Polarean Imaging Plc

Group Annual Report & Accounts 2022

Company Number 10442853

Contents

Company Information

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	Richard Hullihen	*Chief Executive Officer*
	Charles Osborne	*Chief Financial Officer*
	Bastiaan Driehuys, PH.D.	*Chief Technology Officer*
	Jonathan Allis, PH.D.	*Non-Executive Director (resigned 4 May 2022)*
	Daniel Brague	*Non-Executive Director (appointed 4 May 2022)*
	Juergen Laucht	*Non-Executive Director*
	Cyrille Petit	*Non-Executive Director*
	Frank Schulkes	*Non-Executive Director (appointed 13 April 2022)*
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Chairman's Statement

I am pleased to be able to write this letter with the very important milestone of United States Food & Drug Administration ("FDA") approval of the Company's drug device combination product, XENOVIEW, having been accomplished. The broad label of "evaluation of lung ventilation in adults and pediatric patients aged 12 years and older" allows the company to execute its commercial strategy of selling its polarizer and approved gas for clinical scans of patients suffering from a number of lung diseases where the accurate measurement of lung ventilation provides the physician with actionable diagnostic information. In addition, researchers using Polarean's technology continue to conduct clinical research that supports the broad future potential applications of our technology in areas of gas exchange and cardiopulmonary diagnostics. We are excited to bring Polarean's technology to clinical medicine, with the potential to be an important part of pulmonary and cardiopulmonary diagnostics, monitoring of severity of disease and patient response to treatments.

During 2022, we strengthened our Board with the addition of three independent Non-Executive Board members who bring extensive industry and medical experience to the Board to assist the company's successful transition into the commercialization stage. Frank Schulkes brings substantial financing experience in the medical imaging industry and Dan Brague brings experience successfully commercializing diagnostic imaging products. In addition, Dr. Marcella Ruddy brings important pulmonary medical expertise, both in clinical practice and in pharmaceutical development. With these additions to our Board, we believe that we have a world-class Board that can lead the company to successful commercialization of Xenoview.

Having achieved FDA approval, our efforts are now focused on gaining commercial traction and engaging with potential corporate partners to further accelerate our commercial success. Once we have achieved some of these near-term milestones, we will explore the options for additional financing to more aggressively pursue the development of the next indications and advance the continued development of our polarizer system and software. The Company is exploring a broad range of options for future financing, including equity raises and corporate partnering.

On behalf of the Board, I want to thank our employees, stakeholders and shareholders and assure them that we are committed to making Xenoview a commercial and financial success.

Kenneth West
Non-Executive Chairman

25 May 2023

Chief Executive Officer's Statement

2022 – Year of Obtaining FDA Approval

We spent much of 2022 working on obtaining FDA approval of our New Drug Application ("NDA") for XENOVIEW and were please received our approval on 23 December 2022. After receiving a Complete Response Letter ("CRL") from the FDA in October 2021, we spend the subsequent six months addressing the issues raised in the CRL. On 30 March 2022, the Company refiled the NDA with the FDA. The resubmission addressed the items identified in the CRL. On 22 September the Company announced that the FDA had requested additional information related to the cGMP (Current Good Manufacturing Practice) pre-approval inspection at the partner's production facility. The Company and its partner addressed the FDA's request and the Company received FDA approval on 23 December 2022. We were very pleased to receive the broad label of evaluation of lung function in adults and pediatric patients twelve and older. In addition, the FDA indicated that they would allow us to submit a non-clinical plan to obtain approval in pediatric patients six and older. The FDA has granted New Chemical Entity ("NCE") designation for Xenoview. NCE designation provides the important first mover protection envisioned under the Hatch Waxman legislation.

Commercialization

With FDA approval, the Company is focused on successful commercialization of XENOVIEW for the evaluation of lung function. The Company has an enthusiastic base of US institutions who have been using our technology for research purposes for years. We are leveraging this knowledge and enthusiasm by converting its US research sites to FDA approved configuration and clinical use, which will allow these sites to purchase Xenoview and perform clinical scans. In parallel, we are pursuing various reimbursement codes that could enable the hospitals to be reimbursed for Xenoview, the polarization process, the MRI procedure and the analysis of the pulmonary function imaging. If obtained, we believe that this reimbursement would enable a very compelling return on investment for hospitals to purchase our polarizer systems. We are aggressively pursuing our early commercialization targets of the sale of 15 to 20 polariser systems and 75 to 100 cylinders of Xenoview by the end of 2024.

We are focusing initially on addressing the high end of the US academic and teaching hospital market segment, which comprises approximately the top 1000 institutions nationally having coincident multiple Centres of Excellence in Pulmonary Medicine and Radiology. We believe our strategy of selling the capital equipment and the Xenoview drug on a per cylinder basis could provide a capital equipment and recurring drug sales model that supports rapidly growing revenue.

Financials

Sales for 2022 were below our original expectations, as we did not receive FDA approval in October 2022 as anticipated in the plan. We adjusted our spending plans commensurate with the delayed approval, which allowed us to finish 2022 with a higher than anticipated cash balance of US$16.4 million. We continued to sell our polariser systems into the research market and completed two installations during 2022. The current cash balance is expected to fund the company into late Q2-2024.

Corporate Partnering

We continue to believe that corporate partnering could be an important part of the Company's business plan. We see the opportunity to help the pharmaceutical industry reduce by significant amounts the size, time required to conduct and costs of their pulmonary drug clinical trials by providing quantitative, reproducible image-based data. We also see the opportunity to partner with MRI manufacturers to open up the MRI applications space to include pulmonary diagnostics, driving the demand for more MRI systems. In addition, we will explore the opportunity to partner with pulmonary disease organizations and foundations to incorporate the use of Xenoview in the diagnosis and treatment of disease.

Chief Executive Officer's Statement (continued)

Future Indications

Researchers are currently conducting clinical trials and pharmaceutical company sponsored investigations in multiple areas of pulmonary disease using our technology. These studies are highlighting the exciting opportunities in the areas of long COVID and cardiopulmonary vascular disease. We believe that these areas could greatly expand the total addressable markets and use of the Company's technology in the future.

2023 and Beyond

As discussed above, we are focused on achieving early commercial traction with our broad lung function evaluation label granted by the FDA in late 2022. In parallel, we are exploring a variety of partnering opportunities. Once we have achieved some of these near-term milestones, we will explore the appropriate timing and structure to finance the continued commercial efforts, clinical trials to seek approval for the high-value gas exchange and pulmonary vascular disease indications and continue to improve our polariser system and imaging software.

This important milestone of FDA approval would not have been possible without the dedicated team of employees, consultants and advisers working to bring our much needed technology to clinicians, their patients and the institutions enabling their care. I thank everyone for their hard work in accomplishing this significant achievement.

Richard Hullihen
Chief Executive Officer

25 May 2023

Strategic Report

1. Introduction

The Group comprises medical drug-device combination companies operating in the high-resolution medical imaging market. The Group develops equipment that enables existing MRI systems to achieve an improved level of pulmonary functional imaging and specialises in the use of polarised xenon gas (^{129}Xe) as an imaging agent to visualise ventilation (the ability of air to reach the alveoli) and gas exchange (the ability of oxygen to diffuse through the alveolar membrane into the pulmonary vasculature) regionally down to the smallest airways of the lungs, the tissue barrier between the lung and the bloodstream and in the pulmonary vasculature; and now also microvascular haemodynamics within the lung, a novel diagnostic approach. The Group will also register and sell the high-performance MRI radiofrequency (RF) coils which are a required component for imaging ^{129}Xe in the MRI system. Providing access to these coils facilitates the adoption of the Xenon technology by providing application-specific RF coils which optimise the imaging of ^{129}Xe in MRI equipment.

The Group was formed on 31 May 2017 when the Company acquired Polarean, Inc (the "Subsidiary"). The Subsidiary was formed as a result of two mergers: the first between Polarean Merger-Sub Inc. and m2m, a company that the Subsidiary had developed a relationship with during the course of previous research and commercialisation programmes in the US and the second between m2m and the Subsidiary. m2m was previously a portfolio company of Amphion Innovations plc ("Amphion"), a developer of medical, life science, and technology businesses, which is itself currently listed on AIM.

