areas involving significant judgement; and • inquired into any indicators of impairment for IP which is commercially available and subject to amortisation. <p>Based on the procedures performed, we consider management’s judgements and estimates to be reasonable and the related disclosures appropriate.</p>
<p>Going concern (note 1)</p> <p><i>The going concern accounting policy, as disclosed in note 1 of the financial statements, describes the Directors’ assessment of the group and parent company’s ability to continue as a going concern. This also includes the Directors’ consideration of the COVID-19 impact.</i></p> <p><i>IQ-AI Limited is currently loss making and relies, when required, on funding raised through issuing equity or convertible loan notes.</i></p> <p><i>The risk for our audit is whether additional funds will need to be raised over the going concern period, and whether this, and the potential ongoing impact of COVID-19, amounts to a material uncertainty that may cast doubt about the ability of the group and parent company to continue as a going concern.</i></p>	<p>We performed the following work to address the identified risk:</p> <ul style="list-style-type: none"> • reviewed the Directors’ going concern assessment and challenged the assumptions based on our knowledge of the business and of the market. • assessed the accuracy of previously provided budgets and forecasts to actual results; and • stress-tested the forecasts for possible change, including those changes arising from the impact of COVID-19, and performed an assessment of the ability to raise new funds, if required.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of IQ-AI Limited

Annual Report and Financial Statements

For the year ended 31 December 2020

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the group and parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the group and parent company financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management and the application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and company in this regard to be those arising from LSE listing rules, the Companies (Jersey) Law 1991 and regulations applicable to the US subsidiary. The group's products are classified as medical software in the US which require the lowest level of regulatory oversight as they are non-invasive, non-sterile and primarily used for diagnosis.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and company with those laws and regulations. These procedures included, but were not limited to:
 - enquiries of management, review of minutes and RNS announcements and review of legal and regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the potential for management bias was identified in relation to the impairment

Independent auditor's report to the members of IQ-AI Limited

Annual Report and Financial Statements

For the year ended 31 December 2020

assessment of goodwill and intangible assets. We addressed this by challenging the assumptions and judgements made by management when evaluating any indicators of impairment.

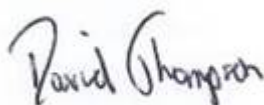
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



David Thompson (Engagement Partner)

for and on behalf of PKF Littlejohn LLP

Registered Auditor
15 Westferry Circus

Canary Wharf

London

E14 4HD

19 April 2021

IQ-AI LIMITEDAnnual Report and Financial Statements
For the year ended 31 December 2020**Consolidated Income Statement
For the year ended 31 December 2020**

		2020	2019
	Notes	£	£
Continuing operations			
Revenue		255,314	272,867
Cost of sales		(8,547)	(4,361)
Gross profit		246,767	268,506
Administrative expenses		(933,462)	(885,757)
Other income		973	7,572
Operating loss	5	(685,722)	(609,679)
Finance costs	4	(31,812)	(28,975)
Loss before income tax		(717,534)	(638,654)
Income tax	7	-	-
Loss for the year from continuing operations		(717,534)	(638,654)
Loss for the year attributable to the owners of the Company		(717,534)	(638,654)
Earnings per share attributable to owners of the Company			
From continuing operations:			
Basic & diluted (pence per share)	8	(0.48)	(0.50)

**Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020**

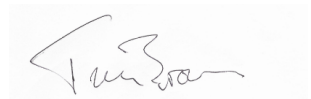
	2020	2019
	£	£
Loss for the period	(717,534)	(638,654)
Other comprehensive income		
Items that may be subsequently reclassified as profit or loss		
Exchange differences on translation of foreign operations	12,781	2,162
	12,781	2,162
Total comprehensive loss for the year attributable to the owners of the Company	(704,753)	(636,492)

The accompanying accounting policies and notes are an integral part of these financial statements.

IQ-AI LIMITEDAnnual Report and Financial Statements
For the year ended 31 December 2020**Consolidated Statement of Financial Position****As at 31 December 2020**

		2020	2019
		£	£
	Notes		
Non-current assets			
Property, plant and equipment	9	1,283	2,710
Goodwill	10	204,061	128,296
Intangible assets	11	685,116	439,100
Total non-current assets		890,460	570,106
Current assets			
Trade and other receivables	13	63,573	28,030
Cash and cash equivalents		478,910	865,875
Assets classified as held for sale	14	-	404,504
Total current assets		542,483	1,298,409
Current liabilities			
Trade and other payables	15	361,589	199,918
Liabilities directly associated with assets classified as held for sale	14	-	8,948
Total current liabilities		361,589	208,866
Net current assets		180,894	1,089,543
NET ASSETS		1,071,354	1,659,649
Equity			
Share capital	16	1,701,076	1,398,310
Share premium		20,076,343	19,812,071
Capital redemption reserve		23,616	23,616
Merger reserve		160,000	160,000
Convertible loan note reserve	19	196,364	668,278
Share based payment reserve		63,087	36,982
Foreign currency reserve		15,009	10,484
Retained losses		(21,164,141)	(20,450,092)
Equity attributable to owners of the Company		1,071,354	1,659,649
TOTAL EQUITY		1,071,354	1,659,649

The financial statements on pages 25 to 48 were approved by the Board of Directors on 19 April 2021 and signed on its behalf by:



T Brown
Director



Dr Q Li
Director

IQ-AI LIMITED

Annual Report and Financial Statements
For the year ended 31 December 2020

Company Registration Number: 2044

The accompanying accounting policies and notes are an integral part of these financial statements.

