IQ-AI Limited

(formerly Flying Brands Limited)

Annual Report and Financial Statements for the year ended 31 December 2018

Registered number: 2044

Contents

To the members of IQ-AI Limited

I am pleased to present the Company's results for the twelve months ended 31 December 2018.

IQ-AI's vision is to become a leader in the field of medical imaging diagnostics. The Company currently comprises Stone Checker Software Limited ("StoneChecker"), and since March 2018, Imaging Biometrics LLC ("IB") suite of advanced imaging diagnostic software products.

StoneChecker is a predictive diagnostic software product that assists urologists in establishing the likelihood that a kidney stone will disintegrate under vibration induced by sound wave energy (lithotripsy). This predictive capability becomes important in determining whether to subject a patient to multiple rounds of lithotripsy or send them straight to surgery for stone removal. StoneChecker offers possible economic benefits by avoiding unnecessary lithotripsy procedures and reducing the time a patient may spend in pain awaiting stone removal.

IB is an established provider of advanced imaging software products used by leading brain cancer institutions in the USA, including The Mayo Clinic (AZ), Barrow Neurological Institute and Stanford University Medical Centre. More recently, IB have begun to assist in the translation of novel imaging technologies into commercialised products. One application aids in the detection and staging of chronic liver disease and another leverages deep learning algorithms for breast cancer screening.

IQ-AI's objectives in 2018 were to develop the existing suite of products in preparation for their introduction to wider markets in 2019.

Operational report – David Smith

I joined the Company as Chief Executive Officer of the two operating subsidiaries, Imaging Biometrics LLC and Stone Checker Software Limited, in August 2018. During the year, new products have been introduced and new appointments were made in the fields of Artificial Intelligence and Deep Learning. These appointments increase our product development and marketing capacity, and we are poised for an exciting 2019.

The Company is in the final stages of securing FDA approval for the StoneChecker software product and we hope to announce marketing clearance shortly, which would give the Company an additional and important revenue stream in the US during the 2nd half of 2019.

The Company will focus on four areas of revenue development in 2019:

1. **Sales development of existing products**
   During 2018, the Company sold or trialled software at many of the United States' most well-regarded hospitals and specialist clinics. IB Neuro remains the only 'biopsy confirmed' neuro perfusion software available on the market. Publicising this to all potential users is a key element of the Company's 2019 plans. We also intend to explore collaborative business relationships where our sales reach can be expanded by encouraging other companies' sales teams to promote our product for financial reward. This work is already underway with a series of resellers such as aycan Medical Systems, QMENTA, Blackford and Medimsight.

Subsequent to the year end, the Company sold an instance of the IB Neuro product suite to Dr Marion Smits of Erasmus University, Rotterdam. Dr Smits, one of the world’s leading researchers in the field of neuroradiology, is Professor of Applied Physiological Imaging and Neuroradiologist at Erasmus MC, Vice President of the European Society for Magnetic Resonance in Medicine and Biology, and Chair of Neuroradiology of the Radiological Society of The Netherlands.

Dr Smits stated, “We appreciate IB Neuro’s ability to accurately create quantitative perfusion maps for detecting regions of aggressive tumour and for longitudinal assessment of treatment response which will ultimately influence how we diagnose, track and treat brain tumour patients.” Dr Smits added, “It is critical to know if a change in an imaging biomarker accurately represents a tumour’s biological background and whether changes in the tumour’s appearance are due to tumour growth or response to treatment. Without it, surgeons, radiotherapists and oncologists may require more tests or require more time to follow-up on the patients and to know, with confidence, that a treatment protocol is effective.”

Dr Smits’ comments echo those made by other leaders in the field of neuroradiology.

The Company sold and installed its first StoneChecker software in South Korea through its distributor, demonstrating that the remote sale and servicing of the product is a viable business model. The Company will make international expansion a key objective for 2019.

In the first quarter of 2019 the Company completed its first sale of StoneChecker in the United Kingdom to the National Health Service.

2. Development of new products

In 2019, the Company expects to make significant progress in developing new products ‘in-house’ and through selective revenue generating corporate collaborations.

• Fee per Click Service

The capital cost of the Company’s products can often exceed $30,000 per installation. This amount typically requires approval on annual capital budgeting forecasts which substantially lengthens the overall sales cycle. To make IB’s products more economically accessible and to promote immediate widespread distribution, the Company is developing a “Fee per Click” service model. This service application would leverage the same proven code libraries as IB’s products and would reside on an external server networked to transmit datasets to/from a site's IT infrastructure. The application would anonymize and encrypt datasets to comply with patient privacy laws and process the data without any manual intervention. Diagnostic results would be available to the clinician within seconds. Each time an IB core algorithm is executed, an associated fee would be incurred.

• IB Server

IB Server is an application that provides immediate access to IB’s clinically-validated processing algorithms available in IB products: IB Neuro, IB Diffusion, IB DCE, and IB Delta Suite (Delta T1 maps). The automated generation of IB’s quantitative parameter maps eliminates the post-processing steps frequently performed by neuroradiologists or MR technologists.

IB Server can be installed on any existing computer platform and can be readily integrated within a site’s network. Once integrated, relevant studies are automatically detected, the appropriate IB software algorithm is executed, and the processed parameter maps and QA information are sent to the resident PACS for viewing and interpretation.

Analogous to the “Fee per Click” model, the Company has developed an application that avoids sending Protected Health Information (“PHI”) offsite. The IB Server has been developed in recognition that many hospitals need to be confident that the anonymisation procedure is effective and sufficiently protective for patients. IB Server is a subscription model of the Fee per Click Service and offers the same automated processing options.

Customers identify the volume of patient studies and the algorithms they intend to apply using IB Server. Based on those projections, a subscription rate is negotiated, the application is configured to output the desired information, and a corresponding license is issued. This option ensures the PHI remains within a site's IT infrastructure while all processing is automatically routed to and from the application for instantaneous results. The software is continuously updated by IB to ensure the hospital is using the latest version and patients get the benefit of IB's quantitative results. The IB server is currently being tested at a major US neurological institution with one other beta site currently being deployed.

