16 September 2019

IQ-AI Limited (the "Company" or the "Group")

Half Yearly Report for the Period Ended 30 June 2019

Chief Executive's Statement

I am pleased to announce IQ-AI Limited's unaudited financial results for the six months ended 30 June 2019.

Highlights

- Increased momentum in the Gadolinium free project
- Increased investment in Artificial Intelligence ("AI") projects
- Auto segmentation project initiated
- Marketing preparations commenced in anticipation of FDA approval for the Stone Checker product

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IQ-AI : Setting new standards in imaging technologies

Gadolinium free project

The Company's Gadolinium free project, known as "Simulated T1+C", increased momentum during the first half of 2019. A patent application was filed by the Company with the US Patent Office in October 2018. Preliminary research conducted in association with the Medical College of Wisconsin has shown that images captured with no injection of specific gadolinium-based contrast agents ("GBCA"), manipulated with an innovative proprietary algorithm, have the potential of yielding diagnostic results no different to those using GBCAs.

GBCAs have been used by radiologists for the last 30 years in increasing quantities because they are preferentially attracted to diseased and damaged tissue and they allow radiologists to examine the extent and damage to compromised tissue using magnetic resonance ("MR") scanners. They are extensively used worldwide to foster easier visualisation between healthy and diseased tissue. For instance, in patients with tumours they are used to help assess whether chemotherapeutic drugs and surgery are effective. An estimated 30 million scans are undertaken annually and this estimate is expected to grow in the future as new imaging techniques are integrated into clinical practice. The cost of each dose of GBCA is approximately US$60 and is often associated with patient distress since it is administered intravenously. Specific to dynamic contrast susceptibility ("DSC") perfusion imaging, patients often receive two doses: a 'preload' dose, before the imaging procedure starts; and then an additional dose, when the MR machine is actually scanning. The pre-load dose helps enhance the signal-to-noise ratio and produces higher quality images.

Approximately ten years ago, radiologists started to become aware of problems with GBCAs. There is now substantial evidence that gadolinium is retained within the body after a procedure. While the long-term effects are not understood, this retention is known to cause problems such as nephrogenic systemic fibrosis ("NSF") in patients with compromised renal function as well as other patients, manifesting itself as joint pain, or skin rashes. Indeed, in a publication of *Science of the Total Environment*, German researchers found evidence of gadolinium in the water supply as a result of the excreted compound after the patients had undergone MR scans. Researchers reported that wastewater plants featured filters that were incapable of removing gadolinium from the water supply and it was therefore present in drinks obtained from fast food restaurants and being consumed

by customers of those restaurants who had never undergone an MR procedure. (*Source: Anthropogenic gadolinium in tap water and in tap water-based beverages from fast-food franchises in six major cities in Germany: Schmidt et al, Science of the Total Environment 687 (2019) 1401-1408.)*

IQ-AI's subsidiary, Imaging Biometrics™, LLC ("IB"), is committed to reducing the use of GBCAs. Our Simultaneous Perfusion Imaging with Consecutive Echoes ("SPICE") and Low Flip Angle technologies, available in IB Neuro, eliminate the pre-load dose of GBCAs, halving patients' potential exposure.

Our new initiative would, if successful, eliminate the necessity of GBCAs in MR imaging altogether. It is estimated that the growing worldwide market for these agents approximates US$1.8 billion. Over the first half of 2019, the Company has strengthened its development team and committed significant resource to the acceleration of this product.

In conjunction with the Medical College of Wisconsin ("MCW"), IB has completed the foundational work necessary to accelerate the development of this Simulated T1+C. Specifically, an AI workstation was procured and installed onsite including the required software and remote access capabilities. It is anticipated that an additional investment in AI computing power will be completed during the second half of 2019.

A dedicated resource with AI experience was hired to supplement the development of AI technologies with the existing IB Team. Discussions have begun with various offices at MCW to allow IB access to additional AI personnel as well as a proven AI model. The AI model has demonstrated promising potential of providing IB with multiple commercial opportunities, including short-term and impactful enhancements to IB's current product portfolio.