Company Statement of Financial Position

As at 31 December 2020

	Notes	2020 £	2019 £
Non-current assets			
Investments	12	783,823	543,823
Total non-current assets		783,823	543,823
Current assets			
Investments held for sale	12	-	240,000
Trade and other receivables	13	986,641	761,756
Cash and cash equivalents		407,766	834,172
Total current assets		1,394,407	1,835,928
Current liabilities			
Trade and other payables	15	139,204	106,651
Total current liabilities		139,204	106,651
Net current assets		1,255,203	1,729,277
NET ASSETS		2,039,026	2,273,100
Equity			
Share capital	16	1,701,076	1,398,310
Share premium		20,076,343	19,812,071
Capital redemption reserve		23,616	23,616
Merger reserve		160,000	160,000
Convertible loan note reserve	19	196,364	668,278
Share based payment reserve		63,087	36,982
Retained losses		(20,181,460)	(19,826,157)
Equity attributable to owners of the Company		2,039,026	2,273,100
TOTAL EQUITY		2,039,026	2,273,100

The financial statements on pages 25 to 48 were approved by the Board of Directors on 19 April 2021 and signed on its behalf by:



T Brown
Director



Dr Q Li
Director

Company Registration Number: 2044

The accompanying accounting policies and notes are an integral part of these financial statements.

IQ-AI LIMITED

Annual Report and Financial Statements
For the year ended 31 December 2020

Consolidated Statement of Changes in Equity**For the year ended 31 December 2020**

	Share capital	Share premium	Capital redemption reserve	Merger reserve	Convertible loan note reserve	Share based payment reserve	Foreign currency reserve	Retained losses	TOTAL EQUITY
	£	£	£	£	£	£	£	£	£
Balance at 1 January 2019	1,203,465	19,025,466	23,616	160,000	145,033	10,877	8,322	(19,813,895)	762,884
Loss for the year	-	-	-	-	-	-	-	(638,654)	(638,654)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	2,162	-	2,162
Total comprehensive loss for the year	-	-	-	-	-	-	2,162	(638,654)	(636,492)
Shares issued	194,845	854,385	-	-	-	-	-	-	1,049,230
Cost of shares issued	-	(67,780)	-	-	-	-	-	-	(67,780)
Unclaimed dividends	-	-	-	-	-	-	-	2,457	2,457
Share based payments	-	-	-	-	-	26,105	-	-	26,105
Movement in the year	-	-	-	-	523,245	-	-	-	523,245
Balance at 31 December 2019	1,398,310	19,812,071	23,616	160,000	668,278	36,982	10,484	(20,450,092)	1,659,649
Loss for the year	-	-	-	-	-	-	-	(717,534)	(717,534)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	12,781	-	12,781
Total comprehensive loss for the year	-	-	-	-	-	-	12,781	(717,534)	(704,753)
Shares issued	302,766	264,272	-	-	-	-	-	-	567,038
Unclaimed dividends	-	-	-	-	-	-	-	3,485	3,485
Share based payments	-	-	-	-	-	26,105	-	-	26,105
Movement in the year	-	-	-	-	(471,914)	-	(8,256)	-	(480,170)
Balance at 31 December 2020	1,701,076	20,076,343	23,616	160,000	196,364	63,087	15,009	(21,164,141)	1,071,354

The accompanying accounting policies and notes are an integral part of these financial statements.