- **Artificial Intelligence ("AI")**

IB has recently expanded its development team with software engineers experienced in artificial intelligence ("AI"). The Company intends to strategically incorporate AI to further enhance and automate its fractional tumour burden ("FTB") mapping for brain tumour treatment monitoring. IB's FTB maps distinguishes viable brain tumour from treatment associated changes. Currently, FTB map generation involves the manual identification of contrast enhancing regions of interest (ROI). While this step is greatly simplified using IB's Delta T1 maps, it does require knowledge of brain anatomy and may take in excess of 15 minutes to complete, depending on the invasiveness of the tumour. Leveraging AI to automate this step will provide clinicians with a fully-automated process of generating a biologically-based quantitative imaging biomarker, and a validated measure of tumour burden, on a per-voxel basis. In addition, the Company will leverage AI to enhance current intermediate steps including automated brain masking and segmentation capabilities.

- **PC-based version of IB Plugins**

Designed as platform independent plugins, IB's products were initially integrated into the Apple Mac Computer based DICOM viewer, OsiriX. The plugin approach allowed IB to align and focus resources on the development of niche and sophisticated algorithms and not on the development of commonly available applications. While OsiriX remains a proven and extremely robust host environment for IB, it is not available on common Microsoft Windows Corporation PC platforms. This presented a sales impediment as some sites were reluctant to support an Apple Mac Computer-based platform Software in their PC-dominated environments. In 2018, IB completed the integration of its products into the PC-based DICOM platform ClearCanvas (Synaptive Medical, Toronto, CA). Once validation is complete, the release of IB Software within the ClearCanvas environment will give institutions a PC-based option to access and leverage IB's quantitative biomarkers.

- **Gadolinium free imaging**

Gadolinium is a rare earth metal which has paramagnetic properties. When used in conjunction with Magnetic Resonance Imaging ("MRI"), it can enhance the visualisation of soft tissues such as those found in the brain. Compounds formulated using gadolinium are the primary contrast agents used in radiology. The clinical literature is replete with articles highlighting Nephrogenic Systemic Fibrosis (NSF) and recent findings about gadolinium deposition in the brain.

While concerns about the long-term toxicity effects of gadolinium-based contrast agents ("GBCA") are unknown and more research is needed to substantiate any link to health issues, radiologists would like to move away from using GBCAs if a suitable alternative could be offered. This would eliminate any potential risks of using GBCAs, streamline clinical workflows and save significant material expense.

IB has filed a patent for gadolinium free imaging. Using deep learning networks, analogous images can be generated from anatomical and functional images acquired without any exogenous contrast material. Though the development and regulatory timelines are significant, the Company already has technologies that reduce the use of GBCAs. Specifically, the Company's patented Simultaneous Perfusion Imaging with Consecutive Echoes ("SPICE") technology eliminates one (preload) dose of the required two administrations of GBCA during image acquisition for brain tumour perfusion analysis. This patent has the additional benefit of providing both dynamic susceptibility ("DSC") and dynamic contrast enhanced ("DCE") parameter maps using a single MR acquisition. Both DSC and DCE imaging provide biological and physiological information about the brain.

In addition, one of IB's founders, Kathleen Schmainda PhD, was the lead author for a study that appeared in the American Journal of Neuro Radiology in April 2019, "Moving Towards a Consensus DSC-MRI Protocol: Validation of A Low Flip Angle Single Dose Option as a Reference Standard for Brain Tumours". This study identified that using IB Software to process data acquired on 3T MRI systems configured with low-flip angle settings produced output comparable to the accepted double contrast dose method. Thus, the preload dose of contrast can be eliminated without compromising image quality. Moreover, the output was further enhanced when IB's exclusive machine-learned calibration technology was applied. The results of this study were presented at the 2018 ASNR Meeting and, more importantly, offers clinicians immediate access to a lower GBCA alternative.

While these two approaches offer instant reductions to GBCA use and improved workflows, the Company is committed to ultimately introducing a GBCA free product.

Outlook

The Company's products are now sold in the USA, UK, The Netherlands, Switzerland, Germany, Greece and South Korea. Our objectives for 2019 are to expand sales and continue to develop new products which utilise areas of our expertise where we believe we have scientific and technological leadership.

As a result of product development and new users, sales have continued to accelerate in 2019. We expect sales for the full year 2019 to more than double those for 2018. The future looks to be an exciting place for IQ-AI.

Trevor Brown
Chief Executive Officer

The Directors present their strategic report on the group for the year ended 31 December 2018.

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.

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
In March 2019, the Company issued £268,500 in nominal amounts of 6% unsecured convertible loan notes, convertible into 13,425,000 ordinary shares of 0.1p each in the Company ("Ordinary Shares") at a price of 2 pence per share ("CLNs"). The funds raised as a result of the issue of the CLNs will be used to provide additional working capital for the Company.

Results for the 2018 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 £15,662 (2017: £23,087)
- Group revenue for the year was £164,971 (2017: £nil)
- Administrative expenses from continuing operations increased to £878,648 (2017: £257,725)
- Group loss after tax from continuing operations was £764,080 (2017: £280,812)
- Taxation charge was £nil for the period (2017: £nil)
- Basic and diluted loss per share from continuing operations was 0.82p (2017: 0.56p loss)
- As at 31 December 2018, the Group had cash and cash equivalents of £28,783 (2017: £386,954)
- The Group's net assets increased to £762,884 (2017: £589,839)
- Intangible assets, comprising intellectual property, imaging and diagnostic software and goodwill, increased to £922,543 (2017: £294,595)

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 patient clinical studies, and with the recent acquisition of Imaging Biometrics LLC, 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.

Principal risks and uncertainties
This section describes the principal risk factors that the Directors believe could materially affect the Group Risk and Performance. Information relating to financial risk management is included in note 22 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 the balance sheet date, the Group had cash balances of £28,783 (2017: £386,954). The financial forecasts indicate that the Group is expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances but may need additional borrowing facilities to do so.

Interest rate risk

The Group has Convertible Loan Notes totalling £145,033, including accrued interest, outstanding as at 31 December 2018 (2017: £368,933). The Notes accrue interest at a fixed rate of 6.75%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 my 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 beneath the description of each risk is a note of the main mitigating factors and actions the Group is taking to address that risk.

Risks/uncertainties to the continuing Group		
Issue	**Risk/Uncertainty**	**Mitigation**
Imaging Biometrics and Stone Checker may be subject to medical regulatory risk	Without Medical regulatory approval it would be difficult to market and sell the products	The Products are medical devices under the Classification 1 (medical software), which is the lowest level of classification requiring the least regulatory oversight as they are non-invasive and non-sterile. The products are not used for treatment but are rather used for diagnosis.
Intellectual property	The Group's success depends, in part, on its ability to obtain and maintain protection for its intellectual and proprietary information, so that it can stop 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.

