# AIQ LIMITED

(incorporated and registered under the Companies Law (as revised) of The Cayman Islands and registered number 327983.)

## Annual Report and Consolidated Financial Statements

***For the year ended 31 October 2021***

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## STRATEGIC REPORT – CHAIRMAN'S STATEMENT

On behalf of the Board, I present the annual report and financial statements of AIQ Limited for the year ended 31 October 2021.

The COVID-19 pandemic, combined with the early nature of the Alchemist Codes business, resulted in a disappointing performance in 2021 with negligible revenue being generated and significant losses incurred. As we have outlined previously, economic uncertainty resulted in customers delaying purchasing decisions for IT consultancy projects and stringent lockdown measures in Malaysia prevented management meeting with potential customers and business contacts. In addition, retailers transitioned to focus on direct-to-consumer online sales & marketing, which had a severe impact on OctaPLUS' affiliate marketing commission model.

Accordingly, the Board undertook a strategic review resulting in the implementation of significant cost cutting measures and a refocusing of the strategy of the Group on the provision of IT consultancy services to customers who deliver blockchain technology and digital assets, such as non-fungible tokens ("NFTs").

In particular, we are seeking to capitalise on the lack of IT solutions providers in Asia that specialise in the delivery of blockchain platforms, and to take advantage of the increasing popularity of decentralised finance and NFTs in the region. As part of this process, we are seeking to form partnerships with key solutions providers, primarily in Hong Kong and India, to enable us to expand our offer to potential clients.

While it is early days, we are receiving initial interest in the IT solutions that we can provide for this market, including securing a contract to project manage the supply of a decentralised finance exchange to a customer based in Australia.

However, while there have been initial signs of progress, revenue generation remains low and the Board continues to closely monitor the cash position and forecasts, and to contain expenditure levels. This includes, for example, taking the decision, post year-end, to put all activity relating the OctaPLUS e-commerce platform on hold. In addition, to support our working capital as we execute on the strategy outlined above, we raised £500,000 in January 2022 through the issue of unsecured convertible loan notes to our largest shareholders and our Executive Director, Lee Chun Chung. We are grateful for this backing.

On behalf of the Board, I would like to thank all of our shareholders for their continued support and we hope to be able to provide an update on progress with our strategy in due course.

**Graham Duncan**
**Non-Executive Chairman**

**25 February 2022**

## STRATEGIC REPORT – EXECUTIVE DIRECTOR'S STATEMENT

Below I review the Company's operational and financial performance for the year ended 31 October 2021.

### Operational Review

As previously announced, the prolonged and multifaceted impact of the COVID-19 pandemic, which was compounded by Alchemist Codes being at a relatively early stage of development, had a severe impact on our business in Malaysia, with negligible revenue being generated in the first half of the year. Consequently, and combined with the continued significant uncertainty over the post-pandemic market recovery, in April 2021 (and as announced in the results for the year to 31 October 2020), the Board undertook a strategic review to determine the future of the business, which resulted in actions to cut costs, dispose of non-core activities and reposition the Group.

Our IT consultancy business in Hong Kong, Alcodes International Limited ("Alcodes International"), made initial progress during the year in securing and delivering IT projects based on the Hong Kong government grant schemes for IT solutions providers. However, the sales value was an insignificant amount corresponding with the early nature of the business following its establishment in July 2020.

The key outcomes of the strategic review were as follows:

- Divestment of certain e-commerce software and technology developed in-house by Alchemist Codes to Wepin Sdn Bhd ("Wepin") in May 2021 for £35,424.
- A number of Alchemist Codes staff, including Charles Yong, CEO of Alchemist Codes, becoming employed by Wepin.
- The OctaPLUS e-commerce platform and a small team were retained to develop the product and seek methods to monetise the registered user base. However, post year-end, the Board decided to put this activity on hold to focus the Group's resources on the IT consultancy business.
- Alcodes International would focus on building the IT consultancy business and look to expand it into other technology areas such as digital assets.
- The Board and senior management took a voluntary cut of 20% in their fees, that was backdated from 1 May 2021.

Following the completion of the strategic review, we have been focused on securing projects for the delivery of blockchain platforms and digital assets through the provision of IT consultancy. Shortly before the end of our financial year, we were pleased to have been awarded a contract to supply a decentralised finance ("DeFi") exchange ("DEX") to a customer based in Australia. Under the terms of the contract, we will receive payment in tranches upon completion of milestones, with the revenue expected to be recognised in the current financial year to 31 October 2022. The project, for which we perform the role of project manager and subcontract the technical delivery (such that the net benefit to the Group will be the margin earned on the contract), is progressing to plan and is expected to complete in Q2 of calendar year 2022.

### Financial Review

Revenue for the twelve months to 31 October 2021 was £61,863, with sales being severely impacted by the pandemic as described above, compared with £154,649 for the previous year, a period which included an approximately seven-month contribution from Alchemist Codes following the acquisition in March 2020. The revenue was predominantly based on the delivery of IT projects in Hong Kong (approximately £19,415) and sale of software products (£37,639) which consists of sale of software technology to Wepin (£35,424) with a small contribution from other software sales (£4,628) and cashback income of £3,121 generated by OctaPLUS.

The Group recognised a gross loss of £188,807 compared with a gross profit of £11,381 for the previous year. This was as a result of the lower revenue and higher costs of staff directly engaged on projects. In addition, the period under review includes a full year of direct costs of Alchemist Codes compared with seven months in the previous year.

Administrative expenses were reduced to £864,601 (2020: £1,367,162) reflecting a saving in marketing expenses of £376,084 (with the Company recording a net credit of £79,686 in 2021 against expenses of £296,398 in the previous year) and the absence of amortisation costs in 2021 compared with an amortisation expense of £239,765 in the previous year following the impairment of intangible assets, partly offset by additional depreciation costs of £88,297. The net credit of £79,686 relating to marketing costs reflected certain cashback commissions that expired and were no longer payable and which were written back. The Group recognised a net loss on foreign exchange of £126,708 (2020: £2,926 loss) due to the weakness of the Malaysian Ringgit and Hong Kong Dollar against the Pound. However, during the year the Group did not incur any transaction costs or impairment charges compared with £380,495 and £2,400,931 respectively in 2020. As a result, total expenses were reduced to £998,309 compared with £4,151,514 for the previous year.

The lower expenses more than offset the lower revenue to enable a reduction in operating loss for the year to £1,180,116 (2020: £4,140,133 loss).

Net finance costs were £12,704 compared with net finance income of £9,546 for the previous year.

Loss before tax for the year was reduced to £1,192,820 (2020: £4,130,587 loss) and the loss per share to 1.9 pence (2020: 6.1 pence loss per share).

The Group had cash and cash equivalents of £581,618 at 31 October 2021 (30 April 2021: £1,022,585; 31 October 2020: £1,827,379).

Post period, as announced on 25 January 2022, the Group raised £500k from the issue of convertible loan notes. Accordingly, at the date of this report, the Group had cash and cash equivalents of approximately £1.0m.

**Key Performance Indicators**

During the period, and following the strategic review, the Directors revised the metrics that it tracks as the key performance indictors (‘KPIs’) to be consistent with the new business plan. The Directors now track the following as the Company’s KPIs:

- Revenue
  *Reflects the element of billings generated and recognised during the period from all operations and measures the Group’s overall performance at a sales level. Revenues for the year to 31 October 2021 totalled £61,863 (2020: £154,649). As noted, revenues were severely impacted by the COVID-19 pandemic, which necessitated the Company undertaking a strategic review in the second half of the year that resulted in actions to cut costs, dispose of non-core activities and prioritise new sources of revenue.*

- Pipeline sales
  *The Company tracks the number of qualified sales opportunities (that is, the prospective buyer has a credible intent to purchase) and projected sales value. As the Group is at an early stage in the pursuit of its new strategy, the number of new opportunities is an important indicator of the potential success of that strategy. The projected sales value represents the health of that pipeline. As these are new metrics that have been adopted by the Company post the strategic review, the Company will be able to report on progress in future reports.*

- Administrative expenses
  *Indirect expenditure on running the business, which reflects cost effectiveness and cost management and which is of key importance while the Company is developing its revenue streams. Administrative expenses for the year were £864,601 (2020: £1,367,162).*

- Cash
  *The Company’s cash balance provides a measure of the Group’s financial strength and self-sufficiency to support operations while revenue streams are still in development. The Group’s losses resulted in a material reduction in cash balances during the year to £581,618 (31 October 2020: £1,827,379). As noted, the Company undertook a strategic review in the second half of the year that resulted in actions to cut costs, dispose of non-core activities and prioritise new sources of revenue. In addition, as announced on 25 January 2022, the Group raised £500k post period from the issue of convertible loan notes resulting in cash and cash equivalents at the date of this report of approximately £1.0m.*

The Company’s accounting systems track performance on a monthly basis, focusing in particular on revenue generation, development and marketing expenditure and working capital needs.

**Going Concern**

The financial statements are required to be prepared on the going concern basis unless it is inappropriate to do so.

The Group incurred losses of £1.2m during the year and experienced cash outflows of £1.2m. As at 31 October 2021, the Group had net current assets of £385k and cash of £581k. The Group's cash position was approximately £1.0m at the date of this report.

As noted above, revenues were severely impacted by the COVID-19 pandemic, which necessitated the Company undertaking a strategic review in the second half of the year that resulted in actions to cut costs, dispose of non-core activities and prioritise new sources of revenue. The Group's assessment of the COVID-19 pandemic is detailed in the Operational Review section of the Strategic Report above.

The Group meets its day-to-day working capital requirements through cash generated from the capital it raised on admission to the London Stock Exchange and, subsequent to the acquisition of Alchemist Codes, from the operations of its subsidiaries. More recently, the Company raised £500k through the issue of unsecured convertible loan notes to three existing shareholders as more fully described in Note 23 to the financial statements. The proceeds of the Loan Notes will be used for working capital purposes as well as widening the Company's offer to new sectors.

Following the issue of the convertible loan notes, the Group's cash position gives it sufficient headroom to execute its business plans. This has enabled the financial statements to be prepared on a going concern basis.

The Directors have prepared forecasts and projections and have specifically performed a detailed review of those forecasts for the period to June 2023. These reflect the expected trading performance of the Group on the basis of best estimates of management using current knowledge and expectations of trading performance. These forecasts and projections have also been stress tested to consider what the Directors believe to be a 'plausible worst-case scenario'.

The Directors report that they have re-assessed the principal risks, reviewed current performance and forecasts, combined with expenditure commitments, including capital expenditure. The Group's forecasts demonstrate it will have sufficient cash reserves to enable it to meet its obligations as they fall due, for a period of at least 12 months from the date of signing of these financial statements.

Accordingly, the Directors consider the Group to be a going concern.

**Principal Risks and Uncertainties**

The Directors consider the principal risks and uncertainties facing the Company and a summary of the key measures taken to mitigate those risks are as follows:

*Financial risks*

The key financial risk is that of funding the continued development of the business with the current cash reserves whilst protecting shareholder value. The Board manages this risk by maintaining close oversight of the cash position to enable it to take action as necessary. During the year, the Board implemented measures to increase oversight of the cash position and revenue forecasts as described in the Corporate Governance Report below. In addition, the Company implemented actions to significantly reduce costs, while prioritising new sources of revenue, and, post period, secured £500k through the issue of convertible loan notes. As a result of these actions, the Board believes that this risk level is lower than at the same time last year.

*COVID-19*

The COVID-19 pandemic has had a profound impact on Alchemist Codes and the Group as a whole. As detailed further in the Operational Review, this resulted in a low level of revenue generation and, consequently, the incurring of substantial losses.

The continued market uncertainty and the prolonged nature of the COVID-19 pandemic across the region poses a significant risk to Alchemist Codes' business, which is at an early stage of its development. To address this risk, the Board undertook a strategic review and implemented a number of consequent measures as described above.