IQ-AI LIMITED

Annual Report and Financial Statements
For the year ended 31 December 2020

Company Statement of Changes in Equity**For the year ended 31 December 2020**

	Share Capital	Share Premium	Capital Redemption Reserve	Merger Reserve	Convertible Loan Note Reserve	Share Based Payment Reserve	Retained Losses	TOTAL EQUITY
	£	£	£	£	£	£	£	£
Balance at 1 January 2019	1,203,465	19,025,466	23,616	160,000	145,033	10,877	(19,420,432)	1,148,025
Total comprehensive loss for the year	-	-	-	-	-	-	(408,182)	(408,182)
Shares issued	194,845	854,385	-	-	-	-	-	1,049,230
Cost of shares issued	-	(67,780)	-	-	-	-	-	(67,780)
Unclaimed dividends	-	-	-	-	-	-	2,457	2,457
Share based payments	-	-	-	-	-	26,105	-	26,105
Movement in the year	-	-	-	-	523,245	-	-	523,245
Balance at 31 December 2019	1,398,310	19,812,071	23,616	160,000	668,278	36,982	(19,826,157)	2,273,100
Total comprehensive loss for the year	-	-	-	-	-	-	(358,788)	(358,788)
Shares issued	302,766	264,272	-	-	-	-	-	567,038
Unclaimed dividends	-	-	-	-	-	-	3,485	3,485
Share based payments	-	-	-	-	-	26,105	-	26,105
Movement in the year	-	-	-	-	(471,914)	-	-	(471,914)
Balance at 31 December 2020	1,701,076	20,076,343	23,616	160,000	196,364	63,087	(20,181,460)	2,039,026

The accompanying accounting policies and notes are an integral part of these financial statements.

IQ-AI LIMITEDAnnual Report and Financial Statements
For the year ended 31 December 2020**Consolidated and Company Statement of Cash Flows****For the year ended 31 December 2020**

	GROUP		COMPANY	
	2020	2019	2020	2019
	£	£	£	£
Operating loss	(717,534)	(638,654)	(358,788)	(408,182)
Adjustment for:				
Depreciation and amortisation	116,504	110,991	-	-
Share based payment expense	26,105	26,105	26,105	26,105
Foreign exchange gain/(loss)	25,597	(5,580)	-	-
Finance costs	31,812	-	31,812	-
(Increase)/decrease in receivables	(35,543)	37,538	(224,885)	(312,138)
Increase/(decrease) in payables	129,837	(55,010)	69,865	(2,768)
Net cash used in operating activities	(423,222)	(524,610)	(455,891)	(696,983)
Cash flows from investing activities:				
Purchase of equipment	-	(4,065)	-	-
Purchase of intangible assets	(31,649)	(112,115)	-	-
Net cash from investing activities	(31,649)	(116,180)	-	-
Cash flows from financing activities				
Shares issued	26,000	1,049,230	26,000	1,049,230
Costs of shares issued	-	(67,780)	-	(67,780)
Loan received	38,421	-	-	-
Unclaimed dividends	3,485	-	3,485	-
Interest paid	-	(28,975)	-	-
Proceeds from convertible loan notes issued	-	523,245	-	523,245
Net cash from financing activities	67,906	1,475,720	29,485	1,504,695
Net (decrease)/increase in cash and cash equivalents	(386,965)	834,930	(426,406)	807,712
Cash and cash equivalents brought forward	865,875	28,783	834,172	26,460
Effects of exchange rate changes on cash and cash equivalents	-	2,162	-	-
Cash and cash equivalents carried forward	478,910	865,875	407,766	834,172

The accompanying accounting policies and notes are an integral part of these financial statements.

Notes to the financial statements (continued)

Annual Report and Financial Statements

For the year ended 31 December 2020

1. Summary of significant accounting policies

IQ-AI Limited (the “Company”) is a limited liability company incorporated and domiciled in Jersey. The address of the registered office is given on page 52.

The financial statements are presented in pounds sterling (£) since that is the currency of the primary environment in which the Group and Company operates.

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

Basis of preparation

These financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union.

The financial statements have been prepared under the historical cost convention, as modified for the assets held for sale measured at fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Going concern

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Officer’s Statement. In addition, note 21 to the financial statements includes the Group’s and Company’s objectives, policies and processes for managing its capital and its financial risk management objectives.

The current economic conditions continue to create uncertainty, particularly over (a) the level of demand for the group’s products; and (b) the availability of finance for the foreseeable future. The Directors’ are satisfied that the Group has sufficient resources to meet any obligations over the going concern period. At 31 December 2020, the Group had cash balances of £478,910 (2019: £865,875).

The Group’s employees carry out their duties remotely, via the network infrastructure in place. As a result, there has been no disruption to date to the operational activities of the Group during the COVID-19 social distancing and working from home restrictions. All key business functions continue to operate at normal capacity.

Taking in to account the comments above, the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements

New standards, amendments and interpretations adopted by the Group and Company

The following IFRS or IFRIC interpretations were effective for the first time for the financial year beginning 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

Standards /interpretations	Application
IAS 1 & IAS 8 amendments	Definition of Material
IFRS 3 amendments	Business Combinations
Amendments to IFRS 9, IAS 39 & IFRS 17	Interest Rate Benchmark Reform
N/A	Amendments to References to the Conceptual Framework in IFRS Standards

Notes to the financial statements (continued)

Annual Report and Financial Statements

For the year ended 31 December 2020

1. Summary of significant accounting policies (continued)**New standards, amendments and interpretations not yet adopted**

Standards /interpretations	Application
IAS 1 amendments	Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date: Effective 1 January 2023
IFRS 3 amendments	Business Combinations – Reference to the Conceptual Framework: Effective 1 January 2022*
IAS 16 amendments	Property, Plant and Equipment: Effective 1 January 2022*
IAS 37 amendments	Provisions, Contingent Liabilities and Contingent Assets: Effective 1 January 2022*
N/A	Annual Improvements to IFRS Standards 2018-2020 Cycle: Effective 1 January 2022*

There are no IFRS's or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company or Group.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries ("the Group"). Subsidiaries include all entities over which the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control commences until the date that control ceases. Intra-group balances and any unrealised gains and losses on income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The acquisition method of accounting is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange, and the equity interests issued. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. Acquisition related costs are expensed as incurred. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Investments in subsidiaries

Investments in subsidiaries are held at cost less any impairment.

Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities acquired. Identifiable assets are those which can be sold separately, or which arise from legal rights regardless of whether those rights are separable. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but is tested annually, or when trigger events occur, for impairment and is carried at cost less accumulated impairment losses.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses are presented in the income statement within 'finance income or costs.'

Notes to the financial statements (continued)

Annual Report and Financial Statements

For the year ended 31 December 2020

1. Summary of significant accounting policies (continued)**Foreign currency translation (continued)**

The results and financial position of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each Income Statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Furniture, fittings and equipment 3 - 8 years

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

Intangible assets – Intellectual property and internally generated software

Separately acquired intellectual property is shown at historic cost. Intellectual property acquired in a business combination is recognised at fair value at the acquisition date. Amortisation is calculated using the straight-line method over the estimated useful life of up to 5 years.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed 5 years. Amortisation commences when regulatory approval is obtained, and the product is commercially available.

Notes to the financial statements (continued)

Annual Report and Financial Statements

For the year ended 31 December 2020

1. Summary of significant accounting policies (continued)**Impairment of non-financial assets**

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. A discontinued operation is a component of the Group that is classified as held for sale and that represents a separate line of business or geographical area of operations. The results of discontinued operations are presented separately in the Consolidated Income Statement.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets in the following categories financial assets as "at fair value through profit and loss" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are held with the objective of collecting the contractual cash flows. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Due to the short-term nature of the other current receivables, their carrying amount is considered to be the same as their fair value.

A financial asset is assessed at each reporting date to determine whether there is any evidence that it is impaired. A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individual significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less. In the consolidated Statement of Financial Position, bank overdrafts are shown within borrowings in current liabilities.

Notes to the financial statements (continued)

Annual Report and Financial Statements

For the year ended 31 December 2020

1. Summary of significant accounting policies (continued)**Financial liabilities and equity instruments issued by the group**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issued costs.

Convertible loan notes

The convertible loan note ("CLN") is a compound financial instrument that can be converted to share capital at the option of the holder. As the CLN, and the accrued interest, can only be repaid by the issue of shares, it has been recognised in equity only, with no liability component. Interest is accounted for on an accruals basis and charged to the Consolidated Income Statement and added to the carrying amount of the equity component of the CLN.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method. The carrying amounts of trade and other payables are considered to be the same as their fair values.

Segment reporting

An operating segment is a component of the Group that engages in business activity from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with and of the Group's other components. All operating segments' operating results, for which discrete financial information is available, are reviewed regularly by the Group's Board to make decisions about resources to be allocated to the segment and assess its performance. The Group reports on a two-segment basis – holding company expenses and medical software.

Share capital**Ordinary shares**

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

Share-based payments

The Company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability or sales growth targets, or remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specific period of time).

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Notes to the financial statements (continued)

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For the year ended 31 December 2020

1. Summary of significant accounting policies (continued)

Share-based payments (continued)

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase in investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Revenue recognition

The group derives revenue from the transfer of goods and services at a point in time and over time. Revenue from external customers arise on the sales of software licences, including associated maintenance, and consultancy services.

Revenue from licence sales is measured at the agreed transaction price at a point in time. A receivable is recognised when access to the software is granted, since this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Support and maintenance services are provided on the product supplied; this is deemed to be a separately identifiable product and is recognised over time. Revenue from consulting services are recognised in the accounting period in which the services are rendered.

Taxation

The Company is registered in Jersey, Channel Islands and is taxed at the Jersey Company standard rate of 0%. However, the Company's subsidiaries are situated in jurisdictions where taxation may become applicable to local operations.

The major components of income tax on profit or loss include current and deferred tax.

The tax currently payable is based on the taxable profit for the period using the tax rates that have been enacted or substantially enacted by the balance sheet date. Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements. Deferred tax is determined using tax rates that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

Notes to the financial statements (continued)

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For the year ended 31 December 2020

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value measurement

Management uses valuation techniques to determine the fair value of assets held for sale. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on best observable data available as far as possible. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. During 2020, management decided to retract its decision to sell Stone Checker Software Limited.