The pathway to market is a lengthy one. Whilst we are not aware of any commercially available product that can completely eliminate GBCAs in MR scans as ours will, we recognise the significance and value of being the first to do so. Our goal is to complete our product development within two years and be in position to submit the product to the relevant regulatory authorities for market clearance at that time.

Artificial Intelligence ("AI") – Machine Learning

The Company's other development foci at this stage are AI and Machine Learning.

The Company has committed increased developer time and capital expenditure to this area during the first half of 2019.

All the Company's products are based upon digitising information from medical imaging equipment on a voxel-wise basis. Each individual voxel (a value on a regular grid in 3D space) is examined and compared to surrounding voxels. This allows us to determine whether a specific voxel exhibits individual characteristics that are unique, or comparable to a surrounding region. This can often be the first sign of diseased or compromised tissue.

When a new patients' data is examined, it is compared to a reference set. The more patients represented by the reference set, the more accurate the diagnosis will be. Over time, reference sets are updated to make the diagnoses more accurate. A clinic may have up to 10,000 patients or more they have evaluated with the Imaging Biometrics software against the static reference set. That patient data sits within the clinic.

In a Machine Learning model, when patients are scanned, their anonymised data is sent over a secure internet feed to a server that is running Imaging Biometrics software. Two things then happen:

1. The hospital/clinic receives back the patients' scans and the anonymising process is reversed so the IB processed images can be tied to individual patient identifiers in the hospital. This process is invisible and seamless.
2. The anonymised data is used to improve the algorithm at IB over time. A database containing many thousands of patients will be far more accurate and effective than one containing several hundred.

The regulatory considerations are not trivial. The FDA, for example, is currently contemplating how to effectively 'approve' products that change over time. We envisage a process that is a hybrid of the FDA and current CE

Marking processes, where a company is audited to ensure it has a methodology and processes that are robust enough to effect product changes that do no compromise the efficacy of the product or the safety of the patient.

IQ-AI expects to develop multiple technologies as a result of this initiative and incorporate those technologies into existing and new products.

Auto Segmentation

Neuroradiologists and neuroradiology technicians spend a lot of time identifying regions of interest ("ROI") on each slice of the MR scan. IB is working on an enhancement to the IB suite of products that automatically defines the ROI on each slice and can then assemble a 3D image of the ROI, to examine changes in the size of the tumour over time. Understanding changes in the shape, size and blood flow within an ROI is fundamental to determining whether all the tumour has been completely removed, whether chemotherapeutic drugs are effective and optimising treatment and in determining a likely treatment outcome for the patient.

It has been estimated that neuroradiologists and neuroradiology technicians spend up to 20 minutes manually drawing ROIs onto each slice of a brain image produced by the MR machine. If successful, our Auto Segmentation enhancement would reduce the time taken to make diagnostic decisions for each patient, reduce clinical operating expenses and increase patient throughput for enhanced efficiency.

During the first half of the year, the Company was focused on three additional growth areas:

1. **Expanding the sale of existing products in existing markets**
   The company attended and presented scientific abstracts at conventions attended by key opinion leaders during the first half of 2019, including the ISMRM Meeting in Montreal and the ASNR Meeting in Boston. In May, IB's software solutions were presented to an exclusive group of clinicians at a Quantitative Imaging Network (QIN) meeting in Washington DC. The focus was on IB Neuro, IB Delta T1 maps and IB's FTB maps for use in multi-centre clinical trials. IB maintains its dominant position among thought leaders as the only industry partner for this influential group. What is most attractive to this group is that IB presents the only biopsy-validated, commercially available, neuroradiology software package, giving clinicians with an interest in this area tremendous confidence in the accuracy and robustness of IB products.

   Historically, IB has created awareness for its products through attending and exhibiting at clinical conventions, developing sales leads and then selling its products directly to interested hospitals and health authorities. Traditionally, these products have been installed on the hospital's server in the radiology department and have been remotely installed and serviced by IB staff. IQ-AI now also uses channel partners and resellers to promote its software in the USA and Europe. The company now has four partners that offer its software via cloud-based services, making it available on a 'click fee' basis to hospitals. Blackford Analysis became the fourth partner during this review period, supplementing QMENTA, EnvoyAI and Medimsight.