Since the outbreak of the pandemic in March 2020, we have followed WHO and government guidance to protect the safety of our employees, customers and partners. We implemented a work-from-home policy with effect for all staff, putting in place a number of measures to enable remote working.

*Strategic risks*

The success of the Company's business strategy is dependent on growing the Group's initiative to be an IT solutions provider to creators of NFTs and decentralised finance companies. While decentralised finance and NFT issuance is growing rapidly globally, the legal and regulatory treatment of these continues to evolve and could evolve to render them a commercially unviable business proposition should governments deem the risk to the capital of their citizens too high a price to pay and increase regulations. To mitigate this risk, the Company intends to operate its business in territories where there are already robust laws in place that could be applied to this nascent market.

*Commercial risks*

The success of Alchemist Codes (including its Alcodes International subsidiary), which is the current operating entity of the Group, is dependent on its ability to secure and deliver IT consultancy projects. The key risk to these activities is competition from other IT service providers, which may prevent the Group from winning business and/or result in pricing pressure.

The Group manages this risk through its business development and product functions tracking the activities of its competitors and this insight is used by management to quickly adapt the go-to-market strategy. The Group always seeks to differentiate itself from the competition and has increased its focus on product marketing, pricing and packaging to support this. In addition, the Group intends to continue to enhance its service provision and product portfolio through a mix of internal development, forming partnerships and making acquisitions.

*Operational risks*

The key risk to the Group's ability to deliver IT consultancy projects is ineffective succession planning and failure to retain skills. The Group operates in very competitive markets and the skills that its employees possess are attractive to other employers. Not having the right people and skills could negatively impact the Group's ability to service its customers and grow the business. It is important that the Group maintains high levels of employee engagement to ensure that it is able to retain and attract the best talent. Employee engagement is monitored along with attrition rates in order to identify issues and, where necessary, take restorative action.

Another key operational risk is non-supply by a major supplier. Some of the Group's technical infrastructure and software is sourced from third-party suppliers and partners. The removal from the market of one or more of these third-party suppliers or interruption in supply could quickly and adversely affect the Group's operations and result in the loss of revenue or additional expenditure. To mitigate this risk, the Group's business development and management teams work strategically to prevent over reliance on any one key supplier. Suppliers are carefully selected to minimise risk of supplier failure or insolvency and the Group ensures that team members are aware of supplier requirements or restrictions to minimise the risk of loss of a supplier due to a breach of contractual obligations. In addition, the Group is seeking to form business partnerships to enhance its offerings but also help to ensure its 'production capability'.

**Li Chun Chung, Executive Director**

**25 February 2022**

## DIRECTORS' REPORT

The Directors present their report on the Group, together with the audited consolidated financial statements of the Group, for the year ended 31 October 2021.

### Principal activities

The principal activity of the Company is to seek acquisition opportunities and to act as a holding company for a group of subsidiaries that are involved in the technology sector. The Company's current operating entities are Alchemist Codes and Alcodes International.

The Group is an information technology (IT) solutions provider, currently focused on the delivery of blockchain platforms in Asia through the provision of IT consultancy.

### Results and dividends

The results of the Group are set out in detail in the financial statements.

The Directors do not propose to recommend a dividend for the year ended 31 October 2021. Given the losses incurred to date, it is unlikely that the Board will recommend a dividend in the near-term.

### Business review and future developments

Details of the business activities and developments made during the period can be found in the Strategic Report.

### Financial instruments and risk management

Disclosures regarding financial instruments are provided within the Strategic Report and Note 20 to the financial statements.

### Capital structure and issue of shares

Details of the Company's share capital are set out in Note 18 to the financial statements. The Company has one class of ordinary shares which carry no right to fixed income.

### Post balance sheet events

On 24 January 2022, the Company entered into a convertible loan note instrument constituting up to £1,000,000 of unsecured convertible loan notes with an expiry date of 24 January 2024. Pursuant to this instrument, the Company raised £500,000 through the issue of unsecured convertible loan notes to several existing investors, including an Executive Director of the Company. The net proceeds of the loan notes will be used for working capital purposes. Further details are included in Note 23 to the consolidated financial statements.

### Directors

The Directors of the Company who have served during the period and at the date of this report are:

| Director | Role | Date of appointment | Board Committee |
|---|---|---|---|
| Graham Duncan | Independent Non-Executive Chairman | 09/01/2018 | N/A/R |
| Harry Chathli | Independent Non-Executive Director | 09/01/2018 | N/A/R |
| Soon Beng Gee* | Non-Executive Director | 11/11/2017 | |
| Lee Chong Liang* | Executive Director | 11/10/2017 | |
| Charles Yong Kai Yee | Executive Director | 26/03/2020 | |
| Li Chun Chung | Executive Director | 30/12/2020 | |

** Resigned 30 December 2020*

*Board Committee abbreviations: N = Nomination Committee; A = Audit Committee; R = Remuneration Committee*

The Board comprises two executive and two non-executive directors.

*Graham Duncan, Independent Non-Executive Chairman.*

Graham Duncan is a UK-based chartered accountant with more than 20 years' capital markets experience. He also holds the Corporate Finance Diploma issued by the Institute of Chartered Accountants in England and Wales.

He has specialised in advising quoted companies since 2000 with regard to financial reporting, transaction support and regulatory compliance. Since 2013, Graham has run a consultancy business providing advice to growing private and public companies in the UK and internationally. Until 2013, Graham was a capital markets director with Mazars LLP in London. Graham has worked closely with Asian companies and previously worked for an international firm of chartered accountants in Asia and was based in Hong Kong between 1993 and 1996. He resides in the UK.

*Li Chun Chung, Executive Director*

Mr Li has over 20 years' experience in assisting companies with their strategic growth. As an experienced investment consultant and Certified Financial Planner, he began his career working for several financial planning and wealth management consultancies based in Hong Kong. Since 2016, Mr Li has provided business advisory and mentorship services to companies across a range of industries related to e-commerce and digital business primarily in Australia and China. This includes helping companies prepare for the public market; overseeing development such as through business model construction and optimisation, company reorganisation and recruitment; fundraising; and assisting with establishing a digital business presence.

*Charles Yong Kai Yee, Executive Director*

Charles Yong Kai Yee is Chief Executive Officer and Founder of Alchemist Codes. He founded Alchemist Codes in 2018 and his initial efforts were focused around the development of an enterprise messaging applications for corporate users. Prior to founding Alchemist Codes, Charles was the lead developer of MM Intelligence Technology Sdn Bhd where he headed a CMS system project and was responsible for managing and leading a team of mobile and backend developers and performing Research & Development on related new technologies. In 2012, Charles was the Senior Design Engineer at Itrimech Technology (M) Sdn Bhd where he was actively involved in leading and delivering large scale Internet of Things applications for multiple institutions and corporations in Malaysia, including Taylor University and Sunway Group. Charles obtained a Bachelor's degree in Engineering with First Class Honours in Electrical Engineering from the University of Bradford, UK.

*Harry Chathli, Independent Non-Executive Director*

Harry is an experienced capital markets specialist with over 30 years' experience in advising global companies, organisations and government agencies. Currently he is a director of Luther Pendragon, an independent communications consultancy, and a number of early-stage businesses. He is also a Non-executive Director of BiON plc, a Malaysian AIM-quoted renewable energy company.

For over 20 years he has been advising public companies listed on the London Stock Exchange's main market and quoted on AIM, as well as on NASDAQ and other international bourses.

Harry's experience includes advising on international M&A deals, IPOs, MBOs, crisis communications as well as financial PR starting in 1998 at Brunswick Group, a global partnership advising on business critical issues to companies worldwide. Prior to that, Harry worked for Adam Smith International, a global advisory and consulting business, with his particular focus being Vietnam. In 2004, he established a financial PR company, Corfin, which was then acquired by Luther Pendragon in 2011. He resides in the UK.

**Directors' interests in shares**

Directors' interests in the shares of the Company as at 31 October 2021 and as at the date of this report are disclosed below. There are no requirements for Directors to hold shares in the Company.

| Director | Ordinary Shares held | % held |
|---|---|---|
| Graham Duncan | - | - |
| Charles Yong Kai Yee | 1,679,755 | 2.59 |
| Li Chun Chung | 1,425,500 | 2.20 |
| Harry Chathli | - | - |

**Substantial interests**

- Soon Beng Gee holds 11,766,650 (18.17%) shares in the Company through GBS Infinity Holding Ltd, a BVI company whose issued share capital is wholly and beneficially owned by him.
- Lee Chong Liang holds 11,766,650 (18.17%) shares in the Company through ML Infinity Holding Ltd, a BVI company whose issued share capital is wholly and beneficially owned by him.
- Teong Tiek Wah holds 8,786,516 (13.57%) shares in the Company of which 8,398,876 (12.97%) are held through Soctech Capital Fund, a Cayman island company whose issued share capital is wholly and beneficially owned by him.
- JIM Nominees Ltd holds 6,424,340 (9.92%) shares in the Company.
- Securities Services Nominees Ltd holds 6,301,554 (9.73%) shares in the Company.

Except as referred to above, the Directors are not aware of any person who, as at the date of this report, was interested in 3% or more of the issued share capital of the Company or could directly or indirectly, jointly or severally, exercise control.

**Donations**

No political or charitable donations have been made in the period.

**Provision of information to auditors**

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as that Director is aware, there is no information relevant to the audit of which the Company's auditors are unaware; and
- each Director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

**Independent auditors**

A resolution for the re-appointment of Haysmacintyre LLP as auditor of the Company is to be proposed at the next Annual General Meeting.

**Duty to promote the success of the Company**

*The likely consequences of any decisions in the long-term*

In making its decisions, the Board considers its priority of making the Group profitable alongside the interests of our staff and the need to keep pace with market initiatives and technological changes so the business is appropriately positioned to take best advantage of market conditions and remain viable for the long-term.

*Engagement with employees*

The Group's policy is to consult and engage with employees, by way of meetings and through personal contact by Executive Directors and other senior executives, on matters likely to affect employees' interests. Information on matters of concern to employees is given in meetings, handouts, letters and reports, which seek to achieve a common awareness on the part of all employees on the financial and economic factors affecting the Group's performance. We maintain oversight of their performance through a development review process. We value our employees' thoughts and ideas and two-way communication is actively sought and encouraged.

*Business relationships with customers, suppliers and others*

Our customers, suppliers and business partners are key to the long-term success of our business. We seek to maintain and grow our relationships with all parties through regular dialogue as a means of enhancing our reputation and to help us achieve our growth ambitions. We set out our relationship with our business partners in terms of business or service level agreements. We maintain oversight of these arrangements as well as making sure our customers receive appropriate levels of feedback.

*The impact of the Company's operations on the community and environment*

AIQ seeks to be a responsible member of its community and take its environmental impact into account.

*The desirability of the Company maintaining a reputation for high standards of business conduct*

We communicate with shareholders through financial results on a yearly and half-yearly basis. We also provide the required press releases to ensure compliance with the listing rules.

**Annual General Meeting**

The Company will issue notice of its Annual General Meeting for 2022 in due course.

Signed by order of the Board

**Harry Chathli, Non-Executive Director**

**25 February 2022**

## CORPORATE GOVERNANCE REPORT

The Board of AIQ Limited considers sound governance to be a critical component of the Company's success and understands that it is the Board's job to ensure that, through good decision-making, the Company is managed for the long-term benefit of all its stakeholders.

The Board has endeavoured to establish financial controls and reporting procedures that are appropriate given the size, early stage and structure of the Group. The Board reviews these controls regularly and adjusts as required. During the year, the Board appointed an internal financial controller (a function that had previously been conducted by an external provider) to improve the timeliness of reporting to the Board and enable closer engagement of the finance function with the Board.

The Board meets regularly throughout the year (either in person or by video conference call). Additionally, special meetings will take place or other arrangements will be made when Board decisions are required in advance of regular meetings.

During the year ended 31 October 2021, a total of 14 Board meetings were held. All Directors were in attendance at these meetings, either in person or by video conference call.

