

**IQ-AI Limited**

**Annual Report and Financial Statements  
for the year ended 31 December 2021**

**Registered number: 2044**

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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 2021 for IQ-AI Limited.

### **Operational Progress**

2021 was a transformational year for IQ-AI. We had record revenue of £521,069 (2020: £255,314), an annual growth rate of 104%, secured several new patents, made the strategic decision to sponsor a Phase I therapeutic clinical trial, and achieved new product development milestones. Several factors, both internal and external, drove these accomplishments. Hospitals and healthcare providers were able to resume the sales conversations that were postponed due to the pandemic, while IQ-AI's operating subsidiaries, Imaging Biometrics, LLC (IB) and Stone Checker Software Limited (SC), remained fully functional throughout this difficult period and were able to continue the development of new products.

### **Major Highlights**

- Early in 2021, we aligned and focused resources to accelerate the development of IB Zero G™, the Artificial Intelligence (AI) model for generating simulated “with contrast” images using non-contrast (0% gadolinium) images as input. The effort included the labelling of many datasets necessary to be used to perfect the AI model. Sufficient progress was made throughout the year and a 510(k) application to the US FDA is in now in preparation with submission for approval anticipated in May '22.
- Last April 2021, we announced the sponsorship of a Phase I clinical trial. The trial follows a successful pre-clinical study that showed that the potential therapeutic compound Gallium Maltolate (GaM) shrunk glioblastoma (GBM) cells in animal models. In June 2021, the FDA approved the investigational new drug (IND) application for GaM and the treatment of the most aggressive form of brain cancer, GBM, and the first-in-human trial of an oral form of GaM has now commenced in the USA.
- In April 2021, a \$3 million grant was awarded in collaboration with Professor Kathleen Schmainda, PhD, from the Medical College of Wisconsin (MCW). The National Institutes of Health (NIH)-funded grant will be used to validate and translate an AI model that can detect infiltrating tumour cells before they are visible on standard imaging. This would represent the ultimate in early detection.
- In June 2021, we were awarded a US patent for the AI technology contained in IB Zero G™. This 0% contrast media dose approach has the potential of offering remarkable benefits which include a more comfortable patient experience, more productive radiology departments, and reduced risks associated from the long-term, albeit uncertain, side effects of repeated GBCA use.
- In September 2021, we received a European patent for IB's “dual-echo” technology. Previously patented in the US, this technology combines MR scanner data acquisition and post-processing to generate two unique sets of data that currently require two independent MR exams. In addition, the technology eliminates the need for the commonly accepted “pre-load” dose of gadolinium-based contrast agent and minimizes other imaging artefacts inherent with this type of imaging. The advancement of this technology is being done in collaboration with the Barrow Neurological Institute under a funded NIH grant. An additional aim of the grant is to harmonize this approach across all major scanner platforms.
- In November 2021, MD Anderson Cancer Centre (University of Texas, Houston) adopted IB Clinic – container edition. MD Anderson is consistently ranked as the #1 cancer centre in the USA and is a recognized leader in using cutting edge technologies in an attempt to improve patient outcomes. This installation again underscores the significance of the automated and quantitative capability of IB Clinic – container edition.

### **Impacting Decisions, Impacting Lives**

The limitations of conventional brain tumour imaging are well acknowledged. The inability to accurately distinguish between tumour and treatment effect can lead to erroneous decisions and suboptimal care. Yet, even today, the current standard to monitor treatment response in brain tumours relies exclusively on conventional imaging. Since our inception, we have maintained close collaborative relationships with scientific and clinical experts who have worked to establish a better way of monitoring treatment response. Leading this effort is Professor Kathleen Schmainda at MCW. The pioneering work conducted in her laboratory has paved the way for significant developments in MR quantitative imaging.

## **Chief Executive Officer's Statement (continued)**

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Today, the proliferation of that foundational science continues to drive ground-breaking advances which have the potential to establish an entirely new standard in brain tumour imaging and application. These extended collaborative relationships, many of which are funded by various NIH grant mechanisms, leave us ideally positioned to selectively identify promising new advances which can be translated into new product opportunities. By doing so, we can help bridge the gap between the laboratory and routine clinical care and deliver products that make a difference in the lives of patients and their families.

### **The 2021 Inflection Point**

One of the causes of an increase in revenue during the period was the effects of our fully automated processing enhancements. This new product packaging provided an opportunity to implement an annual subscription payment model based on procedural volume. Therefore, any size organization can benefit from our solutions. Prior to this, our products were solely packaged as “plugins” to the Apple® Mac platform and required manual user operation (e.g., an MR Technologist or neuroradiologist) to process the datasets. Because most hospitals use Windows™ PCs and busy neuroradiologists want all information available from a single workstation, our sales were limited hitherto. Since we made our products available as fully automated and platform-independent solutions, interest has grown. Now, high-volume cancer centres, located in large metropolitan areas, can take advantage of our advanced imaging solutions. Our competitors offer automated processing too. However, we are unique, as nobody else offers quantitative information that has been correlated with actual tissue samples. Our challenge is to make clinicians and patients aware of this unparalleled capability.

### **Focus areas 2022:**

#### **Business Growth**

Building upon the record revenue levels established last year remains a priority. To meet this challenge and, as previously noted, we have added a Client Relations Manager with prior “blue chip company” and radiology technician experience. More recently, we have enlisted a marketing-advertising agency to help us heighten brand awareness to clinicians, patients, and administrators. Our core imaging platform, IB Clinic, is clinically validated, mature, and primed to scale rapidly.

In addition to our internal sales efforts, we continue to strengthen our channel partners’ sales and marketing teams’ understanding of our software products. And, as appropriate, we are asked to join sales calls and product demonstrations initiated by our partners. This puts prospective clients in direct contact with us and allows us to better explain the underlying technology and proven science of our applications. In effect, our partners act as an extension of our own sales and marketing teams and are introducing the unique aspects of our imaging platforms to new prospects around the world.