   In a major development at the end of the review period, the Company has now also contracted with CorTechs Labs ("Cortechs"), providing it with direct sales representation in the US and international markets for the first time. CorTechs is a privately held company which specialises in providing software to neuroradiologists to monitor neuro degenerative diseases like Alzheimer's. Consequently, the respective products for IB and CorTechs are entirely complementary. CorTechs has approximately 10 field-based sales representatives and receive a sales commission, paid when a CorTechs discovered 'lead' culminates in a sale. All CorTechs sales representatives were trained by mid-July 2019.

   The Company is gradually migrating from a traditional licensing model that includes an upfront license payment of $30,000-$40,000 and an annual maintenance fee, to fully automated software that resides on servers within the hospital and is paid on a monthly subscription (click-fee) basis ranging from an initial set-up fee of $5,000 - $10,000. As overall deal sizes have increased, more approvals are required within the hospital networks and this has resulted in an extended sales cycle. The Company and its channel partners are currently pursuing several potential deals each with overall values in excess of $100,000. These opportunities often require us to compete against other companies' products and will likely eventually close as subscription-based sales.

StoneChecker
The Company originally filed for an FDA approval in August 2018 and received a request for additional information from the FDA towards the end of last year. During the US Government Shutdown in December 2018 and January 2019, IQ-AI submitted supplemental information to the FDA, including the results of additional testing that had been suggested. Over the first half of 2019, the Company fielded additional questions and is awaiting final approval.

In July 2019, in preparation for US launch through CorTechs and directly though our IB subsidiary, the Company has initiated a marketing campaign in Europe and based upon customer response to this campaign will fine tune our approach in preparation of the US launch.

2. **Expanding product sales into new markets**
IB's products have now been sold into South Korea, Greece, The Netherlands, Germany, France, and the United Kingdom. The products are installed and supported from IB's head office in Elm Grove, Wisconsin, proving the ability to deliver and support the product remotely. The Company's sales partner CorTechs has two direct sales representatives based outside of the USA and will develop international sales through attendance at numerous medical conventions and meetings.

3. **Grant and contract work**
IQ-AI's subsidiary IB has developed a reputation for producing high quality diagnostic software for a fee for third parties. These efforts, as well as providing valuable income also allow IQ-AI to evaluate the feasibility of entering other markets beyond our existing presence in kidney and brain.

In the first half of the year, IB completed contract work for a contract customer developing a breast cancer evaluation product.

The commercialisation efforts continue for Liver Surface Nodularity ("LSN"), a product for Dr Andrew Smith, MD, at the University of Alabama. A mutual interest exists in expanding this relationship after the launch of LSN and preliminary discussions to define this potential partnership are underway.

IB maintains strong collaborative relationships with leading academic research hospitals active in developing quantitative imaging biomarkers. Through an NIH grant awarded to Kathleen Schmainda PhD, IB became the only industrial partner as part of the Quantitative Imaging Network. The initial 5-year funding cycle concluded in Q1 2019. However, post-period end, a successful renewal grant was awarded in September 2019. This award represents another 5-year funding cycle with a total award amount of $2.8 million. The Company expects to receive 25% of this amount in equal monthly instalments and annual payments for license rights of IB Software.

4. **Finance**
IQ-AI raised £723,500 net cash from the issue of convertible loans and the issue of new ordinary shares. The funds raised are being used by the Company to provide additional working capital to accelerate and expand operations.

Outlook

The Company has entered an exciting phase in its development, and we look forward to updating shareholders as events unfold

Trevor Brown
Chief Executive

Summary Results for the 2019 interim financial period

A summary of the key financial results is set out in the table below:

	30 June 2019
	£
Revenue	**142,375**
Gross Profit	**140,532**
Operating expenses	**(278,378)**
Finance costs	**(10,274)**
Loss for the period	**(141,721)**

Interest

The net interest cost for the Group for the period was £10,274 (2018: £10,464).

