

# **IMAGING DYNAMICS COMPANY LTD.**

## **FINANCIAL RESULTS**

FOR THE YEAR ENDED DECEMBER 31, 2017



**Your Global Medical Imaging Technology Provider**



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Canada

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## Independent Auditor's Report

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### To the Shareholders of Imaging Dynamics Company Ltd.

We have audited the accompanying consolidated financial statements of Imaging Dynamics Company Ltd., which comprise the consolidated statements of financial position as at December 31, 2017 and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in shareholder's deficiency and consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Imaging Dynamics Company Ltd. as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements, which indicate that the Company is currently in the development stage, is in a deficit position and is not yet generating operational cash flow. These conditions, along with other matters, as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.



#### Other

The consolidated financial statements of Imaging Dynamics Company Ltd. for the year ended December 31, 2016 (prior to the re-presentation of the comparative information described in Note 25 to the consolidated financial statements) were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 5, 2017.

As part of our audit of the consolidated financial statements of Imaging Dynamics Company Ltd. for the year ended December 31, 2017, we also audited the presentation of the discontinued operations described in Note 25 that was applied to reclassify the consolidated financial statements for the year ended December 31, 2016. In our opinion, such reclassification is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements of Imaging Dynamics Company Ltd. for the year ended December 31, 2016, other than with respect to the reclassification. Accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended December 31, 2016 taken as a whole.

*BDO Canada LLP*

Chartered Professional Accountants  
Calgary, Alberta  
May 11, 2018

**Imaging Dynamics Company Ltd.**  
**Consolidated Statements of Financial Position**  
(expressed in Canadian dollars)

As at December 31,	Note *	2017	2016
<b>Assets</b>			
Current			
Cash and cash equivalents		\$ 53,177	\$ 7,076,719
Trade and other receivables	5	143,713	4,842,506
Inventory	6	1,090,170	2,198,902
Prepaid expenses and other		26,398	824,121
Assets held for sale - current	25	18,280,181	-
		<b>19,593,639</b>	<b>14,942,248</b>
Non-current assets			
Property, plant and equipment	7	456,870	714,989
Intangible assets	8	474,659	1,157,155
Assets held for sale - long term	25	1,817,230	-
<b>Total Assets</b>		<b>\$ 22,342,398</b>	<b>\$ 16,814,392</b>
<b>Liabilities</b>			
Current			
Trade and other payables	9	1,846,060	4,311,686
Customer deposits		-	124,787
Lease inducement		11,548	37,678
Warranty provision		120,304	81,768
Convertible debentures- current	12	12,034,707	-
Loan payable	11	-	3,860,035
Liabilities related to assets held for sale	25	23,286,366	-
		<b>37,298,985</b>	<b>8,415,954</b>
Long-term liabilities			
Convertible debentures- long term	12	5,471,545	17,258,543
Lease inducement		40,416	82,449
<b>Total Liabilities</b>		<b>\$ 42,810,946</b>	<b>\$ 25,756,946</b>
<b>Shareholders' deficiency</b>			
Share capital	13	78,147,450	78,147,450
Share-based payments reserve	14	7,186,107	7,186,107
Contributed surplus	15	5,507,196	5,507,196
Other comprehensive income		(467,371)	(437,282)
Deficit		(110,849,956)	(99,346,025)
<b>Shareholders' deficiency attributable to owners of the Company</b>		<b>(20,476,574)</b>	<b>(8,942,554)</b>
<b>Non-controlling interests</b>		<b>8,026</b>	<b>-</b>
		<b>(20,468,548)</b>	<b>(8,942,554)</b>
<b>Total Liabilities and Shareholders' deficiency</b>		<b>\$ 22,342,398</b>	<b>\$ 16,814,392</b>
Going concern	2		
Commitment and contingencies	23		

\* the accompanying notes are an integral part of these consolidated financial statements

On behalf of the Board:

*"Signed" Yucheng Zhou*  
Yucheng Zhou, Chief Executive Officer

*"Signed" Paul Lin*  
Paul Lin, Director

## Imaging Dynamics Company Ltd.

### Consolidated Statements of Operations and Comprehensive Loss

(expressed in Canadian dollars)

For the years ended December 31,	Note*	2017	2016
<b>Revenues</b>		<b>\$ 875,175</b>	<b>\$ 937,797</b>
<b>Cost of sales</b>		<b>751,338</b>	<b>302,196</b>
<b>Gross profit</b>		<b>\$ 123,837</b>	<b>\$ 635,601</b>
<b>Expenses</b>			
Sales and marketing		516,604	422,067
General and administrative	24	843,442	1,675,715
Production and manufacturing		-	235,806
Research and development		185,645	-
Foreign exchange loss (gain)		71,534	91,375
Warranty provision		38,563	(60,043)
Bad debt expense (recovery)		-	(25,106)
Impairment on intangible assets		806,048	-
Depreciation of property, plant and equipment	7	139,344	50,433
Amortization of intangible assets	8	75,169	3,781
		<b>\$ 2,676,349</b>	<b>\$ 2,394,028</b>
<b>Loss before finance costs</b>		<b>(2,552,512)</b>	<b>(1,758,427)</b>
<b>Finance costs</b>			
Interest expense		1,475,428	1,087,891
Interest and other income		(5,405)	(8,351)
Gain on settlement of debt		-	(118,119)
<b>Income before taxes</b>		<b>(4,022,535)</b>	<b>(2,719,848)</b>
Deferred tax recovery	19	-	(156,377)
<b>Net loss from continuing operations</b>		<b>(4,022,535)</b>	<b>(2,563,471)</b>
<b>Net loss on discontinued operations, net of income taxes</b>	25	<b>(7,568,499)</b>	<b>(3,109,189)</b>
<b>Net loss</b>		<b>(11,591,034)</b>	<b>(5,672,660)</b>
<b>Other comprehensive income</b>			
Foreign currency translation (loss) gain from discontinued operations		(29,727)	(529,476)
<b>Net loss and comprehensive loss</b>		<b>\$ (11,620,761)</b>	<b>\$ (6,202,136)</b>
<b>Net loss attributable to discontinued operations:</b>			
Owners of the Company		(7,481,396)	(3,109,189)
Non-controlling interests		(87,103)	-
<b>Net loss</b>		<b>\$ (7,568,499)</b>	<b>\$ (3,109,189)</b>

## Imaging Dynamics Company Ltd.

### Consolidated Statements of Operations and Comprehensive Loss

(expressed in Canadian dollars)

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For the years ended December 31,	2017	2016
<b>Net loss attributable to:</b>		
Owners of the Company	(11,503,931)	(2,563,471)
Non-controlling interests	(87,103)	-
<b>Net loss</b>	<b>\$ (11,591,034)</b>	<b>\$ (2,563,471)</b>
<b>Net loss and comprehensive loss attributable to:</b>		
Owners of the Company	(11,534,020)	(2,563,471)
Non-controlling interests	(86,741)	-
<b>Net loss and comprehensive loss</b>	<b>\$ (11,620,761)</b>	<b>\$ (2,563,471)</b>
<b>Net loss per share, basic and diluted:</b>		
Continuing operations	\$ (0.07)	\$ (0.05)
Discontinued operations	\$ (0.13)	\$ (0.05)
<b>Net loss</b>	<b>\$ (0.20)</b>	<b>\$ (0.10)</b>

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\* the accompanying notes are an integral part of these consolidated financial statements

## Imaging Dynamics Company Ltd.

### Consolidated Statements of Changes in Shareholders' Deficiency

(expressed in Canadian dollars)

	Note*	Share Capital	Share- Based Payments Reserve	Contributed Surplus	Accumulated Other Comprehensive Income	Non Controlling Deficit	Non Controlling Interest	Total Shareholders' Deficiency
Balance, December 31, 2015		\$ 78,147,450	\$ 7,186,107	\$ 5,084,398	\$ 92,194	\$ (93,673,365)	\$ -	\$ (3,163,216)
Convertible debentures (net of deferred tax)	12	-	-	422,798	-	-	-	422,798
Foreign exchange gain on translation		-	-	-	(529,476)	-	-	(529,476)
Loss for the year		-	-	-	-	(5,672,660)	-	(5,672,660)
Balance December 31, 2016		\$ 78,147,450	\$ 7,186,107	\$ 5,507,196	\$ (437,282)	\$ (99,346,025)	\$ -	\$ (8,942,554)
Foreign exchange gain (loss) on translation		-	-	-	(30,089)	-	362	(29,727)
Loss for the year		-	-	-	-	(11,503,931)	(87,103)	(11,591,034)
Non-controlling interest arising from the acquisition of IDC (Guangzhou)		-	-	-	-	-	94,767	94,767
Balance December 31, 2017		\$ 78,147,450	\$ 7,186,107	\$ 5,507,196	\$ (467,371)	\$ (110,849,956)	\$ 8,026	\$ (20,468,548)

