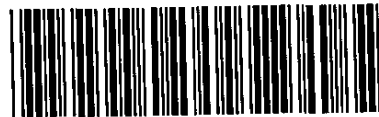


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**Group Strategic Report, Report of the Directors and
Consolidated Financial Statements
for the Year Ended 31 December 2018
for
IOBAC Limited**

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**Contents of the Consolidated Financial Statements
for the Year Ended 31 December 2018**

	Page
Company Information	1
Group Strategic Report	2
Report of the Directors	3
Report of the Independent Auditors	4
Consolidated Income Statement	6
Consolidated Statement of Financial Position	7
Company Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Company Statement of Changes in Equity	10
Notes to the Consolidated Financial Statements	11
Consolidated Trading and Profit and Loss Account	17

DIRECTORS:

I Spreadborough
P Woolvine

REGISTERED OFFICE:

1st and 2nd Floors
Elizabeth House
Les Ruettes Brayes
St Peter Port, Guernsey
GY1 1EW

REGISTERED NUMBER:

FC031362 (England and Wales)

AUDITORS:

Howard Lee, Fellows & Co
Chartered Accountants and Statutory Auditor
92 Park Street
Camberley
Surrey
GU15 3NY

The directors present their strategic report of the company and the group for the year ended 31 December 2018.

REVIEW OF BUSINESS

IOBAC Limited ("IOBAC") has significantly expanded its technology platforms via patent applications and product offerings. IOBAC successfully raised funds at the end of 2018 resulting in a strongly funded position to drive sales and marketing efforts and focus on commercialising its various technology platforms globally. This global push is being helped by agreeing a collaboration agreement with one of the world's largest flooring companies based in the US, Unilin IP part of the Mohawk Industries Inc. There is continued engagement at various levels with over 30 major retailers in the US and UK, and increased engagement at major flooring manufacturers and distributors. The key shareholders maintain their long-term commitment to the business as IOBAC goes from strength to strength.

PRINCIPAL RISKS AND UNCERTAINTIES

Generally, risks are low as IOBAC does not hold any stock, buy or sell materials or install any of its patented system. Risks surrounding the installation of the IOBAC magnetised flooring system are covered, in the main, by contractors' insurance and manufacturers warranties. IOBAC approves and trains the contractors to lay the system. The principal risk to the business centres around the ability of Management to successfully sell the IOBAC system to end users: accordingly, IOBAC has been lowering its price point which will increase the system's appeal in different markets, including residential.

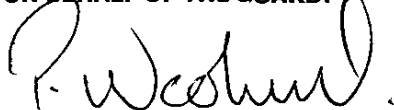
FUTURE DEVELOPMENTS

IOBAC is focussed on making magnetic flooring the flooring of choice. To do this the IOBAC magnetised flooring system needs to appeal to more markets at a better price point. In this regard, IOBAC will continue to focus on being a thought leader in the development of the supply chain and aim to achieve improved solutions for end users with enhanced resins, additives and top surface solutions. In line with its partnership-based approach, IOBAC continues to sign up more top surface manufacturers as approved suppliers to the IOBAC system. Through continued collaboration, IOBAC has developed unique flooring solutions for heated flooring and walling, Magnetic Conductive flooring and IOBAC Magtabs, and expects to soon be able to offer a system to track people movement and dwell time.

KEY PERFORMANCE INDICATORS

The key indicators for the business are the number of clients specifying the IOBAC magnetic flooring system aligned to the number of manufacturers willing to magnetise their floorcoverings. IOBAC is successfully engaging and approving more suppliers and manufacturers. Over and above direct sales to end users, the volume expansion of the IOBAC system will rely on signing up flooring distribution and manufacturers on a global basis to fully monetise its expansive technological capability.

ON BEHALF OF THE BOARD:



P Woolvine - Director

29 November 2019

**Report of the Directors
for the Year Ended 31 December 2018**

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

The principal activity of the company and the group continued to be the ownership and development of a patent for the development of specialist flooring solutions. The principal activity of the company's sole subsidiary undertaking, IOBAC UK Limited, is the development of specialist flooring solutions.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

I Spreadborough
P Woolvine

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors 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). 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



P Woolvine - Director

29 November 2019

Opinion

We have audited the financial statements of IOBAC Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated Income Statement, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 31 December 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Group Strategic Report or in preparing the Report of the Directors.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, 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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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 a Report of the Auditors 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.