*Corporate Governance Code*

The Company is not required to adopt the UK Corporate Governance Code, as a company with a standard listing.

The corporate governance structures and practices will be kept under review and communicated to shareholders as changes are required and made.

The Directors consider each of Graham Duncan and Harry Chathli to be independent upon appointment and throughout their tenure. Whilst the business has been at early stage, it has not been considered appropriate to appoint a full-time FD/CFO. Accordingly, Graham Duncan Limited, a company controlled by Graham Duncan, provided support during the year under review to the Group's finance team in this area as a means of controlling costs. This appointment was approved by the Board independently of Graham Duncan, and the Board continues to consider Graham Duncan as independent in character and judgement.

The Board has an audit committee, remuneration committee and nomination committee with formally delegated duties and responsibilities, as described below.

*Board of Directors*

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions.

In accordance with the early stage of the Company's development, the Board conducts an informal evaluation of its performance, which includes identifying the Board's ability to assess the operating environment, think strategically and adapt as necessary. As the Company develops and its operations expand, the Board intends to adopt a more comprehensive and formal performance evaluation process.

It is the responsibility of the Chairman and the Company Secretary to ensure that Board members receive sufficient and timely information regarding corporate and business issues to enable them to discharge their duties. As noted above, the Board took action during the year to improve this provision of information.

The Board considers that there is an appropriate balance between the Executive and Non-Executive Directors and that no individual or small group dominates the Board's decision making. The Board's members have a wide range of expertise.

The Company requires each Director to devote as much time to their duties and responsibilities as is necessary to conduct those duties and responsibilities on behalf of the Company. Li Chun Chung, Executive Director, is full-time and the Non-Executive Directors provide their services on a part-time basis. Charles Yong Kai Yee, Executive Director, was full-time until June 2021 and subsequently provides his services on a part-time basis as required.

*Ensuring that between them the Directors have the necessary up-to-date experience, skills and capabilities*

The Directors also expect to receive technical updates, compliance and governance training as needed by attending courses and relevant events to stay up to date in terms of regulatory changes and technological developments. During the year, training sessions were provided to the Board, senior manager in Hong Kong and the new financial controller and Company Secretary on the regulatory requirements of the London Stock Exchange.

The Board is satisfied that, between the Directors, it has an appropriate balance of up-to-date skills and experience for the Company's stage of development. Additional experience will be added as and when it is considered necessary. Biographical details of the Directors are included in the Directors' Report above.

*Appointment, removal and re-election of Directors*

The Board makes decisions regarding the appointment and removal of Directors, and there is a formal procedure for appointments.

In accordance with the Company's Articles of Association, there is no requirement for Directors to retire from office by rotation.

There is a minimum requirement of two Directors who have the power to fill a vacancy on the Board, or to add another Board member.

The Executive Directors were appointed for a minimum period of twenty-four months, after which the service agreement may be terminated by either party giving not less than three months' prior written notice. The Non-Executive Directors have signed service agreements that contain notice periods of three months. There are no financial provisions for termination.

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary.

*Directors' responsibilities*

The Board comprises two executive and two non-executive directors. All Directors bring a wide range of skills and international experience to the Board. The Non-Executive Directors may hold meetings without the Executive Directors present. The Non-Executive Chairman is primarily responsible for the working of the Board of the Company and oversight of Corporate Governance. The Executive Directors are primarily responsible for the running of the business and implementation of the Board's strategy and policy.

High-level strategic decisions are discussed and taken by the full Board. Investment decisions are taken by the full Board. Operational decisions are taken by the Executive Directors within the framework approved in the annual financial plan and within a framework of Board-approved authorisation levels.

The Board regulations define a framework of high-level authorities that map the structure of delegation below Board level, as well as specifying issues that remain the Board's preserve. The Board typically meets at least monthly (either in person or by conference call), with the Company Secretary in attendance, to consider a formal schedule of matters including the operating performance of the business and to review the Company's financial plan and business model.

It is the responsibility of the Chairman and the Company Secretary to ensure that Board members receive sufficient and timely information regarding corporate and business issues to enable them to discharge their duties. As noted above, the Board took action during the year to improve this provision of information.

*Strategy and business model*

Following completion of the acquisition of Alchemist Codes, the Directors developed a strategic growth plan and business model that looked to develop the business within Malaysia and with an international presence. As described above, the COVID-19 pandemic – and associated economic impacts and travel and social distancing measures – inhibited the execution of this strategy. Accordingly, the Board undertook a strategic review during the year, which resulted in the disposal of non-core activities and the prioritisation of new sources of revenue. In particular, the Group is focused on the provision of IT consultancy for the delivery of blockchain platforms and in technology areas such as digital assets. The Group is targeting the Asian, Indian and Australasian markets where the Directors believe that blockchain platforms and digital assets are most developed and where the Group can capitalise on the lack of IT solutions providers specialising in these technology areas

*Meeting shareholders' needs and expectations*

The Directors seek to build on a mutual understanding of objectives between the Company and its shareholders by offering meetings to discuss long-term issues and receive feedback, and issuing updates to the market as appropriate. The Board also seeks to use the Annual General Meeting to communicate with its shareholders, who are encouraged to attend, and to meet and ask questions of Directors and to discuss the development of the business.

The Company operates a website at www.aiqhub.com. The website contains details of the Company and its activities; regulatory announcements; interim financial statements, preliminary statements and Annual Reports.

Shareholder relations are managed primarily by the Chairman with the support of Luther Pendragon. The Board is also kept informed of shareholder views and concerns through its Financial Adviser and Broker, VSA Capital Limited.

Each of the Directors is available to meet with shareholders (in person or via video conference) if required to discuss issues of importance or concern.

*Our stakeholders*

Our key stakeholders include shareholders, suppliers, regulators and creditors. The principal ways in which their feedback is gathered are via one-to-one meetings and conversations with stakeholders with an open dialogue.

Material feedback from stakeholders is reviewed at meetings of the Board as a means of making sure we keep to our stated commitments. In particular, shareholders may communicate directly with the Chairman and the Directors. In all cases, the Company's ethos is to act on feedback and to respond in a timely manner.

The Board does not support discrimination of any form, positive or negative, and all appointments are based solely on merit.

*Risk management – Internal controls*

In applying the principle that the Board should maintain a system of internal control to safeguard shareholders' investment and the Company's assets, the Directors recognise that they have overall responsibility for ensuring that the Company maintains systems to provide them with reasonable assurance regarding effective and efficient operations, internal control and compliance with laws and regulations and for reviewing the effectiveness of those systems. However, there are inherent limitations in any system of control and accordingly even the most effective system can provide only reasonable and not absolute assurance against material misstatement or loss, and that the system is designed to manage rather than eliminate the risk of failure to achieve the business objectives.

The Company has a documented framework of financial and non-financial procedures, but it does not currently maintain a risk register. The key features of the internal control system are described below:

- *Financial controls*

The Board takes responsibility for reviewing and approving all financial budgets and business plans. These are reviewed and updated where necessary to reflect changes in the business environment or internal strategy changes.

The Board is supported by the Audit Committee in respect of its responsibilities to prepare financial reports to shareholders. This includes an assessment of the appropriateness of key accounting policies, internal controls and regulatory compliance.

The Board has recognised the need for improvement in the area of financial controls, particularly regarding internal control procedures to ensure the Board is presented with complete and accurate accounting information. During the year, the Company appointed an internal financial controller (a function that had previously been conducted by an external provider) to improve the timeliness of reporting to the Board and enable closer engagement of the finance function with the Board. The Audit Committee is undertaking a full review to identify, and implement, actions to be taken to strengthen the Company's internal controls procedures and processes.

- *Non-financial controls*

Non-financial controls are considered as important as financial controls and these encompass risk management and fraud, IT and business continuity, regulatory compliance, health and safety and corporate social responsibility.

The key elements of these non-financial controls are set out below:

- Control environment: the Company is committed to high standards of business conduct and there are also policies in place for the reporting and resolution of suspected fraudulent activities.
- Risk identification: Management is responsible for the identification and evaluation of key risks applicable to their areas of business. These risks are assessed on a continual basis – however, a

formal risk register is not currently maintained – and may be associated with a variety of internal and external sources, including investment risk and regulatory requirements.

The Audit Committee reviews the scope and scale of any non-audit services undertaken by the auditors in order to ensure that their independence and objectivity is safeguarded.

*Market Abuse Regulations*

The Board recognises the importance of complying with the Market Abuse Regulations ("MAR'') relating to the disclosure of inside information and disclosure of deals by persons discharging managerial responsibilities ("PDMR") and persons closely associated ("PCA"). The Company has adopted an appropriate share dealing policy.

*Anti-Corruption and Bribery Policy*

The Board recognises the importance of having and operating effective anti-corruption and bribery practices and safeguards. All Directors are bound by a code of conduct which covers anti-corruption and bribery.

The Company's internal control processes are reviewed at least annually as a means of ensuring they remain fit for purpose as the business evolves.

*Relations with shareholders*

The Directors seek to build on a mutual understanding of objectives between the Company and its shareholders by being available to meet to discuss long-term issues and receive feedback. The Board also seeks to use the Annual General Meeting to communicate with its shareholders.

*Fair, balanced and understandable assessment of position and prospects*

The Board is committed to presenting fair, balanced and comprehensible assessments of the Company's position and prospects. The Board has applied the principles of good governance relating to Directors' remuneration as described below. The Board has determined that there are no specific issues that need to be brought to the attention of shareholders.

*Board Committees*

The Board maintains three standing committees, being the Audit, Remuneration and Nomination Committees. The minutes of all sub-committees are circulated for review and consideration by all relevant Directors, supplemented by oral reports from the Committee Chairmen at Board meetings.

*Audit Committee*

The Audit Committee comprises Graham Duncan, who chairs the Committee, and Harry Chathli. The Committee held two meetings during the year ended 31 October 2021, which were held to approve the annual report for the period ended 31 October 2020 and interim report for the six months ended 30 April 2021. Further details on the Audit Committee are provided below in the Report of the Audit Committee.

*Remuneration Committee*

The Remuneration Committee comprises Harry Chathli, who chairs the committee, and Graham Duncan. One meeting was held during the financial year. Further details on the Remuneration Committee are provided below in the Report of the Remuneration Committee.

*Nomination Committee*

The Nomination Committee comprises Harry Chathli, who chairs the Committee, and Graham Duncan. One meeting was held during the financial year. Further details on the Nomination Committee are provided below in the Report of the Nomination Committee.

**Report of the Audit Committee**

The Audit Committee has written terms of reference and provides a mechanism through which the Board can maintain the integrity of the financial statements of the Company and any formal announcements relating to its financial performance; to review the Company's internal financial controls and its internal control and risk management systems; and to make recommendations to the Board in relation to the appointment of the external auditor, their remuneration both for audit and non-audit work, the nature, scope and results of the audit and the cost effectiveness, independence and objectivity of the auditors. Provision is made by the Audit Committee to meet the auditors at least twice a year.

The Group is still at an early stage of its development and is reliant on the Audit Committee to perform various reporting requirements particularly with regards the preparation of supporting accounting papers for audit purposes.

The Audit Committee has reviewed, considered and agreed the scope and methodology of the audit work to be undertaken by the external auditors, their appointment and fees and agreed the terms of engagement for the audit of the financial statements for the year ended 31 October 2021.

Significant matters considered by the Audit Committee during the year included the auditor's scope and methodology for the audit of the financial statements, in particular determining the areas at greatest risk of material misstatement (whether or not due to fraud or poor internal controls). This included consideration of risks that might impact results for the period, impairment reviews, the going concern assessment, net assets at the end of the period and the disclosures in the financial statements.

Following the Audit Committee's recommendation, the Board considers the internal control system to be adequate for the Company. The Audit Committee reviews the scope and scale of the non-audit services undertaken by the auditors in order to ensure that their independence and objectivity is safeguarded. The Directors recognise the business will increase in complexity as it grows and they will review the internal control system to ensure it responds to any change.