\* the accompanying notes are an integral part of these consolidated financial statements

# Imaging Dynamics Company Ltd.

## Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

For the years ended December 31,	Note*	2017	2016
<b>Cash provided by (used in):</b>			
<b>Operating activities</b>			
Net loss		\$ (11,591,034)	\$ (5,672,660)
Items not affecting cash:			
Depreciation of property, plant & equipment		191,036	107,914
Amortization of intangible assets		78,791	61,638
Impairment of intangible assets		806,048	-
Gain on disposition of property, plant and equipment		-	(1,232)
Unrealized foreign exchange loss (gain)		(85,689)	14,744
Gain on settlement of debt		-	(118,119)
Loan accretion and accrued interest		1,917,438	691,909
Warranty expense (recovery)		38,563	(60,043)
Deferred tax recovery		-	(156,377)
		(8,644,847)	(5,132,226)
Change in non-cash working capital	17	(5,333,371)	(5,286,122)
Cash (provided by) used in operating activities - Discontinued operations		12,745,004	3,548,981
Cash provided by (used in) operating activities - Continued operations		\$ (1,233,214)	\$ (6,869,367)
<b>Investing activities</b>			
Acquisition of non controlling interest, net of cash acquired		76,470	-
Additions to property, plant and equipment		(241,080)	(732,896)
Additions to intangible assets		(1,733,519)	(1,221,280)
Proceeds on disposition of property, plant and equipment		-	10,161
Cash (provided by) used in investing activities - Discontinued operations		620,555	1,225,978
Cash provided by (used in) investing activities - Continued operations		\$ (1,277,574)	\$ (718,037)
<b>Financing activities</b>			
Convertible debentures, net of issue costs		-	5,963,509
Debenture redemption		(150,000)	-
Debenture interest paid		(351,618)	-
Loan payable		(1,932,027)	3,860,035
Deferred financing		13,702,624	-
Cash (provided by) used in financing activities - Discontinued operations		(11,727,061)	(3,860,035)
Cash provided by (used in) financing activities - Continued operations		\$ (458,082)	\$ 5,963,509
Effect of foreign exchange on cash		-	(28,453)
Net (decrease) increase in cash and cash equivalents- Continued operations		(2,968,870)	(1,652,348)
Cash and cash equivalents beginning of period		3,022,047	4,674,395
Cash and cash equivalents end of period		\$ 53,177	\$ 3,022,047
Cash and cash equivalents from Continued operations		53,177	3,022,047
Cash and cash equivalents from discontinued operations	25	2,512,542	4,054,672
Cash and cash equivalents end of period		\$ 2,565,719	\$ 7,076,719
* the accompanying notes are an integral part of these consolidated financial statements			

# **Imaging Dynamics Company Ltd.**

## **Notes to the Consolidated Financial Statements**

For the years ended December 31, 2017 and 2016

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### **1. Nature of the organization**

Imaging Dynamics Company Ltd. (the “Company” or “IDC”) is a public company incorporated under the laws of the Province of Alberta. The Corporation is listed on the TSX Venture Stock Exchange (“TSXV”), trading under the symbol “IDL”. The address of its registered office is #130, 3510 29th Street NE, Calgary, Alberta, Canada, T1Y 7E5.

These consolidated financial statements consolidate the accounts of the Company and its wholly-owned subsidiaries: IDC USA, Inc. and 1370509 Alberta Inc.

### **2. Going concern**

These consolidated financial statements of the Company have been prepared by Management on a going concern basis which assumes that the Company will realize the carrying value of its assets and satisfy its obligations as they become due in the normal course of operations. As of December 31, 2017, the Company had negative working capital of \$15,888,115 (2016 – \$6,526,294), negative cash flows from operating activities for year of \$13,978,218 (2016 – \$10,418,348) and a net loss for the year of \$11,591,034 (2016 – \$5,672,660) and deficit at December 31, 2017 of \$110,849,956 (2016–\$99,346,025). The ability of the Company to continue as a going concern will depend on attaining a satisfactory revenue level, the generation of cash from operating activities, and the ability to secure additional new financing arrangements and new capital, the outcome of which is uncertain.

The Company will seek to raise additional capital through equity markets, debt markets or other innovative financing arrangements, including partnership or licensing arrangements that may be available for continued operations. However, the disclosed uncertainties may cast significant doubt on the Company’s ability to continue as a going concern. Although, in the opinion of management, the use of the going concern assumption is appropriate, there can be no assurance that any steps management is taking will be successful. These consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, revenues, expenses and the balance sheet classifications that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

### **3. Basis of preparation**

#### **a) Statement of compliance**

These consolidated financial statements were authorized for issuance by the Board of Directors on May 11, 2018. The Company prepared these consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and the interpretations of the International Financial Reporting Standards Interpretations Committee (“IFRIC”) in effect at January 1, 2017.

#### **b) Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis except as discussed in the significant accounting policies as below.

**Imaging Dynamics Company Ltd.**  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2017 and 2016

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**3. Basis of preparation** *(continued)*

c) Assets held for sale and discontinued operations

During the year, IDC Shanghai, a wholly owned subsidiary, entered into a financing arrangement with Beijing Sheng Zexin Technology Development Co (“BSZ”), Beijing Xiangyuda Technology Co. (“BXT”) and Shanghai FuLi Medical Technology Limited Partnership (“FuLi”). The financing arrangement will result in the following ownership structure: BSZ – 36.5%, BXT – 30.5%, FuLi – 13% and IDC 20%. IDC Shanghai received the cash proceeds related to the financing arrangement prior to December 31, 2017. However, the transaction is pending approval and has not been completed prior to December 31, 2017. The Company’s control of IDC Shanghai was maintained prior to December 31, 2017. However, it is expected the Company will lose control of IDC Shanghai once the financing is completed. The transaction was completed May 2, 2018. Thus, the assets and liabilities of IDC Shanghai and its subsidiaries were classified as a disposal group held for sale and results have been presented as a discontinued operation in the comparative consolidated statements of operations and comprehensive loss separately from continuing operations. See Note 25.

d) Functional and presentation currency

The Company measures the transactions in its entities using the currency of the primary economic environment in which the entity operates (functional currency). These consolidated financial statements are presented in Canadian dollars (“CAD”) which is the functional currency of the parent entity. The functional currency of the Chinese subsidiaries is the Renminbi (“CNY”). The functional currency of the inactive subsidiaries includes CAD, US dollars and Hong Kong dollars.

e) Use of estimates, assumptions and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of revenues and expenses for the period reported. Although these estimates are based on management’s best knowledge of amounts, events or actions, actual results ultimately may differ from these estimates.

Estimates, assumptions and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised as future confirming events occur.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are included in the following notes:

(i) Estimates

Allowance for doubtful accounts – Management continuously monitors and reviews its trade and other receivables and makes its best assumption on collectability of these trade and other receivables (Note 5). Any uncertainty in these assumptions could impact the value of the trade and other receivables reported in these consolidated financial statements.

**Imaging Dynamics Company Ltd.**  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2017 and 2016

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**3. Basis of preparation** *(continued)*

Inventory obsolescence - Management reviews and estimates the carrying value of inventory periodically and records a provision for inventory obsolescence for specific inventory items. These estimates by their nature are subject to uncertainty and the impact of the provision for inventory obsolescence expense could be material in these consolidated financial statements.

Property, plant and equipment and intangible assets – Depreciation and amortization expense and impairment of assets are recorded based on management's estimate of the useful life of the assets, market conditions, and fair value of assets or projected cash flows derived from the use of the assets, which in turn determines the depreciation/amortization rates and asset impairment calculations (Notes 7 and 8). By their nature, these estimates are subject to uncertainty and the impact on the consolidated financial statements of future periods could be material.

