

# Intelligent Ultrasound Limited

## REPORT AND FINANCIAL STATEMENTS

for the period ended

31 December 2020



# Intelligent Ultrasound Limited

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# Intelligent Ultrasound Limited

## OFFICERS AND ADVISERS

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### DIRECTORS

Andrew Barker  
Stuart Gall  
Helen Jones (appointed 1 January 2020)  
Alison Noble  
Nicholas Sleep

### SECRETARY

Helen Jones (appointed 1 January 2020)

### REGISTERED OFFICE

Floor 6A Hodge House  
114-116 St Mary Street  
Cardiff  
CF10 1DY, United Kingdom

### AUDITOR

Deloitte LLP  
Bristol  
BS1 6GD, United Kingdom

# Intelligent Ultrasound Limited

## DIRECTORS REPORT

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The Directors submit the report and financial statements of Intelligent Ultrasound Limited ("the Company" or "IUL") for the year ended 31 December 2020.

### PRINCIPAL ACTIVITIES

The Company is incorporated as a limited company and is registered in England and Wales with registered number 08107443. Its registered office is at Floor 6A Hodge House, 114-116 St Mary Street, Cardiff CF10 1DY, United Kingdom.

The principal activity of the Company is the development and sale of medical imaging software.

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company continues to build on the original work of Professor Alison Noble FRS OBE, and Professor Aris Papageorgiou FRCOG from The University of Oxford. In under three years the AI development team has grown to over 30 software engineers, image segmenters and medical and regulatory advisors. Their development work is underpinned by a well-curated and growing database of over five million ultrasound images that the Company has used to develop its range of AI-based ScanNav real-time image analysis software products. These products are focused on moving AI into the clinic to give real-time support to clinicians whilst they are scanning.

#### *ScanNav Assist*

For obstetricians, our ScanNav Assist AI technology acts like a personal scanning assistant, by comparing the image or view acquired to specific criteria on standard views within a fetal scan, to ensure they contain the required anatomy for the imaging plane.

In 2019, the Company entered a long-term partnership agreement for our ScanNav Assist AI software with GE Healthcare, one of the world's leading ultrasound manufacturers. At the end of September 2020 GE Healthcare announced the launch of the Voluson SWIFT, which is the first GE ultrasound system to feature SonoLyst, the new software that utilises our ScanNav Assist real-time image analysis software to enhance workflow and improve consistency by reducing variability between operators. SonoLyst is the world's first fully integrated AI tool that recognises the 20 views recommended by the ISUOG mid-trimester practice guidelines for fetal sonography imaging.

Intelligent Ultrasound's aim is to develop future variants of ScanNav Assist that will support additional protocol-based scanning in both obstetrics and general radiology.

#### *ScanNav Anatomy*

ScanNav Anatomy uses the latest AI technology to automatically highlight the live ultrasound image to enhance the accuracy and standardisation of ultrasound image interpretation, by making it easier to identify key anatomical structures. This supports the performance of healthcare professionals who are suitably qualified, but who perform ultrasound-guided procedures on a less frequent basis.

Our first version of the product, ScanNav Anatomy PNB, received CE approval in April 2021 and supports nine common peripheral nerve blocks (a form of local anaesthesia). It will be sold as a stand-alone screen mounted on a portable stand that can be plugged into existing anaesthesiology ultrasound machines. The device will provide clinicians with continuous feedback from real-time highlighting of their live ultrasound. Users can also re-familiarise themselves with blocks that are carried out less frequently using the system's integrated 3D animations.

ScanNav Anatomy PNB is also available as a training simulator for medical learning on volunteers, prior to patient contact.

# Intelligent Ultrasound Limited

## DIRECTORS' REPORT (*continued*)

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Intelligent Ultrasound's aim is to develop further variants of ScanNav Anatomy that can be added to the existing ScanNav IPU hardware platform and support scanning in both interventional radiology and general radiology, as appropriate.

The division has a number of additional products in various early stages of development.

The medical imaging AI software market remains immensely exciting, potentially hugely significant, yet still unproven. In addition, there is considerable competition from both existing ultrasound manufacturers and new AI start-ups and many of these are extremely well funded.

To respond to these challenges, the Company remains focussed on developing AI software that has both a clinical need and a clear economic rationale for its purchase; and will continue to build its AI image database to ensure we have high quality, curated images that are relevant to building AI algorithms in the field of anaesthesiology, obstetrics, gynaecology, radiology and primary care medicine.