2. Investment Case

Pulmonary disease currently affects hundreds of millions of people globally, including approximately 174 million people who suffer from Chronic Obstructive Pulmonary Disease ("COPD"), which is responsible for approximately 6% of such deaths globally each year. In the US more than 30 million people suffer from a chronic lung disease such as COPD, which includes emphysema, chronic bronchitis and asthma. In addition to its significant human toll, pulmonary disease also represents an economic burden in excess of US$150 billion annually in the US alone.

Every type of pulmonary disease involves some combination of ventilation and/or gas exchange impairment, yet the successful and cost-effective treatment of lung disease is hampered by sub-optimal methods for quantifying pulmonary ventilation and gas exchange. Current diagnostic techniques are either imprecise (such as spirometry) and/or expose the patient to potentially dangerous radiation (such as x-rays, CT scans and nuclear scintigraphy). While spirometry has benefits as a screening tool, none of these current methods can visualise ventilation or gas exchange regionally in the smallest airways, where lung disease typically begins and where improvements from new pharmaceutical therapies can first be detected.

As such, the Group operates in an area of significant unmet medical need and is pursuing approval by the US Food & Drug Administration ("FDA") for the Group's drug-device combination product using hyperpolarised xenon-129 gas to enhance MRI in pulmonary medicine. The Company submitted a new drug application ("NDA") to the FDA on 5 October 2020 after the successful completion of the FDA Phase III clinical trials in the US for the Group's technology. The 80-patient equivalence clinical trials were conducted at Duke University Medical Center, the University of Virginia and The University of Cincinnati - three leading US research hospitals. Enrolment of the clinical trials was completed in November 2019. In January 2020, the Company announced that both clinical trials met their primary endpoints, within the prospectively defined equivalence margin (+/-14.7%) when compared to the FDA-approved reference standard, ^{133}Xenon scintigraphy imaging. On 5 October 2021, the Company received a Complete Response Letter ("CRL") from the FDA requesting that the Company to address approvability issues identified by the FDA ahead of NDA resubmission. On 30 March 2022, the Company filed the resubmission of the NDA with the FDA. On 20 April 2022, the Company announced that the FDA had accepted the resubmission of the NDA and established a user fee goal date of 30 September 2022. On 30 September 2022, the Company announced that the FDA had granted the Company a 90 day extension to the NDA review timeline. On 28 December 2022, the Company announced that the FDA had granted approval for its drug device combination product, XENOVIEW. XENOVIEW, prepared from the Xenon Xe 129 Gas Blend, is a hyperpolarised contrast agent indicated for use with magnetic resonance

imaging ("MRI") for evaluation of lung ventilation in adults and pediatric patients aged 12 years and older. On 28 December 2022, the Company also announced that, simultaneously with the approval of the XENOVIEW NDA, two 510(k) devices were cleared by the FDA that will further support a successful launch of the technology into the clinical marketplace: XENOVIEW VDP software and the XENOVIEW 3.0T Chest Coil. XENOVIEW VDP is image processing software that analyzes a pulmonary hyperpolarised 129-Xe MR image and a proton chest MR image to provide visualization and evaluation of lung ventilation in adults and pediatric patients aged 12 years and older. This image analysis platform quantifies normalized xenon intensity of a ventilated space using a pulmonary hyperpolarised 129-Xe ventilation MR image and accompanying proton chest MR image. The software will be used by clinicians to assist in the interpretation and numerical classification of hyperpolarized ^{129}-Xe ventilation MR images. The Polarean XENOVIEW 3.0T Chest Coil is a flexible, single channel, transmit-receive (T/R) RF coil tuned to ^{129}Xe frequency on a 3.0T MRI magnetic field of a compatible MRI scanner. The Polarean XENOVIEW 3.0T Chest Coil is indicated to be used in conjunction with compatible 3.0T MRI scanners and approved xenon Xe 129 hyperpolarised for oral inhalation for evaluation of lung ventilation in adults and pediatric patients aged 12 years and older. The Chest Coil is intended to be worn by a patient who inhales hyperpolarised ^{129}Xe gas (XENOVIEW) to obtain an MR image of the regional distribution of hyperpolarised ^{129}Xe in the lungs.

The Group's technology overcomes important limitations of current lung diagnostic methods, providing the ability to visualise, quantify and monitor both the structure and function of the smallest airways and alveolar spaces with enhanced sensitivity and without harmful radiation. This provides a unique, valuable and more precise tool to help diagnose disease earlier, identify the type of intervention likely to benefit a patient, monitor the efficacy of treatment and facilitate developing new therapies for pulmonary diseases.

3. Group Structure and History

The Company was incorporated in England and Wales on 24 October 2016 with company registration number 10442853. The Company's registered office is 27-28 Eastcastle Street, London, W1W 8DH.

On 31 May 2017, m2m, a company formed in the US State of Delaware on 18 February 1999, was merged into the Company.

On 29 March 2018, the Company's shares were admitted to trading on the AIM market of the London Stock Exchange.

4. Information on Polarean, m2m and Strategy of Group

4.1 Polarean, Inc. – Background

The Subsidiary was co-founded by Dr Bastiaan Driehuys, a current Director of the Company, and John Sudol, a former director of the Subsidiary, in 2011. Prior to co-founding the Subsidiary, Dr Driehuys was a member of a research team at Princeton University in the early 1990s which was amongst the first research teams to focus on hyperpolarised gas MRI technology; in particular isotopically enriched helium (^{3}He). The team developed and held key patents relating to the technology. The technology was acquired in 1999 by Amersham, Inc. ("Amersham"), with the goal of commercialising hyperpolarised helium products to be marketed and distributed alongside Amersham's full line of contrast agent products. Dr Driehuys led the development efforts for Amersham, which continued the development of these hyperpolarised helium products throughout the early 2000s until GE Healthcare ("GE") acquired Amersham in 2004.

GE continued the research and development of hyperpolarised gas MRI after the acquisition of Amersham, focusing on ^{129}Xe as a more effective substitute for ^{3}He in visualising ventilation. GE also began to explore ways in which ^{129}Xe could be used to image gas exchange within the lung in addition to ventilation. These work programmes culminated in the conduct of a Phase I/II clinical trial at Duke University in 2008-2009. GE also filed Investigational New Drug Applications ('INDs") with the FDA for both ^{3}He and ^{129}Xe. By 2010, after an investment of approximately US$40 million in the technology and with the regulatory path for hyperpolarised gas remaining unclear, GE decided

to out-license the hyperpolarised gas technology and the related patent families that it had developed and/or maintained to the Subsidiary, due to the scale at the time and the early-stage nature of the technology's development.

In December 2011, the Subsidiary negotiated the acquisition of all of GE's assets related to the hyperpolarised MRI project, including an inventory of polarisers and parts and the licenses (or outright ownership) of the related patent families.

Following the acquisition of GE's hyperpolarisation assets, the Subsidiary focused on three key objectives:

- building and selling polarisers to research users to generate operating revenue and to disseminate the technology to academic research institutions that generate clinical data in order to build additional interest in the technology;
- further developing the xenon hyperpolarisation technology in order to meet clinical use specification requirements; and
- liaising with the FDA in order to clarify the FDA regulatory path under which the product could achieve clearance to market for clinical use.

In July 2012, the US Congress passed the FDA Safety and Innovation Act and the Medical Gas Act, which clarified and simplified the path under which hyperpolarised gas MRI technology could be approved for clinical use by the FDA.

As a result of discussions between the Group and the FDA, the Directors believed that a clearer path towards regulatory approval existed. As such, following listing our shares on the AIM market the Group began conducting the clinical studies required for FDA approval to market. On 28 December 2022, the Company announced that the FDA had granted approval for its drug device combination product, XENOVIEW. XENOVIEW, prepared from the Xenon Xe 129 Gas Blend, is a hyperpolarised contrast agent indicated for use with MRI for evaluation of lung ventilation in adults and pediatric patients aged 12 years and older.