Critical judgments in applying the entity's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Capitalisation of internally developed software

Distinguishing the research and development phases of the software suites and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

3. Segmental analysis

The Directors are of the opinion that under IFRS 8 – "Segmental Information" the Group operated in two primary business segments in 2020; being holding company expenses and medical software. The secondary segment is geographic. The Group's losses and net assets by primary business segments are shown below.

Segmentation by continuing businesses:

	2020	2019
	£	£
Loss before income tax		
Holding company	(358,788)	(408,182)
Medical software	(358,746)	(230,472)
	(717,534)	(638,654)
Net assets		
Holding company	2,039,026	2,273,100
Medical software – net liabilities	(967,672)	(320,335)

Notes to the financial statements (continued)

Annual Report and Financial Statements

For the year ended 31 December 2020

3. Segmental analysis (continued)**Segmentation by geographical area:**

	2020	2019
	£	£
Revenue to external customers		
Jersey	-	-
United Kingdom	-	-
United States of America	255,314	267,898
	255,314	267,898
Loss before income tax		
Jersey	(358,788)	(408,182)
United Kingdom	(8,167)	(21,587)
United States of America	(350,579)	(208,885)
	(717,534)	(638,654)
Net assets/(liabilities)		
Jersey	2,039,026	2,273,100
United Kingdom	(251,389)	-
United States of America	(716,283)	(320,335)

4. Finance costs

	2020	2019
	£	£
Interest payable on unsecured convertible loan notes	31,812	28,975

5. Operating loss

	2020	2019
	£	£
The following items have been included in arriving at operating loss		
Staff costs	388,066	414,167
Amortisation of internally generated intangible assets	114,846	109,012
Auditor's remuneration has been included in arriving at operating loss as follows:		
Fees payable to the Company's auditor and their associates for the audit of the Group and Company's financial statements	28,500	20,000
Non-audit services	-	-
Total audit fees payable to the Group auditors	28,500	20,000

Notes to the financial statements (continued)

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6. Employee information

The average monthly number of employees (including Executive Directors) was:

	2020 Number	2019 Number
Administration	7	7
	£	£
Staff costs (for the above employees)		
Wages and salaries	386,406	412,544
Social security costs and pension contributions	1,660	1,623
	388,066	414,167

Directors' remuneration and transactions

	2020 £	2019 £
Directors' remuneration		
Emoluments and fees	160,000	125,000
Remuneration of the highest paid director:		
Emoluments and fees	100,000	65,000
Benefits and other fees	-	-
	100,000	65,000

7. Income tax expense

	2020 £	2019 £
The tax assessed for the period is different from the standard rate of Income tax as explained below:		
Loss before tax on continuing operations	(717,534)	(638,654)
Loss before tax multiplied by the standard rate of Jersey income tax of 0%	-	-
Adjustments to tax in respect of prior periods	-	-
Tax (credit)/charge for period	-	-

8. Earnings per share**Basic and diluted**

Earnings per share is calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of Ordinary shares in issue during the period, excluding Ordinary shares purchased by the Company and held as treasury shares.

	2020	2019
Group:		
Loss attributable to equity holders of the parent (£)	(717,534)	(638,654)
Weighted average number of shares in issue (Number)	148,008,694	128,197,043
Loss per share (pence) from continuing operations	(0.48)	(0.50)

Notes to the financial statements (continued)

Annual Report and Financial Statements

For the year ended 31 December 2020

9. Property, plant and equipment

Group	Equipment	Total
Cost	£	£
At 1 January 2019	6,180	6,180
Additions	4,065	4,065
Transferred to assets classified as held for sale (see note 14)	(1,249)	(1,249)
At 31 December 2019	8,996	8,996
Additions	-	-
Exchange differences	(135)	(135)
Transferred from assets classified as held for sale (see note 14)	1,249	1,249
At 31 December 2020	10,110	10,110
Depreciation		
At 1 January 2019	(5,262)	(5,262)
Charge for the year	(1,979)	(1,979)
On assets reclassified as held for sale (see note 14)	955	955
At 31 December 2019	(6,286)	(6,286)
Charge for the year	(1,658)	(1,658)
Exchange differences	72	72
On assets reclassified as held for sale (see note 14)	(955)	(955)
At 31 December 2020	(8,827)	(8,827)
Carrying amount		
At 31 December 2020	1,283	1,283
At 31 December 2019	2,710	2,710

10. Goodwill

Group	£
Cost	
At 1 January 2019	201,274
Reclassified to held for sale (see note 14)	(82,627)
Exchange differences	9,649
At 31 December 2019	128,296
Reclassified from held for sale (see note 14)	82,627
Exchange differences	(6,862)
At 31 December 2020	204,061

The goodwill at 31 December 2020 arises during the purchase of Imaging Biometrics and Stone Checker Software Limited. The goodwill is not amortised but is reviewed on an annual basis for impairment, or more frequently if there are indications that goodwill might be impaired. The impairment review comprises a comparison of the carrying amount of the goodwill with its recoverable amount (the higher of fair value less costs to sell and value in use). No impairment was deemed necessary for the year ended 31 December 2020.