TexRAD Limited – use of Intellectual property	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 a licence agreement dated 20 August 2015. TexRAD may terminate this agreement under a number of circumstances, which would prevent Stone Checker being able to develop and sell its products.	Balaji Ganeshan of TexRAD works very closely with Stone Checker in the development of the products. The Group continuously monitors its ongoing compliance with the terms of the licence agreement.
Identifying further suitable investments	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. 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. There is no guarantee that the Company will be able to acquire further identified opportunities, or indeed complete the investment. The Group's ability to ascertain the merits or risks of the operations of a target company or business. The Group's ability to deploy the net proceeds on a timely basis. The availability and cost of equity or debt capital for future transactions.	The Group has formal investment criteria to identity suitable, earnings-enhancing acquisition targets and employs experienced professionals to drive the acquisition process.
Raising emergency funding	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.	The Group monitors its cash requirements carefully and in the need of significant additional funds would look to increase its financing.

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

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

The financial position of the Group, its cash flows and liquidity position are described in this business review. In addition, note 22 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk. As highlighted in note 22, 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 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. The Chief Executive Officer has provided a letter of financial support to the Group to make sufficient funds available, if required, to ensure the Group can meet its obligations over the going concern period.

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 30 April 2019 and signed on behalf of the board by:

Trevor Brown
Director

The Directors present their annual report and audited financial statements for the year ended 31 December 2018.

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 movement in share capital are given in note 16 to the financial statements.

Results and dividends

The audited financial statements for the year for the Group and Company are set out on pages 24 to 47.

No dividends will be distributed for the year ended 31 December 2018 (2017: £nil).

Directors

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

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

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. There are no Directors' interests in share options and awards.

Dr Qu Li resigns at the AGM and, being eligible, offers herself for re-election.

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

Capital expenditure

During the year, the Group did not invest in any capital expenditure (2017: £nil). The Group made an investment in product development during the period of £62,147 (2017: £46,716).

During the year, the Company acquired 100% of the issued share capital of Imaging Biometrics LLC by the issue of 8 million shares in IQ-AI Limited at a price of 4p per ordinary share.

The Group held no bank debt at 31 December 2018 (2017: £nil). Currently, the Group retains clearing facilities with the bank.

Share capital

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

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

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 donation during the year ended 31 December 2018 (2017: £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 2018, there were two women (2017: 1) employed across the Group making 32% (2017: 16%) 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 Directors' responsibilities

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

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

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

In preparing these financial statements the directors are required to:

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and corporate governance statement that comply with that law and those regulations.

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in Jersey governing the preparation and dissemination of financial statements, which may vary from 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.

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 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 were appointed as auditor on 2 January 2019.

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.

Corporate governance

IQ-AI has a standard listing on the London Stock Exchange and is thus not required to comply with the requirements of the 2016 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 two non-executives, where despite the Company's early stage of development, and its registration being in Jersey, the board strives to observe the Quoted Companies Alliance revised Corporate Governance Code for Small and Mid-Size Quoted Companies (' the QCA Code') which the Company has voluntarily adopted. The voluntary adoption of the QCA Code is over and above the requirements of Jersey law.

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

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

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

Meetings of the Board of Directors

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

	Attendance at Board Meetings
T Brown	4
Dr Q Li	4
V Kaushal	3

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 himself 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 2019 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.

Board objectives and operation

The key objectives of the Board are as follows:

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

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

The Board formally met four times in 2019 (2018: 4), the Executive Director attended every meeting during the year while in office and the Non-Executive 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.

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 2017, the half year results to 30 June 2018 and the report and financial statements for the year ended 31 December 2018; 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 all 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.

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 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 2019, are in the best interests of the Company and its shareholders. The Board will be voting in favour of them and unanimously recommends that shareholders do also.

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

We confirm that to the best of our knowledge:

(i) the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

(ii) the annual report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This report was approved by the board of directors on 30 April 2019 and signed on behalf of the board by:

Trevor Brown
Director

Trevor Brown

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

Dr Qu Li

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

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

Vinod Kaushal

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

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

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

The Remuneration Committee presents its report for the year ended 31 December 2018.

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

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

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

Policy Table:

Objective	Operation	Maximum potential value
Base salary The basic salary element of remuneration is set in relation to responsibilities, length of service and contribution to the Group's activities. Reflects level of responsibility and achievement of individual	Base salary is set annually on 1 January. 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.	Broadly pitched around the median level for comparable positions. 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: - Reference to the increases provided to Executives in the comparator group. - Pay and employment conditions of employees throughout the Group, including increases provided to the employee population - Inflation
Other benefits To provide competitive levels of employment benefits.	Futures benefits may include: - Private medical insurance. - Permanent health insurance. - Life assurance of two times base salary. The level of benefits provided is reviewed annually to ensure they remain market competitive.	Cost of providing life assurance private medical insurance and permanent health insurance.
Non-Executive Director Fees To attract Non-Executive Directors with the requisite skills and experience to perform the role.	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.	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: - Increases provided to comparable roles in the comparator group; - Pay and employment conditions of employees throughout the Company, including increases provided to the employee population; and - Inflation.

Share options
No share option scheme is provided to the Directors.

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

Remuneration policy for Executive Directors
The Remuneration Committee seeks to provide the remuneration packages necessary to attract, retain and motivate 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 Directors comprise a mix of performance and non-performance elements. During 2018, the Executive Directors pay was not based on the Group achieving financial targets.

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

	2018 Number	2017 Number
T Brown*	11,868,112	16,180,788
Dr Q Li	**-**	-
V Kaushal	**-**	-

*Includes shares held by Free Association Books Limited.

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

	Salary and fees £	**Pension £**	**Benefits £**	**2018 Total £**	2017 Total £
T Brown	**65,000**	**-**	**-**	**65,000**	22,500
V Kaushal	**30,000**	**-**	**-**	**30,000**	14,000
Dr Q Li*	**30,000**	**-**	**-**	**30,000**	14,000
TOTAL	**125,000**	**-**	**-**	**125,000**	50,500

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

Dr Qu Li
Chairman of the Remuneration Committee
30 April 2019

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 2018 which comprise of the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated and Company Statements of Changes in Equity, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the group and company's affairs as at 31 December 2018 and of the group and company's loss for the period then ended;
- the group and company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements 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 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
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our application of materiality
The scope of our audit was influenced by 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 £36,200 based on 5% of the loss before tax. The performance materiality was £25,300. The materiality applied to the Company financial statements was £22,675 based on 5% of the loss before tax. The performance materiality was £15,875. For each component in the scope of our group audit, we allocated a materiality that was less than our overall group materiality.