Loss before tax

Loss before tax for the period was £141,271 (2018: £401,708).

Taxation

Taxation charge was £nil for the period (2018: £nil).

Earnings per share

Basic and diluted earnings per share for the period were 0.12p loss (2018: 0.59p loss).

Financial position

The Group's balance sheet as at 30 June 2019 can be summarised as set out in the table below:

	Net assets
	£
Non-current assets	**927,601**
Net current assets	**431,130**
Net assets and total equity	**1,358,731**

Cash flow

Net cash inflow for the period was £210,299 (2018: £382,137 outflow).

The net inflow is due to the proceeds raised on the convertible loan notes issued.

Interim 2018 restatement

The results for the six-month period ending 30 June 2018 were restated to correct an error on the consolidation of the subsidiary (Imaging Biometrics) purchased on 13 March 2018. The subsidiary was incorrectly consolidated for the full six-month period, and not from the date of acquisition as required by the accounting standards. The restated consolidated financial statements correctly reflect the position of the Group at 30 June 2018.

Consolidated Income Statement

For the six months ended 30 June 2019

	Half year ended 30 Jun 2019	(Audited) Full year ended 31 Dec 2018	(Restated) Half year ended 30 Jun 2018
	£	£	£
Continuing operations			
Revenue	**142,375**	164,971	47,021
Cost of sales	**(1,843)**	(34,962)	(1,156)

Gross profit	**140,532**	130,009	45,865
Administrative expenses	**(278,378)**	(878,648)	(437,109)
Other income	**6,399**	221	-
Operating loss	**(131,447)**	(748,418)	(391,244)
Finance costs	**(10,274)**	(15,662)	(10,464)
Loss before income tax	**(141,721)**	(764,080)	(401,708)
Income tax	**-**	-	-
Loss for the year attributable to owners of the Company	**(141,721)**	(764,080)	(401,708)
Loss per share attributable to owners of the Company			
From continuing operations:			
Basic & diluted (pence per share)	**(0.12)**	(0.82)	(0.59)

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Half year ended 30 Jun 2019 £	(Audited) Full year ended 31 Dec 2018 £	(Restated) Half year ended 30 Jun 2018 £
Loss for the period	**(141,721)**	(764,080)	(401,708)
Other comprehensive income			
Items that may be subsequently reclassified as profit or loss			
Exchange differences on translation of foreign operations	**(1,549)**	8,322	-
Total comprehensive loss for the year attributable to the owners of the Company	**(143,270)**	(755,758)	(401,708)

Consolidated Balance Sheet

As at 30 June 2019

	30 Jun 2019 £	(Audited) 31 Dec 2018 £	(Restated) 30 Jun 2018 £
Non-current assets			
Property, plant and equipment	**5,058**	918	-
Goodwill	**201,274**	201,274	410,606
Intangible assets	**721,269**	721,269	46,716
Total non-current assets	**927,601**	923,461	457,322

Current assets			
Trade and other receivables	**308,185**	65,568	27,924
Cash	**237,533**	28,783	4,817
Total current assets	**545,718**	94,351	32,741
Current liabilities			
Trade and other payables	**114,588**	254,928	234,592
Total current liabilities	**114,588**	254,928	234,592
Net current (liabilities)/assets	**431,130**	(160,577)	(201,851)
NET ASSETS	**1,358,731**	762,884	255,471
Equity			
Share capital	**1,274,894**	1,203,465	675,594
Share premium	**19,159,037**	19,025,466	18,418,001
Capital redemption reserve	**23,616**	23,616	23,616
Merger reserve	**160,000**	160,000	160,000
Convertible loan note reserve	**673,711**	145,033	379,397
Share based payment reserve	**16,316**	10,877	-
Foreign currency reserve	**6,773**	8,322	-
Retained losses	**(19,955,616)**	(19,813,895)	(19,401,137)
Equity attributable to owners of the Company	**1,358,731**	762,884	255,471
TOTAL EQUITY	**1,358,731**	762,884	255,471