Between January 2012 and May 2017, the Subsidiary generated over US$3.7 million of revenue from selling polarisers to customers in Canada, Germany, the UK and the US for research use, relating to both clinical (human) and pre-clinical (animal) applications. In addition, the Subsidiary received additional funding of approximately US$2.5 million from Nukem and other Series A investors. Prior to the m2m merger, the Subsidiary was also successful in receiving grant funding, including a US$3 million grant awarded in April 2017 by the US National Heart, Lung and Blood Institute (NHLBI) following a competitive application process (for which the research will be conducted with its clinical collaborator, the Cincinnati Children's Hospital) and a US$250,000 small business research loan from the North Carolina Biotech Center in March 2017, which was also awarded following a competitive application process.

4.2 The Group's Technology and Products

The Subsidiary's lead product has been designated as a drug-device combination by the FDA. The Subsidiary's product enables the visualisation of hyperpolarised ^{129}Xe ("**HPX**") through MRI technology to help diagnose lung disease earlier, identify the type of intervention likely to benefit a patient and to monitor the efficacy of treatment. As a result of the FDA's drug-device designation, the Subsidiary's products will be approved and sold only for use with each other. The products are currently being used at a number of research sites on a pre-FDA clearance basis to facilitate the research and evaluation of lung function, to assist in making improved disease progression assessment and to clearly visualise the effectiveness of several therapeutics which are under development. The Group currently generates revenue from the sale of products within its ^{129}Xe gas hyperpolarisation platform.

Implementing the Group's technology in a clinical setting is straightforward: prior to the MRI scan a patient breathes in a small amount of inert HPX to provide an extremely strong MRI signal. This transforms the MRI from a technology that is not applicable to the lungs into one that is able to provide multiple images of the lung structure and function in one 10-20 second breath-hold. HPX MRI overcomes the limitations of traditional pulmonary function testing as HPX MRI:

- is more accurate and reproducible than spirometry and other traditional pulmonary function tests, enabling the detection and mapping of small and localised changes in lung ventilation and gas exchange over time;
- provides regional information about lung disease without exposure to ionising radiation or radioactivity; and
- assesses ventilation and gas exchange in the smallest airways, where disease often begins.

The Group's technology works in conjunction with traditional MRI, transforming it into a powerful diagnostic modality for the lung. The Group's approach is to take ^{129}Xe, an inert gas, and hyperpolarise the nucleus to create an MRI signal which is approximately 100,000 times stronger than a conventional MRI signal. When the MRI scan is undertaken, the HPX resonates at different frequencies: (i) in the bronchioles and alveoli of the lung; (ii) in the barrier tissue of the lung; and (iii) when dissolved in arterial blood in the pulmonary vasculature, thus providing information on ventilation (the ability of air to reach the alveoli) and gas exchange (the ability of air to diffuse through the alveolar membrane into the pulmonary vasculature). As all pulmonary diseases result from impairments to the free flow of air through bronchioles, or from abnormal gas exchange between the lung alveoli and the pulmonary vasculature, the images that result from HPX MRI scans which have been executed using the Group's technology can aid diagnosis, by enhancing the physician's ability to clearly identify issues with ventilation and gas exchange on a regional basis, down to the smallest of airways. Hyperpolarisation of the ^{129}Xe is accomplished by placing a non-radioactive isotope of Xenon (^{129}Xe) into a beam of circularly polarised laser light in the presence of very small concentration of the alkali metal Rubidium, which acts as a physical catalyst in the hyperpolarisation process. The result is ^{129}Xe whose nuclear magnetic spin is highly aligned but not chemically or biologically different than unpolarised ^{129}Xe, an inert gas. This hyperpolarised state persists for around 2 hours allowing ample time to administer the HPX to the patient.

The Group's products include:

- the ^{129}Xe gas, blended and made under GMP at high purity, to be polarised within the polariser;
- the polariser itself, of which the latest model, the Polarean 9820 Xenon Hyperpolariser, has been designed to deliver up to 3 litres of HPX per hour (approximately 5-10 doses) of which each dose is to be used within 30 minutes of its production in order to retain sufficient polarisation to create a strong image;
- the dose delivery inhalation bag, made of HPX-compatible impermeable plastic materials and a mouthpiece for ease of inhalation; and
- the Polarean 2881 Polarisation Measurement Station, which provides a calibrated measurement of the polarisation of hyperpolarised gas within the dose delivery inhalation bag.

The Group currently designs and builds the polariser equipment at a contract manufacturer and has relationships with GMP gas producers to supply the Group with high purity ^{129}Xe according to the Group's specifications.

In order to take advantage of the Group's current products, an MRI machine is required to be outfitted with hardware and software capable of operating at ^{129}Xe frequency to detect the HPX signal. In addition, the patient will need to wear a ^{129}Xe RF chest coil to allow for detecting the HPX MR signal in the lungs. Approximately 35,000 MRI machines are currently in use worldwide and technically many of these can be easily adapted to be used with ^{129}Xe frequency. The Group's products can be placed near the MRI scanner for ease of radiology workflow and, following the m2m merger, the Group has continued to explore ways to further integrate the Group's existing technology with the coils which had previously been the focus of m2m.

4.3 Location

The Group is based at the Meridian Corporate Center, located in the Research Triangle Park area of North Carolina, which provides a favourable location at which to further develop the core technology and product range. The Group's facilities consist of more than 6,900 square feet of combined offices, laboratory space, inventory warehouse and assembly and testing areas. The Group benefits from facilities that were originally purpose-built by GE for the design and manufacture of hyperpolarisation equipment and components, pursuant to FDA-mandated guidelines.

Within these facilities are a dedicated research and development laboratory equipped with 3-phase power, central compressed air, specialty gas handling and distribution and separate heating, ventilation and air conditioning. The laboratory area also includes optical cell production equipment capable of simultaneous processing of four optical cells for Xenon applications. The laboratory is designed for safe operation of class 4 lasers and is equipped with laser power and spectral testing apparatus.

The Group also maintains a dedicated polariser test bed that is used for product development and a dedicated Nuclear Magnetic Resonance ("NMR") system capable of delivering available electromagnetic field strength, utilised for calibrating absolute polarisation measurements of hyperpolarised gas samples.

4.4 The Regulatory Environment

Prior to the receipt of any approvals for clinical use, the Group sold its polarisers and disposables for research use only to academic medical centres with their research being subject to oversight by their respective institutional review boards and conducted under IND from the FDA or equivalent regulatory body.

On 28 December 2022, the Company announced that the FDA had granted approval for its drug device combination product, XENOVIEW. XENOVIEW, prepared from the Xenon Xe 129 Gas Blend, is a hyperpolarised contrast agent indicated for use with MRI for evaluation of lung ventilation in adults and pediatric patients aged 12 years and older.

4.5 The Group's Customers

The Group's existing customer base already comprises some of the world's luminary medical imaging research institutions. Indeed, there are numerous research institutions worldwide utilising the Group's system and products, including Cincinnati Children's Hospital, the University of Virginia, University of Wisconsin – Madison, Duke University, University of Kansas, the University of Iowa and the University of Texas MD Anderson Cancer Center in the US, Robarts Research Institute and Hospital for Sick Children (SickKids) in Canada, the University of Oxford and the University of Nottingham in the UK and the Fraunhofer Institute for Toxicology and Experimental Medicine in Germany.

4.6 The Group's Suppliers

The Group has entered into Master Service Agreements with two CROs in relation to the Phase III trial. Pharma Start LLC, doing business as Firma Clinical Research, managed the trials and oversaw the recruitment of patients for the trial. In addition, Icon Clinical Research Limited assisted with the medical imaging aspects of the trial.

The Group has a long-standing relationship with its strategic investor Nukem Isotopes GmbH ("Nukem"), a leading global supplier of ^{129}Xe, the isotope of xenon which is provided to the various gas blenders that in turn supply gas to the Group. It has a supply agreement with Nukem for ^{129}Xe.

In June 2020 the Group signed an agreement with Linde Gas North America LLC ("Linde"), in relation to the supply of the Group's drug product, a ^{129}Xenon gas blend. This agreement contains provision for the supply of bulk ^{129}Xe to be manufactured into the Active Pharmaceutical Product (API), ^{129}Xe, and for the blending, packaging, and distribution of its drug product under GMP. On 28 December 2022, the Group signed an amended agreement with Linde, which modified some commercial terms and limited the agreement to the blending packaging and distribution of it drug product under GMP.