Share-based payments reserve – Management uses the Black-Scholes option pricing model to determine the fair value of the share-based payments (Note 14). Management is required to make several assumptions working through the Black-Scholes model. By its nature, Black-Scholes option pricing model assumptions are subject to uncertainty and could impact the share-based payments expense and reserve on these consolidated financial statements.

Warranty provision – Management estimates and recognizes a warranty expense at the time of sale and a provision is recognized. Management reviews historical information of warranty related issues, warranty period provided at time of sale, and warranty received from its vendors in determining the amount of provision that is required to be recognized. These assumptions by their nature are subject to uncertainty and the impact of warranty expense and warranty provision could be material in these consolidated financial statements.

Deferred taxes – Tax interpretations, regulations and legislation are subject to change, and as such, deferred taxes are subject to measurement uncertainty. Deferred taxes are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings and which tax rate is expected to apply when the temporary differences reverse.

Convertible debentures – The initial value of the convertible debentures was determined based on an estimated market interest rate of 8.28%. Management determined the interest rate considering the previous interest rate of the long-term debt, the credit risk of the Company and the interest rate on similar loans of other public companies.

Assets held for sale and discontinued operations - During the year, IDC Shanghai, a wholly owned subsidiary, entered into a financing arrangement with BSZ, BXT and FuLi. The operations of IDC Shanghai and its subsidiaries were classified as assets held for sale as at December 31, 2017 for the following reasons:

- the Company entered an arrangement during the year that will result in loss of control of IDC Shanghai and its subsidiaries
- The actions to complete the financing are expected to be completed within one year

**Imaging Dynamics Company Ltd.**  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2017 and 2016

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**3. Basis of preparation** *(continued)*

IDC Shanghai was classified as a discontinued operation as it is a component that represents a major geographical segment that was classified as held for sale.

(ii) Judgments

Cash generating units (“CGUs”) - The Company uses judgment in determining the grouping of assets to identify its CGUs for purposes of testing for impairment of property, plant and equipment and intangible assets. The determination of what constitutes a CGU is subject to management’s judgment. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. In assessing the recoverability of the assets, each CGU is compared to the greater of its fair value less costs of disposal and its value in use.

Contingent liability – Management reviews all contingent liabilities and uses its best estimates and judgment based on the facts and information available at its disposal to determine if a provision is necessary to be recorded in these consolidated financial statements. Should those assumptions and judgments not materialize, there could be an impact on these consolidated financial statements.

Internally generated intangible assets – Management monitors the progress of each internal research and development project. Significant judgment is required to distinguish between the research and development phases. The accounting for research and development costs is described in Note 4. Management also monitors whether the recognition requirements for development assets continue to be met and whether there are any indicators that capitalized costs may be impaired. Upon satisfying the recognition requirements for development activities, management assesses the useful life of the long lived assets in addition to assessing for impairment.

**4. Summary of significant accounting policies**

The accounting policies set out below have been applied consistently by the Company and its subsidiaries to all periods presented in these consolidated financial statements.

a) Basis of consolidation

These financial statements consolidate the accounts of the Company and its wholly-owned subsidiaries: IDC USA, Inc. and 1370509 Alberta Inc.

On April 10, 2017, IDC Beijing closed on the acquisition of 51% of the common shares of Guangzhou Service Medical Tech. Co. Ltd (“Guangzhou Service”), a Chinese company. The name of this subsidiary has been changed from Guangzhou Service to IDC (Guangzhou) Ltd. (Note 26).

(i) Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases or is determined to be held for sale.

**Imaging Dynamics Company Ltd.**  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2017 and 2016

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**4. Summary of significant accounting policies** *(continued)*

(ii) Transactions eliminated on consolidation:

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing these consolidated financial statements.

b) Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit with banks, term deposits and other similar short-term highly liquid investments with maturities of 90 days or less at the date of issuance.

c) Inventory

Inventory consists of purchased components and finished goods and is stated at the lower of cost and net realizable value. Cost is determined on a weighted average cost basis. Cost of sales represents movement in inventory for the year.

d) Property, plant and equipment

All property, plant and equipment have been recorded at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Costs associated with equipment upgrades that result in increased capabilities or performance enhancements of property and equipment are capitalized if it is probable that the future economic benefits embodied within the expenditure or asset will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing incurred to repair or maintain property, plant and equipment are expensed as incurred.

When parts of an asset classified within property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation is recognized in the consolidated statement of operations and comprehensive loss and is calculated over the depreciable amount, which is the cost of an asset less its estimated residual value. Residual values and useful lives, where applicable, are reviewed annually against prevailing market values for equivalently aged assets and amortization rates are adjusted accordingly on a prospective basis.

Depreciation is charged so as to write-off the cost of these assets less residual value over their estimated useful economic lives, for the following classes of assets:

Technical, lab and computer equipment	30% declining balance straight line
Office equipment	20% declining balance straight line
Tradeshow equipment	3 to 4 years straight-line
Leasehold improvements	Straight-line over lease term

**4. Summary of significant accounting policies** *(continued)*

e) Intangible assets

Intangible assets with definite useful lives are recorded at cost less accumulated amortization and impairment losses and are comprised of digital X-ray technology patents, licenses and software. Digital X-ray technology patents and licenses are amortized over a 10-year period on a straight line basis, software is amortized on a 30% declining balance basis, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in the consolidated statement of operations and comprehensive loss as incurred. Amortization methods, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

f) Impairment

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the consolidated statement of operations and comprehensive loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the consolidated statement of operations and comprehensive loss.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an estimate of the asset's recoverable amount is determined. For goodwill and other intangible assets that have indefinite lives or that are not yet available for use, an impairment test is completed each year.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets or CGU. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal.

In calculating the value in use, the estimated future cash flows are discounted 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.

**4. Summary of significant accounting policies** *(continued)*

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of operations and comprehensive loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the impairment has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

**g) Financial instruments**

Financial instruments are any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial instruments are identified by the Company through a review of typical financial transactions and risk management activities. Once identified, the financial instruments are classified and measured as disclosed below.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

**(i) Financial assets and liabilities at fair value through profit or loss ("FVTPL")**

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. The Company has no items classified in this category.

Financial instruments at FVTPL are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of operations and comprehensive loss. Gains and losses arising from changes in fair value are presented in the consolidated statement of operations and comprehensive loss with other gains or losses in the period in which they arise. Financial assets and liabilities at FVTPL are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position date, which is classified as non-current.

**(ii) Available-for-sale ("AFS") financial assets**

AFS financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

AFS financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income ("OCI"). AFS financial assets are classified as non-current, unless the assets mature within twelve months of the statement of financial position date, or management expects to dispose of it within twelve months of the statement of financial position date.

**4. Summary of significant accounting policies** *(continued)*

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of trade and other receivables and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method.

(iv) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include trade and other payables, deferred financing, current portion of long-term debt, convertible debentures and loan payable balances. Trade and other payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method.

All other financial liabilities measured at amortized cost are recognized initially at fair value, net of any transaction costs incurred, and subsequently measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months of the statement of financial position date. Otherwise, they are presented as non-current liabilities.

Compound Financial Instruments:

Compound financial instruments, namely the convertible debentures, are split into separate liability and equity components in accordance with the substance of the contractual arrangement. The liability component of the compound financial instrument is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportional to their initial carrying amounts.

h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic resources will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions for estimated expenses related to product warranties are made at the time products are sold. These estimates are established using historical information relating to the nature, frequency and average cost of warranty claims. Claims are assessed at each reporting date and adjustments to estimates are made based on updated historical information.

**Imaging Dynamics Company Ltd.**  
Notes to the Consolidated Financial Statements  
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**4. Summary of significant accounting policies** *(continued)*

i) Revenue recognition

Substantially all the revenue earned is the result of equipment sales. Revenue related to equipment sales is recognized when all the following conditions have been satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and,
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue has been recorded on a gross basis as the Company acts as principal by:

- bearing the primary responsibility to provide the goods and fulfill the order;
- incurring inventory risk;
- establishing prices; and,
- bearing credit risk.