**Report of the Remuneration Committee**

The Remuneration Committee monitors the remuneration policies of the Company to ensure that they are consistent with its business objectives. Its terms of reference include the recommendation and execution of policy on Director and executive management remuneration and for reporting decisions made to the Board. The Committee determines the individual remuneration package of the executive management of the Board. During the year, the Board and senior management took a voluntary 20% reduction in their fees, backdated from 1 May 2021, as part of the Company's cost saving measures. This reduction has remained in place as at the signing of this annual report. In addition, post year end, Li Chun Chung, Executive Director, and Ng Chun Fai, Senior Manager, have taken a voluntary reduction in fees of a further 50% effective 1 February 2022.

The duties of the Committee are to:

- determine and agree with the Board the framework or broad policy for the remuneration of the Chairman, Executive Directors, Non-Executive Directors and any employees that the Board delegates to it;
- within the terms of the agreed policy, determine individual remuneration packages including bonuses, incentive payments, share options, pension arrangements and any other benefits;
- determine the contractual terms on termination and individual termination payments, ensuring that the duty of the individual to mitigate loss is fully recognised;
- in determining individual packages and arrangements, give due regard to the comments and recommendations of the Listing Rules;
- be told of and be given the chance to advise on any major changes in employee benefit structures in the Company; and
- recommend and monitor the level and structure of remuneration for senior managers below Board level as determined.

The Committee is authorised by the Board to:

- seek any information it requires from any employee of the Company in order to perform its duties;
- be responsible for establishing the selection criteria and then for selecting, appointing and setting the terms of reference for any remuneration consultants providing advice to the Committee, at the Company's expense; and
- obtain, at the Company's expense, outside legal or other professional advice where necessary in the course of its activities.

The Company's Remuneration Policy is designed to provide remuneration packages to motivate and retain high-calibre executives and to attract new talent as required. The Committee takes into account the principles of sound risk management when setting pay and takes action to ensure that the remuneration structure at AIQ Limited does not encourage undue risk. The Remuneration Policy is unaudited.

Executive Directors' fees

Purpose – a core element of remuneration, used to attract and retain executive directors of the calibre required to develop and deliver our business strategy.

Operation and opportunity – fees for executive directors are reviewed annually, although an out-of-cycle review may be conducted if the Remuneration Committee determines it appropriate. A review may not necessarily lead to an increase in fees.

Performance measures or basis of payment – whilst there are no formal performance measures to determine fee levels, general individual and business performance are taken into account. For the executive directors, changes to fees may be made under certain circumstances such as increase in the scope or responsibility of an individual's role.

As noted above, during the year, each of the Executive Directors agreed to a reduction in their remuneration as part of the reduction in Group costs. In addition, post year end, Li Chun Chung, Executive Director, has taken a voluntary reduction in fees of a further 50% effective 1 February 2022.

Non-Executive Directors' fees

Purpose – core element of remuneration paid for fulfilling the relevant role.

Operation – non-executive directors receive a basic fee, paid quarterly in arrears, in respect of their board duties. Further fees may be paid for chairmanship or membership of board committees. Additional fees may be paid for travelling regularly from overseas to board and committee meetings. Non-executive directors are not eligible for annual bonus or other benefits. Expenses incurred directly in performance of non-executive duties for the Company may be reimbursed or paid directly on their behalf.

Opportunity – current fee levels can be found below in the remuneration report. Fees are set at a level which is considered appropriate to attract or retain non-executive directors of the calibre required by the Company. Fee levels are normally set by reference to amounts paid to non-executive directors serving on the boards of similar sized UK-listed companies, taking into account the size, responsibility and time commitment of the role.

As noted above, during the year, each of the Non-Executive Directors agreed to a reduction in their remuneration as part of the reduction in Group costs.

Termination

The Executive Directors were appointed for a minimum period of twenty-four months, after which the service agreement may be terminated by either party giving not less than three months' prior written notice to the other party.

Each of the Non-Executive Directors were appointed for a minimum period of twelve months, after which the service agreement may be terminated by either party giving not less than three months' prior written notice to the other party.

There are no additional financial provisions for termination.

Annual remuneration

The remuneration of the Directors for the year ended 31 October 2021 was as follows:

| | Year ended 31 October 2021 £ | Year ended 31 October 2020 £ |
|---|---|---|
| **Executive Directors** | | |
| Li Chun Chung[1] | 35,420 | - |
| Charles Yong Kai Yee[2] | 32,400 | 21,000 |
| Lee Chong Liang[3] | 8,050 | 43,575 |
| **Non-executive Directors** | | |
| Graham Duncan | 31,050 | 31,125 |
| Harry Chathli | 25,875 | 25,938 |
| Soon Beng Gee[4] | 8,050 | 43,575 |
| | 140,845 | 165,213 |

[1] Appointed on 30 December 2020
[2] Appointed on 26 March 2020
[3] Resigned on 30 December 2020
[4] Served as an executive director until March 2020 and as a non-executive subsequently until his resignation on 30 December 2020

All of the above amounts comprised fees paid in accordance with each Director's service agreement. No pension contributions or other allowances were paid. None of the above remuneration was performance related. There are no additional financial provisions for termination.

None of the Directors were entitled to any other cash or non-cash benefits or pension entitlements.

Details of Directors' shareholdings are disclosed in the Directors' Report.

In addition to the remuneration above, other costs incurred in relation to services provided by Directors were as follows:

- A total of £39,000 (2020: £42,000) was paid during the year to Luther Pendragon for financial PR services, a company in which Harry Chathli is a director and shareholder.
- A total of £4,000 (2020: £24,000) was paid during the year to Graham Duncan Limited for accounting services in preparation of the interim financial statements, a company in which Graham Duncan is a director and shareholder.
- A total of £9,500 (2020: £nil) was paid to Ever Billions International Limited for general management services, a company in which Li Chun Chung is a director.

**Report of the Nomination Committee**

The function of the Nomination Committee is to provide a formal, rigorous and transparent procedure for the appointment of new directors to the Board. There was one meeting held during the financial year. In carrying out its duties, the Nomination Committee is primarily responsible for:

- identifying and nominating candidates to fill Board vacancies;
- evaluating the structure and composition of the Board with regard to the balance of skills, knowledge and experience and making recommendations accordingly;
- reviewing the time requirements of Non-Executive Directors;
- giving full consideration to succession planning; and
- reviewing the leadership of the Company.

Signed by order of the Board

**Harry Chathli, Non-Executive Director**

Harry Chathli

**25 February 2022**

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards ("IFRS").

The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and 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 estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs; 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Directors' responsibilities pursuant to DTR4**

The Directors confirm to the best of their knowledge:

- the financial statements have been prepared in accordance with IFRSs and Article 4 of the IAS regulation and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the management report includes a fair review of the development and performance of the business and the financial position of the Group, together with a description of the principal risks and uncertainties that they face.

## INDEPENDENT AUDITOR’S REPORT TO THE DIRECTORS OF AIQ LIMITED

### Opinion

We have audited the financial statements of AIQ Limited and its subsidiary undertakings (together the “Group”) for the year ended 31 October 2021 which comprise of the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statements of Changes in Equity, the Consolidated Statement of Cash Flows, and the notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (“IFRSs”) as adopted by the United Kingdom (“UK”).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group’s affairs as at 31 October 2021 and of the Group’s loss for the year then ended;
- have been properly prepared in accordance with IFRS’s as adopted by the UK.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

***Key audit matter: Going Concern***

There is a risk that the Group may not be a going concern. The continued losses incurred by the group in the year, along with the reduction in cash, are potential indicators of risk that the Group is not a going concern.

COVID-19 has continued to have a significant impact on the Group’s ability to operate, giving rise to a further indicator of risk that the Group may not be a going concern.

***How our scope addressed this key audit matter***

Our audit work included, but was not limited to the following:

- reviewing the Group’s cashflow forecasts and budgets for a period of 16 months (to June 2023) post signing the financial statements;
- challenging the reasonableness of assumptions applied to the cashflow forecasts;
- performing sensitivity analysis on the cashflow forecasts;
- scrutinising and assessing the feasibility of the mitigations detailed within the sensitised forecasts;
- discussing future plans, future revenue streams and pipeline contracts with management;
- reviewing, scrutinising, and corroborating post year-end management financial information; and
- reviewing details of funding arrangements, specifically ensuring the convertible loan notes issued post year-end support the ongoing working capital requirements of the Group and are not available for recall within the 16-month forecast period.

***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. We draw attention to Notes 3c, 4 and

23 to the financial statements relating to the going concern of the Group and post balance sheet funding received.

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.

***Key audit matter: Revenue recognition***

There is a risk of incorrect treatment of revenue under IFRS. Specifically, there is a risk surrounding the cut-off of revenue at the year-end relating to projects which were ongoing as at 31 October 2021.

***How our scope addressed this key audit matter***

Our audit work included, but was not limited to the following:

- testing all bank transactions around the year-end to ensure correct application of cut-off;
- testing all contracts with customers won during the year to ensure revenue is recognised correctly in accordance with IFRS 15;
- reviewing management's assessment of performance obligations in their revenue recognition paper for appropriateness, providing challenge where necessary and corroborating through review of contracts and purchase orders;
- assessing all cashback earnings to the latest conversion reports;
- a review of the DefiDEX contract to ensure it has been recognised in the correct period; and
- an assessment of the sale of intellectual property to ensure the accounting treatment was recognised in accordance with IFRS.

**Our application of materiality**

The scope and focus of our audit was influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole at the planning stage to be £25,000, based on 2% of the Group's draft consolidated loss before tax for the year. This was determined an appropriate basis for setting materiality as the principal focus of stakeholders of the financial statements is profitability due to the historic acquisition of trading subsidiaries. Our planning materiality equates to 2% of the Group's final loss before tax, which remains within the appropriate benchmark range for setting materiality.

We determined a level of performance materiality, used to determine the extent of testing, to reduce to an appropriately low level the risk that the aggregate of uncorrected and undetected misstatement exceeds materiality for the financial statements as a whole. The performance materiality was set at 75% of materiality, being £18,750.

The reporting threshold to the Audit Committee was set at 5% of materiality, being £1,250. If in our opinion differences below this level warranted reporting on qualitative grounds, these would also be reported.

**An overview of the scope of our audit**

Our audit was scoped by obtaining an understanding of the Group and its environment, including internal control, and assessing the risks of material misstatement.

The Group includes the listed parent company, AIQ Limited, and its trading subsidiaries, Alchemist Codes Sdn. Bhd ("Alchemist Codes") and Alcodes International Limited ("Alcodes"). Due to Alchemist Codes and Alcodes being significant components of the group, we performed full scope audits on both subsidiaries. This involved designing and performing audit procedures to obtain sufficient and appropriate evidence to respond to the assessed risks and support our audit opinion. The parent company is registered in the Cayman Islands and does not require an audit under the law of the Cayman Islands; however, we performed a level of review on the company, equivalent to that of an audit, to provide sufficient comfort over the inputs into the consolidation and disclosures for the Group financial statements.

The component materiality set for Alchemist Codes and Alcodes was £15,000, being 60% of the group materiality. This was based on our assessment of aggregation risk with most of the trade residing within Alchemist Codes.

We communicated with both the Directors and the Audit Committee our planned audit work via our audit planning report, and our audit planning call. We communicated with the Director's and Audit Committee any audit issues in our audit findings report issued to them, which was discussed in further detail at the completion call with the Audit Committee.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information 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.

**Responsibilities of the Directors for the financial statements**

As explained more fully in the Directors' responsibilities statement set out on page 17 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's 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 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.

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:

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, and key drivers for directors' remuneration;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures;
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in revenue recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the London Stock Exchange rules, Disclosure Guidance and Transparency Rules of the FCA, Cayman Islands company law and tax regulations, Malaysian and Hong Kong tax regulations, and General Data Protection Regulations.

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 auditor's report.