Our NIH-funded grants continue to fuel product development. These funds provide a significant boost to companies working to bring novel technologies to the market. Without resources such as these, the pathway to commercialization would be much longer and more burdensome for small to medium-sized companies. The specialized expertise we offer, such as making laboratory code “industrial-strength”, regulatory experience, and distribution, helps ensure novel technologies will continue to find their way from the laboratory bench to the patient.

As we look forward and plan for 2022, we are planning to exhibit at several tradeshow this coming year. Our team, medical collaborators, and members of the Schmainda Lab at MCW have submitted abstracts to upcoming meetings scheduled for this spring and summer, many of which have been accepted for oral or poster presentations. For the past few years, COVID’s impact on in-person meetings has limited exhibit opportunities and we look forward to “shaking hands” with clinical decision makers once again.

Finally, our growing collaborative networks, client base, and continued participation in the National Cancer Institute’s (NCI) Quantitative Imaging Network (QIN), of which we are the only industrial member, continue to open new opportunities for joint development of novel solutions. As we selectively explore these opportunities, we focus on synergistic applications with potential to disrupt current clinical practice and “create the standard”. While we think big, we also recognize that sometimes simple solutions can also be the most elegant.

## Chief Executive Officer's Statement (continued)

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### Product Development

We remained focused on new product initiatives that have real potential for shifting the way healthcare is practiced today. Our experience and knowledge of the full spectrum of brain tumour care has identified gaps that need to be filled – from diagnosis, to therapy, and beyond. These initiatives are listed below:

- **IB Trax™:** Under a development agreement 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. Metastatic brain cancer is 10x more prevalent than primary brain tumours. Moreover, improvements made in the treatment of lung, liver, bone, and other common cancers have resulted in the brain becoming a sanctuary site for these cancers. Again, conventional imaging makes the identification of these lesions challenging, and a systematic way to organize and report information is lacking. Which lesions are new? Which lesions have grown or shrunk? How much have the lesions changed? All these questions result in error rates as high as 30% using available tools. IB Trax will provide a solution that leverages IB's quantitative Delta T1 maps, and the longitudinal reporting capability being developed as part of IB Trax will be ported to other IB platforms. A beta version of the platform is due for completion by the end of September 2022.
- **IB Zero G™:** The US patent for the underlying technology of IB Zero G was a milestone achievement. From May through August 2021, many new datasets were labelled and made available to the development team for refining the AI model, advancements were made, and a 510(k) application is being prepared for submission with a target submission date of May 2022. The 0% dose of gadolinium-based contrast agent (GBCA) capability of IB Zero G has immediate application for patients who are at risk when, or have valid concerns of, receiving GBCA.
- **Automated "FTB" Maps:** Since the development of Fractional Tumour Burden (FTB) maps, award-winning papers and a growing body of literature have been generated showing the impact these maps have on clinical decision making. The maps require inputs from IB Delta T1 and IB Neuro perfusion maps where the measurements of relative cerebral blood volume (rCBV) are stratified into user-defined classifications. The built-in standardization technology, which automatically calibrates the values to a fixed and consistent scale, enables volumetric assessment of change and makes the visualization of the classification volumes easy. The fully automated workflow, which uses technology contained in IB Zero G, has been implemented and is ready for beta deployment. The initial use will be for high-grade brain tumours. These types of brain tumours are highly invasive and present a challenge when attempting to automatically generate FTB maps. Thus, there may be a small percentage of maps that may still require a user to manually complete the processing. Internal testing, however, is showing that a large majority of cases processed by the automated workflow appear to be working quite well. This represents a significant time saving for the high-volume sites that are using the current semi-automated workflow.
- **Simultaneous Perfusion Imaging with Consecutive Echoes (SPICE):** With expanded patent protection awarded by the European Patent Office, this dual-echo technology is well-positioned for commercial success. This technology is a combined MR acquisition and post-processing approach that has several distinct advantages. First, it requires only a single dose of GBCA (not the accepted two-dose standard) which represents a 50% reduction in GBCA administration for perfusion DSC imaging. It also generates both dynamic susceptibility contrast (DSC) and dynamic contrast enhanced (DCE) parameter maps from a single MRI scan and, at the same time, eliminates challenging acquisition issues associated with DCE exams. From the patient's perspective, two sets of rich information could be generated from the same MR scan, each of which provides useful physiologic information for brain tumour assessment. In addition, SPICE generates high-quality maps more consistently. To our knowledge, we are the only company that offers multiple options to reduce GBCA exposure. Along with IB Zero G, the SPICE dual-echo and the low flip angle (LFA) methods each provide low dose or no dose alternatives for neuro exams.

## **Chief Executive Officer's Statement (continued)**

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Currently, the DCE component of the SPICE dual-echo approach is being validated under an NIH-funded grant with Barrow Neurological Institute (BNI) which also includes standardizing MR acquisition and post-processing across all vendor platforms.

- **IB CAD™:** This AI solution will identify areas of infiltrating cancer cells invisible using current imaging techniques. While much more work and validation is needed, we believe the ability to “detect the undetectable” has the potential of revolutionizing the way brain cancer is monitored and how treatment platforms work. Funding for development continues under an NIH grant awarded to Professor Kathleen Schmainda.

### **Gallium Maltolate (GaM)**

During the period, we announced our engagement with a team from the Medical College of Wisconsin Cancer Centre (MCWCC) and our commitment to sponsor an FDA Phase I clinical trial. The study is being led by Dr Jennifer Connelly, MD, and Dr Christopher Chitambar, MD, both from MCW and both long-standing collaborators with Professor Schmainda. Encouraged by the results of the pre-clinical animal study, we decided to financially sponsor the trial, the first trial at the MCWCC for in-human-use of an oral agent to combat GBM.