Revenue has been recognized for “bill & hold” transactions when all of the following conditions have been satisfied:

- The buyer must have taken title to the goods and accepted billing;
- It must be probable that delivery will take place;
- The goods must be on hand, identified and be ready for delivery to the buyer at the time the sale is recognized; and,
- The buyer must specifically acknowledge the deferred delivery instructions. The usual payment terms must apply.

The Company uses an indirect distribution strategy whereby substantially all of the Company's revenues are earned through independent dealers and distributors and original equipment manufacturer (“OEM”) partners. For the majority of the sales, the dealers and OEM's are responsible for installation and after sales service to the end user. Once the equipment is shipped and title has transferred to the dealer or OEM, the Company does not have any contractual obligation to ensure the equipment's proper installation and functioning.

j) Deferred revenue

Deposits that have been paid for by customers but will qualify for recognition within the next twelve months of the statement of financial position date under the Company's policies is reflected in current liabilities as deferred revenue. Included in deferred revenue are payments received in advance associated with the sale of the Company's products.

**Imaging Dynamics Company Ltd.**  
Notes to the Consolidated Financial Statements  
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**4. Summary of significant accounting policies** *(continued)*

Deposits that have been paid for by customers but will not qualify for recognition within the next twelve months of the statement of financial position date under the Company's policies are reflected in non-current liabilities as long-term deferred revenue. The Company has no long-term deferred revenue at December 31, 2017 or December 31, 2016.

k) Segment reporting

The Company is organized into two sales geographic areas within one operating segment consisting of China and the Americas. These regions are organized to manage sales and distribution channels and are currently not maintained or managed as operating regions.

l) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the consolidated statement of operations and comprehensive loss except to the extent that it relates to items recognized directly in equity or in OCI.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Company follows the liability method of accounting for deferred taxes. Under this method deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

m) Research and development

Research costs are expensed as incurred. Development costs are deferred if the Company can demonstrate (i) the technical feasibility of completing the product or process, (ii) the intention to complete the project, (iii) the ability to use or sell the product in commercial production, (iv) future economic benefits that the product or process can generate, including the existence of a market for the output of the project, (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the product, and (vi) the ability to measure reliably the expenditure attributable to the project during development.

**Imaging Dynamics Company Ltd.**  
Notes to the Consolidated Financial Statements  
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**4. Summary of significant accounting policies** *(continued)*

If these criteria are not met, development costs are expensed as incurred. If the costs are deferred, they are amortized over their useful lives on a straight-line basis commencing with commercial production.

n) Foreign currency translation

(i) Foreign transactions

Transactions completed in currencies other than the functional currency are reflected in Canadian dollars at the exchange rates prevailing at the time of the transactions. Foreign currency assets and liabilities are translated to Canadian dollars at the period-end exchange rate. Revenue and expenses are translated into Canadian dollars using the average exchange rate for the period. Both realized and unrealized foreign exchange gain or losses resulting from the settlement or translation of foreign currency transactions are included in the consolidated statement of operations and comprehensive loss.

(ii) Foreign operations

Assets and liabilities of foreign operations are translated into Canadian dollars at the period-end exchange rate. Revenues and expenses of foreign operations are translated to Canadian dollars using the average exchange rate for the period. Foreign exchange differences resulting from converting the subsidiaries' accounts from their functional currencies to the Canadian dollar, are recorded in OCI and are reclassified to the consolidated statement of operations and comprehensive loss when there has been a disposal or partial disposal of the foreign operation.

o) Share-based payments

The fair value of any stock options granted to directors, officers and employees is recorded as an expense over the vesting period with a corresponding increase recorded to the share-based payments reserve. The fair value of the share-based payments is determined using the Black-Scholes option pricing model and management's assumptions as disclosed in Note 14. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in the share-based payments reserve is recorded as an increase to share capital.

p) Per share amounts

Basic earnings or loss per share is calculated by dividing the earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding for the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as stock options, warrants, convertible debentures and other dilutive instruments granted to employees. In the calculation of diluted per share amounts, outstanding dilutive instruments are assumed to have been converted or exercised on the later of the beginning of the year and the date granted. The number of additional shares related to convertible debentures is calculated assuming the debentures are converted into common shares by dividing the face value of convertible debentures by the conversion price. Earnings is adjusted for interest or accretion, net of tax, related to the convertible debentures. In loss per share situations, the diluted per share amount is the same as that for basic, as all factors are anti-dilutive.

**4. Summary of significant accounting policies** *(continued)*

q) Assets held for sale and discontinued operations:

(i) Assets held for sale

The Company classifies assets, or disposal groups, as held for sale when it expects to recover their carrying amounts primarily through sale rather than through continuing use. To meet criteria to be held for sale, the sale must be highly probable, and the assets or disposal groups must be available for immediate sale in their present condition. The Company must be committed to a plan to sell the assets or disposal group, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The Company measures assets or disposal groups at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill if any, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories or financial assets. Impairment losses on initial classification as held for sale are recognized before reclassifying to assets held for sale in the statement of comprehensive income (loss). and subsequent gains and losses on remeasurement; however, gains are not recognized in excess of any cumulative impairment loss. Upon classifying assets or disposal groups as held for sale, the Company presents the assets separately as a single amount and the associated liabilities separately as a single amount on the statement of financial position. Comparative period consolidated statements of financial position are not restated. Assets held for sale are not depreciated, depleted, or amortized.

ii) Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or classified as held for sale. The operations and cash flows can be clearly distinguished from the rest of the Company, both operationally and for financial reporting purposes. When the Company classifies an operation as a discontinued operation, it re-presents the comparative consolidated statements of income as if the operation had been discontinued from the start of the comparative year. In doing this, the Company excludes the results of the discontinued operations and any gain or loss from disposal from the consolidated statements of operations from continuing operations and presents them on a separate line as profit or loss (net of tax) from the discontinued operation. Per share information and changes to other consolidated comprehensive income (loss) related to discontinued operations are presented separately from continuing operations. Cash flows from discontinued operations are presented separately from cash flows from continuing operations in the consolidated statements of cash flows.

r) Accounting standards adopted

The Company adopted the following standards or amendments that were effective at January 1, 2017:

IAS 7 Statement of Cash Flows

In January 2016, the IASB issued Disclosure Initiative – Amendments to IAS 7 *Statement of Cash Flows*, which require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This standard is effective for annual periods beginning on or after January 1, 2017.

**4. Summary of significant accounting policies** (continued)

IAS 12 Income Taxes

In January 2016, the IASB issued amendments to IAS 12 *Income Taxes*, clarifying the accounting for deferred tax assets for unrealized losses. Entities must consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Guidance is also provided on how to determine future taxable profits and explains the circumstances whereby taxable profit may include the recovery of some assets for more than their carrying amount. This standard is effective for periods beginning on or after January 1, 2017.

s) Accounting standards not adopted

IFRS 9 – *Financial Instruments* ("IFRS 9") was issued by the IASB on December 16, 2011 and will replace the IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having two categories: amortized cost and fair value.

The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial asset. IFRS 9 also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. This standard is mandatorily effective from January 1, 2018, with earlier application permitted.

IFRS 15 – *Revenue from Contracts and Customers* ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18 – *Revenue*, IAS 11 – *Construction Contracts*, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard, and it is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 – *Leases* - On January 13, 2016, the IASB issued the final version of IFRS 16 *Leases*. The new standard will replace IAS 17 *Leases* and is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

IFRS 2 – *Share-based payment* – In June 2016 the IASB issued amendments to IFRS 2 to be applied for annual periods beginning on or after January 1, 2018 with early adoption permitted. The amendments clarify how to account for certain types of share-based payment transactions.

The Company is currently assessing the impact of the new standards on these consolidated financial statements.

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**5. Trade and other receivables**

As at December 31,		2017	2016
Trade receivables	Note 21	\$ 9,032,012	\$ 4,830,685
GST and other		(5,478)	11,821
Assets held for Sale	25	(8,882,821)	-
		<b>\$ 143,713</b>	<b>\$ 4,842,506</b>

Allowance for doubtful accounts of \$2,303,498 (2016 - \$199,098) has been netted against trade receivables (Note 21).