Notes to the financial statements (continued)

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For the year ended 31 December 2020

11. Intangible assets – intellectual property, imaging and diagnostic software

Group	£
Cost	
At 1 January 2019	754,456
Exchange differences	38,936
Additions from internal development	112,115
Reclassified to assets held for sale (see note 14)	(321,509)
At 31 December 2019	583,998
Exchange differences	(27,690)
Additions from internal development	68,962
Reclassified from assets held for sale (see note 14)	321,509
At 31 December 2020	946,779
Accumulated Amortisation	
At 1 January 2019	33,187
Exchange differences	2,699
Charge for the year	109,012
At 31 December 2019	144,898
Exchange differences	1,919
Charge for the year	114,846
At 31 December 2020	261,663
Net book value	
At 31 December 2020	685,116
At 31 December 2019	439,100

During 2019, intangible assets relating to the internally developed software 'StoneChecker', held in Stone Checker Software Limited, were transferred to the disposal group classified as held-for-sale. Management subsequently retracted its decision to sell the software in 2020. See note 14 for further details regarding the assets held for sale.

12. Investments in subsidiaries

Company	Shares in group undertakings £
Cost	
At 1 January 2019	783,823
Reclassified to investments held for sale	(240,000)
At 31 December 2019	543,823
Reclassified from investments held for sale	240,000
At 31 December 2020	783,823

Notes to the financial statements (continued)

Annual Report and Financial Statements

For the year ended 31 December 2020

12. Investments in subsidiaries (continued)

At 31 December 2020, the Group consisted of a parent company, IQ-AI Limited, registered in Jersey and its two wholly owned subsidiaries.

Subsidiaries:**Imaging Biometrics LLC**

Registered Office: 13406 Watertown Plank Road, Elm Grove, WI 53122, United States of America

Nature of business: develops ready-to-use software applications for the healthcare industry.

Class of share	%
Ordinary shares	Holding
	100

Stone Checker Software Limited

Registered Office: Unit 12 Westway Business Centre, Marksbury, Bath, BA2 9HN, United Kingdom

Nature of business: supplier of technology solutions in the field of kidney stone analysis and kidney stone prevention.

Class of share	%
Ordinary shares	Holding
	100

13. Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Amounts owed by group undertakings	-	-	971,393	756,467
Trade receivables	29,305	11,657	-	-
Other receivables	7,611	5,564	-	-
Prepayments	26,657	10,809	15,248	5,289
	63,573	28,030	986,641	761,756

In the Directors' opinion, the carrying amounts of receivables is considered a reasonable approximation of fair value. The Group monitors on a monthly basis the receivable balance and makes impairment provisions when debt reaches a certain age. There are no significant known risks as at 31 December 2020 (2019: none).

Notes to the financial statements (continued)

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For the year ended 31 December 2020

14. Non-current Assets Held for Sale and Discontinued Operations

On 18 December 2019, the Directors announced their intention to actively seek a buyer for Stone Checker Software Limited. The proceeds from the disposal were expected to exceed the book value of the related net assets and accordingly no impairment loss was recognised on the classification of these operations as held for sale.

During 2020, the Directors retracted their decision to sell Stone Checker Software Limited and ceased to classify the entity as held for sale.

The results of operations for that component previously presented in discontinued operations for the year ended 31 December 2019 have been reclassified and included within continuing operations for all periods presented. The Statement of Comprehensive Income, including associated disclosures, have been re-presented within the 2019 comparative period on that basis.

No adjustment to the carrying amount of the net assets of Stone Checker Software Limited, subsequent to the decision not to sell, is deemed necessary.

The major classes of assets and liabilities comprising the operations classified as held for sale as at 31 December 2019 were as follows:

	Year ended 31 December 2019 £
Goodwill	82,627
Property, plant and equipment	294
Intangible assets	321,509
Other receivables	74
Total assets classified as held for sale	404,504
Trade and other payables	(4,948)
Loans	(4,000)
Total liabilities associated with assets classified as held for sale	(8,948)
Net assets of disposal group	395,556

15. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Amounts owed to group undertakings	-	-	48,137	32,665
Trade payables	-	12,741	-	-
Loans	93,313	57,994	-	-
Other creditors	8,740	-	-	-
Accruals and deferred income	259,536	125,698	91,067	70,501
Dividends payable	-	3,485	-	3,485
	361,589	199,918	139,204	106,651

In the Directors' opinion, the carrying amount of payables is considered a reasonable approximation of fair value.