At the time of writing, all necessary approvals have been obtained and the trial is open for enrolment. While the primary aim of Phase I trials is to determine safe dosing levels for Phase II, we will be closely monitoring the response of these patients to the agent using our imaging technology. Our hope for Phase I is that we see the encouraging results in human subjects that were demonstrated in the pre-clinical study. Upon receiving positive feedback from the Phase I, we plan to continue to develop GaM with the aspiration to improve prognosis for patients suffering this disease.

### **Outlook**

There is much going on and the range of potential outcomes from our projects and activities has never been wider. I anticipate an interesting and exciting future and to be communicating regularly with shareholders as events unfold.



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 2021.

### **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 22 to the financial statements.

### **Results for the 2021 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 £10,710 (2020: £31,812)
- Group revenue for the year was £521,069 (2020: £255,314)
- Administrative expenses from continuing operations increased to £994,388 (2020: £933,462)
- Group loss after tax from continuing operations was £501,058 (2020: £717,534)
- Taxation charge was £nil for the period (2020: £nil)
- Basic and diluted loss per share from continuing operations was 0.29p (2020: 0.48p loss)
- As at 31 December 2021, the Group had cash and cash equivalents of £728,586 (2020: £478,910)
- The Group's net assets increased to £1,190,691 (2020: £1,071,354)
- Intangible assets, comprising intellectual property, imaging and diagnostic software and goodwill, decreased to £772,263 (2020: £889,177)

### **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 20 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 £728,586 (2020: £478,910). 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 £207,074, including accrued interest, outstanding as at 31 December 2021 (2020: £196,364). 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.

<b>Risks/uncertainties to the continuing Group</b>		
<b>Issue</b>	<b>Risk/Uncertainty</b>	<b>Mitigation</b>
<b>Imaging Biometrics and Stone Checker may be subject to medical regulatory risk</b>	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.
<b>Intellectual property</b>	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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<b>TexRAD Limited – use of Intellectual property</b>	<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>
<b>Identifying further suitable investments</b>	<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>
<b>Raising emergency funding</b>	<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>
<b>Loss of key personnel</b>	<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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<b>The Group may be adversely affected by the enforcement of and changes in legislation and regulation affecting its business</b>	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.
<b>The Group relies on the experience and talent of its senior management and on its ability to recruit and retain key employees</b>	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 20 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 20, 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 2021, the Group had cash balances of £728,586 (2020: £478,910). 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 28 April 2022 and signed on behalf of the board by:



Trevor Brown  
**Chief Executive Officer**

## **Directors' Report**

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The Directors present their annual report and audited financial statements for the year ended 31 December 2021.

### **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 15 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 46.

No dividends will be distributed for the year ended 31 December 2021 (2020: £nil).

### **Directors**

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

Mr T Brown	Chief Executive Officer
Dr Qu Li	Non-Executive Chairman (resigned on 2 September 2021)
Mr V Kaushal	Non-Executive Director
Mr M Schmainda	Non-Executive Director
Mr B Skelly	Non-Executive Director (appointed on 2 September 2021)

Biographical details of the Directors are given on page 17.

The interests of the Directors in the shares of the company and their service contracts are noted in the Remuneration Committee report on pages 18 to 19. The Directors have no interests in share options and awards.

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 invested £5,874 in capital expenditure (2020: £nil). The Group made an investment in product development during the period of £50,691 (2020: £68,962).

Except for the loan received under the Paycheck Protection Program, the Group held no bank debt at 31 December 2021 (2020: £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 15. 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)**

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### **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 2021 (2020: £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 2021, there were two women (2020: 2) employed across the Group making 32% (2020: 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 28 April 2022 and signed on behalf of the board by:



Trevor Brown  
**Chief Executive Officer**

## **Statement of Directors' Responsibilities**

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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 EU-endorsed international financial reporting standards (EU-endorsed IFRS).

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 EU-endorsed IFRS 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

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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:

	<b>Attendance at Board Meetings</b>
T Brown	5
Dr Q Li (resigned on 2 September 2021)	1
V Kaushal	5
M Schmainda	5
B Skelly (appointed on 2 September 2021)	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 2022 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 2021

### **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 five times in 2021 (2020: 4); the Directors' attendance is summarised on page 13.

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 2021

### **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 2020, the half year results to 30 June 2021 and the report and financial statements for the year ended 31 December 2021; 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 2021

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 2022, 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 EU-endorsed IFRS, 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 28 April 2022 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 2021

### **Trevor Brown**

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

### **Dr Qu Li (resigned on 2 September 2021)**

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, Southeast 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 postgraduates.

### **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.

### **Brett Skelly (appointed on 2 September 2021)**

Brett has been working in the financial sector for GBAC Limited for over 17 years, carrying out various roles including preparing accounts and auditing a wide range of large and SME companies as well as preparing management information and forecasts. He has been involved in developing business plans and has also been involved in a number of company sales and MBOs over the years. In December 2017, Brett became the outsourced financial controller of Braveheart Investment Group Plc and is also the outsourced financial controller at Anticus Partners Limited.

## Remuneration Committee Report

Annual Report and Financial Statements  
For the year ended 31 December 2021

The Remuneration Committee presents its report for the year ended 31 December 2021.