**6. Inventory**

As at December 31,		2017	2016
Inventory net of allowance for obsolescence	Note 21	\$ 2,587,831	\$ 2,198,902
Assets held for sale	25	(1,497,661)	-
Inventory net of allowance for obsolescence		<b>\$ 1,090,170</b>	<b>\$ 2,198,902</b>

Included in inventory is \$1,266,382 of purchased components and \$1,321,449 of finished goods. During the year ended December 31, 2017, the Company recorded a provision for inventory obsolescence of \$295,485 (2016 - \$24,906). Included in cost of sales is \$592,903 of inventory from continued operations and \$10,625,331 from discontinued operations.

**Imaging Dynamics Company Ltd.**  
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**7. Property, plant and equipment**

<b>Cost</b>	<b>Technical, lab and computer equipment</b>	<b>Leasehold improvements</b>	<b>Office equipment</b>	<b>Tradeshow equipment</b>	<b>Total</b>
<b>Balance,</b>					
December 31, 2015	\$ 1,967,220	\$ 95,362	\$ 499,201	\$ 1,099,100	\$ 3,660,883
Additions	125,625	527,929	73,367	5,975	732,896
Disposals	(9,237)	(95,362)	(8,404)	-	(113,003)
Foreign exchange	6,409	(5,203)	(1,350)	-	(144)
<b>Balance,</b>					
<b>December 31, 2016</b>	<b>2,090,017</b>	<b>522,726</b>	<b>562,814</b>	<b>1,105,075</b>	<b>4,280,632</b>
Additions	8,443	97,615	34,512	100,510	241,080
Disposals	-	-	(7,413)	-	(7,413)
Asset held for sale	(106,625)	(189,993)	(92,513)	(77,271)	(466,402)
<b>Balance,</b>					
<b>December 31, 2017</b>	<b>1,991,835</b>	<b>430,348</b>	<b>497,400</b>	<b>1,128,314</b>	<b>4,047,897</b>
<b>Accumulated depreciation</b>					
<b>Balance,</b>					
December 31, 2015	\$ 1,916,477	\$ 95,362	\$ 451,128	\$ 1,099,100	\$ 3,562,067
Depreciation	42,404	44,593	20,668	249	107,914
Disposals	(308)	(95,362)	(8,404)	-	(104,074)
Foreign exchange	(90)	(150)	(24)	-	(264)
<b>Balance,</b>					
<b>December 31, 2016</b>	<b>1,958,483</b>	<b>44,443</b>	<b>463,368</b>	<b>1,099,349</b>	<b>3,565,643</b>
Depreciation	44,857	106,214	20,326	19,639	191,036
Disposals	-	-	(7,413)	-	(7,413)
Asset held for sale	(46,399)	(93,626)	(18,214)	-	(158,239)
<b>Balance,</b>					
<b>December 31, 2017</b>	<b>1,956,941</b>	<b>57,031</b>	<b>458,067</b>	<b>1,118,988</b>	<b>3,591,027</b>
<b>Net book value as at:</b>					
December 31, 2016	\$ 131,534	\$ 478,283	\$ 99,446	\$ 5,726	\$ 714,989
<b>December 31, 2017</b>	<b>\$ 34,894</b>	<b>\$ 373,317</b>	<b>\$ 39,333</b>	<b>\$ 9,326</b>	<b>\$ 456,870</b>

**Imaging Dynamics Company Ltd.**  
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**8. Intangible assets**

<b>Cost</b>		<b>Software</b>	<b>Digital X-ray technology patents, development, and licenses</b>	<b>Total</b>
Balance, December 31, 2015	\$	742,882	\$ 391,964	\$ 1,134,846
Additions		54,919	1,166,361	1,221,280
Foreign exchange		(1,502)	(26,313)	(27,815)
Balance, December 31, 2016	\$	796,299	\$ 1,532,012	\$ 2,328,311
Additions		63,732	1,669,786	1,733,519
Foreign exchange		(4,769)	(17,569)	(22,338)
Assets held for sale		(115,464)	(1,448,002)	(1,563,466)
<b>Balance, December 31, 2017</b>	<b>\$</b>	<b>739,798</b>	<b>\$ 1,736,227</b>	<b>\$ 2,476,025</b>
<b>Accumulated amortization</b>				
Balance December 31, 2015		722,719	387,084	1,109,803
Amortization		31,265	30,373	61,638
Foreign exchange		(338)	53	(285)
Balance, December 31, 2016	\$	753,646	\$ 417,510	\$ 1,171,156
Amortization		36,648	42,143	78,791
Impairment		-	806,048	806,048
Foreign exchange		(88)	(141)	(229)
Assets held for sale		(54,400)	-	(54,400)
<b>Balance, December 31, 2017</b>	<b>\$</b>	<b>735,807</b>	<b>\$ 1,265,560</b>	<b>\$ 2,001,366</b>
<b>Net book value as at:</b>				
December 31, 2016	\$	42,653	\$ 1,114,502	\$ 1,157,155
<b>December 31, 2017</b>	<b>\$</b>	<b>3,992</b>	<b>\$ 470,667</b>	<b>\$ 474,659</b>

**9. Trade and other payables**

As at December 31,		<b>2017</b>		<b>2016</b>
Trade payables	\$	6,398,856	\$	2,995,016
Interest payable		1,238,966		815,009
Other payables and accruals		1,603,700		501,661
Assets held for sale		(7,395,462)		-
Trade and other payables	\$	1,846,060	\$	4,311,686

**Imaging Dynamics Company Ltd.**  
**Notes to the Consolidated Financial Statements**  
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**10. Deferred financing**

The Company received \$13,702,624 (CNY- 71,071,401) in 2017 in advance of the new investment. This financing was pending approval, which was received on May 2, 2018 and has been presented as Liabilities Associated with Asset held for Sale (Note 25).

**11. Loan payable**

On May 23, 2017, the Company established a short-term loan payable with a private corporation controlled by a director of the Company. Under this loan, the Company received an advance of 10,000,000 CNY or an equivalent of \$1,928,008. This CNY denominated loan bears interest at 7% per annum. The full amount of the loan is due on May 23, 2018 and the associated interest payments are due quarterly. This amount has been presented as Liabilities Associated with Asset held for Sale (Note 25).

**12. Convertible debentures**

As at December 31,	2017	2016
Convertible debentures, face value		
September 28, 2015 offering	\$ 6,250,000	\$ 6,250,000
January 22, 2016 offering	5,750,000	5,750,000
October 7, 2016 offering	6,000,000	6,000,000
June 8, 2017 partial redemption	(150,000)	-
	<b>17,850,000</b>	<b>18,000,000</b>
Equity portion of debentures	(944,564)	(944,564)
Amortization of discount	707,621	309,912
Issue costs	(106,805)	(106,805)
Balance, convertible debentures	\$ 17,506,252	\$ 17,258,543
Less current portion	(12,034,707)	-
	<b>\$ 5,471,545</b>	<b>\$ 17,258,543</b>

During 2015 and 2016, the Company completed the following non-brokered private placement financings of convertible debentures. The convertible debentures are compound financial instruments consisting of the debt instrument and an equity feature.

a) On September 28, 2015, the Company completed a convertible debentures financing for gross proceeds of \$6,250,000 in principal amount. The convertible debentures have a maturity date of September 28, 2018, bear interest at a rate of 6.0% per year payable annually, and are convertible into common shares of the Company at the holder's option at a conversion price of \$0.10 per common share for a period of three years on or before September 28, 2018. The debt instrument was recorded at amortized cost using the effective interest method at an annual discount rate of 8.28% over the 3 year life of the debentures. The gross proceeds of \$6,250,000 were allocated between the debt instrument for \$5,884,611 and to the equity component for \$365,389.