Notes to the financial statements (continued)

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For the year ended 31 December 2020

16. Share capital

	2020 Number	2019 Number	2020 £	2019 £
Allotted, called up and fully paid				
Ordinary shares of 1p each	170,107,609	139,830,982	1,701,076	1,398,310
	170,107,609	139,830,982	1,701,076	1,398,310

The movement in share capital is detailed below:

	Number of shares issued
On 13 January 2020, the Company issued 1,000,000 ordinary shares at 2.6p following the exercise of options held by David Smith.	1,000,000
On 5 February 2020, the Company converted £60,000 convertible loan notes and £16,875 related interest into 5,125,000 ordinary shares at a price of 1.5p per share.	5,125,000
On 11 November 2020, the Company converted £40,000 convertible loan notes and £13,500 related interest into 3,566,666 ordinary shares at a price of 1.5p per share.	3,566,666
On 11 November 2020, the Company also converted £200,000 convertible loan notes and £20,000 related interest into 11,000,000 ordinary shares at a price of 2p per share.	11,000,000
On 4 December 2020, the Company issued 282,460 ordinary shares at 13.21p per share.	282,460
On 9 December 2020, the Company converted £90,000 convertible loan notes and £8,100 related interest into 6,540,000 ordinary shares at a price of 1.5p per share.	6,540,000
On 9 December 2020, the Company converted £50,000 convertible loan notes and £5,250 related interest into 2,762,500 ordinary shares at a price of 2p per share.	2,762,500

17. Reserves

The Group's reserves are made up as follows:

Share capital: Represents the nominal value of the issued share capital.

Share premium account: Represents amounts received in excess of the nominal value on the issue of share capital less any costs associated with the issue of shares.

Capital redemption reserve: Reserve created on the redemption of the Company's shares

Merger reserve: Represents the difference between the nominal value of the share capital issued by the Company and the fair value of Stone Checker Software Limited at the date of acquisition.

Convertible loan note reserve: Represents the equity portion of the Convertible Loan Notes issued by the Company.

Foreign currency translation reserve: Reserve arising from the translation of foreign subsidiaries at consolidation.

Retained earnings: Represents accumulated comprehensive income for the year and prior periods.

Notes to the financial statements (continued)

Annual Report and Financial Statements

For the year ended 31 December 2020

18. Share-based payments

On 1 November 2018, 6,017,500 shares in IQ-AI Limited were granted under option to David Smith. The shares are exercisable at 2.60p and the option will vest over 3 years, with 1/3rd vesting on 1 August 2019 and the remainder vesting at a rate of 1/36th per month on the last day of each month, until the shares become fully vested. The option will be exercisable for 10 years and will lapse on 1 August 2028. There are no cash settlement alternatives. The fair value is estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model.

	2018
Exercise price (pence)	2.60p
Shares under option	6,017,500
Risk free interest (%)	2
Expected volatility (%)	52%
Expected life in years	3

The total charge for the year relating to this scheme was £26,105 (2019: £26,105).

19. Convertible loan note reserve

	2020	2019
	£	£
At the beginning of the year	668,278	145,033
Interest charge for the year	31,812	28,975
Loan notes and interest converted	(503,726)	(24,230)
Loan notes issued during the year	-	518,500
At the end of the year	196,364	668,278

The above reserve was created on the issue and conversions of the following Convertible Loan Notes ("CLNs"). The above amount relates to the equity portion of the CLNs. The capital and accrued interest are wholly repayable by the issue of shares in the Company.

On 5 February 2020, the Company converted £60,000 convertible loan notes and £16,875 related interest into 5,125,000 ordinary shares at a price of 1.5p per share.

On 11 November 2020, the Company converted £40,000 convertible loan notes and £13,500 related interest into 3,566,666 ordinary shares at a price of 1.5p per share.

On 11 November 2020, the Company also converted £200,000 convertible loan notes and £20,000 related interest into 11,000,000 ordinary shares at a price of 2p per share.

On 9 December 2020, the Company converted £90,000 convertible loan notes and £8,100 related interest into 6,540,000 ordinary shares at a price of 1.5p per share.

On 9 December 2020, the Company converted £50,000 convertible loan notes and £5,250 related interest into 2,762,500 ordinary shares at a price of 2p per share.

20. Operating lease commitments**Financial commitments**

The Group had no contracts in respect of lessee arrangements. The registered office is provided by the Company Secretary as part of their services. The contract has a cancellation policy of 3 months.

Notes to the financial statements (continued)

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21. Financial instruments**Financial risk management**

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

The Group has exposure to the following risks from its use of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk
- (d) Currency risk
- (e) Interest rate risk
- (f) Capital risk management

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

Trade and other receivables

The Group's exposure to credit risk is influenced by the type of customer the Group contracts with. The Group has minimal trade receivables.

The immediate credit exposure of financial instruments is represented by those financial instruments that have a net positive fair value by counterparty at 31 December 2020. The Group considers its maximum exposure to be:

	2020	2019
	£	£
Financial instrument		
Cash and cash equivalents	478,910	865,875
Loans and receivables, net of impairment	29,305	11,657
	508,215	877,532

All cash balances and short-term deposits are held with an investment grade bank who is our principal banker (Barclays Bank PLC). Although the Group has seen no direct evidence of changes to the credit risk of its counterparties, the current focus on financial liquidity in all markets has introduced increased financial volatility. The Group continues to monitor the changes to its counterparties' credit risk.