### Membership of the Remuneration Committee

The Remuneration Committee is currently comprised of B Skelly 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><b>Base salary</b> 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"> <li>- Reference to the increases provided to Executives in the comparator group.</li> <li>- Pay and employment conditions of employees throughout the Group, including increases provided to the employee population</li> <li>- Inflation</li> </ul>
<p><b>Other benefits</b> To provide competitive levels of employment benefits.</p>	<p>Futures benefits may include:</p> <ul style="list-style-type: none"> <li>- Private medical insurance.</li> <li>- Permanent health insurance.</li> <li>- Life assurance of two times base salary.</li> </ul> <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><b>Non-Executive Director Fees</b> 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"> <li>- Increases provided to comparable roles in the comparator group.</li> <li>- Pay and employment conditions of employees throughout the Company, including increases provided to the employee population; and</li> <li>- Inflation.</li> </ul>

**Remuneration Committee Report (continued)**

Annual Report and Financial Statements

For the year ended 31 December 2021

**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 2021, 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**

	2021 Number	2020 Number
T Brown	32,203,457	49,813,236
Dr Q Li (resigned on 2 September 2021)	-	-
V Kaushal	-	-
M Schmainda*	9,108,400	9,108,400
B Skelly (appointed on 2 September 2021)	-	-

\* Includes shares held by related parties

**Directors' emoluments**

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

	Salary and fees £	Pension £	Benefits £	2021 Total £	2020 Total £
T Brown	100,000	-	-	100,000	100,000
V Kaushal	30,000	-	-	30,000	30,000
Dr Q Li* (resigned on 2 September 2021)	20,000	-	-	20,000	30,000
M Schmainda	-	-	-	-	-
B Skelly** (appointed on 2 September 2021)	10,000	-	-	10,000	-
<b>TOTAL</b>	<b>160,000</b>	<b>-</b>	<b>-</b>	<b>160,000</b>	<b>160,000</b>

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

\*\* Brett Skelly's services were invoiced by GBAC Limited.



Brett Skelly  
**Chairman of the Remuneration Committee**  
 28 April 2022

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

Annual Report and Financial Statements  
For the year ended 31 December 2021

### **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 2021 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent 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 EU-endorsed International Financial Reporting Standards.

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 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with EU-endorsed IFRS; and
- have been properly 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 public interest 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:

- Reviewing management's assessment of going concern.
- Determining if all relevant information has been included in the assessment of going concern including completeness of forecast expenditure.
- Analysing cash flow forecasts and budgets, reviewing the underlying assumptions in relation to revenue and expenditure and checking mathematical accuracy.
- Considering the cash position at and after the year end.
- 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 2021

### 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 £21,000 (2020: £27,000) based on 5% of the loss before tax. The performance materiality for the group was set at £14,700 (2020: £17,900), which is 70% of the financial statement's materiality. We have selected 70% because of the good control environment, and relatively few errors found in previous years.

The materiality applied to the parent company financial statements was £18,000 (2020: £17,000) based on 5% of the loss before tax. The performance materiality for the parent company was determined to be £14,400 (2020: £13,600). 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. For each component in the scope of our group audit, we allocated a materiality that was less than our overall group materiality.

We agreed with those charged with governance that we would report all differences identified during the course of our audit in excess of £1,050 (2020: £1,350) for the group, and £900 (2020: £850) for the parent company. We also agreed to report any other differences below that threshold that we believe warrant 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 our scope addressed this matter
<p><b>Recognition and valuation of intangible assets (refer to notes 2 and 11)</b></p> <p>As shown in note 11 of the financial statements, the group reported £567,060 (2020: £685,116) of intangible assets as at 31 December 2021.</p> <p>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 <i>Intangible Assets</i>.</p>	<p>We performed the following work to address the identified risk:</p> <ul style="list-style-type: none"> <li>substantively tested a sample of development expenditure to assess their eligibility for capitalisation under IAS 38.</li> <li>assessed any accounting policy differences regarding recognition and valuation between US</li> </ul>

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

Annual Report and Financial Statements

For the year ended 31 December 2021

<p>Additionally, there is a risk that projects under development are not fully recoverable, and that impairment indicators exist for commercially available products, which have not been identified by management.</p> <p>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.</p>	<p>GAAP and EU endorsed IFRS with regards to accounting for development costs.</p> <ul style="list-style-type: none"> <li>• re-performed the calculation of the amortisation charge and agreed this was in line with the disclosed accounting policy.</li> <li>• completed substantive testing on additions.</li> <li>• assessed compliance of the capitalised IP expenditure with the recognition criteria under IAS 38 and challenged management on areas involving significant judgement.</li> <li>• inquired into any indicators of impairment for IP which is commercially available and subject to amortisation.</li> </ul> <p>Based on the procedures performed, we consider management’s judgements and estimates to be reasonable and the related disclosures appropriate.</p>
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**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.

**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.

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

Annual Report and Financial Statements  
For the year ended 31 December 2021

### **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 parent 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 our cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from the LSE listing rules on the standard segment, 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 parent 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 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: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**IQ-AI LIMITED**

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

Annual Report and Financial Statements  
For the year ended 31 December 2021

### **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**

**Statutory Auditor**

*28 April 2022*

15 Westferry Circus

Canary Wharf

London E14 4HD

**IQ-AI LIMITED**Annual Report and Financial Statements  
For the year ended 31 December 2021**Consolidated Income Statement  
For the year ended 31 December 2021**

		2021	2020
	Notes	£	£
<b>Continuing operations</b>			
Revenue		521,069	255,314
Cost of sales		(17,047)	(8,547)
<b>Gross profit</b>		<b>504,022</b>	<b>246,767</b>
Administrative expenses		(994,388)	(933,462)
Other income		18	973
Operating loss	5	(490,348)	(685,722)
Finance costs	4	(10,710)	(31,812)
Loss before income tax		(501,058)	(717,534)
Income tax	7	-	-
<b>Loss for the year from continuing operations</b>		<b>(501,058)</b>	<b>(717,534)</b>
<b>Loss for the year attributable to the owners of the Company</b>		<b>(501,058)</b>	<b>(717,534)</b>
<b>Earnings per share attributable to owners of the Company</b>			
From continuing operations:			
Basic & diluted (pence per share)	8	(0.29)	(0.48)