## RESULTS AND DIVIDENDS

The Company's results for the year ended 31 December 2020 are shown in the Statement of Profit and loss and Other Comprehensive Income on page 11. The Directors do not recommend the payment of a dividend (2019: nil).

## RESEARCH AND DEVELOPMENT

The Board considers that the Company's research and development activity plays an important role in the operational and financial success of the business. In 2020 the Company spent £1.690m (2019: £0.646m) on research and development activities.

## GOING CONCERN

The financial statements have been prepared on a going concern basis. The Company is part of the Intelligent Ultrasound Group plc group of companies which meets its day-to-day working capital requirements, including those of the Company, from its cash reserves. The Group has assessed trading and cash flow forecasts for the period to 31 December 2022 which include those of the Company. The forecasts indicate that the Group will continue to trade with its existing cash reserves and therefore continue to support the Company. The Board has prepared various downside scenarios from its base case, involving reductions in revenue and delays in research and development projects. Under these scenarios, the Group continues to have sufficient cash reserves for at least the next 12 months from the date of approval of these financial statements.

The parent company has confirmed that it will continue to support the Company in order that it can continue to trade for at least the next 12 months. Therefore the Company is able to continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## DIRECTORS AND THEIR INTERESTS

### DIRECTORS

The following Directors have held office during the period and to the date of this report:

Andrew Barker  
Stuart Gall  
Alison Noble

# Intelligent Ultrasound Limited

## DIRECTORS' REPORT (*continued*)

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Nicholas Sleep  
Helen Jones

Appointed 1 January 2020

The movements in Directors' interests in shares and share options of the parent company, Intelligent Ultrasound Group plc, are disclosed in the Group's 2020 Annual Report.

### *Insurance*

Intelligent Ultrasound Group plc has made qualifying third-party indemnity provisions for the benefit of its Directors and Directors of its subsidiary companies, which remain in force at the date of this report and throughout the year. Directors' and Officers' liability insurance is provided for all Directors of the Group and its subsidiary companies.

### *Financial risk management objectives and policies*

The Company's activities expose it to a variety of financial risks: liquidity risk, market risk (including currency risk), credit risk and risk associated with cash held on deposit with financial institutions. Where appropriate, the Company seeks to mitigate potential adverse effects on its financial performance.

#### *Liquidity risk*

The Company is currently dependent on financial support from its parent company, Intelligent Ultrasound Group plc. The liquidity risks of the parent company are outlined in note 28 of the Intelligent Ultrasound Group plc 2020 Annual Report.

#### *Credit risk*

The Company's principal financial assets are bank balances and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables however given the company has only just started to generate revenue from its software development activities this has historically not been significant risk for the Company.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

In preparing this report the Directors have taken advantage of the small company exemption provided by Section 415A of the Companies Act 2006.

By approval of the Board on 28 September 2021.

DocuSigned by:  
  
Helen Jones  
6044AF339B50456  
Company Secretary

# Intelligent Ultrasound Limited

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

# Intelligent Ultrasound Limited

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### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of Intelligent Ultrasound Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of profit and loss and other comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

### Intelligent Ultrasound Limited (*continued*)

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statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **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 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 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the Audit Committee about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. This included the company's ability to obtain the relevant approval for the sale of medical devices.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

### Intelligent Ultrasound Limited (*continued*)

tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

#### Report on other legal and regulatory requirements

##### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

##### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate 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
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

##### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

DocuSigned by:  


70125800DC6F4DD  
Andrew Wright (Senior Statutory Auditor)

For and on behalf of Deloitte, Statutory Auditor

Bristol, UK

28 September 2021

# Intelligent Ultrasound Limited

## STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
<i>Continuing operations</i>			
REVENUE	6	17	15
Cost of sales		-	-
GROSS PROFIT		17	15
Administrative expenses	7	(2,126)	(928)
OPERATING LOSS AND LOSS BEFORE TAXATION		(2,109)	(913)
Taxation	8	634	162
LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS		(1,475)	(751)

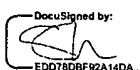
The notes on pages 13 to 24 are an integral part of these financial statements.