The Group has an arrangement with the Blur Product Development ("Blur") to build its polariser systems in Blur's GMP facilities.

4.7 **Current Trading and Prospects**

Trading of the Group since the Company's IPO continues to be in line with the Directors' expectations. The potential of the Group's technology enables the Directors to view the future with confidence as the Company focuses on commercialisation of XENOVIEW.

4.8 **Growth Strategy**

With the recent FDA approval, the Group is adopting a traditional market entry strategy of building market awareness for its technology through key opinion leaders and a direct sales force to reach the key decision makers within its initial target market of large academic medical centres. In implementing this strategy, the Group benefits from approximately 1,000 journal articles on the use of hyperpolarised gas MRI that are currently published in peer-reviewed journals. Over time, as more research centres purchase the Group's equipment and begin clinical studies, an increasing number of peer reviewed scientific articles are likely to be published, further enhancing the Group's credibility and raising awareness of the Group's technology. The Directors believe that the market for polarisers will grow as the technology gains wider acceptance as a tool for studying lung disease and for monitoring the effectiveness of therapeutics. The Group also intends to continue patenting and in-licensing hyperpolarised gas technology IP to protect its current position.

The Group's initial sales targets will be the radiology and pulmonary medicine departments of top academic hospital organisations in the US, who are opinion leaders in the use of new diagnostic technologies and their application in a clinical setting.

The Group is expanding its sales and marketing teams. Because of the specialty nature of the Group's products in the pulmonary specialist market, which is concentrated in approximately 1,000 medical centres, the Directors believe that a small specialty sales force can be deployed effectively at reasonable cost.

The Group may also choose to partner with companies that offer complementary products.

Furthermore, the Directors believe that the Group's products will benefit a number of clinical applications. While the Group's HPX MRI technology provides more specific information than currently available from existing lung diagnostic procedures (especially spirometry), the Group will focus its use on specific clinical conditions where the high accuracy of HPX MRI and greater cost are justified. The Directors do not believe that HPX MRI will replace low-cost spirometry as a general screening tool but believe that it should add value in more demanding clinical applications where HPX MRI addresses unmet diagnostic needs. These applications could include, but are not limited to, the following:

- the monitoring of COPD therapy, especially for the most severe cases;
- the management of cystic fibrosis;
- determining the optimal use of biologic therapy in chronic asthma;
- a more efficient diagnosis of dyspnoea and the chronic cough;
- providing guidance for radiation therapy planning of lung cancer treatment;
- providing guidance for interventional pulmonology procedures including ablation and the placement of valves and stents;
- surgical procedure planning for lung transplant and volume reduction surgery;
- diagnosis of ILD and monitoring of ILD therapy;
- diagnosis of pulmonary vascular disease (PVD) including pulmonary arterial hypertension (PAH) and monitoring of therapy; and
- diagnosis and monitoring of long COVID patients.

The Directors have begun to develop relationships with a range of strategic partners and will evaluate opportunities which will enable the Group to address its target markets globally, either alone or in collaboration with a partner.

5. Intellectual Property ("IP")

The Group's technology has been developed in four areas: (i) hyperpolarising gas; (ii) assuring the quality of the hyperpolarised gas; (iii) using the polarised gas in MRI applications; and (iv) developing and producing specialised RF coils to improve signal-to-noise ratios ("**SNR**"). GE had put a comprehensive patent policy in place to protect its technology from potential competitors. The Group is now the sole owner of this IP portfolio, which is based on 10 patent families, and when combined with the 7 patents that were previously owned by m2m, that were transferred to the Group following the m2m Merger, the Group's portfolio covers four broad types of patents:

- **imaging methods** – these cover the imaging of a subject, or patient, who has inhaled a hyperpolarised noble gas and the functionality of the gas as a contrast agent. Newly licensed technology from Duke University extends the protection over these patents through to the early 2030s;
- **hyperpolarisation methods** – these are polarimetry patents covering the methods by which noble gases are polarised and the methods by which the resulting polarised gas is isolated and delivered to patients. The latest of these patents expire in the early 2020s;
- **hyperpolarisation equipment** – these patents cover the multiple preferred mechanical design and automation elements of hyperpolarised equipment; and
- **RF coil patents** – these patents cover the use of cryogenics to improve RF coils SNR and image quality and may play an important part in the next generation of applications such as neurological, cardiac and oncology imaging.

Polarean is committed to proactively developing further IP, both internally and through licensing arrangements with third parties, as part of the Group's overall growth strategy. The third parties are likely to include the Group's key collaborative academic sites, such as Duke University, that are seeking to develop emerging applications and technologies. Because of the Group's extensive patent portfolio and leading market position, the Directors believe the Group is an attractive licensing partner for academic research institutions that are interested in out-licensing such IP. One such patent application (US15/120013), which is currently pending, relates to improving the overall efficiency of the hyperpolarisation process. This patent has also been exclusively licensed to the Group by Duke University. The Directors believe that this patent, now having been prosecuted successfully to issuance in a number of geographic jurisdictions worldwide, would enable the Group to protect methods for increasing the level of hyperpolarisation significantly, which could improve the competitive economics of the Group's products.

6. Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group are detailed below:

Early stage of operations

The Group's operations are at an early stage of development and there can be no guarantee that the Group will be able to, or that it will be commercially advantageous for the Group to, develop its proprietary technology. Further, the Group currently has no positive operating cash flow and its ultimate success will depend on the Directors' ability to implement the Group's strategy, generate cash flow and access capital markets.

Principal mitigation

The Group has successfully advanced the ^{129}Xe technology for several years, including selling polarisers for the research market. The Group has been able to access capital required to continue to advance the technology.

Regulatory approvals and compliance

The Group will need to obtain various regulatory approvals (including FDA and European Medicines Agency ("EMA") approvals) and otherwise comply with extensive regulations regarding safety, quality and efficacy standards in order to market its future products. These regulations, including the time required for regulatory review, vary from country to country and can be lengthy, expensive and uncertain.

Principal mitigation

The Group utilises external specialists in regulatory affairs who consult with other experts to ensure that internal control processes and clinical trial designs meet current regulatory requirements. The Group also engages directly with regulatory authorities when appropriate.

Future funding requirements

The Group will need to raise additional funding or enter into a strategic partnership with industry partners to undertake work beyond that being funded by the £27 million (before expenses) 2021 fundraising. There is no certainty that this will be possible at all or on acceptable terms.

Principal mitigation

The Group successfully engaged with investors to generate significant cash resources to date, including the 2021 financing that raised £27 million, before expenses. The Group's management team expects that continued access to capital markets, or other access to capital, will be required to support the Group through regulatory approval and initial commercialisation efforts in the US. See Going Concern discussion below.

Dependence on key personnel

The success of the Group, in common with other businesses of a similar size, will be highly dependent on the expertise and experience of the Directors and key employees. However, the retention of such key personnel cannot be guaranteed. Should key personnel leave the Group's business, prospects, financial condition or results of operations may be materially adversely affected.

Principal mitigation

The Group's recruitment processes are designed to identify and attract the best candidates for specific roles. The Group aims to provide competitive rewards and incentives to staff and directors.

Intellectual property and proprietary technology

No assurance can be given that any current or future patent applications will result in granted patents, that the scope of any patent protection will exclude competitors or provide competitive advantages to the Group, that any of the Group's patents will be held valid if challenged or that third parties will not claim rights in or ownership of the patents and other proprietary rights held by the Group.

Principal mitigation

The Group has a long-standing track record of IP generation and successful applications and has a long-standing relationship with our patent attorney who has a deep understanding of our technology. The Group actively manages its IP, engaging with specialists to apply for and defend IP rights in appropriate territories.

Technology and products

The Group is a developer and service provider for noble gas ^{129}Xe devices and ancillary instruments with a special focus on pulmonary imaging. The development and commercialisation of its proprietary technology and future products, which are in early stages of development, will require multiple series of clinical trials and there is a risk that safety and efficacy issues may arise when the products are tested. There is also a risk that there will be delays to the development of the products or that unforeseen technical problems arise as the Group's technology becomes increasingly automated. These risks are common to all new medical products and there is also a risk that the clinical trials may not be successful.