**Consolidated Statement of Comprehensive Income  
For the year ended 31 December 2021**

	2021	2020
	£	£
<b>Loss for the period</b>	<b>(501,058)</b>	<b>(717,534)</b>
<b>Other comprehensive income</b>		
<b>Items that may be subsequently reclassified as profit or loss</b>		
Exchange differences on translation of foreign operations	737	12,781
	737	12,781
<b>Total comprehensive loss for the year attributable to the owners of the Company</b>	<b>(500,321)</b>	<b>(704,753)</b>

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

## Consolidated Statement of Financial Position

**As at 31 December 2021**

		2021	2020
		£	£
	<b>Notes</b>		
<b>Non-current assets</b>			
Property, plant and equipment	9	4,440	1,283
Goodwill	10	205,203	204,061
Intangible assets	11	567,060	685,116
<b>Total non-current assets</b>		<b>776,703</b>	<b>890,460</b>
<b>Current assets</b>			
Trade and other receivables	13	78,189	63,573
Cash and cash equivalents		728,586	478,910
<b>Total current assets</b>		<b>806,775</b>	<b>542,483</b>
<b>Current liabilities</b>			
Trade and other payables	14	392,787	361,589
<b>Total current liabilities</b>		<b>392,787</b>	<b>361,589</b>
<b>Net current assets</b>		<b>413,988</b>	<b>180,894</b>
<b>NET ASSETS</b>		<b>1,190,691</b>	<b>1,071,354</b>
<b>Equity</b>			
Share capital	15	1,825,076	1,701,076
Share premium		20,547,343	20,076,343
Capital redemption reserve		23,616	23,616
Merger reserve		160,000	160,000
Convertible loan note reserve	18	207,074	196,364
Share based payment reserve		71,808	63,087
Foreign currency reserve		20,973	15,009
Retained losses		(21,665,199)	(21,164,141)
<b>Equity attributable to owners of the Company</b>		<b>1,190,691</b>	<b>1,071,354</b>
<b>TOTAL EQUITY</b>		<b>1,190,691</b>	<b>1,071,354</b>

The financial statements on pages 25 to 46 were approved by the Board of Directors on 28 April 2022 and signed on its behalf by:



**T Brown**  
Director



**B Skelly**  
Director

**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 2021**

		2021	2020
		£	£
	<b>Notes</b>		
<b>Non-current assets</b>			
Investments	12	668,823	783,823
<b>Total non-current assets</b>		<b>668,823</b>	<b>783,823</b>
<b>Current assets</b>			
Trade and other receivables	13	1,130,304	986,641
Cash and cash equivalents		468,767	407,766
<b>Total current assets</b>		<b>1,599,071</b>	<b>1,394,407</b>
<b>Current liabilities</b>			
Trade and other payables	14	137,598	139,204
<b>Total current liabilities</b>		<b>137,598</b>	<b>139,204</b>
<b>Net current assets</b>		<b>1,461,473</b>	<b>1,255,203</b>
<b>NET ASSETS</b>		<b>2,130,296</b>	<b>2,039,026</b>
<b>Equity</b>			
Share capital	15	1,825,076	1,701,076
Share premium		20,547,343	20,076,343
Capital redemption reserve		23,616	23,616
Merger reserve		160,000	160,000
Convertible loan note reserve	18	207,074	196,364
Share based payment reserve		71,808	63,087
Retained losses		(20,704,621)	(20,181,460)
<b>Equity attributable to owners of the Company</b>		<b>2,130,296</b>	<b>2,039,026</b>
<b>TOTAL EQUITY</b>		<b>2,130,296</b>	<b>2,039,026</b>

The financial statements on pages 25 to 46 were approved by the Board of Directors on 28 April 2022 and signed on its behalf by:



T Brown  
Director



B Skelly  
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 2021

**Consolidated Statement of Changes in Equity****For the year ended 31 December 2021**

	Share capital	Share premium	Capital redemption reserve	Merger reserve	Convertible loan note reserve	Share based payment reserve	Foreign currency reserve	Retained losses	TOTAL EQUITY
	£	£	£	£	£	£	£	£	£
<b>Balance at 1 January 2020</b>	<b>1,398,310</b>	<b>19,812,071</b>	<b>23,616</b>	<b>160,000</b>	<b>668,278</b>	<b>36,982</b>	<b>10,484</b>	<b>(20,450,092)</b>	<b>1,659,649</b>
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)
<b>Balance at 31 December 2020</b>	<b>1,701,076</b>	<b>20,076,343</b>	<b>23,616</b>	<b>160,000</b>	<b>196,364</b>	<b>63,087</b>	<b>15,009</b>	<b>(21,164,141)</b>	<b>1,071,354</b>
Loss for the year	-	-	-	-	-	-	-	(501,058)	(501,058)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	737	-	737
Total comprehensive loss for the year	-	-	-	-	-	-	737	(501,058)	(500,321)
Shares issued	124,000	496,000	-	-	-	-	-	-	620,000
Cost of shares issued	-	(25,000)	-	-	-	-	-	-	(25,000)
Share based payments	-	-	-	-	-	8,721	-	-	8,721
Movement in the year	-	-	-	-	10,710	-	5,227	-	15,937
<b>Balance at 31 December 2021</b>	<b>1,825,076</b>	<b>20,547,343</b>	<b>23,616</b>	<b>160,000</b>	<b>207,074</b>	<b>71,808</b>	<b>20,973</b>	<b>(21,665,199)</b>	<b>1,190,691</b>