# Intelligent Ultrasound Limited

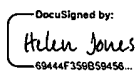
## STATEMENT OF FINANCIAL POSITION for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	12	20
CURRENT ASSETS			
Trade and other receivables	11	36	34
Current tax asset		476	62
Cash and cash equivalents		117	74
		629	170
TOTAL ASSETS		641	190
CURRENT LIABILITIES			
Trade and other payables	12	(3,762)	(1,843)
NET LIABILITIES		(3,121)	(1,653)
EQUITY			
Share capital		4	4
Share premium		2,557	2,557
Accumulated losses		(5,769)	(4,294)
Share-based payment reserve		87	80
TOTAL EQUITY		(3,121)	(1,653)

These financial statements were approved by the Board of Directors and authorised for issue on 28 September 2021 and are signed on their behalf by:

DocuSigned by:  
  
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Stuart Gall  
Director

DocuSigned by:  
  
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Helen Jones  
Director

The notes on pages 13 to 24 are an integral part of these financial statements.

# Intelligent Ultrasound Limited

## STATEMENT OF CHANGES IN EQUITY as at 31 December 2020

	Note	Share capital	Share premium	Share-based payment reserve	Accumulated losses	Total equity
		£'000	£'000	£'000	£'000	£'000
BALANCE AS AT 1 JANUARY 2019		4	2,557	61	(3,543)	(921)
COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR						
Total comprehensive expense for the year		-	-	-	(751)	(751)
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY						
Cost of share-based awards	14	-	-	19	-	19
BALANCE AS AT 31 DECEMBER 2019		4	2,557	80	(4,294)	(1,653)
COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR						
Total comprehensive expense for the year		-	-	-	(1,475)	(1,475)
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY						
Cost of share-based awards	14	-	-	7	-	7
BALANCE AS AT 31 DECEMBER 2020		4	2,557	87	(5,769)	(3,121)

The notes on pages 13 to 24 are an integral part of these financial statements.

# Intelligent Ultrasound Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2020

### 1. GENERAL INFORMATION

Intelligent Ultrasound Limited ("the Company") is a private company limited by shares incorporated in the United Kingdom in England and Wales (registration number 08107443). The Company is domiciled in the United Kingdom and its registered address is Floor 6A Hodge House, 114-116 St Mary Street, Cardiff, CF10 1DY.

The Company's principal activity is the development and sale of clinical ultrasound software.

### 2. STATEMENT OF COMPLIANCE WITH FRS 101

#### *Basis of accounting*

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2020 the Company has undergone transition from reporting under IFRS Standards adopted by the European Union to FRS 101 'Reduced Disclosure Framework'. This transition is not considered to have had any material effect on the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, certain disclosure in respect of revenue from contracts with customers, impairment of assets, certain related party transactions, and certain disclosure requirements in respect of leases.

Where relevant, equivalent disclosures have been given in the group accounts of Intelligent Ultrasound Group plc.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

#### *Impact of the initial application of other new and amended IFRS Standards that are effective for the current year*

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Amendments to IAS 1 and IAS 8 – Definition of material;
- Amendments to IFRS 3 – Definition of a Business;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform; and
- Amendments to References to the Conceptual Framework in IFRS Standards.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

### 3. BASIS OF PREPARATION

#### *Going concern*

# Intelligent Ultrasound Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2020 *(continued)*

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The financial statements have been prepared on a going concern basis. The Company is part of the Intelligent Ultrasound Group plc group of companies which meets its day-to-day working capital requirements, including those of the Company, from its cash reserves. The Group has assessed trading and cash flow forecasts for the period to 31 December 2022 which include those of the Company. The forecasts indicate that the Group will continue to trade with its existing cash reserves and therefore continue to support the Company. The Board has prepared various downside scenarios from its base case, involving reductions in revenue and delays in research and development projects. Under these scenarios, the Group continues to have sufficient cash reserves for at least the next 12 months from the date of approval of these financial statements..

The parent company has confirmed that it will continue to support the Company in order that it can continue to trade for at least the next 12 months. Therefore the Company is able to continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### *Accounting policies*

The accounting policies set out in note 4 have been applied consistently to all periods presented in these financial statements.

### *Functional currency*

These financial statements are presented in Sterling as that is considered to be the currency of the primary economic environment in which the Company operates. This decision was based on the Company's workforce being based in the UK and that Sterling is the currency in which management reporting and decision making is based.

## 4. ACCOUNTING POLICIES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Where necessary, the comparatives have been reclassified or extended from the previously reported results to take into account presentational changes. Critical accounting judgements and estimates are described in note 5.