Notes to the financial statements (continued)

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For the year ended 31 December 2020

21. Financial instruments (continued)**(b) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Board are jointly responsible for monitoring and managing liquidity and ensures that the Group has sufficient liquid resources to meet unforeseen and abnormal requirements. The current forecast suggests that the Group has sufficient liquid resources.

The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years
	£	£	£	£	£	£
31 December 2020						
Non-derivative financial liabilities						
Trade and other payables	268,276	-	268,276	-	-	-
Borrowings	93,313	-	93,313	-	-	-
	361,589	-	361,589	-	-	-
31 December 2019						
Non-derivative financial liabilities						
Trade and other payables	141,924	-	141,924	-	-	-
Borrowings	57,994	-	57,994	-	-	-
	199,918	-	199,918	-	-	-

Available liquid resources and cash requirements are monitored using detailed cash flow and profit forecasts which are reviewed at least quarterly, or more often as required. The Directors decision to prepare these accounts on a going concern basis is based on assumptions which are discussed in the going concern paragraph in note 1.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Given the Group began revenue generating operations in the year, the risk for the year was minimal.

(d) Currency risk

The Group is exposed to currency risk as the assets of its subsidiary, Imaging Biometrics LLC, are denominated in US Dollars. At 31 December 2020, the net foreign liabilities were £827,311 (2019: £566,216). Differences that arise from the translation of these assets from US Dollar to Pound Sterling are recognised in other comprehensive income and the cumulative effect as a separate component in equity.

(e) Interest rate risk

The Group has no floating rate loans. Therefore, the Group has no exposure to interest rate risk.

(f) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders as well as sustaining the future development of the business. In order to maintain or adjust the capital structure, the Group may adjust dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of net debt, which includes loans, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Notes to the financial statements (continued)

Annual Report and Financial Statements

For the year ended 31 December 2020

21. Financial instruments (continued)

Fair value of financial assets and liabilities

	Book value 2020 £	Fair value 2020 £	Book value 2019 £	Fair value 2019 £
Financial assets				
Cash and cash equivalents	478,910	478,910	865,875	865,875
Loans and receivables, net of impairment	29,305	29,305	11,657	11,657
Total at amortised cost	508,215	508,215	877,532	877,532
Financial liabilities				
Trade and other payables	268,276	268,276	141,924	141,924
Borrowings	93,313	93,313	57,994	57,994
Total at amortised cost	361,589	361,589	199,918	199,918

22. Related party transactions

During the year the Company was charged £10,000 (2019: £77,780) by Peterhouse Capital Limited ("Peterhouse") for the provision of corporate advisory services. The Company is connected to Peterhouse as Qu Li served as a director of Peterhouse up until 2 November 2020.

Non-Executive Chairman, Qu Li, is also a Director and major shareholder of China Ventures Limited. During the year China Ventures Limited charged the Company a total of £30,053 (2019: £30,771) in respect of services provided by Dr Li. The balance outstanding at year end was £nil (2019: £nil).

At the year end, Trevor Brown directly and indirectly through Free Association Books, a company in which he also serves as a Director, holds 49,813,236 Ordinary Shares in the Company.

At the year-end, the amount due to Michael Schmainda in respect of a loan provided to Imaging Biometrics LLC amounted to US\$75,000 (2019: US\$75,000). The loan is interest free and repayable on demand.

23. Events after the reporting period

On 15 April 2021, the full loan amount of \$52,495 (£38,421) owing by Imaging Biometrics LLC to the U.S. Small Business Administration pursuant to the Paycheck Protection Program was forgiven.

IQ-AI LIMITED

Registered details

Annual Report and Financial Statements
year ended 31 December 2020

DIRECTORS:

Trevor Brown (Chief Executive Officer)
Dr Qu Li (Non-Executive Chairman)
Vinod Kaushal (Non-Executive Director)
Michael Schmainda (Non-Executive Director)

SECRETARY:

Donald Reid
c/o Anglo Saxon Trust
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St Helier
Jersey
Channel Islands
JE4 8TQ

REGISTERED OFFICE:

P. O. Box 264
Forum 4
Grenville Street
St Helier
Jersey
Channel Islands
JE4 8TQ

COMPANY REGISTRATION NUMBER:

2044

REGISTRAR AND TRANSFER OFFICE:

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The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

INDEPENDENT AUDITORS:

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Statutory Auditor
15 Westferry Circus
Canary Wharf
London
E14 4HD

FINANCIAL ADVISER AND CORPORATE BROKER:

Peterhouse Capital Limited
80 Cheapside
London
EC2V 6DZ

BANKERS:

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JE4 8PU