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 2021

**Company Statement of Changes in Equity****For the year ended 31 December 2021**

	Share Capital	Share Premium	Capital Redemption Reserve	Merger Reserve	Convertible Loan Note Reserve	Share Based Payment Reserve	Retained Losses	TOTAL EQUITY
	£	£	£	£	£	£	£	£
<b>Balance at 1 January 2020</b>	<b>1,398,310</b>	<b>19,812,071</b>	<b>23,616</b>	<b>160,000</b>	<b>668,278</b>	<b>36,982</b>	<b>(19,826,157)</b>	<b>2,273,100</b>
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)
<b>Balance at 31 December 2020</b>	<b>1,701,076</b>	<b>20,076,343</b>	<b>23,616</b>	<b>160,000</b>	<b>196,364</b>	<b>63,087</b>	<b>(20,181,460)</b>	<b>2,039,026</b>
Total comprehensive loss for the year	-	-	-	-	-	-	(523,161)	(523,161)
Shares issued	124,000	496,000	-	-	-	-	-	620,000
Cost of shares issued	-	(25,000)	-	-	-	-	-	(25,000)
Share based payments	-	-	-	-	-	8,721	-	8,721
Movement in the year	-	-	-	-	10,710	-	-	10,710
<b>Balance at 31 December 2021</b>	<b>1,825,076</b>	<b>20,547,343</b>	<b>23,616</b>	<b>160,000</b>	<b>207,074</b>	<b>71,808</b>	<b>(20,704,621)</b>	<b>2,130,296</b>

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 2021

**Consolidated and Company Statement of Cash Flows****For the year ended 31 December 2021**

	GROUP		COMPANY	
	2021	2020	2021	2020
	£	£	£	£
<b>Operating loss</b>	<b>(501,058)</b>	(717,534)	<b>(523,161)</b>	(358,788)
Adjustment for:				
Depreciation and amortisation	<b>133,474</b>	116,504	-	-
Impairment of intangible assets	<b>42,303</b>	-	-	-
Impairment of the investment in a subsidiary	-	-	<b>115,000</b>	-
Share based payment expense	<b>8,721</b>	26,105	<b>8,721</b>	26,105
Foreign exchange gain/(loss)	<b>509</b>	25,597	-	-
Finance costs	<b>10,710</b>	31,812	<b>10,710</b>	31,812
(Increase) in receivables	<b>(14,616)</b>	(35,543)	<b>(143,663)</b>	(224,885)
Increase/(decrease) in payables	<b>31,198</b>	129,837	<b>(1,606)</b>	69,865
<b>Net cash used in operating activities</b>	<b>(288,759)</b>	(423,222)	<b>(533,999)</b>	(455,891)
<b>Cash flows from investing activities:</b>				
Purchase of equipment	<b>(5,874)</b>	-	-	-
Purchase of intangible assets	<b>(50,691)</b>	(31,649)	-	-
<b>Net cash from investing activities</b>	<b>(56,565)</b>	(31,649)	-	-
<b>Cash flows from financing activities</b>				
Shares issued net of share costs	<b>595,000</b>	26,000	<b>595,000</b>	26,000
Loan received	-	38,421	-	-
Unclaimed dividends	-	3,485	-	3,485
<b>Net cash from financing activities</b>	<b>595,000</b>	67,906	<b>595,000</b>	29,485
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>249,676</b>	(386,965)	<b>61,001</b>	(426,406)
Cash and cash equivalents brought forward	<b>478,910</b>	865,875	<b>407,766</b>	834,172
<b>Cash and cash equivalents carried forward</b>	<b>728,586</b>	478,910	<b>468,767</b>	407,766

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

## Notes to the financial statements

Annual Report and Financial Statements  
For the year ended 31 December 2021

### 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 47.

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 the EU-endorsed international financial reporting standards.

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 EU-endorsed 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 20 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 Group meets its day to day working capital requirements through its revenue generating cashflows, discrete fund raises and the issue of convertible loan notes.

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 2021, the Group had cash balances of £728,586 (2020: £478,910).

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 2021. 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
IFRS 16	Amendments to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification

**Notes to the financial statements (continued)**

Annual Report and Financial Statements

For the year ended 31 December 2021

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

<b>Standards /interpretations</b>	<b>Application</b>
IAS 1 amendments	Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current. Effective: Annual periods beginning on or after 1 January 2023
IFRS 3 amendments	Business Combinations – Reference to the Conceptual Framework. Effective: Annual periods beginning on or after 1 January 2022
IFRS 7, IFRS 9, IFRS 16	Amendments regarding replacement issues in the contract of IBOR reform. Effective: Annual periods beginning on or after 1 January 2021
IFRS 16	Amended by Covid-19 Related Rent Concessions beyond 30 June 2021 (amendment to IFRS 16) Effective: Annual periods beginning on or after 1 April 2021
IAS 1 amendments	Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current. Effective: Annual periods beginning on or after 1 January 2023

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 2021

**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:

<i>Furniture, fittings and equipment</i>	<i>3 - 8 years</i>
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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 2021

**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.

**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.

**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.

**Notes to the financial statements (continued)**

Annual Report and Financial Statements  
For the year ended 31 December 2021

**1. Summary of significant accounting policies (continued)****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.

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.

## **Notes to the financial statements (continued)**

Annual Report and Financial Statements  
For the year ended 31 December 2021

### **1. Summary of significant accounting policies (continued)**

#### **Share-based payments (continued)**

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.

### **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.

**Notes to the financial statements (continued)**

Annual Report and Financial Statements

For the year ended 31 December 2021

**2. Critical accounting estimates and judgements (continued)****Impairment of intangible assets**

The directors have reviewed the valuation of Stone Checker Software Limited in the year and valued the company based on the last offer that was received for the company and its software. Since the offer, the software has continued to be improved upon and therefore the directors feel that this valuation is acceptable. The asset has been impaired accordingly. Refer to Note 11.