**Other matters which we are required to address**
We were appointed by the audit committee on 29 November 2020 to audit the financial statements for the period ending 31 October 2020 and subsequent financial periods. Our total uninterrupted period of engagement is two years, covering the periods ending 31 October 2020 to 31 October 2021. The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group and we remain independent of the group and the parent company in conducting our audit. Our audit opinion is consistent with the additional report to the audit committee.

Jon Dawson

Jon Dawson (Senior Statutory Auditor)
For and on behalf of Haysmacintyre LLP
Statutory Auditors
10 Queen Street Place
London
EC4R 1AG

25 February 2022

Haysmacintyre LLP is a limited liability partnership, registered in England and Wales with registered number: OC423459.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 OCTOBER 2021

| | Note | Year ended 31 October 2021 | Year ended 31 October 2020 |
|---|---|---|---|
| | | **£** | **£** |
| Revenue | 5 | 61,863 | 154,649 |
| Cost of sales | | (250,670) | (143,268) |
| Gross (loss) / profit | | (188,807) | 11,381 |
| Administrative expenses | 7 | (864,601) | (1,367,162) |
| Transaction costs | | - | (380,495) |
| Impairment of intangible assets | 12 | - | (2,400,931) |
| Losses on foreign exchange (net) | | (126,708) | (2,926) |
| **Operating loss** | | (1,180,116) | (4,140,133) |
| Finance income | | 447 | 13,852 |
| Finance costs | | (13,151) | (4,306) |
| **Loss before taxation** | | (1,192,820) | (4,130,587) |
| Taxation | 9 | (2,109) | 493,000 |
| **Loss attributable to equity holders of the Company** | | **(1,194,929)** | **(3,637,587)** |
| *Other comprehensive income (as may be reclassified to profit and loss in subsequent periods, net of taxes):* | | | |
| Exchange difference on translating foreign operations | | 16,949 | (7,619) |
| **Comprehensive income attributable to equity holders of the Company** | | **(1,177,980)** | **(3,645,206)** |
| Loss per share basic and diluted (£) | 10 | (0.018) | (0.061) |

Current and prior year amounts are all derived from continuing operations.

The accompanying notes form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 OCTOBER 2021

| | Note | 31 Oct 2021<br>£ | 31 Oct 2020<br>£ |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 175,207 | 204,684 |
| Right of use assets | 13 | 163,410 | 270,727 |
| Intangible assets | 12 | - | - |
| Rental deposits | | 29,834 | 31,453 |
| | | 368,451 | 506,864 |
| **Current assets** | | | |
| Trade and other receivables | 14 | 127,414 | 69,459 |
| Tax receivable | 9 | 23,489 | 24,764 |
| Cash and cash equivalents | 15 | 581,618 | 1,827,379 |
| **Total current assets** | | 732,521 | 1,921,602 |
| **Total assets** | | **1,100,972** | **2,428,466** |
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| Ordinary shares | 18 | 647,607 | 647,607 |
| Share premium | | 6,019,207 | 6,019,207 |
| Foreign currency translation reserve | 19 | 9,330 | (7,619) |
| Accumulated losses | | (5,990,400) | (4,795,471) |
| **Total equity** | | 685,744 | 1,863,724 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade payables | 16 | 1,075 | 155,468 |
| Accruals and other payables | 17 | 244,664 | 136,573 |
| Lease liabilities | 13 | 94,672 | 94,012 |
| **Total current liabilities** | | 340,411 | 386,053 |
| **Non-current liabilities** | | | |
| Lease liabilities | 13 | 74,817 | 178,689 |
| Total non-current liabilities | | 74,817 | 178,689 |
| **Total equity and liabilities** | | **1,100,972** | **2,428,466** |

The accompanying notes form an integral part of these consolidated financial statements. The financial statements were approved and authorised for issue by the Board of Directors on 25 February 2022 and signed on its behalf by:

**Li Chun Chung, Executive Director**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 OCTOBER 2021

| | Share capital | Share premium | Foreign currency translation reserve | Accumulated losses | Total equity |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **Balance as at 31 October 2019** | 518,394 | 3,848,420 | - | (1,157,884) | 3,208,930 |
| Total comprehensive loss for the year | - | - | (7,619) | (3,637,587) | (3,645,206) |
| Issue of shares (Note 18) | 129,213 | 2,170,787 | - | - | 2,300,000 |
| **Balance at 31 October 2020** | **647,607** | **6,019,207** | **(7,619)** | **(4,795,471)** | **1,863,724** |
| Total comprehensive loss for the year | - | - | 16,949 | (1,194,929) | (1,177,980) |
| **Balance at 31 October 2021** | **647,607** | **6,019,207** | **9,330** | **(5,990,400)** | **685,744** |

The accompanying notes form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 OCTOBER 2021

| | Year ended 31 October 2021 £ | Year ended 31 October 2020 £ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss before taxation | (1,192,820) | (4,130,587) |
| *Adjustments for:-* | | |
| Depreciation charges | 119,328 | 31,031 |
| Amortisation charges | - | 239,765 |
| Impairment of intangible assets | - | 2,400,931 |
| Interest income | (447) | (13,852) |
| Loss on foreign exchange | 116,106 | 16,623 |
| Operating loss before working capital changes | (957,833) | (1,456,090) |
| Increase in receivables | (56,318) | (33,544) |
| (Decrease)/ increase in payables | (48,854) | 19,579 |
| Increase/ (decrease) in amounts owing to directors | 2,533 | (290,317) |
| Tax paid | (2,109) | (18,184) |
| **Cash used in operations** | (1,062,581) | (1,778,556) |
| Interest received | 447 | 13,852 |
| **Net cash used in operating activities** | (1,062,134) | (1,764,704) |
| **Cash flows from investing activities** | | |
| Cash acquired on purchase of subsidiary | - | 111,073 |
| Acquisition of plant and equipment | (6,540) | (194,244) |
| **Net cash used in investing activities** | (6,540) | (83,171) |
| **Cash flows from financing activities** | | |
| Repayment of lease liabilities | (82,512) | (22,637) |
| **Net cash used in financing activities** | (82,512) | (22,637) |
| **Net decrease in cash and cash equivalents** | (1,151,186) | (1,870,512) |
| Cash and cash equivalents at beginning of the year | 1,827,379 | 3,703,592 |
| Effect of exchange rates on cash and cash equivalents | (94,575) | (5,701) |
| **Cash and cash equivalents at end of the year** | 581,618 | 1,827,379 |

The accompanying notes form an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

AIQ Limited ("The Company") was incorporated and registered in The Cayman Islands as a public limited company on 11 October 2017 under the Companies Law (as revised) of The Cayman Islands, with the name AIQ Limited, and registered number 327983.

The Company's registered office is located at 5th Floor Genesis Building, Genesis Close, PO Box 446, Cayman Islands, KY1-1106.

On 20 March 2020, the Company completed the acquisition of the entire issued share capital of Alchemist Codes Sdn Bhd ("Alchemist Codes"), (together, the "Group"), a Malaysian incorporated information technology solutions developer focusing on the e-commerce sector.

The Company has a standard listing on the London Stock Exchange.

The consolidated financial statements include the financial statements of the Company and its controlled subsidiaries (the "Group") as follows:

| Name | Place of incorporation | Registered address | Principal activity | Effective interest | |
|---|---|---|---|---|---|
| | | | | 31.10.2021 | 31.10.2020 |
| Alchemist Codes Sdn Bhd | Malaysia | 2-9, Jalan Puteri 4/8, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan Malaysia | Design and development of software | 100% | 100% |
| Alcodes International Limited* | Hong Kong | 20/F One Pacific Centre, 414 Kwun Tong Road Kwun Tong, Hong Kong | Software and app development | 100% | 100% |

* Held by Alchemist Codes Sdn Bhd.

### 2. PRINCIPAL ACTIVITIES

The principal activity of the Company is to seek acquisition opportunities and to act as a holding company for a group of subsidiaries that are involved in the technology sector.

Alchemist Codes' principal activities currently comprise the delivery of information technology (IT) solutions for clients through the provision of IT consultancy.

Alcodes International's principal activities currently comprise the delivery of information technology (IT) solutions for clients through the provision of IT consultancy, primarily website development.

## 3. ACCOUNTING POLICIES

### a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom ("UK"), issued by the International Accounting Standards Board ("IASB"), including related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

As permitted by Companies Law (as revised) of The Cayman Islands only the consolidated financial statements are presented.

The financial statements are presented in Pound Sterling ("GBP") which is the presentational currency of the Company. All values are rounded to the nearest pound, except where otherwise indicated.

The results for 31 October 2021 are prepared for a 12-month period. The results for the comparative period include the results of the subsidiaries from acquisition and or incorporation. Therefore, the comparative information which relates to the Company only for part of the year is not entirely comparable.

**New interpretations and revised standards effective for the year ended 31 October 2021**
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended standards and interpretations during the year that are applicable to the Group.

**Other Standards**
New standards and interpretations that have been adopted in the annual financial statements for the year ended 31 October 2021, but have not had a significant effect on the Group are:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material);
- Revised Conceptual Framework for Financial Reporting;
- Amendments to IFRS 3 Business Combinations (Amendment – Definition of Business);
- Amendments to IFRS 16 COVID-19-Related Rent Concessions; and
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform.

These standards did not have a significant effect on the Group.

**Standards and interpretations in issue but not yet effective**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are as follows:

- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract;
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use;
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1);
- Definition of Accounting Estimate (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes.

The Directors do not anticipate the adoption of any of these standards issued by IASB, but not yet effective, to have a material impact on the financial statements of the Group.

**b) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns.

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Inter-company balances and transactions between Group companies are therefore eliminated in full. The financial information of subsidiaries is included in the Group's financial statements from the date that control commences until the date that control ceases.

**c) Going concern**

The financial statements are required to be prepared on the going concern basis unless it is inappropriate to do so.

The Group incurred losses of £1.2m during the year and experienced cash outflows of £1.2m. As at 31 October 2021, the Group had net current assets of £385k and cash of £585k. The Group's cash position was approximately £1.0m at the date of this report.

As noted above, revenues were severely impacted by the COVID-19 pandemic, which necessitated the Company undertaking a strategic review in the second half of the year that resulted in actions to cut costs, dispose of non-core activities and prioritise new sources of revenue. The Group's assessment of the COVID-19 pandemic is detailed in the Operational Review section of the Strategic Report above.

The Group meets its day-to-day working capital requirements through cash generated from the capital it raised on admission to the London Stock Exchange and, subsequent to the acquisition of Alchemist Codes, from the operations of its subsidiaries.

More recently, the Company raised £500k through the issue of unsecured convertible loan notes to three existing shareholders as more fully described in Note 23 to the financial statements. The proceeds of the Loan Notes will be used for working capital purposes as well as widening the Group's offer to new sectors.

Following the issue of the convertible loan notes, the Group's cash position gives it sufficient headroom to execute its business plans. This has enabled the financial statements to be prepared on a going concern basis.

The Directors have prepared forecasts and projections and have specifically performed a detailed review of those forecasts for the period to June 2023. These reflect the expected trading performance of the Group on the basis of best estimates of management using current knowledge and expectations of trading performance. These forecasts and projections have also been stress tested to consider what the Directors believe to be a 'plausible worst-case scenario'.

The Directors report that they have re-assessed the principal risks, reviewed current performance and forecasts, combined with expenditure commitments, including capital expenditure. The Group's forecasts demonstrate it will have sufficient cash reserves to enable it to meet its obligations as they fall due, for a period of at least 12 months from the date of signing of these financial statements. Accordingly, the Directors consider the Group to be a going concern.

**d) Revenue**

Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer net of sales taxes and discounts. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. The board believe that the Group has one source of revenue, which is IT software services. This source of income can be broken down further into distinct revenue streams:

**(i) Revenue from software sales**

Revenue from sales of software application is recognised progressively over time based on milestones and customers' acceptance by using the output method. In the current year the output method effectively equates to the timing of invoices raised.