### REVENUE

Revenue is recognised for licenses of intellectual property in exchange for sales-based royalties when the customer's subsequent sales and activation occurs. When the royalty relates to a right-to-use licence, it is recognised at a point in time when the final sales to the end customer occurs.

### SHARE-BASED PAYMENTS

The Company's holding company, Intelligent Ultrasound Group plc, issues options over its unissued share capital to certain employees and Directors in the Company. IFRS 2 requires the Company to treat these arrangements as equity-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments relating to the Company's employees is recharged to the Company by Intelligent Ultrasound

# Intelligent Ultrasound Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2020 (*continued*)

Group plc and is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. The fair value is measured by use of a binomial probability option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations. No expense is recognised for awards that do not ultimately vest.

### FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

#### *Trade receivables*

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

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents includes bank overdrafts.

#### *Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. A financial liability is a contracted obligation to deliver cash or another financial asset to another entity. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

#### *Trade payables*

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

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less any subsequent accumulated depreciation or impairment losses.

Depreciation is provided on all property, plant and equipment at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:

Furniture, fixtures and equipment	25%	Straight line
Plant & equipment		
R&D/demonstration/loan units	33%	Straight line
Other	25%	Straight line

The assets' residual values and useful lives are reviewed at each year end and adjusted if appropriate. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

# Intelligent Ultrasound Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2020 *(continued)*

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### FOREIGN CURRENCIES

The functional currency of the Company is Sterling. Foreign currency monetary assets and liabilities are converted to Sterling at the rates of exchange ruling at the end of the financial year.

Transactions in foreign currencies are converted to Sterling at the rates of exchange ruling at the transaction date. All of the resulting exchange differences are recognised in the Statement of Comprehensive Income as they arise. Realised gains and losses in the year were taken to profit or loss within Administrative Expenses.

### INCOME TAX

The income tax credit for the period is the tax receivable on the current period's taxable loss, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax credit is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income 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 consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

# Intelligent Ultrasound Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2020 (*continued*)

### *UK Research and Development Tax Incentive regimes*

The Group accounts for amounts claimed under the SME scheme as tax credits.

### PENSION COSTS

Pension allowances, contributions to defined contribution pension schemes and contributions to personal pension schemes are charged to the statement of comprehensive income in the year to which they relate.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### *i) Critical accounting judgements*

No significant judgements have been made in the process of applying the Company's accounting policies that could have a material effect on the amounts recognised in the financial statements.

### *ii) Critical accounting estimates and assumptions*

No significant accounting estimates and assumptions have been made in the process of applying the Company's accounting policies that could have a material effect on the amounts recognised in the financial statements.

## 6. REVENUE

All revenue arises from sales of regulatory approved AI-based ultrasound image analysis software products. All revenue is derived from a single operating segment and geographical location

In the year to 31 December 2020, revenue of £0.017m (2019: £0.015m) has been recognised for licenses of intellectual property in exchange for sales-based royalties when the customer's subsequent sales and activation occurs. When the royalty relates to a right-to-use licence, it is recognised at a point in time when the final sales to the end customer occurs.

## 7. OPERATING LOSS

	2020 £'000	2019 £'000
<i>Operating loss is stated after charging:</i>		
Depreciation - owned fixed assets	6	6
Staff costs (note 9)	1,444	478
Research and development costs expensed:		
Salaried staff included in staff costs	1,131	432
Consultants and freelancers included in staff costs	513	214
Other costs	46	-
Auditor's remuneration		
- audit of financial statements	17	15

# Intelligent Ultrasound Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2020 (continued)

- tax advisory services

-	5
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### 8. INCOME TAX

#### i) Analysis of credit in the year

	2020 £'000	2019 £'000
<i>Current tax</i>		
R&D tax credit	(478)	(82)
R&D tax credit relating to prior periods	(156)	(80)
Income tax credit	(634)	(162)
<i>Deferred tax</i>		
Origination and reversal of timing differences	(1)	-
Effect of tax rate change on opening balance	1	-
Deferred tax credit	-	-
Total tax credit	(634)	(162)

#### ii) Factors affecting the tax credit

The Company has made a taxable loss for the period (2019: Loss) but has not recognised the deferred tax asset arising due to uncertainty over the timing of future profits and consequently there has been no deferred tax credit recognised in the income statement.