Principal mitigation

The Group has a depth of knowledge and experience in the area of medical devices development for the high-resolution medical imaging market. The Group also utilises external experts to supplement their knowledge in critical areas such as safety, manufacturing and software development.

Research and development risk

The Group will be operating in the life sciences and medical device development sector and will look to exploit opportunities within that sector. The Group will therefore be involved in complex scientific research and industry experience indicates that there may be a very high incidence of delay or failure to produce results. The Group may not be able to develop new products or to identify specific market needs that can be addressed by technology solutions developed by the Group.

Principal mitigation

The Group has a depth of knowledge and experience in the area of medical devices development for the high-resolution medical imaging market. The Group also utilises external experts to supplement their knowledge in critical areas such as conducting clinical trials and regulatory affairs.

Competition

The Group notes that several start-ups operating in the CT software space have begun efforts to commercialise products which represent to characterise lung ventilation. These technologies use ionising radiation, whereas the Group's technology does not. In addition, these technologies are unable to further assess gas exchange, red blood cell transport, nor microvascular haemodynamics.

Principal mitigation

The Group believes that these emerging technologies validate the unmet need for the use of imaging in assessing pulmonary function. However, their use of ionising radiation, combined with their inability to assess comprehensive pulmonary function will render their utility limited and the Directors see no effect on the current market expectations of Polarean.

Reliance on third parties

The business model for the Group anticipates that it will have limited internal resources over the next few years and that it will use third party providers wherever possible to conduct the research, development, registration, manufacture, marketing and sales of its proposed products. The commercial success of the Group's products will depend upon the performance of these third parties.

Principal mitigation

The Group seeks experts in the areas where it utilises outsourcing. Wherever possible, the Group seeks to have duplicate suppliers to lessen the reliance on a particular vendor.

Manufacturing

There can be no assurance that the Group's proposed products will be capable of being manufactured in commercial quantities, in compliance with regulatory requirements and at an acceptable cost. The Group outsources the manufacture of the raw materials and finished products required in connection with the research, development and commercial manufacture of its proposed products and, as such, is wholly dependent upon third parties for the provision of adequate facilities and raw material supplies. ^{129}Xe, the specific isotope of xenon which is the active ingredient in the Group's drug-device product, is available from a limited number of suppliers and there can be no assurance that adequate supplies of this material at acceptable cost can be obtained. In addition, where the Group is dependent upon third parties for manufacture, its ability to procure the manufacture of the drug-device in a manner which complies with regulatory requirements may be constrained, and its ability to develop and deliver such products on a timely and competitive basis may be adversely affected.

Principal mitigation

The Group has designed the manufacturing process to be scalable and has internal experts who train the outside vendors. The Group has established relationships with two ^{129}Xe suppliers to mitigate the risk that ^{129}Xe supply will be a limitation to the development and commercialisation of its products. In addition, the Group has established a relationship with a GMP outside polariser manufacturer.

Product development timelines

Product development timelines are at risk of delay, particularly since it is not always possible to predict what the FDA will require for approval of future NDA's. There is a risk therefore that product development could take longer than presently expected by the Directors. If such delays occur the Group may require further working capital. The Directors shall seek to minimise the risk of delays by careful management of projects.

Principal mitigation

The Group utilises consultants who are experts in preparing and filing future NDAs in the US.

General legal and regulatory issues

The Group's operations are subject to laws, regulatory restrictions and certain governmental directives, recommendations and guidelines relating to, amongst other things, occupational safety, laboratory practice, the use and handling of hazardous materials, prevention of illness and injury, environmental protection and animal and human testing. There can be no assurance that future legislation will not impose further government regulation, which may adversely affect the business or financial condition of the Group.

Principal mitigation

The Group consults experts for advice in areas such as occupational safety, laboratory practice and human testing.

Healthcare pricing environment

In common with other healthcare products companies, the ability of the Group and any of its licensees or collaborators to market its products successfully depends in part on the extent to which reimbursement for the cost of such products and related treatment will be available from government health administration authorities, private health coverage insurers and other organisations.

Principal mitigation

The Group is consulting with several experts in the field of reimbursement for healthcare products in the US to determine the best strategy for accessing adequate reimbursement for its products.

7. Section 172 statement

As required by section 172 of the Companies Act 2006 (the "Act"), a director of a company must act in the way he or she considers, in good faith, would likely promote the success of the company for the benefit of the shareholders. In doing so, the director must have regard, amongst other matters, to the following issues:

- the likely consequences of any decisions in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers/customers and others;
- the impact of the company's operations on the community and environment;
- the company's reputation for high standards of business conduct; and
- the need to act fairly between members of the company.

Strategic Report (continued)

The information required by section 172 of the Act is included in the Strategic Report on page 16, the Directors Report on pages 18 to 22 and the Corporate Governance Statement on pages 23 to 29.

Kenneth West
Non-Executive Chairman

25 May 2023

Directors' Report

The Directors present their report on the affairs of Polarean Imaging plc (the "Company") and its subsidiary, referred to as the Group, together with the audited Financial Statements and Independent Auditors' Report for the year ended 31 December 2022.

Principal activities

The main activity of the Group is a drug-device manufacturer and service provider for noble gas polariser devices, its proprietary ^{129}Xe drug and ancillary instruments with a special focus on pulmonary imaging.

Results and dividends

During the year ended 31 December 2022 the Group recorded a loss after tax of US$13,905,596 (2021: US$14,016,004) and a net cash outflow from operating activities of US$12,258,031 (2021: US$12,250,467).

The Directors do not recommend the payment of a dividend (2021: US$Nil).

Going concern

In considering the appropriateness of this basis of preparation, the Directors have reviewed the Group's working capital forecasts for a minimum of 12 months from the date of the approval of this financial information. Based on their consideration, the Directors have a reasonable expectation that the Group has adequate resources to continue for the foreseeable future and that carrying values of intangible assets are supported. Thus, they continue to adopt the going concern basis of accounting in preparing this financial information.

In considering the appropriateness of this basis of preparation, the Directors have reviewed the Group's working capital forecasts for a minimum of 12 months from the date of the approval of this financial information. It is anticipated that additional capital will need to be raised by the end of the second quarter of 2024 in order to continue to fund the Group's activities at their planned levels beyond this date. This represents a material uncertainty that may cast significant doubt about the Group's and Company's ability to continue as a going concern. However, the Directors have a reasonable expectation that this uncertainty can be managed to a successful outcome, and based on that assessment, the Group has adequate resources to continue for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these financial statements.

Future developments

The Company's future developments are outlined in the Strategic Report on page 7.

Research design & development

Research and development ("R&D") is performed by employees of the company and through collaborative efforts with academic researchers. The Group is committed to increasing its R&D budget to meet anticipated market demands for additional technology. In addition, the company also in-licenses technology from collaborative academic institutions. Details of R&D carried out during the year are contained in the Strategic Report.

Financial risk management

Financial risk management policies and objectives for capital management are outlined in the principal risks and uncertainties section of the Strategic Report on pages 13 to 16 and in note 26 to the financial statements.

Directors' Report (continued)

Directors' indemnities

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors, which were made during the year and remain in force at the date of this report.

Events after the reporting period

Details of significant events since the reporting period are contained in note 29 of the financial statements.

Directors		Resigned/Appointed
Kenneth West	Non-Executive Chairman	–
Richard Hullihen	Chief Executive Officer	–
Charles Osborne	Chief Financial Officer	–
Bastiaan Driehuys, PH.D.	Chief Technology Officer	–
Jonathan Allis, PH.D.	Non-Executive Director	Resigned 4 May 2022
Daniel Brague	Non-Executive Director	Appointed 4 May 2022
Jurgen Laucht	Non-Executive Director	–
Cyrille Petit	Non-Executive Director	–
Frank Schulkes	Non-Executive Director	Appointed 13 April 2022
Marcella Ruddy, M.D.	Non-Executive Director	Appointed 25 August 2022

Frank Schulkes was also appointed as Chair of the Audit Committee on 13 April 2022.