An overview of the scope of our audit
As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgements by the directors and considered future events that are inherently uncertain. 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. One component was subject to a full scope audit conducted directly by PKF Littlejohn LLP. The other component is located in the US and was audited by a component auditor under our instruction and supervision under ISA 600.

An overview of the scope of our audit (continued)

The Senior Statutory Auditor interacted regularly with the component audit team during all stages of the audit and was responsible for the scope and direction of the audit process. This, in conjunction with additional audit procedures performed at a consolidation level, gave us sufficient appropriate evidence for our opinion of the group and company financial statements.

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) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How the scope of our audit responded to the key audit matter**
<u>Recognition and valuation of intangible assets</u> There is a risk that the Intellectual Property (IP) developed and under development may not be correctly capitalised in accordance with IAS 38.	We performed the following work to address the identified risk: • Issued detailed instructions to component auditors which addressed all assertions relating to the costs incurred on the development of IP; • Reviewed the agreed upon procedures and assessed any accounting policy differences regarding recognition and valuation between US GAAP and EU endorsed IFRS; • Completed substantive testing on additions; • Assessed compliance of the IP with the recognition criteria under IAS38 and challenged management on areas involving significant judgement; and • Inquired of any indicators of impairment.
<u>Accounting treatment on acquisition of subsidiary</u> IQ-AI Limited acquired Imaging Biometrics LLC (IB) in March 2018. As IB applies US GAAP, there is a risk that the net assets are not stated in accordance with IFRS. There is a risk that the assets and liabilities acquired are not stated at fair value, including the recognition of separately identifiable intangibles.	We performed the following work to address the identified risk: • Reviewed the purchase agreement and ensured that the accounting treatment reflected the key contractual terms; • Documented and challenged management's assessment of the fair value of assets and liabilities acquired, including the eligibility of separately identifiable intangibles in accordance with IFRS 3; • Assessed the amortisation calculation and useful economic lives of intangibles; and • Assessed the carrying value of goodwill and intangible assets for impairment.

Key audit matters (continued)

Key audit matter	How the scope of our audit responded to the key audit matter
<u>Going concern</u> IQ-AI Limited relies solely on funding raised on issuing equity or convertible loan notes. Forecasts have been prepared which form the basis of the level of support required. The risk for our audit was whether the above amounted to a material uncertainty that may cast doubt about the ability of the Group to continue as a going concern, which if applicable, would have required disclosure of the fact.	We performed the following work to address the identified risk: • Reviewed the Director's going concern assessment and challenged the assumptions based on our knowledge of the business and of the market. • We noted that the Chief Executive Officer has provided a letter of financial support to the Group to make sufficient funds available, if required, to ensure the Group can meet its obligations over the going concern period.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information except to the extent otherwise specifically stated in our report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 where The Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 directors' responsibilities statement, the directors are responsible for the preparation of the 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 financial statements, the directors are responsible for assessing the group's and 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

David Thompson (Senior Statutory Auditor)
for and on behalf of PKF Littlejohn LLP
Statutory Auditor
1 Westferry Circus
Canary Wharf
London
E14 4HD
30 April 2019

Consolidated Income Statement

For the year ended 31 December 2018

	Notes	2018 £	2017 £
Continuing operations			
Revenue		**164,971**	-
Cost of Sales		**(34,962)**	-
Gross profit		**130,009**	**-**
Administrative expenses		**(878,648)**	(257,725)
Other income		**221**	-
Operating loss	**5**	**(748,418)**	(257,725)
Finance costs	**4**	**(15,662)**	(23,087)
Loss before income tax		**(764,080)**	(280,812)
Income tax	**7**	**-**	-
Loss for the year attributable to owners of the Company		**(764,080)**	(280,812)
Loss per share attributable to owners of the Company			
From continuing operations:			
Basic & diluted (pence per share)	**8**	**(0.82)**	(0.56)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 £	2017 £
Loss for the period	**(764,080)**	(280,812)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Loss on disposal of treasury shares	**-**	(840,000)
	-	(840,000)
Items that may be subsequently reclassified as profit or loss		
Exchange differences on translation of foreign operations	8,322	-
	8,322	-
Total comprehensive loss for the year attributable to the owners of the Company	**(755,758)**	(1,120,812)

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

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 £	2017 £
Non-current assets			
Property, plant and equipment	**9**	**918**	-
Goodwill	**11**	**201,274**	82,627
Intangible assets	**12**	**721,269**	211,968
Total non-current assets		**923,461**	294,595
Current assets			
Trade and other receivables	**14**	**65,568**	11,237
Cash and cash equivalents		**28,783**	386,954
Total current assets		**94,351**	398,191
Current liabilities			
Trade and other payables	**15**	**254,928**	102,947
Total current liabilities		**254,928**	102,947
Net current (liabilities)/assets		**(160,577)**	295,242
NET ASSETS		**762,884**	589,839
Equity			
Share capital	**16**	**1,203,465**	675,594
Share premium		**19,025,466**	18,418,674
Capital redemption reserve		**23,616**	23,616
Merger reserve		**160,000**	160,000
Treasury share reserve		**-**	-
Warrant reserve		**-**	-
Convertible loan note reserve	**19**	**145,033**	368,933
Share based payment reserve		**10,877**	-
Foreign currency reserve		**8,322**	-
Retained losses		**(19,813,895)**	(19,056,978)
Equity attributable to owners of the Company		**762,884**	589,839
TOTAL EQUITY		**762,884**	589,839

The financial statements on pages 24 to 47 were approved by the Board of Directors on 30 April 2019 and signed on its behalf by:

T Brown
Director

Dr Q Li
Director

Company Registration Number: 2044

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

Company Statement of Financial Position

As at 31 December 2018

	Notes	2018 £	2017 £
Non-current assets			
Investments	**13**	**783,823**	240,000
Total non-current assets		**783,823**	240,000
Current assets			
Trade and other receivables	**14**	**449,618**	112,161
Cash and cash equivalents		**26,460**	358,043
Total current assets		**476,078**	470,204
Current liabilities			
Trade and other payables	**15**	**112,390**	60,410
Total current liabilities		**112,390**	60,410
Net current assets		**363,688**	409,794
NET ASSETS		**1,148,025**	649,794
Equity			
Share capital	**16**	**1,203,465**	675,594
Share premium		**19,025,466**	18,418,674
Capital redemption reserve		**23,616**	23,616
Merger reserve		**160,000**	160,000
Treasury share reserve		**-**	-
Warrant reserve		**-**	-
Convertible loan note reserve	**19**	**145,033**	368,933
Share based payment reserve		**10,877**	-
Retained losses		**(19,420,432)**	(18,997,023)
Equity attributable to owners of the Company		**1,148,025**	649,794
TOTAL EQUITY		**1,148,025**	649,794

The financial statements on pages 24 to 47 were approved by the Board of Directors on 30 April 2019 and signed on its behalf by:

T Brown	**Dr Q Li**
Director	**Director**

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital	Share premium	Capital redemption reserve	Merger reserve	Treasury shares	Warrant reserve	Convertible loan note reserve	Share based payment reserve	Foreign currency reserve	Retained losses	TOTAL EQUITY
	£	£	£	£	£	£	£	£	£	£	£
Balance at 1 January 2017	310,213	18,062,374	22,212	-	(840,000)	12,977	410,351	-	-	(17,949,143)	28,984
Loss for the year	-	-	-	-	-	-	-	-	-	(280,812)	(280,812)
Sale of treasury shares	-	-	-	-	840,000	-	-	-	-	(840,000)	-
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	-	(1,120,812)	
Shares redeemed	(1,404)	-	1,404	-	-	-	-	-	-	-	-
Warrants exercised	-	-	-	-	-	(12,977)	-	-	-	12,977	-
Shares issued	366,785	409,470	-	160,000	-	-	-	-	-	-	936,255
Cost of shares issued	-	(53,170)	-	-	-	-	-	-	-	-	(53,170)
Movement in the year	-	-	-	-	-	-	(41,418)	-	-	-	(41,418)
Balance at 31 December 2017	**675,594**	**18,418,674**	**23,616**	**160,000**	**-**	**-**	**368,933**	-	**-**	**(19,056,978)**	**589,839**
Loss for the year	-	-	-	-	-	-	-	-	-	(764,080)	(764,080)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	8,322	-	8,322
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	8,322	(764,080)	(755,758)
Shares issued	527,871	651,792	-	-	-	-	-	-	-	-	1,179,663
Cost of shares issued	-	(45,000)	-	-	-	-	-	-	-	-	(45,000)
Unclaimed dividends	-	-	-	-	-	-	-	-	-	7,163	7,163
Share based payments	-	-	-	-	-	-	-	10,877	-	-	10,877
Movement in the year	-	-	-	-	-	-	(223,900)	-	-	-	(223,900)
Balance at 31 December 2018	**1,203,465**	**19,025,466**	**23,616**	**160,000**	**-**	**-**	**145,033**	**10,877**	**8,322**	**(19,813,895)**	**762,884**

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

Company Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital	Share premium	Capital Redemption reserve	Merger Reserve	Treasury shares	Warrant reserve	Convertible Loan Note Reserve	Share based payment reserve	Retained losses	TOTAL EQUITY
	£	£	£	£	£	£	£	£	£	£
Balance at 1 January 2017	310,213	18,062,374	22,212	-	(840,000)	12,977	410,351	-	(17,949,143)	28,984
Loss for the year	-	-	-	-	-	-	-	-	(220,857)	(220,857)
Sale of treasury shares	-	-	-	-	840,000	-	-	-	(840,000)	-
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	(1,060,857)	(1,060,857)
Shares redeemed	(1,404)	-	1,404	-	-	-	-	-	-	-
Warrants exercised	-	-	-	-	-	(12,977)	-	-	12,977	-
Shares issued	366,785	409,470	-	160,000	-	-	-	-	-	936,255
Cost of shares issued	-	(53,170)	-	-	-	-	-	-	-	(53,170)
Movement in the year	-	-	-	-	-	-	(41,418)	-	-	(41,418)
Balance at 31 December 2017	**675,594**	**18,418,674**	**23,616**	**160,000**	**-**	**-**	**368,933**	**-**	**(18,997,023)**	**649,794**
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	(430,426)	(430,426)
Shares issued	527,871	651,792	-	-	-	-	-	-	-	1,179,663
Cost of shares issued	-	(45,000)	-	-	-	-	-		-	(45,000)
Unclaimed dividends	-	-	-	-	-	-	-		7,163	7,163
Share based payments	-	-	-	-	-	-	-	10,877	-	10,877
Movement in the year	-	-	-	-	-	-	(223,900)	-	-	(223,900)
Balance at 31 December 2018	**1,203,465**	**19,025,466**	**23,616**	**160,000**	**-**	**-**	**145,033**	10,877	**(19,420,432)**	**1,148,025**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 £	2017 £
Operating loss	**(764,080)**	(257,725)
Adjustment for:		
Depreciation and amortisation	**33,499**	-
Share based payment expense	**10,877**	-
Decrease/(increase) in receivables	**(65,070)**	3,029
Increase/(decrease) in payables	**101,101**	44,017
Net cash used in operating activities	**(683,673)**	(210,679)
Cash flows from investing activities:		
Purchase of intangible assets	**(32,877)**	(46,716)
Purchase of subsidiary	**(104,366)**	-
Net cash from investing activities	**(137,243)**	(46,716)
Cash flows from financing activities		
Shares issued	**515,085**	580,499
Costs of shares issued	**(45,000)**	(1,974)
Interest paid	**(15,662)**	-
Net cash from financing activities	**454,423**	578,525
Net (decrease)/increase in cash and cash equivalents	**(366,493)**	321,130
Cash and cash equivalents brought forward	**386,954**	65,824
Effects of exchange rate changes on cash and cash equivalents	**8,322**	-
Cash and cash equivalents carried forward	**28,783**	386,954

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

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 48.

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

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

Basis of preparation

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

The financial statements have been prepared under the historical cost convention.

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Officer's Statement. In addition, Note 22 to the financial statements includes the Group's and Company's objectives, policies and processes for managing its capital and its financial risk management objectives.

The current economic conditions continue to create uncertainty, particularly over (a) the level of demand for the group's products; and (b) the availability of finance for the foreseeable future. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that additional funding will be required either via an issue of equity or through the issuance of convertible loan notes. The Directors are reasonably confident that funds will be forthcoming if and when they are required. The Chief Executive Officer has provided a letter of financial support to the Group to make sufficient funds available, if required, to ensure the Group can meet its obligations over the going concern period.