Consolidated statement of changes in equity

For the six months ended 30 June 2019

	Share Capital	Share premium	Capital redemption reserve	Merger reserve	Convertible loan note reserve	Share based payment reserve	Foreign currency reserve	Retained losses	TOTAL EQUITY
	£	£	£	£	£	£	£	£	£
Balance at 1 January 2018	**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**
Loss for the period	-	-	-	-	-	-	-	(141,721)	(141,721)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,549)	-	(1,549)
Total comprehensive loss for the period	-	-	-	-	-	-	(1,549)	(141,721)	(143,270)
Shares issued	71,429	178,571	-	-	-	-	-	-	250,000
Cost of shares issued	-	(45,000)	-	-	-	-	-	-	(45,000)
Share based payments	-	-	-	-	-	5,439	-	-	5,439
Movement in the period	-	-	-	-	528,678	-	-	-	528,678
Balance at 30 June 2019	**1,274,894**	**19,159,037**	**23,616**	**160,000**	**673,711**	**16,316**	**6,773**	**(19,955,616)**	**1,358,731**

Consolidated Cash Flow Statement

For the six months ended 30 June 2019

	Half year ended 30 Jun 2019	(Audited) Full year ended 31 Dec 2018	(Restated) Half year ended 30 Jun 2018
	£	£	£
Cash flows from operating activities:			
Operating loss	**(141,721)**	(764,080)	(401,708)
Adjustment for:			
Depreciation and amortisation	**-**	33,499	-
Share based payment expense	**5,439**	10,877	-
Decrease/(increase) in receivables	**(242,617)**	(65,070)	(16,763)
Increase/(decrease) in payables	**(140,340)**	101,101	130,236
Net finance expenditure	**10,274**	-	10,464
Net cash used in operating activities	**(508,965)**	(683,673)	(277,771)
Cash flows from investing activities			
Purchase of subsidiaries	**-**	(104,366)	(104,366)
Purchase of intangible assets	**-**	(32,877)	-
Purchase of PPE	**(4,236)**	-	-
Net cash used in investing activities	**(4,236)**	(137,243)	(104,366)
Cash flows from financing activities			
Shares issued	**250,000**	515,085	-
Cost of shares issued	**(45,000)**	(45,000)	-
Interest cost	**-**	(15,662)	-
Proceeds from convertible loan notes issued	**518,500**	-	-
Net cash from financing activities	**723,500**	454,423	-
Net increase/(decrease) in cash and cash equivalents	**210,299**	(366,493)	(382,137)
Cash and cash equivalents brought forward	**28,783**	386,954	386,954
Effects of exchange rate changes on cash and cash equivalents	**(1,549)**	8,322	-
Cash and cash equivalents carried forward	**237,533**	28,783	4,817

Summary of significant accounting policies

IQ-AI Limited (the "Company") is a limited liability company incorporated and domiciled in Jersey.

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 under the heading 'Critical accounting estimates and judgements' below.

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 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.

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.

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.

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.

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

Financial liabilities and equity instruments issued by the group

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

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.

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.

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.

Critical accounting estimates and judgements

	Audited	(Restated)
Half year ended	Full year ended	Half year ended

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.

Interim 2018 restatement

The following table summarises the impact of the prior period error on the financial statements of the Group:

	30 June 2018
	£
Consolidated income statement	
Decrease in revenue for the period	**(78,021)**
Decrease in profit for the period	**(30,796)**
Decrease in earnings per share (pence)	**(0.04)**
Consolidated balance sheet	
Increase in net assets	**26,079**

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.

	30 Jun 2019	31 Dec 2018	30 Jun 2018
(Loss)/profit attributable to equity holders of the Company (£)	**(141,721)**	(764,080)	(401,708)
Weighted average number of shares in issue	**120,543,811**	93,644,402	67,599,434
(Loss)/earnings per share (pence)	**(0.12)**	(0.82)	(0.59)