Daniel Brague was also appointed as Chair of the Remuneration Committee on 4 May 2022.

Directors' emoluments

2022	Salary, Fees & Bonus US$	Benefits US$	Share-Based Payments US$	Total US$
Executive Directors				
Bastiaan Driehuys	36,500	–	69,512	106,012
Richard Hullihen	367,603	15,206	201,235	584,044
Charles Osborne	331,010	11,103	102,024	444,137
Non-Executive Directors				
Jonathan Allis (Note A)	24,086	–	98,313	122,399
Juergen Laucht	41,500	–	69,512	111,012
Cyrille Petit	36,500	–	96,002	132,502
Kenneth West	56,753	–	74,318	131,071
Daniel Brague (Note A)	23,941	–	79,514	103,455
Frank Schulkes (Note A)	26,158	–	103,143	129,301
Marcella Ruddy (Note A)	11,093	–	49,934	61,027
Total	**955,144**	**26,309**	**943,507**	**1,924,960**

Note A: Jonathan Allis resigned as Non-Executive Chairman and Chair of the Remuneration Committee on 4 May 2022. Daniel Brague was appointed Non-Executive Director on 4 May 2022. Frank Schulkes was appointed Non-Executive Director on 13 April 2022. Marcella Ruddy was appointed Non-Executive Director on 25 August 2022.

Directors' Report (continued)

2021	Salary, Fees & Bonus US$	Benefits US$	Share-Based Payments US$	Total US$
Executive Directors				
Bastiaan Driehuys	43,250	–	69,406	112,656
Richard Hullihen	334,248	14,270	209,488	558,006
Charles Osborne	301,007	14,408	100,512	415,927
Non-Executive Directors				
Jonathan Allis	85,000	–	94,943	179,943
Juergen Laucht	48,250	–	69,406	117,656
Cyrille Petit	43,250	–	85,122	128,372
Kenneth West	38,250	–	89,835	128,085
Total	**893,255**	**28,678**	**718,712**	**1,640,645**

Directors' interests

The Directors who held office at 31 December 2022 had the following direct interest in the ordinary shares of the Company at 31 December 2022.

Directors' beneficial interests in shares of the Company:

	2022 Number	2022 %	2021 Number	2021 %
Richard Hullihen	3,201,959	1.5	3,201,959	1.5
Kenneth West	475,594	0.2	475,594	0.2
Bastiaan Driehuys	12,267,503	5.9	12,267,503	5.9
Cyrille Petit	584,000	0.3	584,000	0.3

The shareholdings noted above include those shares held by connected persons of the individual director.

Directors' beneficial interests in options to subscribe for additional shares of the Company:

	2022 Number	2021 Number
Richard Hullihen	3,135,440	3,135,440
Kenneth West	2,263,218	2,263,218
Bastiaan Driehuys	1,686,000	1,686,000
Juergen Laucht	884,400	884,400
Cyrille Petit	500,000	500,000
Charles Osborne	1,700,000	1,700,000
Frank Schulkes	500,000	–
Daniel Brague	500,000	–
Marcella Ruddy	500,000	–

Directors' beneficial interests in warrants to subscribe for additional shares of the Company:

	2022 Number	2021 *Number*
Bastiaan Driehuys	148,456	148,456
Kenneth West	2,801,084	2,801,084

The warrants issued to Bastiaan Driehuys have an exercise price of US$0.00037. The warrants issued to Kenneth West have an exercise price of between US$0.0041 and US$0.0075. The warrant holdings noted above include those warrants held by connected persons of the individual director.

The options and warrants holdings noted above include those shares held by connected persons of the individual director.

Share option schemes

In order to provide incentive for the management and key employees of the Group, the Company awards share options. The Directors defined a new plan in 2018 and implemented it. The existing options granted prior to the merger were converted to options in Polarean Imaging plc.

The Company are, subject to Shareholder approval at the AGM, proposing to amend and restate the Polarean Imaging plc Share Option Plan (the "Plan"), which was established as of 29 March 2018, to: (i) increase the number of ordinary shares that may be allocated under the Plan from 5% to 10% of the ordinary share capital in issue immediately prior to any grant; and (ii) include relevant provisions to permit the granting of incentive stock options to U.S. employees. If approved by Shareholders, the requested increase in shares that may be allocated under the Plan would result in a total of approximately 20 million shares that may be allocated under the Plan as of 28 June 2023; which includes approximately 10 million ordinary shares currently allocated and approximately 10 million ordinary shares reserved for future issuances. The Company also wishes to permit the granting of incentive stock options to U.S. employees, which if certain requirements are met, can provide tax advantages to the employee over non-statutory stock options.

Substantial Shareholders

As well as the Directors' interests reported above, the following interests of 3.0% and above as at 28 February 2023 were as follows:

Name	Ordinary Shares	% held
Amati AIM VCT plc	24,132,258	11.33%
Hargreaves Lansdown	16,808,283	7.89%
Bracco Imaging S.p.A.	16,388,888	7.69%
Bastiaan Driehuys	12,267,503	5.76%
NUKEM Isotopes GmbH	11,523,462	5.41%
Tyndall Investment Management	9,086,068	4.26%
Chelverton UK Equity Growth Fund	8,500,000	3.99%
Canaccord Genuity Wealth Management (Inst)	7,111,877	3.34%

Corporate Responsibility

The Board recognises its employment, environmental and health and safety responsibilities. It devotes appropriate resources towards monitoring and improving compliance with existing standards. The Executive Directors are responsible for these areas at Board level, ensuring that the Group's policies are upheld and providing the necessary resources.

Employees

The Group is committed to achieving equal opportunities and to complying with relevant anti-discrimination legislation. It is established Group policy to offer employees and job applicants the opportunity to benefit from fair employment, without regard to their sex, sexual orientation, marital status, race, religion or belief, age or disability. Employees are encouraged to train and develop their careers.

Directors' Report (continued)

The Group has continued its policy of informing all employees of matters of concern to them as employees, both in their immediate work situation and in the wider context of the Group's well-being. Communication with employees is affected through the Board, the Group's management briefing's structure, formal and informal meetings and through the Group's information systems.

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

The Act requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK-adopted International Accounting Standards (IFRS) and applicable law.

In accordance with the Act, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

They are further responsible for ensuring that the Strategic Report and the Directors' Report and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the Polarean Imaging plc website is the responsibility of the Directors. Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

Auditors

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

- so far as that Director is aware, there is no relevant audit information of which the Group and the Group's auditor is unaware; and
- that Director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Crowe U.K. LLP has expressed its willingness to continue in office and a resolution to re-appoint the firm as Auditor and authorising the Directors to set their remuneration will be proposed at the forthcoming Annual General Meeting.

Kenneth West
Non-Executive Chairman

25 May 2023

Corporate Governance Statement

As Chairman of the Board of Directors of Polarean Imaging Plc ("Polarean", or the "Company/Group" as the context requires), it is my responsibility to ensure that Polarean has both sound corporate governance and an effective board of directors ("Board"). As Chairman of the Company, my responsibilities include leading the Board effectively, overseeing the Company's corporate governance model, communicating with shareholders, and ensuring that good information flows freely between the Executive and Non-Executive Directors in a timely manner. My leadership of the Board is undertaken in a manner which ensures that the Board retains integrity and effectiveness and includes creating the right Board dynamic and ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings.

It is the Board's job to ensure that Polarean is managed for the long-term benefit of all shareholders, with effective and efficient decision-making. Corporate governance is an important part of that role, reducing risk and adding value to our business.

The Directors of Polarean recognise the value of good corporate governance in every part of its business. As Polarean is an AIM-listed company, it is required to adopt a recognised corporate governance code and disclose how it complies with that code and, to the extent Polarean departs from the corporate governance provisions outlined by that code, it must explain its reasons for doing so. The Directors have adopted the requirements of the Quoted Companies Alliance's Corporate Governance Code (the "QCA Code"), to the extent that they consider it appropriate having regard to the Company's size, board structure, stage of development and resources.