	2020 £'000	2019 £'000
Loss before tax	(2,109)	(913)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	(401)	(173)
<i>Effects of:</i>		
Expenses not deductible	1	163
Additional deduction for R&D expenditure	(351)	-
R&D expenditure surrendered for tax credit	148	113
Remeasurement of deferred tax for changes in tax rates	(53)	-
Deferred tax not recognised	178	(185)
Adjustments in respect of previous periods	(156)	(80)
Total income tax credit	(634)	(162)

Legislation introduced in the Finance Bill 2021 sets the main rate of corporation tax at 25% for financial year 2023, which will apply to profits above £250,000; and introduces a small profits rate of 19% for profits below £50,000. Marginal relief provisions will be introduced so that, where a company's profits fall between the lower and upper limits, it will be able to claim an amount of marginal relief that bridges the gap between the lower and upper limits providing a gradual increase in the Corporation Tax rate.

# Intelligent Ultrasound Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2020 (continued)

### 8. INCOME TAX (continued)

In 2019 the R&D tax credit was recognised through the income statement upon cash receipt of the 2018 claim. In 2020 an asset has been recognised for the best estimate of the 2020 R&D tax claim based on the track record of previous successful claims in addition to the 2019 tax claim on receipt.

#### Deferred tax

The unrecognised and recognised deferred tax asset/(liability), calculated using a rate of 19%, comprises the following:

	Unrecognised		Recognised	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	-	(8)	(4)
Tax losses	613	435	8	4
Total asset	613	435	-	-

Where a deferred tax liability arises, an equal amount of trade losses has been recognised to the net position at entity level is nil.

#### Tax losses

The Company has significant trade losses carried forward which are currently not being recognised due to uncertainty of when these losses will be utilised.

	2020	2019
	£'000	£'000
Unused tax losses for which no deferred tax asset has been recognised	3,233	2,572
Potential tax benefit @19% (2019: 17%)	614	437

### 9. EMPLOYEES

The average monthly number of persons (including Directors) employed by the Company was:

Management and administration  
Research & Development

2020	2019
No.	No.
2	1
23	6
25	7

# Intelligent Ultrasound Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2020 (*continued*)

### 9. EMPLOYEES (*continued*)

Staff costs for the employees and Directors:

	2020 £'000	2019 £'000
Wages and salaries	436	418
Social security costs	53	45
Pensions	17	11
Share-based payment charge	7	19
	517	493
Recharged from/(to) fellow group companies	927	(15)
Staff costs included under administrative expenses	1,444	478

During the year the Company has been recharged the staff costs for those employees who have worked for the Company during the year but are employed by fellow Group company, Medaphor Limited. These employees have been included in the average number of employees above.

No directors received directly from the Company any remuneration in respect of their services to the Company (2019: nil). In 2020 the remuneration for Nicholas Sleep has been included in the payroll costs recharged from a fellow group company, Medaphor Limited.

£0.44m (2019: £0.47m) was paid to Oxford University Innovations Limited in respect of services provided by Professor Alison Noble who is also a Director of the Company.

The number of Directors accruing benefits under group pension schemes is: Nil (2019: Nil)

The Company is a wholly owned subsidiary of Intelligent Ultrasound Group plc (PLC) a company whose shares are traded on AIM. On 31 December 2020 the highest paid Director of Intelligent Ultrasound Limited held 421,709 (2019: 326,471) shares in PLC.

None of the Directors exercised any of their share options during the year (2019: none).

Further details of Directors' fees and salaries, bonuses, pensions and share options are given in the 2020 Annual Report and Accounts of the Group.

# Intelligent Ultrasound Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2020 (continued)

### 10. PROPERTY, PLANT & EQUIPMENT

	Fixtures & fittings £'000	Computer equipment £'000	Total £'000
<b>COST</b>			
As at 1 January 2020	1	47	48
Disposals	(1)	(24)	(25)
As at 31 December 2020	-	23	23
<b>DEPRECIATION</b>			
As at 1 January 2020	1	27	28
Charge for year	-	6	6
Disposals	(1)	(22)	(23)
As at 31 December 2020	-	11	11
<b>NET BOOK VALUE</b>			
As at 31 December 2020	-	12	12
As at 1 January 2020	-	20	20

Total depreciation expense of £5,786 (2019: £5,658) has been charged to administrative expenses in the Statement of Comprehensive Income.

At 31 December 2020, the Company had no contractual commitments to acquire plant and equipment (2019: £Nil).