Susan Ambrose FCCA FCA (Senior Statutory Auditor)
for and on behalf of Howard Lee, Fellows & Co
Chartered Accountants and Statutory Auditor
92 Park Street
Camberley
Surrey
GU15 3NY

29 November 2019

IOBAC Limited**Consolidated Income Statement
for the Year Ended 31 December 2018**

	Notes	2018 £	2017 £
TURNOVER		76,983	39,740
Cost of sales		(36,004)	(17,309)
GROSS PROFIT		40,979	22,431
Administrative expenses		(537,233)	(490,091)
OPERATING LOSS		(496,254)	(467,660)
Interest receivable and similar income	5	37	-
		(496,217)	(467,660)
Interest payable and similar expenses		(11,355)	614,200
(LOSS)/PROFIT BEFORE TAXATION		(507,572)	146,540
Tax on (loss)/profit		148,101	(25,047)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(359,471)</u>	<u>121,493</u>
(Loss)/profit attributable to: Owners of the parent		<u>(359,471)</u>	<u>121,493</u>

The notes form part of these financial statements

Consolidated Statement of Financial Position
31 December 2018

	Notes	2018 £	2017 £
FIXED ASSETS			
Intangible assets	7	504,392	506,647
Tangible assets	8	2,862	4,588
Investments	9	-	-
		<u>507,254</u>	<u>511,235</u>
CURRENT ASSETS			
Debtors	10	35,015	21,595
Cash at bank		1,234,399	97,019
		<u>1,269,414</u>	<u>118,614</u>
CREDITORS			
Amounts falling due within one year	11	(103,325)	(312,313)
NET CURRENT ASSETS/(LIABILITIES)		<u>1,166,089</u>	<u>(193,699)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,673,343</u>	<u>317,536</u>
CAPITAL AND RESERVES			
Called up share capital		47,525	26,487
Share premium		5,309,070	3,614,830
Capital redemption reserve		570,739	570,739
Retained earnings		(4,253,991)	(3,894,520)
		<u>1,673,343</u>	<u>317,536</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors on 29 November 2019 and were signed on its behalf by:



P Woolvine - Director

The notes form part of these financial statements

**Company Statement of Financial Position
31 December 2018**

	Notes	2018 £	2017 £
FIXED ASSETS			
Intangible assets	7	501,702	501,702
Tangible assets	8	-	-
Investments	9	100	100
		<u>501,802</u>	<u>501,802</u>
CURRENT ASSETS			
Debtors	10	4,996,187	3,485,488
CREDITORS			
Amounts falling due within one year	11	(46,003)	(162,166)
NET CURRENT ASSETS		<u>4,950,184</u>	<u>3,323,322</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,451,986</u>	<u>3,825,124</u>
CAPITAL AND RESERVES			
Called up share capital		47,525	26,487
Share premium		5,309,070	3,614,830
Capital redemption reserve		570,739	570,739
Retained earnings		(475,348)	(386,932)
		<u>5,451,986</u>	<u>3,825,124</u>
Company's (loss)/profit for the financial year		<u>(88,416)</u>	<u>611,901</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors on 29 November 2019 and were signed on its behalf by:



P Woolvine - Director

The notes form part of these financial statements

**Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2018**

	Called up share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Total equity £
Balance at 1 January 2017	576,482	(4,016,013)	123,131	26	(3,316,374)
Changes in equity					
Issue of share capital	20,722	-	3,491,699	-	3,512,421
Redemption of shares	(570,717)	-	-	570,717	-
Other movements	-	-	-	(4)	(4)
Total comprehensive income	-	121,493	-	-	121,493
Balance at 31 December 2017	26,487	(3,894,520)	3,614,830	570,739	317,536
Changes in equity					
Issue of share capital	21,038	-	1,694,240	-	1,715,278
Total comprehensive income	-	(359,471)	-	-	(359,471)
Balance at 31 December 2018	47,525	(4,253,991)	5,309,070	570,739	1,673,343

The notes form part of these financial statements

**Company Statement of Changes in Equity
for the Year Ended 31 December 2018**

	Called up share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Total equity £
Balance at 1 January 2017	576,482	(998,833)	123,131	26	(299,194)
Changes in equity					
Issue of share capital	20,722	-	3,491,699	-	3,512,421
Redemption of shares	(570,717)	-	-	570,717	-
Other movements	-	-	-	(4)	(4)
Total comprehensive income	-	611,901	-	-	611,901
Balance at 31 December 2017	26,487	(386,932)	3,614,830	570,739	3,825,124
Changes in equity					
Issue of share capital	21,038	-	1,694,240	-	1,715,278
Total comprehensive income	-	(88,416)	-	-	(88,416)
Balance at 31 December 2018	47,525	(475,348)	5,309,070	570,739	5,451,986

The notes form part of these financial statements

1. STATUTORY INFORMATION

IOBAC Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

The functional currency of the company, and presentation currency of the financial statements, is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements incorporate those of IOBAC Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 December 2018.

All intra-group transactions, balances and unrealised gains on transactions between group companies are *eliminated on consolidation*. *Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.*

Turnover

Turnover represents royalties earned in relation to the sale of products and services utilising the patented know-how held by the company. Royalties are recognised on an accruals basis in accordance with the substance of the sale contract.