The Board considers that compliance with the QCA Code will enable us to serve the interests of all our key stakeholders, including our shareholders, and will promote the maintenance and creation of long-term value in the Company. This report describes our approach to governance, including information on relevant policies, practices and the operation of the Board and its Committees. Additional detail on how the company has applied the QCA code is also provided in the corporate governance section of our website http://www.polarean-ir.com/content/investors/governance.asp. Any areas of non-compliance with the QCA Code are also explained.

Polarean seeks to constantly improve its corporate governance practices. Prior to the Company listing in March 2018, the Company implemented certain governance related measures including the formation of the Company's Audit and Remuneration Committees, and the adoption of a Share Dealing Code.

Key governance changes that occurred in the year included the appointments of Frank Schulkes, Daniel Brague and Marcella Ruddy, M.D. as Non-Executive Directors. Mr. Schulkes was appointed as Chair of the Audit Committee and Mr. Brague was appointed Chair of the Remuneration Committee. Jonathan Allis retired as Chairman of the Company and was replaced by Kenneth West, an existing Non-Executive Director of the Company, in May 2022.

Strategy, Risk Management and Responsibility

A description of the Company's business model and strategy can be found on pages 7 to 13 in the Strategic Report, and the key challenges in their execution can be found on pages 13 to 16 under "Principal Risks and Uncertainties".

The Board is responsible for the monitoring of financial performance against budget and forecast and the formulation of the Group's risk appetite including the identification, assessment and monitoring of Polarean's principal risks. The Board recognises the need for an effective and well-defined risk management process and it oversees and regularly reviews the current risk management and internal control mechanisms.

Corporate Governance Statement (continued)

The Board has overall responsibility for identifying, monitoring and reviewing the Company's risks, and assessing the systems of external control for effectiveness. The Executive Directors report any new or changed risks, and any changes in risk management or control to the Board. The Board discusses all business matters having regard to the risks for the Group and to the extent that risks inherent in a particular activity are considered significant, appropriate action is taken and steps taken to mitigate the issue. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

The Board is satisfied that the procedures in place meet the particular needs of the Group in managing the risks to which it is exposed. The Board is satisfied with the effectiveness of the system of internal controls, but by their very nature, these procedures can provide reasonable, not absolute, assurance against material misstatement or loss. During the review period, the Board delegated responsibility to the Audit Committee for ensuring that the Company's management reviews, monitors and reports on the integrity of the consolidated financial statements of the Company and related financial information. During the review period, the Audit Committee was comprised of Frank Schulkes, Juergen Laucht and Cyrille Petit.

It meets as required and specifically to review the Interim Report and Annual Report, and to consider the suitability and monitor the effectiveness of internal control processes.

The Audit Committee reviews the findings of the external auditor and reviews accounting policies and material accounting judgements. The independence and effectiveness of the external auditor is reviewed annually. The possibility of undertaking an audit tender process is considered on a regular basis. In addition, the Audit Committee meets at least once year with the auditor to discuss their independence and objectivity, the Annual Report, any audit issues arising, internal control processes, appointment and fee levels and any other appropriate matters. Based on the above, there will be no Audit Committee Report outlined in this Annual Report. The Company has strict segregation of duties and authority controls which are reviewed annually by the auditors.

The Board currently takes the view that an internal audit function is not considered necessary or practical due to the size of the Group, its business and assets, and the close day-to-day control exercised by the executive directors. The Board is satisfied that the systems and procedures currently employed provide sufficient assurance that a sound system of internal controls are in place, which safeguards the shareholders' investment and the Group's assets. However, the Board will continue to monitor the need for an internal audit function.

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk of failure to achieve the business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company's current system of internal financial control comprises those controls established to provide reasonable assurance of:

- The safeguarding of assets against unauthorised use or disposal; and
- The maintenance of proper accounting records and the reliability of financial information used within the business and for publication.

The key procedures of internal financial control of the Group are as follows:

- The Board reviews and approves budgets and monitors performance against those budgets on a monthly basis; and
- The Group has clearly defined reporting and authorisation on procedures relating to the key financial areas.

The recent global COVID-19 pandemic has resulted in increased risks within the global economy. The extent of the effect of the virus, including its long-term impact, remains uncertain and the Company continues to monitor the situation.

Corporate Governance Statement (continued)

The Board

The Board is comprised of Kenneth West (Non-Executive Chairman), Richard Hullihen (CEO), Charles Osborne (CFO) Bastiaan Driehuys (CTO), Juergen Laucht (NED), Cyrille Petit (NED), Frank Schulkes (NED). Daniel Brague (NED) and Marcella Ruddy, M.D. (NED). The Board is supported by the Company Secretary, Stephen Austin. The biographical details of the Directors of the Company are set out on the Company's website: http://www.polarean-ir.com/content/investors/board.asp.

The Board meets regularly and is responsible for the Group's corporate strategy, monitoring financial performance, approval of capital expenditure, treasury and risk management policies. Board papers are sent out to all Directors in advance of each Board meeting including management accounts and accompanying reports from those responsible.

The Directors believe that the Board, as a whole, has a broad range of commercial and professional skills, enabling it to discharge its duties and responsibilities effectively and that the Non-Executive Directors, together, have a sufficient range of experience and skills to enable them to provide the necessary guidance, oversight and advice for the Board to operate effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational.

Frank Schulkes, Daniel Brague and Marcella Ruddy, M.D. are the Company's three independent Non-Executive Directors. The guidance in the QCA Code is for a company to have at least two independent Non-Executive Directors.

The Board will seek to take into account any Board imbalances for future nominations. The Company is committed to a culture of equal opportunities for all employees regardless of gender. The Board aims to be diverse in terms of its range of culture, nationality and international experience.

Given the current phase of Polarean's life cycle, the Board has determined that it is not practicable to set measurable objectives for achieving gender diversity. It is the Board's intention as the size and complexity of the Company grows, to set and aim to achieve gender diversity objectives pursuant to a defined diversity policy.

All of the Executive Directors work full time for the Company. The Chairman is expected to devote the necessary amount of time to comprehensively fulfil the duties of the role, and in any case not less than 52 days per annum, and the Non-Executive Directors are each expected to dedicate not less than 15 days per annum to the Company's affairs. The time commitment required by the Group is an overriding principle that each Director will devote as much time as is required to carry out the roles and responsibilities that the Director has agreed to take on.

The Non-Executive Directors receive a fee for their services as a director which is approved by the Board, being mindful of the time commitment and responsibilities of their roles and of current market rates for comparable organisations and appointments. In addition, Non-Executive Directors are also reimbursed for travelling and other incidental expenses incurred on Group business.

Executive and Non-Executive Directors are subject to re-election intervals as prescribed in the Company's articles of association. At each Annual General Meeting one-third of the Directors, who are subject to retirement by rotation shall retire from office. They can then offer themselves for re-election. The letters of appointment of all Non-Executive Directors are available for inspection at the Company's registered office during normal business hours. The Executive Directors are employed under service contracts requiring six months' notice by either party. Non-Executive Directors and the Chairman receive payments under appointment letters which are terminable by three months' notice by either party.

Corporate Governance Statement (continued)

There were seven scheduled board meetings held during 2022. The table below sets out attendance statistics for each Director at Board and, where relevant, Committee meetings held during the financial year.

Director	Board (7 meetings held)	Audit Committee (4 meetings held)	Remuneration Committee (1 meeting held)
Richard Hullihen	7/7		
Kenneth West	7/7		
Bastiaan Driehuys	7/7		1/1
Jonathan Allis (Note A)	0/2		
Juergen Laucht	6/7	4/4	1/1
Cyrille Petit	7/7	4/4	
Charles Osborne	7/7		
Frank Schulkes (Note A)	5/5	3/3	
Daniel Brague (Note A)	5/5		1/1
Marcella Ruddy (Note A)	2/2		

Note A: Directors were on the Board for a portion of 2022. The denominator in each fraction represents the numbers of meetings held while they were Directors.