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

The group and company have applied the following new and amended standards for the first time for its annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from contracts with customers;
- Amendment to IFRS 2 Classification and measurement of Share-based Payment Transactions
- Annual improvements to IFRS Standards 2014-2016 Cycle

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 has superseded the previous revenue recognition guidance including IAS 18 Revenue. The group has adopted IFRS 15 for the year ended 31 December 2018. There has been no material impact to the recognition of revenue relating to the adoption of IFRS 15.

1. Summary of significant accounting policies (continued)

New standards, amendments and interpretations adopted by the Group (continued)

The Group has applied IFRS 9 from 1 January 2018. The Group has elected not to restate comparatives on initial application of IFRS 9 as there is no impact on the opening balances.

With respect to the classification and measurement of financial assets, the number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There will be no change in the accounting for any other financial liabilities.

The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IFRS 9. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date.

The new impairment model applies to the Group's financial assets that are debt instruments measured at amortised costs or FVTOCI.

The Group has applied the simplified approach to recognise lifetime expected credit losses for its trade receivables, as required or permitted by IFRS 9. The impact is immaterial to the Group.

New standards and interpretations not yet adopted

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

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.

1. Summary of significant accounting policies (continued)

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. As a result of the acquisition during the year, the Group reports on a two-segment basis – holding company expenses and medical software.

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'.

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

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

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

Property, Plant and Equipment

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

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

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

Furniture, fittings and equipment *3 - 8 years*

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

1. Summary of significant accounting policies (continued)

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.

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. 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.

1. Summary of significant accounting policies (continued)

Loans and receivables (continued)
Trade receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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 includes 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.

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 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 payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

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.

Repurchase of share capital (treasury shares)
When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

1. Summary of significant accounting policies (continued)

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.

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. Revenue from external customers arise on the sales of software licences and consultancy thereon.

Software licences

The revenue is measured at the agreed transaction price. 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 services are provided on the product supplied; this is not deemed to be a separately identifiable product.

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 the profit or loss include current and deferred tax.

1. Summary of significant accounting policies (continued)

Taxation (continued)

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 of 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 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.

Classification of the excess of consideration over net asset value acquired

Separately identifiable intangible assets recognised in a business combination, comprising intellectual property and internally generated software is based upon the Directors knowledge, experience and judgement regarding the attribution of value to the acquired entity. These allocations require the use of judgements and estimates.

Useful lives of intangible assets are based on historical experience and market knowledge, and subject to yearly evaluation. As the assumptions used may change, the useful life and therefore annual amortisation charge may change.

3. Segmental analysis

The Directors are of the opinion that under IAS 14 – "Segmental Information" the Group operated in two primary business segments in 2018; 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

	2018 £	2017 £
Loss before income tax		
Holding company	**(430,426)**	(220,857)
Medical software	**(333,654)**	(59,954)
	(764,080)	(280,811)

	2018 £	2017 £
Net assets		
Holding company	**1,148,025**	649,794
Medical software – net liabilities	**(448,617)**	(69,834)

Segmentation by geographical area:

	2018 £	2017 £
Revenue to external customers		
Jersey	**-**	-
United Kingdom	**-**	-
United States of America	**164,971**	-
	164,971	-

	2018 £	2017 £
Loss before income tax		
Jersey	**(430,426)**	(220,857)
United Kingdom	**(168,876)**	(59,954)
United States of America	**(164,778)**	-
	(764,080)	(280,811)

	2018 £	2017 £
Net assets		
Jersey	**1,148,025**	649,794
United Kingdom	**(237,656)**	(69,834)
United States of America	**(210,961)**	-

4. Finance costs

	2018	2017
	£	£
Interest payable on unsecured convertible loan notes	**15,662**	23,087

5. Operating loss

	2018	2017
	£	£
The following items have been included in arriving at operating loss		
Staff costs	**348,294**	83,357
Amortisation of internally generated intangible assets	**33,187**	-
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	**20,000**	15,000
Non-audit services	**-**	25,000
Total audit fees payable to the Group auditors	**20,000**	40,000

6. Employee information

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

	2018 Number	2017 Number
Administration	**7**	6

	£	£
Staff costs (for the above employees)		
Wages and salaries	**346,572**	82,544
Social security costs and pension contributions	**1,722**	813
	348,294	83,357

Directors' remuneration and transactions

	2018	2017
	£	£
Directors' remuneration		
Emoluments and fees	**125,000**	50,500

	£	£
Remuneration of the highest paid director:		
Emoluments and fees	**65,000**	22,500
Benefits and other fees	**-**	-
	65,000	22,500

7. Income tax expense

The tax assessed for the period is different from the standard rate of income explained below:	**2018** **£**	2017 £
Loss before tax on continuing operations	**(764,080)**	(280,812)
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.

	2018	2017
Continuing operations:		
Loss attributable to equity holders of the Company (£)	**(764,080)**	(280,812)
Weighted average number of shares in issue (Number)	**93,644,402**	49,859,810
Loss per share (pence)	**(0.82)**	(0.56)

9. Property, plant and equipment

	Equipment £	**Total £**
Cost		
At 1 January 2018	4,931	**4,931**
Additions	1,249	**1,249**
At 31 December 2018	6,180	**6,180**
Depreciation		
At 1 January 2018	(4,931)	**(4,931)**
Charge for the year	(331)	**(331)**
At 31 December 2018	(5,262)	**(5,262)**
Carrying amount		
At 31 December 2018	918	**918**
At 31 December 2017	-	**-**

10. Business combination

On 13 March 2018, the Company acquired 100% of the issued share capital of Imaging Biometrics LLC (“Imaging Biometrics”) for a consideration of US$750,000.

In accordance with IFRS 3 'Business Combinations', this transaction has been accounted for using the acquisition method of accounting. The consolidated income statement for the year ended 31 December 2018 includes the results of Imaging Biometrics from 13 March 2018, the date of the acquisition. The assets and liabilities of Imaging Biometrics have been consolidated from the date of the acquisition using the fair value of their assets and liabilities at that date.

10. Business combination (continued)

The recognised value of assets purchased were as follows.