### 11. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2020 £'000	2019 £'000
Trade receivables,	18	-
Other receivables and prepayments	18	34
	36	34

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

# Intelligent Ultrasound Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2020 (*continued*)

### 12. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2020 £'000	2019 £'000
Trade payables	16	13
Amounts owed to fellow subsidiaries	3,504	1,686
Amounts owed to related parties	48	-
Taxation and social security	23	12
Accruals and deferred income	171	130
Other creditors	-	2
	<b>3,762</b>	<b>1,843</b>

The Directors consider that the carrying amount of trade payables approximates to their fair value.

The amounts owed to related parties are unsecured and are repayable on demand. No guarantees have been given or received.

### 13. SHARE CAPITAL

	No.	2020 £'000	No.	2019 £'000
<b>Allotted, issued and fully paid</b>				
Ordinary shares of £0.01 each	420,969	4	420,969	4

### 14. SHARE-BASED PAYMENTS

Certain employees of the Company have been granted options in shares of the Company's parent company, Intelligent Ultrasound Group plc. The purpose of the option schemes is to retain and motivate eligible employees and Directors.

The number of share options in issue to employees during the period and the number of options exercisable at the period end are listed in the tables below.

The fair value of the share options determined at the grant date is expensed to the holding company's profit and loss account on a straight-line basis over the vesting period, based upon the group's estimate of participants eligible to receive shares at the point of vesting. The amount relating to employees of Intelligent Ultrasound Limited is recharged by Intelligent Ultrasound Group plc.

The charge for the year to 31 December 2020 was £6,865 (2019: £19,000).

# Intelligent Ultrasound Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2020 (continued)

### 14. SHARE-BASED PAYMENTS (continued)

The movement in share options granted to employees and Directors of the Company is as follows:

	2020		2019	
	Options No.	Weighted average exercise price (pence)	Options No.	Weighted average exercise price (pence)
Outstanding at 1 January	7,952,495	15.40	7,852,495	15.49
Granted during the period	5,065,640	14.62	100,000	11.00
Lapsed during the period	(637,660)	(15.40)	-	-
Outstanding at end of period	12,380,475	15.03	7,952,495	15.40
Exercisable at end of period	1,728,593	19.20	1,546,176	20.80

The weighted average remaining life of all share options outstanding at 31 December 2020 is 7 years and 11 months (2019: 7 years and 8 months).

### 15. FINANCIAL INSTRUMENTS

#### Financial instruments by category

##### Assets as per statement of financial position

	2020 £'000	2019 £'000
Trade and other receivables excluding prepayments	36	29
Cash and cash equivalents	117	74
	153	103

##### Liabilities as per statement of financial position

	2020 £'000	2019 £'000
Trade and other payables excluding statutory liabilities	3,740	1,830

The contractual maturities of all financial liabilities are up to 1 month (2019: 1 month).

The carrying amount of short term (less than 12 months) trade receivables and payables approximates their fair values.

# Intelligent Ultrasound Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2020 (continued)

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### 15. FINANCIAL INSTRUMENTS (continued)

#### Currency denomination

The Company's financial assets and liabilities as per the Statement of Financial Position are all denominated in Sterling.

### 16. RELATED PARTY TRANSACTIONS

As 100% of the Company's voting rights are controlled within the Group headed by Intelligent Ultrasound Group plc, the Company is exempt from the requirement of IAS 24 'Related Party Disclosure's to disclose related party transactions with other members of the Group that are 100% owned.

Amounts owed to each related party:

	2020	2019
	£'000	£'000
Group	(2,421)	(1,620)
MedaPhor	(1,083)	(65)
Oxford University Innovation Limited	(48)	(40)

The amounts owed to related parties are unsecured and are repayable on demand. No guarantees have been given or received.

### 17. ULTIMATE PARENT AND CONTROLLING PARTY

Intelligent Ultrasound Group plc is the Company's immediate and ultimate parent undertaking. There remains no overall controlling party.

Intelligent Ultrasound Group plc is a company incorporated in the United Kingdom whose shares are traded on AIM, a market operated by the London Stock Exchange. Intelligent Ultrasound Group plc has the same registered address as the Company. The results of the Company are included within the consolidated financial statements of Intelligent Ultrasound Group plc, the largest and smallest group of undertakings for which group accounts are drawn up.

Copies of the consolidated financial statements of Intelligent Ultrasound Group plc can be obtained from the Company's registered office or on the Group website at [www.intelligentultrasound.com](http://www.intelligentultrasound.com).