**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 2021: 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:**

	2021	2020
	£	£
<b>(Loss)/ profit before income tax</b>		
Holding company	(523,161)	(358,788)
Medical software	22,103	(358,746)
	<b>(501,058)</b>	<b>(717,534)</b>
<b>Net assets</b>		
Holding company	2,130,296	2,039,026
Medical software – net liabilities	(939,605)	(967,672)

**Segmentation by geographical area:**

	2021	2020
	£	£
<b>Revenue to external customers</b>		
Jersey	-	-
United Kingdom	-	-
United States of America	521,069	255,314
	<b>521,069</b>	<b>255,314</b>
<b>Loss before income tax</b>		
Jersey	(523,161)	(358,788)
United Kingdom	(43,410)	(8,167)
United States of America	65,513	(350,579)
	<b>(501,058)</b>	<b>(717,534)</b>

**Notes to the financial statements (continued)**

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For the year ended 31 December 2021

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

	2021	2020
	£	£
<b>Net assets/(liabilities)</b>		
Jersey	<b>2,130,296</b>	2,039,026
United Kingdom	<b>(294,798)</b>	(251,389)
United States of America	<b>(519,216)</b>	(716,283)

**4. Finance costs**

	2021	2020
	£	£
Interest payable on unsecured convertible loan notes	<b>10,710</b>	31,812

**5. Operating loss**

	2021	2020
	£	£
The following items have been included in arriving at operating loss		
Staff costs	<b>380,631</b>	388,066
Amortisation of internally generated intangible assets	<b>130,734</b>	114,846
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	<b>28,500</b>	28,500
Non-audit services	-	-
Total audit fees payable to the Group auditors	<b>28,500</b>	28,500

**6. Employee information**

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

	2021	2020
	Number	Number
Administration	<b>7</b>	<b>7</b>
	£	£
Staff costs (for the above employees)		
Wages and salaries	<b>378,912</b>	386,406
Social security costs and pension contributions	<b>1,719</b>	1,660
	<b>380,631</b>	388,066

**Directors' remuneration and transactions**

	2021	2020
	£	£
<b>Directors' remuneration</b>		
Emoluments and fees	<b>160,000</b>	160,000
<b>Remuneration of the highest paid director:</b>		
Emoluments and fees	<b>100,000</b>	100,000
Benefits and other fees	-	-
	<b>100,000</b>	100,000

**Notes to the financial statements (continued)**

Annual Report and Financial Statements

For the year ended 31 December 2021

**7. Income tax expense**

	<b>2021</b>	2020
	£	£
The tax assessed for the period is different from the standard rate of Income tax as explained below:		
Loss before tax on continuing operations	<b>(501,058)</b>	(717,534)
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.

	<b>2021</b>	2020
<b>Group:</b>		
Loss attributable to equity holders of the parent (£)	<b>(501,058)</b>	(717,534)
Weighted average number of shares in issue (Number)	<b>172,757,472</b>	148,008,694
<b>Loss per share (pence) from continuing operations</b>	<b>(0.29)</b>	(0.48)

**9. Property, plant and equipment**

<b>Group</b>	Equipment £	<b>Total £</b>
<b>Cost</b>		
<b>At 1 January 2020</b>	8,996	<b>8,996</b>
Additions	-	-
Exchange differences	(135)	<b>(135)</b>
Transferred from assets classified as held for sale	1,249	<b>1,249</b>
<b>At 31 December 2020</b>	10,110	<b>10,110</b>
Additions	5,874	<b>5,874</b>
Exchange differences	36	<b>36</b>
<b>At 31 December 2021</b>	16,020	<b>16,020</b>
<b>Depreciation</b>		
<b>At 1 January 2020</b>	(6,286)	<b>(6,286)</b>
Charge for the year	(1,658)	<b>(1,658)</b>
Exchange differences	72	<b>72</b>
On assets reclassified as held for sale	(955)	<b>(955)</b>
<b>At 31 December 2020</b>	(8,827)	<b>(8,827)</b>
Charge for the year	(2,740)	<b>(2,740)</b>
Exchange differences	(13)	<b>(13)</b>
<b>At 31 December 2021</b>	(11,580)	<b>(11,580)</b>
<b>Carrying amount</b>		
<b>At 31 December 2021</b>	4,440	<b>4,440</b>
At 31 December 2020	1,283	<b>1,283</b>

**Notes to the financial statements (continued)**

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**10. Goodwill**

Group	£
<b>Cost</b>	
<b>At 1 January 2020</b>	<b>128,296</b>
Reclassified from held for sale	82,627
Exchange differences	(6,862)
<b>At 31 December 2020</b>	<b>204,061</b>
Exchange differences	1,142
<b>At 31 December 2021</b>	<b>205,203</b>

The goodwill at 31 December 2021 represents the goodwill recognised at the purchase of the Company's subsidiary companies 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 2021.

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

Group	£
<b>Cost</b>	
<b>At 1 January 2020</b>	<b>583,998</b>
Exchange differences	(27,690)
Additions from internal development	68,962
Reclassified from assets held for sale	321,509
<b>At 31 December 2020</b>	<b>946,779</b>
Exchange differences	4,608
Additions from internal development	50,691
Impairment	(42,303)
<b>At 31 December 2021</b>	<b>959,775</b>
<b>Accumulated Amortisation</b>	
<b>At 1 January 2020</b>	<b>144,898</b>
Exchange differences	1,919
Charge for the year	114,846
<b>At 31 December 2020</b>	<b>261,663</b>
Exchange differences	318
Charge for the year	130,734
<b>At 31 December 2021</b>	<b>392,715</b>
<b>Net book value</b>	
<b>At 31 December 2021</b>	<b>567,060</b>
At 31 December 2020	685,116

The Directors have reviewed the valuation of Stone Checker Software Limited in the year and valued the company based on the last offer that was received for the company and its software. Since the offer, the software has continued to be improved upon and therefore the directors feel that this valuation is acceptable. The asset has been impaired accordingly.

**Notes to the financial statements (continued)**

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For the year ended 31 December 2021

**12. Investments in subsidiaries**

Company	Shares in group undertakings £
<b>Cost</b>	
<b>At 1 January 2020</b>	<b>543,823</b>
Reclassified from investments held for sale	240,000
<b>At 31 December 2020</b>	<b>783,823</b>
Impairment	(115,000)
<b>At 31 December 2021</b>	<b>668,823</b>

At 31 December 2021, 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	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	100

**13. Trade and other receivables**

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Amounts owed by group undertakings	-	-	<b>1,114,810</b>	971,393
Trade receivables	<b>36,470</b>	29,305	-	-
Other receivables	<b>13,076</b>	7,611	-	-
Prepayments	<b>28,643</b>	26,657	<b>15,494</b>	15,248
	<b>78,189</b>	63,573	<b>1,130,304</b>	986,641

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 2021 (2020: none).