	£
Consideration – equity instruments	543,823
Total consideration	**543,823**
Recognised amounts of identifiable assets acquired, and liabilities assumed	
Intellectual property and internally generated software	480,339
Cash and cash equivalents	2,029
Trade and other receivables	29,736
Trade and other payables	(86,928)
Total identifiable net assets	425,176
Goodwill	118,647
Total	**543,823**

The excess of the consideration over the net assets is classified as an intangible asset at acquisition.
The Directors conclude that the intangible asset comprises two parts, namely goodwill and software intellectual property ("IP"). By completing the purchase, the group now has control over the IP produced, Imaging Biometrics' expertise, as well as access to the US medical market.

The revenue included in the consolidated income statement since 13 March 2018 contributed by Imaging Biometrics was £164,971. Imaging Biometrics also reported a loss of £165,291 over the same period.

11. Goodwill

Group	£
Cost	
At 1 January 2017	-
Recognised on acquisition of subsidiary	247,880
At 31 December 2017	**247,880**
Reclassification to Intangible asset – intellectual property, imaging and diagnostic software (see Note 12)	(165,253)
At 1 January 2018 (as restated)	**82,627**
Recognised on acquisition of subsidiary (see Note 10)	118,647
Net book value	
At 31 December 2018	**201,274**
At 31 December 2017 (as restated)	82,627

The goodwill arising on the purchase of Stone Checker and Imaging Biometrics is not being amortised but will be 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).

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

Group	£
Cost	
At 1 January 2017	-
Additions from internal development	46,716
At 31 December 2017	**46,716**
Reclassification from Goodwill (see Note 11)	165,253
At 1 January 2018 (as restated)	**211,969**
Acquisition of a subsidiary (see Note 10)	480,340
Additions from internal development	62,147
At 31 December 2018	**754,456**
Accumulated Amortisation	
At 1 January 2018	-
Charge for the year	33,187
At 31 December 2018	**33,187**
Net book value	
At 31 December 2018	**721,269**
At 31 December 2017 (as restated)	211,969

13. Investments

Company	Shares in group undertakings £
Cost	
At 1 January 2018	240,000
Acquisition of Imaging Biometrics LLC (see Note 10)	543,823
At 31 December 2018	**783,823**
Net book value	
At 31 December 2018	**783,823**
At 31 December 2017	240,000

At 31 December 2018, the Group consisted of a parent company, IQ-AI Limited, registered in Jersey and its two wholly owned subsidiaries:

Subsidiaries:

Stone Checker Software Limited

Registered Office: Norton Hall Cottage, The Street, Chilcompton, Radstock, BA3 4HB United Kingdom

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

Class of share	% Holding
Ordinary shares	100

13. Investments (continued)

Imaging Biometrics LLC
Registered Office: 13406 Watertown Plank Road, Elm Grove, WI 53122, United States
Nature of business: develops ready-to-use software applications for the healthcare industry.

Class of share	% Holding
Ordinary shares	100

14. Trade and other receivables

	Group		Company	
	2018	2017	**2018**	2017
	£	£	**£**	£
Amounts owed by group undertakings	**-**	-	**434,461**	101,000
Trade receivables	**27,797**	-	**-**	-
Other receivables	**16,254**	-	**-**	-
Prepayments	**21,517**	11,161	**15,157**	11,161
	65,568	11,161	**449,618**	112,161

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 2018 (2017: none).

15. Trade and other payables

	Group		Company	
	2018	2017	**2018**	2017
	£	£	**£**	£
Trade payables	**11,768**	31,346	**-**	-
Social security and other taxes	**-**	918	**-**	-
Loans	**62,890**	4,000	**-**	-
Other creditors	**6,976**	-	**-**	-
Accruals and deferred income	**167,352**	53,578	**106,448**	47,305
Dividends payable	**5,942**	13,105	**5,942**	13,105
	254,928	102,947	**112,390**	60,410

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

16. Share capital

	2018	2017	**2018**	2017
	Number	Number	**£**	£
Allotted, called up and fully paid				
Ordinary shares of 1p each	**120,346,495**	67,559,434	**1,203,465**	675,594
	120,346,495	67,559,434	**1,203,465**	675,594

16. Share capital (continued)

The movement in share capital is detailed below:

	Number of shares issued
In March 2018, shares were issued to acquire the whole of the issued share capital of Imaging Biometrics LLC, at a price of 4p per ordinary share.	4,800,000
In July 2018, the Company raised £500,000, before expenses, by issuing shares at a price of 2.5p per share. The proceeds were used to provide working capital to the enlarged Group and to assist Stone Checker and Imaging Biometrics to continue developing its products.	20,000,000
In July 2018, further shares were issued to satisfy the remaining consideration shares due under the Share Purchase Agreement between Imaging Biometrics LLC and the Company, at a price of 2.5p per ordinary share.	6,200,000
In July 2018, the Company issued shares in respect of the conversion of £195,050 of Convertible Loan Notes, plus accrued interest, at a price of 1.1p per ordinary share.	21,787,061

17. Reserves

The Group's reserves are made up as follows:

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

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

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

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

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

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

18. Share-based payments

On 1 November 2018, 6,017,500 shares in IQ-AI Limited were granted under option to David Smith.

The shares are exercisable at 2.60p and the option will vest over 3 years, with 1/3rd vesting on 1 August 2019 and the remainder vesting at a rate of 1/36th per month on the last day of each month, until the shares become fully vested. The option will be exercisable for 10 years and will on 1 August 2028. There are no cash settlement alternatives.

The fair value is estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model.

	2018
Exercise price (pence)	**2.60p**
Shares under option	**6,017,500**
Risk free interest (%)	**2**
Expected volatility (%)	**523**
Expected life in years	**3**

The total charge for the year relating to this scheme was £10,877.

19. Convertible loan note reserve

	2018	2017
	£	£
At the beginning of the year	**368,933**	410,350
Interest charge for the year	**15,662**	23,087
Loan notes converted	**(239,562)**	(64,504)
	145,033	368,933

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

On 11 March 2015, the Company raised £300,000 by the way of the issue of unsecured CLNs. The CLNs are convertible into Ordinary Shares at a price of 1.1p per Share. The CLNs accrue interest at a rate of 6.75% against the balance outstanding. On 31 July 2018, £281,250 of these notes were settled by the issue of ordinary shares.

On 18 November 2015, the Company raised £100,000 by the way of the issue of unsecured CLNs. The CLNs are convertible into Ordinary Shares at a price of 1.5p per Share. The CLNs accrue interest at a rate of 6.75% against the balance outstanding. These notes were due to be repaid by 18 November 2018. However, the Holders of the CLNs and the Company have agreed to extend the repayment date to 18 November 2020.