**Imaging Dynamics Company Ltd.**  
Notes to the Consolidated Financial Statements  
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**12. Convertible debentures** *(continued)*

b) On January 22, 2016, the Company completed a convertible debentures financing for gross proceeds of \$5,750,000 in principal amount. The convertible debentures have a maturity date of January 22, 2019, bear interest at a rate of 6.0% per year payable annually, are convertible into common shares of the Company at the holder's option at a conversion price of \$0.15 per common share for a period of three years on or before January 22, 2019, and are secured by a first charge against the assets of the Company. The debt instrument was recorded at amortized cost using the effective interest method at an annual discount rate of 8.28% over the life of the debenture of 3 years. The gross proceeds of \$5,750,000 were allocated between the debt instrument for \$5,413,842 and to the equity component for \$336,158.

c) On October 7, 2016, the Company completed a convertible debentures financing for gross proceeds of \$6,000,000 in principal amount. The convertible debentures have a maturity date of October 7, 2018, bear interest at a rate of 6.0% per year payable annually, are convertible into common shares of the Company at the holder's option at a conversion price of \$0.125 per common share for a period of two years on or before October 7, 2018, and are secured by a first charge against the assets of the Company. The debt instrument was recorded at amortized cost using the effective interest method at an annual discount rate of 8.28% over the life of the debenture of 2 years. The gross proceeds of \$6,000,000 were allocated between the debt instrument for \$5,756,983 and to the equity component for \$243,017.

d) On June 8, 2017, \$30,000 Convertible debentures issued on January 22, 2016 were redeemed by the holder thereof. Interest of \$2,471 was also paid to the holder of the debenture.

e) On Oct 31, 2017, \$120,000 Convertible debentures issued on January 22, 2016 were redeemed by the holder thereof. Interest of \$5,563 was also paid to the holder of the debenture.

All per share amounts have been adjusted for a 5 to 1 consolidation that took place in June 2016 (see Note 13).

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**13. Share capital**

a) Authorized:

An unlimited number of common shares  
An unlimited number of non-voting redeemable preferred shares

b) Issued and outstanding:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning and end of period	58,857,656	\$ 78,147,450	58,857,656	\$ 78,147,450

- i. At a Special Meeting on February 29, 2016 the shareholders approved the Board of Directors to effect, a consolidation (or reverse stock split) of the outstanding Common Shares (the "Share Consolidation"), at a consolidation ratio of one (1) for five (5), (being one (1) post-consolidation common share for every five (5) pre-consolidation common shares). The Share Consolidation was completed on June 29, 2016 and as a result there were 58,857,656 common shares outstanding at June 30, 2016.

**14. Share-based payments**

The Company has established a share-based compensation plan for its directors, officers, employees, consultants and other key personnel (the "Stock Option Plan"). Under the Stock Option Plan, the Company may grant up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option is determined by the market price of the Company's stock on the date of the grant and an option's maximum term is five years and they vest immediately.

There were no stock options granted during 2017 and 2016.

As at December 31, 2017, 4,185,766 common shares (2016 - 4,131,366) remains in reserve. Under the Stock Option Plan, the following options are outstanding as at the dates shown as follows:

	December 31, 2017		December 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	1,754,400	\$0.26	3,761,700	\$0.06
Issued in the period	-		-	
Cancelled / expired in the period	(54,400)	\$0.50	(2,007,300)	\$0.33
Balance, end of period	1,700,000	\$0.25	1,754,400	\$0.26
Options exercisable at the end of the period	1,700,000	\$0.25	1,754,400	\$0.26

**Imaging Dynamics Company Ltd.**  
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**14. Share-based payments** *(continued)*

The following table presents the reconciliation of share-based payments reserve with respect to share-based compensation:

Since December 31, 2015, the share-based payments reserve with respect to share-based compensation is \$7,186,107 and all of the options issued vested immediately on the grant date.

**Stock option plan**

The following table summarizes information of the Company's Stock Option Plan as at December 31, 2017:

Range of exercise price in dollars	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life (months)	Weighted average exercise price	Number of options	Weighted average exercise price
up to \$0.25	1,700,000	28.6	\$0.25	1,700,000	\$0.25
	1,700,000	28.6	\$0.25	1,700,000	\$0.25

The following table summarizes information of the Company's Stock Option Plan as at December 31, 2016. All numbers have been adjusted for the 5:1 consolidation completed in June 2016:

Range of exercise price in dollars	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life (months)	Weighted average exercise price	Number of options	Weighted average exercise price
up to \$0.25	1,700,000	40.7	\$0.25	1,700,000	\$0.25
\$0.30 to \$0.50	54,400	8.9	\$0.50	54,400	\$0.50
	1,754,400	39.8	\$0.26	1,754,400	\$0.26

There were no stock options granted in the year ended December 31, 2017.

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**15. Contributed surplus**

The following table presents the reconciliation of contributed surplus with respect to warrants and convertible debentures:

For the year ended December 31,	2017		2016	
Balance, beginning of period	\$	5,507,196	\$	5,084,398
Convertible debenture issued (net of tax)		-		422,798
Balance, end of period	\$	5,507,196	\$	5,507,196

**16. Per share amounts**

The following table presents the reconciliation between basic and diluted loss per share:

For the years ended December 31,	2017		2016 *	
Net loss for the period attributable to owners of the Company - Continued operations	\$	(4,022,535)	\$	(5,672,660)
Net loss for the period attributable to owners of the Company - Discontinued operations	\$	(7,568,499)	\$	(3,109,189)
Weighted average number of common shares outstanding		58,857,656		58,857,656
Basic and diluted loss per share- Continued operations	\$	(0.07)	\$	(0.05)
Basic and diluted loss per share- Discontinued operations	\$	(0.13)	\$	(0.05)

\* adjusted for 5:1 consolidation completed June 29, 2016

\*\* In calculating diluted common share numbers for the year ended December 31, 2017, the Company excluded 1,700,000 outstanding options (2016 – 1,754,000\*), and 147,833,333 (2016 - 148,833,333) shares issuable on conversion of convertible debentures because they were anti-dilutive.

**17. Supplementary information**

Change in non-cash working capital:

For the years ended December 31,	2017		2016	
Trade and other receivables	\$	(4,184,028)	\$	(4,752,765)
Inventory		(388,929)		(1,993,238)
Prepaid expenses and other		(4,589,435)		(484,960)
Trade and other payables		3,761,725		1,773,823
Customer deposits		105,032		108,497
Lease inducement		(37,709)		76,849
Warranty provision		(27)		(14,328)
	\$	(5,333,371)	\$	(5,286,122)

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**18. Related party transactions**

The following transactions were entered into with related parties during the year ended December 31, 2017:

- a) Officers and a private corporation controlled by an officer of the Company provided \$10,483,754 of the total \$17,850,000 principal of convertible debentures financing raised in 2015 and 2016. The Company incurred 6% coupon interest expense of \$632,625 (2016 - \$564,218) on the portion of these Convertible Debentures held by the related parties, of which \$1,234,842 (2016 - \$288,504) is included in trade and other payables. The terms of these transactions with those related parties were the same as those with arms-length participants.
- b) Key management personnel compensation - the Company considers the key management personnel of the Company to be its officers and directors. The compensation included in the consolidated statement of operations and comprehensive loss relating to key management personnel for the years ended December 31, 2017 and 2016 was as follows:

For the years ended December 31,	2017		2016	
Salaries / compensation	\$	557,494	\$	675,478
Share-based compensation		-		-
<b>Total for the period</b>	<b>\$</b>	<b>557,494</b>	<b>\$</b>	<b>675,478</b>

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**19. Income taxes**

a) Reconciliation of effective tax rate for continuing operations

The income tax expense differs from the amounts which would be obtained by applying the expected statutory income tax rate of 27% (2016 - 27%) as follows:

	2017	2016
<b>Loss from continuing operations before income taxes</b>	<b>\$ (4,022,535)</b>	<b>\$ (5,829,037)</b>
Statutory income tax rate	27.00%	27.00%
Tax expense (recovery)	<b>\$ (1,086,084)</b>	<b>\$ (1,573,841)</b>
Non-deductible expenses and other	5,440	10,366
Change in tax rates and other	-	(302,811)
Change in unrecognized deferred tax assets	1,080,644	1,709,909
<b>Income tax provision (recovery)</b>	<b>\$ -</b>	<b>\$ (156,377)</b>

b) Deferred tax assets (liabilities)

The change in the unrecognized deferred tax assets does not include the change related to discontinued operations. The change in the unrecognized deferred tax assets for discontinued operations is \$1,007,278 (2016 - nil).