Included within software sales during the year is an amount of £35,424 relating to the sale of certain e-commerce software and technology developed by the Group to Wepin Sdn Bhd. The agreement for the sale became effective on the 25 May 2021. All costs relating to the development of the software have been expensed in the current year.

**(ii) Revenue from maintenance and support contracts**

The Group enters into annual fixed price support and maintenance services and managed services contracts with its customers. Revenues are recognised on a straight-line basis over the term of the contract. This method best depicts the transfer of services to the customer as there is no reliable prediction that can be made as to if and when any individual customer will require the service.

No maintenance income was generated during the period.

**(iii) Revenue from merchant contracts**

The Group earns commissions from merchants when transactions are completed on the OctaPLUS e-commerce platform. The commissions are generally determined as a percentage based on the value of merchandise being sold by the merchants. The variable consideration is estimated at contract inception and updated at the end of each reporting period if additional information becomes available. Revenue related to commissions is recognised based on the expected value when the performance obligation is satisfied.

The OctaPLUS e-commerce platform was effectively closed during the year and income generated from merchant contracts totalled £3,121.

**(iv) Project management and coordination**

In addition to the above revenues, the Group earns project management and coordination revenues. In the current year, these primarily related to website development for clients. Revenue is recognised progressively over time based on milestones and customers' acceptance by using the output method. During the year the revenue earned was recognised on delivery of performance obligation based on the estimate of the percentage completed as judged by management.

The performance obligations extend over several months with milestone obligations over the term of the service agreement.

With regard to the Group's income as Project Coordinator, a customer agrees a DBP IT Contract for implementing the DBP IT Solution. Typically, the Group invoices for 30% of the project fee on signing. These fees are intended to cover time costs incurred for initial planning of the project, soliciting and coordinating with the potential vendors, project management costs and preparing all documentation in relation to the project. Development of the solution including debugging and testing are the key performance obligations under the DBP Contract. Upon the final completion of the project, the client is expected to execute a UAT (User Acceptance Testing) confirmation signifying the final closure of the project, at which point a final invoice for the balance is issued. Income is recognised over time under the output method, which looks at the measure of progress of the asset being transferred to the customer, in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

For each Service Level Agreement (SLA) there are agreed values attached to each element of performance obligation. Income is recognised for each such performance obligation as follows:

- Project and website management: Over the period of the contract (typically 6 months)
- Documentation of system – gateway and infrastructure: At point of completion
- Technical development of web systems: At point of completion
- IT support: Post completion over 12 months
- Maintenance (including bug fixes): Post completion over time
- Training: Post completion on provision of manual to customer
- Website hosting: Post completion over 12 months
- Warranty: Post completion over 12 months

In most cases, the measurement of revenue (when recognised over time) will not be the same as amounts invoiced to a customer. In these circumstances, the Company will recognise either a contract asset (accrued income) or a contract liability (deferred income) for the difference between cumulative revenue recognised and cumulative amounts billed for that contract. For income recognised over time, management estimates the percentage of work completed by reference to each customer.

The Group has been seeking larger project management contracts to support its turnaround efforts. In September 2021, a contract was signed with a total value of US$552,500 (approximately £404,000). In November 2021, the Group received US$128,400 (approximately £94,000) as a first deposit and kick start payment under the contract and work commenced shortly afterwards. No revenue under this contract has been recognised in the year as no work had been commenced or costs incurred prior to the year end and hence no milestones had been achieved.

**(v) Software development contractual income**

Alcodes International delivers IT projects based on the Hong Kong government grant schemes for IT solutions providers. During the year the revenue earned was based on delivery of performance obligation based on the estimate of the percentage completed as judged by management.

**e) Foreign currency transactions and translation**

**Functional and presentational currencies**

The presentational currency of AIQ Limited and the Group is Pound Sterling. The functional currency of the Company and Group is also Pound Sterling. This is based on the principal currency of expenditure and the Company's fundraising activities, all being in Sterling.

The functional currency of Alchemist Codes Sdn Bhd is Malaysian Ringgit, being the currency in which the majority of the company's transactions are denominated.

The functional currency of Alcodes International Limited is the Hong Kong dollar, being the currency in which the majority of the company's transactions are denominated.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction.

At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to satisfy the requirements of IAS 21 with respect to presentation currency, the consolidated financial statements have been translated into Pound Sterling using the procedures outlined below:

- Assets and liabilities where the functional currency is other than Pounds were translated into Pounds at the relevant closing rates of exchange;
- non-Sterling trading results were translated into Pounds at the relevant average rates of exchange; and
- differences arising from the retranslation of the opening net assets and the results for the period are recognised in other comprehensive income and taken to the foreign currency translation reserve.

**f) Property, plant and equipment**

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

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

| | |
|---|---|
| Computers | 5 years |
| Furniture and fittings | 10 years |
| Office equipment | 10 years |
| Renovations | 10 years |

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

**g) Intangible assets**

With the exception of goodwill, intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. All intangible assets have been fully impaired however they remain in use by the business. All intangible assets purchased during the year have been expensed.

**Goodwill**

Goodwill represents the amount by which the fair value of the cost of a business combination exceeds the fair value of the net assets acquired. Goodwill is not amortised and is stated at cost less any accumulated impairment losses.

The recoverable amount of goodwill is tested for impairment annually or when events or changes in circumstance indicate that it might be impaired. Impairment charges are deducted from the carrying value and recognised immediately in the income statement. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

**Acquisition-related intangible assets**
Net assets acquired as part of a business combination includes an assessment of the fair value of separately identifiable acquisition-related intangible assets, in addition to other assets, liabilities and contingent liabilities purchased. These are amortised on a straight-line basis over their useful lives which are individually assessed. Useful lives are regularly reviewed.

The estimated useful lives of the Group's intangible assets are as follows:

- OctaPLUS Platform 3 years
- Messenger App 3 years
- Software 3 years

As more fully described in Note 12, each of these intangible assets were fully impaired in the prior year.

**h) Research and development expenditure**

Research expenditure is recognised as an expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if an entity can demonstrate all of the following:-

(i) its ability to measure reliably the expenditure attributable to the asset under development;
(ii) the product or process is technically and commercially feasible;
(iii) its future economic benefits are probable;
(iv) its ability to use or sell the developed asset; and
(v) the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in subsequent periods.

**i) Impairment of financial assets**

IFRS 9 "Financial Instruments" requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss (ECL) model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. The credit event does not have to occur before credit losses are recognised. IFRS 9 "Financial Instruments" allows for a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets.

The Group has one type of financial asset subject to the expected credit loss model: trade receivables. The Group recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The expected credit losses are estimated using a provision based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

As the Group is at an early stage and the volume of sales is very low, it does not have significant amounts of historic information on credit losses. Accordingly, only specific provisions have been made. To analyse and adjust for any expected credit loss would likely skew the reported results for the year.

The Group considers a financial asset in default when contractual payments are between 30 to 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**j) Impairment of non-financial assets**

At each reporting date, the Directors assess whether indications exist that an asset may be impaired. If indications do exist, or when annual impairment testing for an asset is required, the Directors estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the Directors consider the asset impaired and write the subject asset down to its recoverable amount. In assessing value-in-use, the Directors discount the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, the Directors consider recent market transactions, if available. If no such transactions can be identified, the Directors utilise an appropriate valuation model.

When applicable, the Group recognises impairment losses of continuing operations in the "Statements of Profit or Loss and Other Comprehensive Income" in those expense categories consistent with the function of the impaired asset.

**k) Right of use assets**

A right of use asset is recognised at the commencement date of a lease. The right of use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right of use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

**l) Leases**

Except for short-term leases and leases of low-value assets, right of use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs).

Lease liabilities are recognised at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease. If this rate cannot be readily determined, the Company's incremental borrowing rate is used. The discount rate estimated by management is 6% per annum. The current Malaysian base rate is 1.75% and the premium of 4.25% is considered reasonable given the nature of the asset.

Payments associated with all short-term leases and certain leases of all low-value assets are recognised on a straight-line basis as an expense in profit or loss. The Company applies the exemption for low-value assets on a lease-by-lease basis i.e. for the leases where the asset is sub-leased, a right-of-use asset is recognised with corresponding lease liability; for all other leases of low value asset, the lease payments associated with those leases will be recognised as an expense on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computers, tablets, mobile phones and small items of office furniture.

**m) Financial instruments**

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

**Non-derivative financial instruments**

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

*Trade and other receivables*

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

*Trade and other payables*

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

**n) Financial assets**

(i) Initial recognition and measurement

The Company classifies its existing financial assets as financial assets carried at amortised cost. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and this designation at every reporting date.

*Financial assets carried at amortised cost*

Financial assets carried at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than twelve months after the reporting date which are classified as non-current assets. They include cash and bank balances, and a rental deposit.

Subsequent to initial recognition, these assets are measured at amortised cost using the effective interest rate method, less impairment.

Impairment of financial assets is considered using a forward-looking expected credit loss (ECL) review.

(ii) De-recognition

Financial assets are de-recognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

**o) Financial liabilities**

The Company's financial liabilities include trade and other payables and accruals. Financial liabilities are recognised when the Company becomes a party to the contractual provision of the instrument. All financial liabilities are recognised initially at their fair value, net of transaction costs, and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

**p) Share capital**

Proceeds from issuance of ordinary shares are classified as equity. Amounts in excess of the nominal value of the shares issued are recognised as share premium.

Transaction costs that are directly attributable to the issue of share capital are deducted from share premium.

**q) Taxation**

**Current tax**
Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

**Deferred tax**
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's Financial Statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and expected to apply when the related deferred tax is realised or the deferred liability is settled.

Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

**r) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**s) Finance income and expense**

Finance income comprises interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

**t) Employee benefits**

**Short-term benefits**
Short-term employee benefit obligations; wages, salaries, paid annual leave, sick leave, bonuses and non-monetary benefits, are measured on an undiscounted basis and are expensed in the profit or loss as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**Long-term benefits**
*Defined contribution plans*
The income statement expense for the defined contribution pension plans operated represents the contributions payable for the year. As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF") which is charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further liabilities in respect of the defined contribution plans.

**u) Earnings per share**

Basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of shares during the period plus the dilutive effect of dilutive potential ordinary shares outstanding during the period.

## 4. ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. In particular:

Key judgments

*Going concern*
As more fully described above, the Directors have prepared forecasts and projections for the Group for the purposes of assessing the Company's going concern assumptions.

The Directors have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the Annual Report.

Key estimates

*Impairment reviews*
IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

The Group prepares and approves a detailed annual budget and longer-term strategic plan for its operations, which are used in the fair value calculations.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results.

Goodwill of £546,874 relating to the acquisition of Alchemist Codes was allocated to the Alchemist Codes business and represents a Cash Generating Unit ("CGU") and was tested for impairment last year. The goodwill and other intangible assets were tested for impairment on the basis of value in use, including a discount rate of 22.4% based on the rate that would be used by a market participant. These impairment tests indicated an impairment loss was required and this loss has resulted in the full write-down of goodwill and intangibles arising from the acquisition of Alchemist Codes. The assets remain fully impaired.

*Revenue recognition*
The Group earns project management and coordination revenues. In the current year, these primarily related to website development costs for clients. Revenue is recognised progressively over time based on milestones and customers' acceptance. During the year the revenue earned was recognised on the delivery of performance obligations based on the estimate of the percentage completed as judged by management.

The performance obligations extend over several months with milestone obligations over the term of the service agreement.

Any changes to the Directors' estimates of the percentage of completion of a project would impact on the level of income recognised in the year.

*MSC Pioneer Status*
In Malaysia, Alchemist Codes has applied for MSC Pioneer Status which, if granted, would result in the company becoming income tax exempt. Although the application has been submitted there is no certainty as to whether Alchemist Codes will be successful in obtaining MSC Pioneer Status. Alchemist Codes continues to account for tax and makes scheduled tax payments, which are recoverable if the Pioneer status is granted. The Directors are of the view that this tax is probably recoverable and have included the receivable in the balance sheet.