20. Warrant reserve

On 11 March 2015, the Company issued warrants to Peterhouse Capital Limited exercisable at 1.1p per Unit anytime during the three years from the date of issue. The warrant was exercisable over 3% of the Company's fully enlarged unit capital from time to time.

The remaining warrants issued were exercised in 2017.
The total expense recognised in the income statement for the year ended 31 December 2018 in respect of the warrants issued was £nil (2017: £nil).

	2018 Weighted average exercise price (pence)	**2018 Number**	2017 Weighted average exercise price (pence)	2017 Number
Outstanding at the beginning of the year	-	-	1.1	842,212
Expired during the year	-	-	-	-
Granted during the year	-	-	1.1	1,930,501
Exercised during the year	-	-	1.1	(2,772,713)
Outstanding at the end of the year	-	-	-	-

21. 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.

22. Financial instruments

Financial risk management

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

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

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

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

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

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

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

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

Trade and other receivables
The Group's exposure to credit risk is influenced by the type of customer the Group contracts with The Group has minimal trade receivables.
The immediate credit exposure of financial instruments is represented by those financial instruments that have a net positive fair value by counterparty at 31 December 2018. The Group considers its maximum exposure to be:

	2018	2017
	£	£
Financial instrument		
Cash and cash equivalents	**28,783**	386,954
Loans and receivables, net of impairment	**62,890**	6,000
	91,673	392,954

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.

22. Financial instruments (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.
The Board are jointly responsible for monitoring and managing liquidity and ensures that the Group has sufficient liquid resources to meet unforeseen and abnormal requirements. The current forecast suggests that the Group has sufficient liquid resources.

The following are the contractual maturities of financial liabilities:

31 December 2018	**Carrying amount £**	**Contractual cash flows £**	**6 months or less £**	**6 to 12 months £**	**1 to 2 years £**	**2 to 5 years £**
Non–derivative financial liabilities						
Trade and other payables	**225,047**	-	**225,047**	–	–	–
Borrowings	-	-	–	–	–	-
	225,047	-	**225,047**	–	–	-

31 December 2017	Carrying Amount £	Contractual cash flows £	6 months or less £	6 to 12 months £	1 to 2 years £	2 to 5 years £
Non-derivative financial liabilities						
Trade and other payables	95,000	-	95,000	–	–	–
Borrowings	-	-	-	–	–	-
	95,000	-	95,000	–	–	-

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 2018, the net foreign liabilities were £300,728 (2017: £nil). 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.

22. Financial instruments (continued)

Fair value of financial assets and liabilities

	Book value 2018 £	Fair value 2018 £	Book value 2017 £	Fair value 2017 £
Financial assets				
Cash and cash equivalents	**28,783**	**28,783**	386,954	386,954
Loans and receivables, net of impairment	**62,890**	**62,890**	6,000	6,000
Total at amortised cost	**91,673**	**91,673**	392,954	392,954

	Book value 2018 £	Fair value 2018 £	Book value 2017 £	Fair value 2017 £
Financial liabilities				
Trade and other payables	**162,157**	**162,157**	112,000	112,000
Borrowings and provisions	**-**	**-**	-	-
Total at amortised cost	**162,157**	**162,157**	112,000	112,000

23. Related party transactions

During the year the Company was charged £60,000 (2017: £51,250) by Peterhouse Capital Limited (“Peterhouse”) for the provision of corporate advisory services. The Company is connected to Peterhouse in that both Trevor Brown and Qu Li were both directors and shareholders of Peterhouse during the year.

Non-Executive Chairman, Qu Li, is also a Director and major shareholder of China Ventures Limited. During the year China Ventures Limited charged the Company a total of £30,000 (2017: £15,342) in respect of services provided by Dr Li. The balance outstanding at year end was £3,468 (2017: £15,000).

During 2017, the Company acquired the whole of the issued share capital of Stone Checker Software Limited, a company in which Free Association Books Limited (“FAB”), in which Trevor Brown was also a Director during the period and is interested in 100 per cent of the shares by way of his immediate family, owned 50% of the issued shares. As a result of the acquisition, 4,000,000 ordinary shares in the Company were issued to FAB at a price of 3p in consideration for its shares held in Stone Checker.

At the year end, FAB held £100,000 (2017: £100,000) of Convertible Loan Notes plus accrued interest (note 18).

At the year end, T Brown held Convertible Loan Notes totalling £88,800 (2017: £71,926) plus accrued interest.

24. Events after the reporting period

In March 2019, the Company issued £268,500 in nominal amounts of 6% unsecured convertible loan notes, convertible into 13,425,000 ordinary shares of 0.1p each in the Company ("Ordinary Shares") at a price of 2 pence per share ("CLNs"). The funds raised as a result of the issue of the CLNs will be used to provide additional working capital for the Company.

25. Prior year adjustment

As permitted by IFRS 3 “Business Combinations”, the Directors have in 2018 assessed the amounts recognised on acquisition of Stone Checker during the measurement period of one year from the acquisition date of June 2017. Following that assessment, the Directors have concluded that an amount totalling £165,253 represents a separately identifiable intangible asset comprising imaging and diagnostic software. The amount was previously included within goodwill.

As disclosed in Notes 11 and 12, the comparative financial statements for the year ended 31 December 2017 have been restated. The restatement has no effect on the loss after tax, earnings per share, net assets or cash and cash equivalents for the 2017 period and as at 31 December 2017.

Registered details

DIRECTORS:	**Trevor Brown** (Chief Executive Officer) **Dr Qu Li** (Non-Executive Chairman) **Vinod Kaushal** (Non-Executive Director)
SECRETARY:	**Donald Reid** c/o Anglo Saxon Trust Forum 4 Grenville Street St Helier Jersey Channel Islands JE4 8TQ
REGISTERED OFFICE:	P. O. Box 264 Forum 4 Grenville Street St Helier Jersey Channel Islands JE4 8TQ
COMPANY REGISTRATION NUMBER:	**2044**
REGISTRAR AND TRANSFER OFFICE:	**Share Registrars Limited** The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
INDEPENDENT AUDITORS:	**PKF Littlejohn LLP** Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD
FINANCIAL ADVISER AND CORPORATE BROKER:	**Peterhouse Capital Limited** New Liverpool House 15 Eldon Street London EC2M 7LD
BANKERS:	**Barclays Bank** 39/41 Broad Street St. Helier JERSEY JE4 8PU