Intangible fixed assets

Intangible assets are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Patent costs	Not currently amortised
Website costs	Straight line over 3 years

The patents held by the company are not currently being amortised on the basis that the patent rights to market the products and services fully remain in the process of being granted on a market-by-market basis, and therefore the patents are not fully operational commercially. The company's sales utilising the technology are currently being made on a test and trial basis only.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- 25% on cost
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Investments in subsidiaries

Investments in subsidiary undertakings are initially measured at cost and subsequently measured at cost less provision for diminution in value.

Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018**

2. ACCOUNTING POLICIES - continued

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease.

Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Going concern

As at 31 December 2018 the company and group had negative profit and loss reserves. The directors are nevertheless of the opinion that the going concern basis of accounting remains appropriate, and the company will continue to operate effectively for the foreseeable future, owing in part to the continued financial support of the existing shareholders. The directors are also confident of bringing the company's product effectively to market in the near future to generate positive working capital, and have secured substantial investment to fund the commercialisation of IOBAC's technologies.

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 2 (2017 - 2).

The average number of employees by undertakings that were proportionately consolidated during the year was 4 (2017 - 7).

4. AUDITORS' REMUNERATION

	2018 £	2017 £
Fees payable to the company's auditors for the audit of the company's financial statements	2,000	2,000
Total audit fees	<u>2,000</u>	<u>2,000</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £	2017 £
Other interest received	37	-
	<u>37</u>	<u>-</u>

6. INDIVIDUAL INCOME STATEMENT

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018

7. INTANGIBLE FIXED ASSETS

Group

	Other intangible assets £
COST	
At 1 January 2018 and 31 December 2018	512,502
AMORTISATION	
At 1 January 2018	5,855
Charge for year	2,255
At 31 December 2018	8,110
NET BOOK VALUE	
At 31 December 2018	504,392
At 31 December 2017	506,647

Company

	Other intangible assets £
COST	
At 1 January 2018 and 31 December 2018	501,702
NET BOOK VALUE	
At 31 December 2018	501,702
At 31 December 2017	501,702

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018**

8. TANGIBLE FIXED ASSETS

Group

	Fixtures and fittings £
COST	
At 1 January 2018	7,555
Additions	217
	<u>7,772</u>
At 31 December 2018	
DEPRECIATION	
At 1 January 2018	2,967
Charge for year	1,943
	<u>4,910</u>
At 31 December 2018	
NET BOOK VALUE	
At 31 December 2018	<u>2,862</u>
At 31 December 2017	<u>4,588</u>

9. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 January 2018 and 31 December 2018	<u>100</u>
NET BOOK VALUE	
At 31 December 2018	<u>100</u>
At 31 December 2017	<u>100</u>

The group or the company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Subsidiary

!OBAC UK Limited

Registered office: Unit 9, Berry Court Farm, Bramley Road, Little London, Tadley, Hampshire, RG26 5AT

Nature of business: Flooring specialist

Class of shares:	%
Ordinary	holding 100.00

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018**

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade debtors	4,553	9,980	4,553	9,980
Other debtors	5,061	340	4,816	-
Amounts owed by subsidiary	-	-	4,971,193	3,470,315
VAT recoverable	9,776	2,831	-	-
Tax	15,625	-	15,625	-
Prepayments	-	8,444	-	5,193
	<u>35,015</u>	<u>21,595</u>	<u>4,996,187</u>	<u>3,485,488</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Other loans	-	127,264	-	-
Trade creditors	66,070	24,310	23,258	19,822
Tax	-	25,047	-	25,047
Social security and other taxes	6,491	10,000	-	-
VAT	19,540	16,963	19,540	16,963
Other creditors	5,334	99,572	260	97,584
Accruals	5,890	9,157	2,945	2,750
	<u>103,325</u>	<u>312,313</u>	<u>46,003</u>	<u>162,166</u>

12. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group

	Non-cancellable operating leases	
	2018	2017
	£	£
Within one year	<u>570</u>	<u>570</u>

13. SECURITIES AND CHARGES

On 28 March 2018 the company issued £200,000 15% convertible loan notes, which were secured via a debenture comprising fixed and floating charges over the assets of the company. The notes were repaid during the year and the security consequently released.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2018**

14. SHARE CAPITAL

	Group and company	
	2018	2017
	£	£
Ordinary share capital		
Issued and fully paid		
4,270,888 Ordinary shares of £0.01 each	42,709	26,487
Issued and unpaid		
481,590 Ordinary shares of £0.01 each	4,816	-

On 8 November 2018 the company issued 1,408,220 Ordinary shares of £0.01 each at par, and 695,552 Ordinary shares of £0.01 each at a price of £2.45 per share.

The unpaid shares were issued to an Employee Benefit Trust which was in the process of being set up at the year end date.