## 5. REVENUE

| | Year ended 31 October 2021 £ | Year ended 31 October 2020 £ |
|---|---|---|
| Sale of software products | 37,639 | - |
| Software development contractual income | - | 99,596 |
| Maintenance income | - | 41,725 |
| Project management and coordination income | 19,415 | - |
| Cashback income | 4,628 | 13,043 |
| Other | 181 | 285 |
| Total | 61,863 | 154,649 |

All revenues were generated in Asia.

During the year ended 31 October 2021, one customer accounted for £35,424 (57.26%) (2020: one customer accounted for £85,304 (55.15%)) of the Group's revenues. No other customers accounted for more than 10%.

An analysis of revenue by the timing of the delivery of goods and services to customers for 2021 is as follows:

| | Goods transferred at a point in time | Services transferred over time |
|---|---|---|
| | **£** | **£** |
| Sale of software products | 35,424 | 2,215 |
| Project management | 12,822 | 6,593 |
| Cashback income | - | 4,628 |
| Other | - | 181 |
| Total | 48,246 | 13,617 |

Revenue in 2020 was entirely from services transferred over time.

## 6. SEGMENT REPORTING

IFRS 8 defines operating segments as those activities of an entity about which separate financial information is available and which are evaluated by the Board of Directors to assess performance and determine the allocation of resources. The Board of Directors is of the opinion that under IFRS 8 the Group has only one operating segment, the sale of software and ancillary services. The Board of Directors assesses the performance of the operating segment using financial information that is measured and presented in a manner consistent with that in the Financial Statements. Segmental reporting will be reviewed and considered in light of the development of the Group's business over the next reporting period.

### 7. OPERATING LOSS BEFORE TAXATION

Loss from operations has been arrived at after charging and (crediting):

| | Year ended 31 October 2021 £ | Year ended 31 October 2020 £ |
|---|---|---|
| Auditor's remuneration: | | |
| - Audit of the financial statements | 96,750 | 58,000 |
| - Other services | 3,500 | - |

| **Cost of sales:** | Year ended 31 October 2021 £ | Year ended 31 October 2020 £ |
|---|---|---|
| Wages and salaries | 252,576 | 135,350 |
| Cashback expenses | (1,906) | 7,860 |
| Other | - | 58 |
| | 250,670 | 143,268 |

| **Administrative expenses:** | Year ended 31 October 2021 £ | Year ended 31 October 2020 £ |
|---|---|---|
| Directors' remuneration | 140,844 | 165,212 |
| Wages and salaries | 211,066 | 158,293 |
| Consultancy fees | 45,376 | 84,322 |
| Amortisation of intangibles | - | 239,765 |
| Depreciation of tangible fixed assets | 25,542 | 6,483 |
| Depreciation of right of use assets | 93,786 | 24,548 |
| Short-term leases on property | 23,018 | 13,051 |
| Professional fees | 34,359 | 18,982 |
| Regulatory fees | 30,738 | 14,802 |
| Secretarial fees | 44,059 | 33,143 |
| Audit fees | 99,079 | 61,281 |
| Credit loss adjustment | 2,354 | - |
| Vetting fees | - | 35,000 |
| Other costs | 114,380 | 512,280 |
| | 864,601 | 1,367,162 |

## 8. STAFF COSTS AND KEY MANAGEMENT EMOLUMENTS

| | Year ended 31 October 2021 | Year ended 31 October 2020 |
|---|---|---|
| **Staff costs:** | **£** | **£** |
| Wages and salaries (including directors) | 592,673 | 433,931 |
| Social security costs | 576 | 2,397 |
| Post-employment benefits | 11,237 | 22,527 |
| | 604,486 | 458,855 |

Key management personnel are considered to be the directors and one senior member of staff. Their remuneration was as follows:

| | Year ended 31 October 2021 | Year ended 31 October 2020 |
|---|---|---|
| Key management personnel: | £ | £ |
| Wages and salaries (including directors) | 227,839 | 224,445 |
| Social security costs | 0 | 0 |
| Post-employment benefits | 0 | 0 |
| | 227,839 | 224,445 |

Included within accruals is £7,666 (2020: £23,196), which relates to Directors' remuneration yet to be paid.

The average monthly number of employees (including directors) during the year ended 31 October 2021 was as follows:

| | Year ended 31 October 2021 No. | Year ended 31 October 2020 No. |
|---|---|---|
| Management | 4 | 2 |
| Administrative | 4 | 2 |
| Operations | 34 | 25 |
| | 42 | 29 |

## 9. TAXATION

The Company is incorporated in the Cayman Islands, and its activities are subject to taxation at a rate of 0%.

In Malaysia, Alchemist Codes has applied for MSC Pioneer Status which, if granted, would result in the Company becoming income tax exempt. Although the application has been submitted there is no certainty as to whether Alchemist Codes will be successful in obtaining MSC Pioneer Status. Alchemist Codes continues to account for tax and makes scheduled tax payments, which are recoverable if the Pioneer status is granted. A total of RM133,200 has been paid on account in this regard (equivalent to £24,764). As outlined in note 4, the Directors are of the view that this tax is probably recoverable and have included the receivable in the balance sheet.

The income tax rate in Malaysia is calculated at the Malaysian statutory tax rate of 24% of the chargeable income for the year, except for companies with paid-up capital of RM2.5m (approximately £470k) and below at the beginning of the basis period and gross income from source of business not exceeding RM50m (approximately £9.4m), the first RM600k (approximately £110k) of chargeable income is subject to tax at a rate of 17%.

A reconciliation of income tax applicable to the loss before taxation, at the effective tax rate of Alchemist Codes is as follows:

| | Year ended 31 October 2021 £ | Year ended 31 October 2020 £ |
|---|---|---|
| Loss before taxation | (1,192,820) | (4,130,587) |
| Tax calculated at the standard rate of tax applicable to Alchemist Codes of 24% (2020: at 24%) | (286,277) | (991,340) |
| Tax effects of: | | |
| Non-deductible expenditure | 119,328 | 25,827 |
| Effect of different tax rates in foreign jurisdictions | 166,949 | 87,030 |
| Withholding tax charge | 2,109 | - |
| Deferred tax assets on temporary differences not recognised | - | 385,483 |
| Tax charge/(credit) | 2,109 | (493,000) |

## 10. LOSS PER SHARE

The Company presents basic and diluted loss per share information for its ordinary shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the reporting period. Diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

There is no difference between the basic and diluted earnings per share, as the Company has no potential ordinary shares.

| | Year ended 31 October 2021 | Year ended 31 October 2020 |
|---|---|---|
| Loss attributable to ordinary shareholders (£) | (1,194,929) | (3,637,587) |
| Weighted average number of shares | 64,760,721 | 59,818,130 |
| **Loss per share (expressed as £ per share)** | **(0.018)** | **(0.061)** |

## 11. PROPERTY PLANT AND EQUIPMENT

| | Fixtures and fittings | Office equipment | Computer equipment | Renovations | Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **Cost** | | | | | |
| At 1 November 2020 | 75,056 | 9,731 | 28,192 | 98,033 | 211,012 |
| Additions | 173 | 4,034 | 2,333 | - | 6,540 |
| Currency translation differences | (3,779) | (155) | 2,757 | (4,952) | (6,129) |
| As at 31 October 2021 | 71,450 | 13,610 | 33,282 | 93,081 | 211,423 |
| **Accumulated depreciation** | | | | | |
| At 1 November 2020 | 1,247 | 368 | 3,059 | 1,654 | 6,328 |
| Depreciation for the year | 7,173 | 1,936 | 6,593 | 9,840 | 25,542 |
| Currency translation differences | (7) | 353 | 4,033 | (33) | 4,346 |
| As at 31 October 2021 | 8,413 | 2,657 | 13,685 | 11,461 | 36,216 |
| **Carrying amounts** | | | | | |
| **At 31 October 2021** | **63,037** | **10,953** | **19,597** | **81,620** | **175,207** |
| At 31 October 2020 | **73,809** | **9,363** | **25,133** | **96,379** | **204,684** |

## 12. INTANGIBLE ASSETS

Goodwill and acquisition related intangible assets arising from the acquisition of Alchemist Codes were fully impaired in the prior year. The OctaPLUS Platform and Messenger App were also fully impaired and any development costs relating to the OctaPLUS Platform and Messenger App incurred during the year have been expensed to profit and loss.
No research and development costs were capitalised in the year. The amount expensed during the year was £5,728.

## 13. RIGHT OF USE ASSETS AND LEASE LIABILITIES

| | Land and buildings | Total |
|---|---|---|
| | £ | £ |
| **Cost** | | |
| At 1 November 2020 | 295,338 | 295,338 |
| Currency translation differences | (15,207) | (15,207) |
| As at 31 October 2021 | 280,131 | 280,131 |
| **Accumulated amortisation** | | |
| At 1 November 2020 | 24,611 | 24,611 |
| Depreciation for the year | 93,786 | 93,786 |
| Currency translation differences | (1,676) | (1,676) |
| As at 31 October 2021 | 116,721 | 116,721 |
| **Carrying amounts** | | |
| **At 31 October 2021** | **163,410** | **163,410** |
| At 31 October 2020 | 270,727 | 270,727 |

Future minimum lease payments associated with these leases were as follows:

| | As at 31 Oct 2021 | As at 31 Oct 2020 |
|---|---|---|
| | £ | £ |
| Not later than one year | 178,966 | 107,817 |
| Later than one year and not later than five years | - | 188,680 |
| Total minimum lease payments | 178,966 | 296,497 |
| Less future finance charges | (9,477) | (23,796) |
| Present value of minimum lease payments | 169,489 | 272,701 |
| Current liability | 94,672 | 94,012 |
| Non-current liability | 74,817 | 178,689 |
| | 169,489 | 272,701 |

The lease may be extended at the end of its two-year term for a further two years, at a new rental rate to be based on the prevailing market rate provided, that in the event that there is any increase in rental, such increase shall not exceed 15% of the preceding's rental rate. No option to extend has been assumed in the above calculations.

Short-term leases are recognised on a straight-line basis as an expense in profit or loss. In the year, £23,018 (2020: £13,051) was charged as an expense.

## 14. TRADE AND OTHER RECEIVABLES

| | As at 31 October 2021 £ | As at 31 October 2020 £ |
|---|---|---|
| Trade receivables | 6,693 | 7,799 |
| Provision for expected credit losses | (2,354) | - |
| Total trade receivables | 4,339 | 7,799 |
| | | |
| Prepayments, deposits and other receivables | 123,075 | 61,660 |
| Total trade and other receivables | 127,414 | 69,459 |

All balances are reviewed specifically due to the limited number of receivables and limited history of average rates of default losses to rely on. The increase in the provision for expected credit losses rose from £nil brought forward to £2,354 at the end of the year.

## 15. CASH AND CASH EQUIVALENTS

| | As at 31 October 2021 £ | As at 31 October 2020 £ |
|---|---|---|
| Cash at bank | 581,618 | 1,827,379 |
| | 581,618 | 1,827,379 |

Cash at bank earns interest at floating rates based on daily bank deposit rates.

## 16. TRADE PAYABLES

| | As at 31 October 2021 £ | As at 31 October 2020 £ |
|---|---|---|
| Redeemable cash back credit | 1,075 | 123,100 |
| Other trade payables | - | 32,368 |
| | 1,075 | 155,468 |

## 17. ACCRUALS AND OTHER PAYABLES

| | As at 31 October 2021 £ | As at 31 October 2020 £ |
|---|---|---|
| Accruals | 139,410 | 123,998 |
| Deferred revenue | 105,254 | 1,464 |
| Taxes and social security | - | 11,111 |
| | 244,664 | 136,573 |

## 18. SHARE CAPITAL

| | Number | Nominal value £ |
|---|---|---|
| **Authorised** | | |
| Ordinary shares of £0.01 each | **800,000,000** | **8,000,000** |
| **Issued** | | |
| As at 31 October 2021 | **64,760,721** | **647,607** |

| | Year ended 31 Oct 2021 £ | Year ended 31 Oct 2020 £ |
|---|---|---|
| As at beginning of year | 647,607 | 518,394 |
| Issued during the year | - | 129,213 |
| As at end of year | 647,607 | 647,607 |

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## 19. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents cumulative foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and is not distributable by way of dividends.