Deferred tax assets (liabilities) have been recognized as follows:

	2017	2016
Convertible debentures	<b>\$ (91,764)</b>	<b>\$ (200,193)</b>
Non-capital losses	91,764	200,193
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2017	2016
Property, plant and equipment	<b>\$ 7,445,458</b>	<b>\$ 7,515,638</b>
Intangible assets	154,863	21,054
Research and development costs	146,839	146,839
Share insurance costs	26,027	30,008
Warranty provision	32,482	22,077
Non-capital losses	15,810,248	13,792,379
<b>Total</b>	<b>\$ 23,615,918</b>	<b>\$ 21,527,995</b>

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**19. Income taxes** *(continued)*

Included in the deductible temporary differences are amounts related to assets held for sale. The amounts related to assets held for sale are comprised of the following taxable temporary differences:

Property, plant and equipment \$83,204 and Intangible assets \$7,319.

c) Losses and tax credits

The Company has non-capital losses for income tax purposes in Canada of approximately \$51,442,000 which are available to be applied against future years' taxable income. The benefit of these non-capital losses has not been recognized in the financial statements.

These non-capital losses will expire as follows:

	Amount
2026	\$ 10,742,000
2027	-
2028	15,606,000
2029	5,347,000
2030	2,313,000
2031	3,183,000
2032	1,736,000
2033	2,001,000
2034	1,320,000
2035	3,442,000
2036	2,011,000
2037	3,201,000
	<u>\$ 51,442,000</u>

As of December 31, 2017, the Company has net operating losses for income tax purposes in the U.S. of approximately \$125,000 (2016 - \$125,000). The Company also has net operating losses for income tax purposes in Hong Kong of \$88,000 (2016 - \$88,000) which have no expiry date, and China of \$7,448,000 (2016 - \$3,910,000) which begin to expire in 2020. The benefit of these non-capital losses has not been recognized in the financial statements

As of December 31, 2017, the Company has Scientific Research and Experimental Development (SR&ED) Investment Tax Credit (ITC) carryovers in Canada of approximately \$544,000, which are available to be applied against future years' taxes payable.

The benefits of the ITC carryovers have not been recognized in the consolidated financial statements. These carryovers will expire as follows:

2018	\$ 69,000
2019	153,000
2020	-
2021	322,000
	<u>\$ 544,000</u>

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**20. Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and sales of its digital imaging products and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' deficiency and the long-term debt which consists of the following:

As at December 31,	2017	2016
Convertible debentures	\$ 17,506,252	\$ 17,258,543
Shareholders' deficiency	(20,476,574)	(8,942,554)
	\$ (2,970,322)	\$ 8,315,989

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new equity or issue new debt.

**21. Financial risk management**

The Company is exposed to a variety of financial risks by virtue of its activities, including fair value risk, currency risk, credit risk, interest rate risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is supervised by the Chief Executive Officer under the direction and guidance from the Company's Board of Directors. The Company identifies and evaluates financial risks in close cooperation with other management personnel. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

***Fair value risk:***

Fair value of financial instruments:

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, current portion of long-term debt, deferred financing and loan payable approximate fair value due to the short-term nature of these instruments. The fair value of the convertible debenture is calculated by discounting future debt service payments using an estimated market rate of interest.

Any financial assets and financial liabilities measured at fair value (currently there are none) in the consolidated statement of financial position are grouped into three levels of fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: unobservable inputs for the asset or liability.

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**21. Financial risk management (continued)**

**Currency risk**

The Company operates internationally and is exposed to foreign exchange risk from various currencies, primarily US Dollars and CNY. Foreign exchange risk arises from the purchase and sale transactions as well as financial assets and liabilities denominated in foreign currencies.

A significant change in the currency exchange rates between the Canadian dollar relative to the other /currencies could have an effect on the Company's results of operations, financial position or cash flows. Foreign exchange contracts are only entered into for purposes of managing foreign exchange risk and not for speculative purposes. As at December 31, 2017 and December 31, 2016, there were no foreign exchange contracts outstanding.

At December 31, 2017, the Company is exposed to currency risk through the following assets and liabilities denominated in other currencies:

	US Dollars (\$)	CNY (¥)
Cash and equivalents	13,544	11,011,986
Trade accounts and loans receivable	203,480	46,587,133
Trade accounts and loans payable	108,966	32,467,342
	325,990	90,066,461

At December 31, 2016, the Company is exposed to currency risk through the following assets and liabilities denominated in other currencies:

	US Dollars (\$)	CNY (¥)
Cash and equivalents	940,854	15,477,796
Trade accounts receivable	141,137	23,745,584
Trade accounts and loans payable	(97,653)	(16,070,155)
	984,338	23,153,225

Based on the above net exposures as at December 31, 2017 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against other currencies would result in an increase or decrease of approximately \$1,777,377 (2016 - \$579,000) in the Company's net loss for the year.

Foreign exchange differences resulting from converting the subsidiaries' financial statements from their functional currencies to the Canadian dollar are recorded in OCI. As of December 31, 2017, assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against other currencies would result in an increase or decrease of approximately \$248,365 (2016 - \$490,000) in the Company's OCI for the year.

**21. Financial risk management** *(continued)*

***Credit risk***

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company manages credit risk by maintaining bank accounts with Tier 1 banks. Any short-term investment included in cash and cash equivalents would be composed of financial instruments issued by Canadian banks. The Company's trade and other receivables consist of trade receivables from the sale of the product. Trade receivables include amounts receivable for normal terms and extended terms, which are generally made to credit worthy purchasers. The Company uses an indirect distribution strategy whereby substantially all of the Company's revenues are earned through dealers, distributors and OEM partners.

Most of the Company's distribution partners have income streams from various sources and have an established history of providing goods and services to the health care industry. The Company does not usually sell to the end user and as such has limited recourse in collecting any delinquent balances. In cases where collection is in question, the Company has the ability to withhold warranty support or warranty parts to a dealer that has not paid, remove the dealer as a qualified Company dealer, as well as any and all legal recourse measures.

In the Asian medical device industry, it is a local industry practice that companies, especially state-owned and small private companies, do not normally pay vendors based on advance payment credit terms. Vendors often do not charge interest for late payments. Many Asian companies structure and make payments to vendors based on their cash flow. As a result, it is common in the Asian medical device industry for receivables to be overdue for over one year. Given these extended payment terms, there is further credit risk that could result in an increase to uncollectible accounts in the future. As of December 31, 2017, the Company has a large amount of receivables from Chinese customers that are included in the past due 31 – 180 days category and are not considered impaired. As of December 31, 2017, trade accounts receivable from discontinued operations includes \$6,657,176 owing from three customers representing individually over 10% each of the outstanding accounts receivable. Given this business practice, the Company currently believes its allowance for doubtful accounts is adequate, but continues to monitor its outstanding receivables.

At December 31, 2017, the Company recognized an allowance for doubtful accounts of \$180,491 (2016- \$199,098) from continuing operations and \$2,123,007 (2016 - \$Nil) from discontinued operations. The bad debt provision as at December 31, 2017 is net of amounts collected from amounts for which provisions had previously been recorded.

The carrying amount of trade and other receivables and cash and cash equivalents represents the maximum credit exposure.

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**21. Financial risk management** (continued)

Aging of trade receivables as at December 31, 2017 and December 31, 2016 is represented as follows:

As at December 31,	2017		2016	
Not past due	\$	4,898,062	\$	260,525
Past due 31 - 180 days		508,847		4,512,058
Past due 181 - 365 days		350,526		-
Over 365 days		5,578,074		257,200
		11,335,509		5,029,783
Allowance for doubtful accounts		(2,303,498)		(199,098)
	\$	9,032,012	\$	4,830,685

The movement in the Company's allowance for doubtful accounts is as follows:

As at December 31,	2017		2016	
Opening balance	\$	199,098	\$	235,267
Bad debt expense		2,123,007		5,918
Recoveries		-		(31,024)
Foreign exchange		(18,607)		(11,063)
Closing balance	\$	2,303,498	\$	199,098

**Economic Dependence**

Three customers represented 48.90% of the total revenue during the year ended December 31, 2017 as compared to four customers representing 56.33% during the year ended December 31, 2016. These customers relate to the discontinued operations.

Two vendors represented 54.76% of purchases during the year ended December 31, 2017 compared to two vendors representing 52.00% during the year ended December 31, 2016. These vendors relate to the discontinued operations.