**Notes to the financial statements (continued)**

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**14. Trade and other payables**

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Amounts owed to group undertakings	-	-	98,449	48,137
Loans	55,409	93,313	-	-
Other creditors	233,165	8,740	-	-
Accruals and deferred income	104,213	259,536	39,149	91,067
	<b>392,787</b>	361,589	<b>137,598</b>	139,204

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

**15. Share capital**

	2021	2020	2021	2020
	Number	Number	£	£
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 1p each	182,507,609	170,107,609	1,825,076	1,701,076
	<b>182,507,609</b>	170,107,609	<b>1,825,076</b>	1,701,076

The movement in share capital is detailed below:

	Number of shares issued
On 14 October 2021, the Company issued 12,400,000 new ordinary shares at 5p per share.	12,400,000

**16. 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)**

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**17. 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 1/3<sup>rd</sup> vesting on 1 August 2019 and the remainder vesting at a rate of 1/36<sup>th</sup> 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.

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

The total charge for the year relating to this scheme was £8,721 (2020: £26,105).

**18. Convertible loan note reserve**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
At the beginning of the year	<b>196,364</b>	668,278
Interest charge for the year	<b>10,710</b>	31,812
Loan notes and interest converted	-	(503,726)
Loan notes issued during the year	-	-
At the end of the year	<b>207,074</b>	196,364

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.

**19. 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.

**20. 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.

**Notes to the financial statements (continued)**

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**20. Financial instruments (continued)**

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 2021. The Group considers its maximum exposure to be:

	2021	2020
	£	£
<b>Financial instrument</b>		
Cash and cash equivalents	<b>728,586</b>	478,910
Loans and receivables, net of impairment	<b>36,470</b>	29,305
	<b>765,056</b>	508,215

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.

**(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
<b>31 December 2021</b>	£	£	£	£	£	£
<b>Non-derivative financial liabilities</b>						
Trade and other payables	<b>337,378</b>	-	<b>337,378</b>	-	-	-
Borrowings	<b>55,409</b>	-	<b>55,409</b>	-	-	-
	<b>392,787</b>	-	<b>392,787</b>	-	-	-
	Carrying Amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years
<b>31 December 2020</b>	£	£	£	£	£	£
<b>Non-derivative financial liabilities</b>						
Trade and other payables	268,276	-	268,276	-	-	-
Borrowings	93,313	-	93,313	-	-	-
	361,589	-	361,589	-	-	-

**Notes to the financial statements (continued)**

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**20. Financial instruments (continued)**

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 2021, the net foreign liabilities were £519,216 (2020: £827,311). 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.

Fair value of financial assets and liabilities

	<b>Book value</b>	<b>Fair value</b>	Book value	Fair value
	<b>2021</b>	<b>2021</b>	2020	2020
	£	£	£	£
<b>Financial assets</b>				
Cash and cash equivalents	<b>728,586</b>	<b>728,586</b>	478,910	478,910
Loans and receivables, net of impairment	<b>36,470</b>	<b>36,470</b>	29,305	29,305
<b>Total at amortised cost</b>	<b>765,056</b>	<b>765,056</b>	508,215	508,215
<b>Financial liabilities</b>				
Trade and other payables	<b>337,378</b>	<b>337,378</b>	268,276	268,276
Borrowings	<b>55,409</b>	<b>55,409</b>	93,313	93,313
<b>Total at amortised cost</b>	<b>392,787</b>	<b>392,787</b>	361,589	361,589

**Notes to the financial statements (continued)**

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**21. Related party transactions**

During the year the Company was charged £10,000 (2020: £10,000) 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 £20,000 (2020: £30,053) in respect of services provided by Dr Li. The balance outstanding at year end was £nil (2020: £nil).

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 (2020: US\$75,000). The loan is interest free and repayable on demand.

**22. Events after the reporting period**

On 4 January 2022, the Company granted an option to subscribe for 5,969,792 1p ordinary shares at an exercise price of 5.88p to Michael Schmainda, Director of IQ-AI Limited.

On 8 February 2022, the Company announced an allotment of 113,781 new ordinary shares at 6.41p per share to Mayo Clinic.

IQ-AI LIMITED

## Registered details

Annual Report and Financial Statements  
year ended 31 December 2021

**DIRECTORS:**

**Trevor Brown** (Chief Executive Officer)  
**Vinod Kaushal** (Non-Executive Director)  
**Michael Schmainda** (Non-Executive Director)  
**Brett Skelly** (Non-Executive Director)

**SECRETARY:**

**Donald Reid**  
c/o Anglo Saxon Trust  
Forum 4  
Grenville Street  
St Helier  
Jersey  
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JE4 8TQ

**REGISTERED OFFICE:**

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Forum 4  
Grenville Street  
St Helier  
Jersey  
Channel Islands  
JE4 8TQ

**COMPANY REGISTRATION NUMBER:**

**2044**

**REGISTRAR AND TRANSFER OFFICE:**

**Share Registrars Limited**  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

**INDEPENDENT AUDITORS:**

**PKF Littlejohn LLP**  
Statutory Auditor  
15 Westferry Circus  
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London  
E14 4HD

**FINANCIAL ADVISER AND CORPORATE BROKER:**

**Peterhouse Capital Limited**  
80 Cheapside  
London  
EC2V 6DZ

**BANKERS:**

**Barclays Bank**  
39/41 Broad Street  
St. Helier  
JERSEY  
JE4 8PU