## 20. FINANCIAL RISK MANAGEMENT

a) Categories of financial instruments

The carrying amounts and fair value of the Group's financial assets and liabilities as at the end of the reporting period are as follows:

**Financial assets:**

| | As at 31 October 2021 £ | As at 31 October 2020 £ |
|---|---|---|
| Trade receivables | 4,339 | 7,799 |
| Tax recoverable | 23,489 | 24,764 |
| Deposits and other receivables | 107,146 | 45,008 |
| Cash and cash equivalents | 581,618 | 1,827,379 |
| | 716,592 | 1,904,950 |

**Financial liabilities at amortised cost:**

| | As at 31 October 2021 £ | As at 31 October 2020 £ |
|---|---|---|
| Trade payables | 1,075 | 155,468 |
| Accruals and other payables | 244,664 | 136,573 |
| Finance leases | 171,581 | 272,701 |
| | 417,320 | 564,742 |

The financial assets and financial liabilities maturing within the next 12 months approximate their fair values due to the relatively short-term maturity of the financial instruments.

b) Financial risk management objectives and policies

The Group is exposed to a variety of financial risks: market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The risk management policies employed by the Company to manage these risks are discussed below. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

i) Interest rate risks

Certain cash holdings and cash equivalents are held in accounts with variable rates. If interest rates were to increase or decrease by 2%, the effect would not be material.

ii) Currency risks

The Group is exposed to exchange rate fluctuations as certain transactions are denominated in foreign currencies.

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to its financing activities (when cash balances are denominated other than in a company's functional currency).

Most of the Group's transactions are carried out in Pounds, Malaysian Ringgit ('RM') and Hong Kong Dollar ('HK$'). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group maintains a natural hedge whenever possible, by matching the cash inflows (revenue stream) and cash outflows used for purposes such as capital and operational expenditure in the respective currencies. The Group's net exposure to foreign exchange risk was as follows:

| As at 31 October 2021 | US$<br>£'000 | Total<br>£'000 |
|---|---|---|
| Financial assets denominated in £ | 522 | 522 |
| Financial liabilities denominated in £ | - | - |
| **Net foreign currency exposure** | 522 | 522 |

| As at 31 October 2020 | US$<br>£'000 | Total<br>£'000 |
|---|---|---|
| Financial assets denominated in £ | 894 | 894 |
| Financial liabilities denominated in £ | - | - |
| **Net foreign currency exposure** | 894 | 894 |

Foreign currency sensitivity analysis:

The following tables demonstrate the sensitivity to a reasonably possible change in foreign currency exchange rates, with all other variables held constant.

The impact on the Group's loss before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

A 10 per cent. movement in US Dollar ($) would increase/(decrease) net assets by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| As at 31 October 2021 | US$ £'000 |
|---|---|
| Effect on net assets: | |
| Strengthened by 10% | 52 |
| Weakened by 10% | (52) |

| As at 31 October 2020 | US$ £'000 |
|---|---|
| Effect on net assets: | |
| Strengthened by 10% | 89 |
| Weakened by 10% | (89) |

At 31 October 2021 the Company had £427,511 (2020: £893,965) of cash and cash equivalents in United States Dollar accounts. At 31 October 2021, had the exchange rate between the Pound Sterling and United States Dollar increased/decreased by 10%, the effect on the result in the period would be a gain of £42,751 (2020: £89,396) / loss of £42,751 (2020: £89,396).

At 31 October 2021 the Company had £71,758 (2020: £894,587) of cash and cash equivalents in Malaysian Ringgit accounts. At 31 October 2021, had the exchange rate between the Pound Sterling and Malaysian Ringgit increased/decreased by 10%, the effect on the result in the period would be a gain of £7,176 (2020: £89,459) / loss of £7,176 (2020: £89,459).

At 31 October 2021 the Company had £13,129 (2020: £14,758) of cash and cash equivalents in Hong Kong Dollar accounts. At 31 October 2021, had the exchange rate between the Pound Sterling and Hong Kong Dollar increased/decreased by 10%, the effect on the result in the period would be a gain of £1,313 (2020: £1,476) / loss of £1,313 (2020: £1,476).

iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit allowances are made for estimated losses that have been incurred by the reporting date. No such amounts have been made to date.

Concentrations of credit risk exist to the extent that the equivalent of £494,371 of the Group's cash balances were held with DBS Bank Limited in Singapore and the equivalent of £43,507 was held with Hong Leong Bank in Malaysia.

S&P Global Ratings affirmed on 31 October 2021 the issuer credit ratings of DBS Bank Limited at AA-. Hong Leong Bank's was recently downgraded by Fitch from A- to BBB+.

Accordingly, the Company considers that the credit risk in relation to its cash holding to be low.

iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Group's financial liabilities are primarily trade and other payables. The amounts are unsecured, interest-free and repayable on demand. Details of trade payables are found in Note 16.

## 21. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the balance between debt and equity.

The capital structure of the Group as at 31 October 2021 consisted of Ordinary Shares and equity attributable to the shareholders of the Company, totalling £676,652 (2020: £1,863,724) (disclosed in the statement of changes in equity).

The capital structure is reviewed on an on-going basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital.

## 22. RELATED PARTY TRANSACTIONS

The remuneration of the Directors of the Company is set out in the Report of the Remuneration Committee.

A total of £41,000 (2020: £42,000) was paid during the year to Luther Pendragon for financial PR services, a company in which Harry Chathli is a director and shareholder.

Included within accruals is £7,667 (2020: £23,196), which relates to Directors' remuneration outstanding and £1,457 (2020: £nil) relating to KMP salaries.

A total of £11,000 (2020: £24,000) was paid during the year to Graham Duncan Limited for accounting services, a company in which Graham Duncan is a director and shareholder.

A total of £9,500 (2020: £nil) was paid to Ever Billions International Limited for general management services, a company in which Li Chun Chung is a director. Additionally, revenue for project management services of £3,020 was recognised during the year and £1,836 recognised as deferred revenue at year end.

A total of £2,900 (2020: £nil) was paid to Credigroup Fiduciary Services for payment processing services, a company in which Ng Chun Fai, Senior Manager of the Group, is a director.

Revenue from AI Sport Asia for project management services, a company in which Ng Chun Fai is a director, of £231 was recognised during the year and £1,544 recognised as deferred revenue at year end.

Revenue from Consortium Family Office Ltd for project management services, a company in which Ng Chun Fai is a director, of £2,520 was recognised during the year and £1,897 recognised as deferred revenue at year end.

The related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

## 23. MATERIAL SUBSEQUENT EVENTS

**Issue of convertible loan notes**

On 24 January 2022, the Company entered into a convertible loan note instrument constituting up to £1,000,000 of unsecured convertible loan notes with an expiry date of 24 January 2024. Pursuant to this instrument, the Company immediately raised £500,000 through the issue of unsecured convertible loan notes (the "Loan Notes") to several existing investors (together the "Noteholders"), including an Executive Director of the Company. The net proceeds of the Loan Notes will be used for working capital purposes.

*Terms of the Loan Notes*

The Loan Notes have an expiration date of 24 January 2024 ("Expiration Date") and can be repaid, in part or in full, by the Company on 31 December in any year prior to the Expiration Date by giving not less than 14 days' written notice to the Noteholders. All outstanding Loan Notes attract interest at a rate of 5% per annum from the date of issue (24 January 2022) to the date of repayment or conversion.

The Loan Notes shall be convertible into new Ordinary Shares of the Company at the lesser of 11 pence per Ordinary Share or the Volume Weighted Average Price of the Company's Ordinary Shares on the London Stock Exchange in the seven-day period prior to the date on which the Loan Note is converted into Ordinary Shares. The Loan Notes shall be convertible, in part or in full, at any time from the date of issue until the Expiration Date by the Noteholder giving to the Company at least one week's written notice (the "Conversion Notice").

In the event of the Company receiving a Conversion Notice in circumstances where the Company would be required to publish a prospectus in relation to the application to trading of such Ordinary Shares, the Company shall have the sole right to reject such notice. In addition, a Noteholder shall not be permitted to issue a Conversion Notice if they are in possession of any unpublished price sensitive or inside information as such terms are defined in the UK Criminal Justice Act 1993 and the Market Abuse Regulation (as in force in the United Kingdom).

The Loan Notes have been issued to the Noteholders as follows:

- £250,000 to Li Chun Chung, an Executive Director of the Company and who has an interest in 1,425,500 ordinary shares in the Company ("Ordinary Shares"), representing 2.2% of the Company's issued share capital
- £125,000 to Soon Beng Gee who has an interest in 11,766,650 Ordinary Shares, representing 18.2% of the Company's issued share capital
- £125,000 to Lee Chong Liang who has an interest in 11,766,650 Ordinary Shares, representing 18.2% of the Company's issued share capital

## 24. ULTIMATE CONTROLLING PARTY

As at 31 October 2021, no one entity owns greater than 50% of the issued share capital, or holds significant control over the Company. Therefore, the Directors have determined the Company does not have an ultimate controlling party.

## 25. COVID-19

SARS-CoV-2 ("COVID-19") has continued to severely impact the Group's revenues and results for the year. The stringent lockdown measures still being taken by the Malaysian government – known as "movement control orders" (MCO), which were in effect throughout the year; and the economic downturn and uncertainty continues to negatively impact customers' budget availability and the willingness to commit resources to new projects. The pandemic also severely impacted the rollout of the Group's e-commerce solution, OctaPLUS, which resulted in this area of the business closing.

Hong Kong is showing signs of improving and this appears to be the Groups best opportunity for growth in the future.

Whilst significant cost cutting measures and reorganisations have been put into effect these savings have not been augmented by revenue improvements during the year.

The pandemic continues to have a profound impact on the Group's operations, with MCO measures in Malaysia still in place as the pace of emerging from the pandemic in the region remains slow.

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | Graham Duncan, Independent Non-Executive Chairman<br>Harry Chathli, Independent Non-Executive Director<br>Charles Yong Kai Yee, Executive Director<br>Li Chun Chung, Executive Director |
| **Company Secretary** | MSP Secretaries Limited<br>27/28 Eastcastle Street<br>London W1W 8DH |
| **Registered office of the Company** | Genesis Building, 5th Floor<br>Genesis Close, PO Box 446<br>Cayman Islands, KY1-1106 |
| **Financial Adviser and Broker** | VSA Capital Limited<br>Park House<br>16-18 Finsbury Circus<br>London EC2M 7EB |
| **English Legal Advisers to the Company** | Stephenson Harwood LLP<br>18/F United Centre<br>95 Queensway<br>Hong Kong |
| **Cayman Islands Legal Adviser to the Company** | Conyers Dill & Pearman<br>Cricket Square<br>Hutchins Drive<br>P.O. Box 2681<br>Grand Cayman KY1-1111<br>Cayman Islands |
| **Auditors** | Haysmacintyre LLP<br>10 Queen Street Place<br>London EC4R 1AG |
| **Registrars** | Computershare Investor Services (Cayman) Limited<br>The R&H Trust Co. Ltd.<br>Winward 1, Regatta Office Park<br>West Bay Road Grand Cayman KY1-1103<br>Cayman Island |
| **Principal Bankers** | DBS Bank (Hong Kong) Limited<br>18th Floor, The Center<br>99 Queen's Road Central<br>Central Hong Kong<br><br>Bank of China (Hong Kong) Limited<br>Bank of China Tower<br>1 Garden Road<br>Central Hong Kong |
| **Financial PR** | Luther Pendragon<br>48 Gracechurch Street<br>London EC3V 0EJ |
| **Company Website** | www.aiqhub.com |