During the year, the Company had various transactions with a business counter party Addison HaiAn Digital Medical Equipment Limited ("HaiAn"). HaiAn is an Operating Equipment Manufacturer (OEM) for IDC Shanghai. IDC Shanghai sells raw materials to HaiAn, and in turn, HaiAn sells the manufactured products to Beijing. HaiAn holds inventory in its warehouse on behalf of IDC. IDC Shanghai has recorded \$13.2M (66,200,000RMB) in revenue and \$11.9M (59,800,000) in purchases from HaiAn.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The risk related to the Company's long-term debt is limited due to the fixed interest rate.

The risk that the Company will realize a loss as a result of a decline in the fair value of any short-term investments included in cash and cash equivalents is limited due to the short-term nature of the assets.

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**21. Financial risk management** *(continued)*

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due (see Note 2). The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company.

The Company currently settles its financial obligations with cash. In order to meet its financial liabilities, the Company relies on collecting its trade and other receivables in a timely manner, sale of inventory and by maintaining sufficient cash in excess of anticipated needs.

The following are the contractual maturities of financial liabilities and other commitments as at December 31, 2017 aside from liabilities related to assets held for sale (Note 25):

Financial liabilities and commitments	< One Year	> One Year
Convertible debentures	\$ 12,034,707	\$ 5,471,545
Trade and other payables	1,906,786	-
Loan payable	-	-
Total	\$ 13,941,493	\$ 5,471,545

The following are the contractual maturities of financial liabilities and other commitments as at December 31, 2016:

Financial liabilities and commitments	< One Year	> One Year
Convertible debentures	\$ -	\$ 17,258,543
Trade and other payables	4,311,686	-
Loan payable	3,860,035	-
Total	\$ 8,171,721	\$ 17,258,543

It is the Company's intention to meet these obligations through the collection of trade and other receivables, sale of inventory and the receipt of future progress payments on amounts not yet invoiced, as well as looking for other external financing sources.

**22. Segmented information**

The Company determines its operating segments based on internal information regularly reviewed by management to allocate resources and assess performance. The Company is organized into two sales geographic areas consisting of China and the Americas. These regions are organized to manage sales and distribution channels and are not currently maintained or managed as operating regions.

The Company sells primarily through dealers, distributors and OEM partners.

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Segmented revenues for the years ending December 31, 2017 and 2016 are as follows:

	Note	China (Discontinued operations)	Americas (Continued operations)	Total
2017	25	\$ 12,166,941	\$ 875,175	\$ 13,042,116
2016		\$ 6,605,402	\$ 937,797	\$ 7,543,199

**23. Commitments and contingencies**

a) The Company is committed to the following operating lease payments:

	Facility Canada	Facility China	Automobile Canada	Total
2018	\$ 307,872	\$ 598,528	\$ 3,873	\$ 910,273
2019	316,498	254,994	-	571,492
2020	325,124	-	-	325,124
2021	328,000	-	-	328,000
2022	165,438	-	-	165,438
	\$ 1,442,932	\$ 853,521	\$ 3,873	\$ 2,300,326

The Company also has a contracted commitment for capital contributions payable to IDC Guangzhou Ltd. of 2,040,000 CNY (\$393,130 CAD).

**24. Operating expenses by nature**

For the years ended December 31,	Notes	2017	2016
Employee related		\$ 4,971,044	\$ 3,875,798
Travel and related		696,726	734,853
Professional fees		596,864	742,811
Facility and utilities		993,235	952,116
Communications		51,379	63,664
Other administrative costs		271,407	269,581
Trade shows and marketing		470,983	440,949
Research supplies		101,750	-
Insurance		112,908	43,612
Depreciation, amortization and impairment		1,020,561	54,214
Bad debt expense		2,123,522	(25,106)
Discontinued Operations	25	(8,734,031)	(4,758,464)
		\$ 2,676,349	\$ 2,394,028

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**25. Assets held for sale discontinued operations**

During the year, IDC Shanghai, a wholly owned subsidiary, entered into a financing arrangement. The financing arrangement will result in the Company losing control of IDC Shanghai. The financing is pending government approval and is expected to be in May 2018. Thus, the assets and liabilities of IDC Shanghai and its subsidiaries were classified as a disposal group held for sale and results have been presented as a discontinued operation in the comparative consolidated statements of income (loss) separately from continuing operations.

The major classes of assets and liabilities of IDC Shanghai and its subsidiaries classified as held for sale as at December 31, 2017 are as follows:

	2017
<b>Current assets</b>	
Cash and cash equivalents	\$ 2,512,542
Trade and other receivables	8,882,821
Inventory	1,497,661
Prepaid expenses and others	5,387,157
	<u>18,280,181</u>
<b>Long term Assets</b>	
Property, Plant and Equipment	\$ 308,163
Intangible Assets	1,486,956
Other long term assets	22,110
	<u>1,817,230</u>
<b>Assets held for sale</b>	<b>\$ 20,097,411</b>
	<u>2017</u>
Trade and other payables	\$ 7,395,462
Customer deposits	229,819
Lease inducement	26,103
Deferred financing	13,702,624
Short term loan	1,928,008
Other long term debt	4,351
<b>Liabilities directly associated with assets held for sales</b>	<b>\$ 23,286,366</b>

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**25. Assets held for sale discontinued operations** *(continued)*

Loss on discontinued operations, net of income taxes, for IDC Shanghai and its subsidiaries are as follows:

For the years ended December 31,	Note	2017	2016
<b>Revenues</b>		\$ 12,166,941	\$ 6,605,402
<b>Cost of sales</b>		10,625,331	4,938,945
<b>Gross profit</b>		1,541,610	1,666,457
<b>Expenses</b>			
Sales and marketing		2,265,309	2,636,515
General and administrative	24	4,025,664	1,603,538
Production and manufacturing		-	120,000
Research and development		250,934	342,132
Foreign exchange loss (gain)		13,287	(57,827)
Bad debt expense (recovery)		2,123,522	-
Depreciation of property, plant and equipment	7	51,692	57,481
Amortization of intangible assets	8	3,622	57,857
Gain on Disposition of property, plant and equipment		-	(1,232)
		\$ 8,734,031	\$ 4,758,464
<b>Loss before finance costs</b>		(7,192,420)	(3,092,007)
<b>Finance costs</b>			
Interest expense		442,010	42,949
Interest and other income		(65,932)	(25,767)
<b>Income before taxes</b>		(7,568,499)	(3,109,189)
Deferred tax recovery	19	-	-
<b>Net loss</b>		(7,568,499)	(3,109,189)
<b>Other comprehensive income</b>			
Foreign currency translation (loss) gain		(29,727)	(529,476)
<b>Net loss and comprehensive loss</b>		\$ (7,598,226)	\$ (3,638,665)

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**25. Assets held for sale discontinued operations** *(continued)*

Operating expenses by nature from discontinued operations:

For the years ended December 31,	2017	2016
Employee related	\$ 4,574,332	\$ 2,851,062
Travel and related	511,964	534,346
Professional fees	85,312	144,206
Facility and utilities	655,219	633,940
Communications	31,705	50,375
Other administrative costs	229,945	164,694
Trade shows and marketing	395,812	265,735
Research supplies	70,906	-
Depreciation, amortization and impairment	55,314	114,106
Bad debt expense	2,123,522	-
	<b>\$ 8,734,031</b>	<b>\$ 4,758,464</b>

**26. Business combination**

On April 10, 2017, IDC Beijing closed on the acquisition of 51% of the common shares of Guangzhou Service Medical Tech. Co. Ltd (“Guangzhou Service”) for \$98,635 (510,000 RMB). Guangzhou Service is a Chinese company that will provide servicing of equipment in the medical device industry. Upon closing of the transaction, the name of the subsidiary was subsequently changed to IDC (Guangzhou) Ltd.

IDC (Guangzhou) Ltd. is a subsidiary of IDC Shanghai and its assets, liabilities, revenue and expenditures are included in the assets held for sale and the discontinued operations (Note 25). The acquired assets included assets held for sale are \$310,387 and the liabilities included in liabilities related to assets held for sale are \$62,928.

From the date of acquisition April 10, 2017 to December 31, 2017, the acquisition contributed \$235,390 to the loss from discontinued operations. If the acquisition had taken place at the beginning of the year, profit for the 2017 year would have been \$324,200.