The Board, as a whole, is responsible for the overall management of the Group and for its strategic direction, including approval of the Group's strategy, its annual business plans and budgets, the interim and full year financial statements and reports, any dividend proposals, the accounting policies, major capital projects, any investments or disposals, its succession plans and the monitoring of financial performance against budget and forecast and the formulation of the Group's risk appetite including the identification, assessment and monitoring of the Group's principal risks. In accordance with best practice, Polarean has adopted a formal schedule of Matters Reserved for the Board. These are reviewed annually, and any items not included within the schedule are delegated to the management team.

In order to discharge their duties effectively, the Board uses third parties to advise the Directors of their responsibilities including receiving advice from the Company's external lawyers. The Board reviews the appropriateness and opportunity for continuing professional development in order to keep each Director's skillset up-to-date. In addition to their general Board responsibilities, Non-Executive Directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise. The Board shall review annually the appropriateness and opportunity for continuing professional development, whether formal or informal. All Directors have received AIM Rules and Directors Responsibilities training provided by the nominated advisor and are encouraged to undertake any ongoing training they feel they require to assist with the commission of their role on the Board.

Polarean's Company Secretary, Stephen Austin, is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation, as well as helping the Chairman maintain excellent standards of corporate governance. There are processes in place enabling Directors to take independent advice at the Company's expense in the furtherance of their duties, and to have access to the advice and services of the Company Secretary.

Board Committees

Certain Board responsibilities are delegated to committees who fulfil these functions in line with the terms of references established by the Board.

Corporate Governance Statement (continued)

Audit Committee

The Audit Committee comprised Frank Schulkes (Chair), Juergen Laucht and Cyrille Petit. The Audit Committee's responsibilities during the review period included ensuring that the financial performance, position and prospects for the Group were properly monitored, controlled and reported and specifically to review the Interim Report and Annual Report, and to consider the suitability and monitor the effectiveness of internal control processes. The Committee held 4 meetings during the year.

As outlined above, during the review period, Frank Schulkes was appointed as the Chairman of the Audit Committee following his appointment to the Board. Following Mr Schulkes' appointment, the Board now considers the Company to have a fully constituted Audit Committee.

Remuneration Committee

The remuneration committee comprised Daniel Brague (Chair), Bastiaan Driehuys and Juergen Laucht. The purpose of the Remuneration Committee is to ensure that the Executive Directors and other employees are fairly rewarded for their individual contribution to the overall performance of the Group. The Committee considers and recommends to the Board the remuneration of the Executive Directors and is kept informed of the remuneration packages of senior staff and invited to comment on these. There was one meeting during 2022. The Board retains responsibility for overall remuneration policy. Executive remuneration packages are designed to attract and retain executives of the necessary skill and calibre to run the Group. The Remuneration Committee recommends to the Board the remuneration packages by reference to individual performance and uses the knowledge and experience of the Committee members, published surveys relating to AIM companies, the medical imaging and contrast agents' industries and market changes generally. The Remuneration Committee has responsibility for recommending any long-term incentive schemes. No Director is responsible for setting their own remuneration. A report by the Chairman of the Remuneration Committee is included on pages 30 and 31.

As outlined above, during the review period, Daniel Brague was appointed as the Chairman of the Remuneration Committee following his appointment to the Board.

Nomination Committee

The Company does not currently have a Nomination Committee, as the Board does not consider it appropriate to establish such a committee at this stage of the Company's development. Decisions which would usually be taken by the nomination committee, such as appointments to the Board, will be taken by the Board as a whole. The Board will monitor on an ongoing basis the need for a formal Nominations Committee. The Chairman and the Board continue to monitor and evolve the Company's corporate governance structures and processes, and maintain that these will evolve over time, in line with the Company's growth and development.

Advisors

The Board has regular contact with its advisors to ensure that it is aware of changes to generally accepted corporate governance procedures and requirements and that the Group remains, at all times, compliant with applicable rules and regulations. The Company holds appropriate insurance cover in respect of possible legal action against its Directors. The Company's nominated advisor supports the Board's development, specifically providing guidance on corporate governance and other regulatory matters, as required. All Directors may receive independent professional advice at the Group's expense, if necessary, for the performance of their duties.

Board Performance Evaluation

Formal internal evaluation of the Board, its Committees and individual directors is seen as an important next step in the development of the board. Going forward, this will be undertaken on annual basis in the form of peer appraisal, questionnaires and discussions to determine the effectiveness and performance in various areas as well as the directors' continued independence. The criteria against which effectiveness is considered will be aligned to the strategy of the Group and management forecasts and budgets that are already in place.

Corporate Governance Statement (continued)

The purpose of such an evaluation will be to ensure that its members collectively function in an efficient manner, focusing more closely on defined objectives and targets for improving performance, as well as reviewing the effectiveness of each Committee.

During frequent Board meetings/calls, the Directors discuss areas where they feel a change would be beneficial for the Company, and the Company Secretary remains on hand to provide advice.

Culture

The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Group as a whole and that this will impact the performance of the Group. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Group as a whole and the way that employees behave. A large part of the Group's activities are centered upon addressing customer and market needs. Therefore, the importance of sound ethical values and behaviour is crucial to the ability of the Group to successfully achieve its corporate objectives.

The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Group does. The Board assessment of the culture within the Group at the present time is one where there is respect for all individuals, there is open dialogue within the Group and there is a commitment to provide the best service possible to all the Group's key customers.

The Company operates in a manner that encourages an open and respectful dialogue with employees, customers and other stakeholders and the Board considers that sound ethical values and behaviour are crucial to the ability of the Company to achieve its corporate objectives. The Group is committed to the highest standards of personal and professional ethical behaviour, and this must be reflected in every aspect of the way in which the Company operates. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does.

The Directors consider that at present the Group has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge. The Executive Directors regularly meet with senior management and discuss staff well-being, development and staff feedback. Employees are encouraged to engage directly with Directors, and the Group seeks to promote Group values and behaviour through a top-down approach.

The Board understands that the nature of its market, including high-end academic research universities and hospitals, brings with it a level of public scrutiny in procurement. As such, the Board ensures there is the utmost transparency and accessibility from the Board and external advisors that oversee the Group's activities.

Anti-Bribery Policy

The Group takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all business dealings and relationships wherever they occur. The Group implements effective systems to counter bribery and corruption and as part of this it has adopted an anti-bribery and anti-corruption policy. The policy provides guidance to those working for the Group on how to recognise and deal with bribery and corruption issues and the potential consequences and applies to all persons working for the Group or on its behalf in any capacity, including employees at all levels, directors, officers, consultants and agents.

Share Dealing

The Group has a Share Dealing Code, which will apply to any person discharging management responsibility, including the Directors and members of the senior management team and any closely associated persons and applicable employees.

Corporate Governance Statement (continued)

The Share Dealing Code imposes restrictions beyond those that are imposed by law (including by Financial Services and Markets Act 2000 and the Market Abuse Regulation (EU) No.596/2014 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 and other relevant legislation) and its purpose is to ensure that persons discharging managerial responsibility and persons connected with them do not abuse, and do not place themselves under suspicion of abusing, price-sensitive information that they may have or be thought to have, especially in periods leading up to an announcement of both financial results and the results of the Group's clinical trials. The Share Dealing Code sets out a notification procedure which is required to be followed prior to any dealing in the Company's securities.

Communication with Shareholders

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders in order to maintain good investor relations and seeks, wherever possible to attain a relationship of mutual understanding with both institutional and private client investors.

As such, Polarean takes a proactive approach to investor relations initiatives with ongoing support from Walbrook PR Limited, the Group's financial PR advisors. These investor relations initiatives include (but are not limited to):

- shareholder events in London and elsewhere;
- the use of social media, in accordance with the Group's Social Media Policy, and the Company's website; and
- interviews with platforms such as Proactive Investors around key developments.

Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In normal circumstances, attendance is actively encouraged for the Company's Annual General Meeting and any other General Meetings which are held throughout the year. In line with best practise, should any resolution tabled at a General Meeting receive less than 80% support, the Board will seek to engage with relevant shareholders to understand their reasons for voting against. At the 2022 AGM, all resolutions passed with the support of at least 91% of the proxy votes submitted.

The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders and that shareholders are able to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

Remuneration Committee Report

Dear Shareholder,

As the Chairman of Polarean's Remuneration Committee, I present my Remuneration Committee Report for the year ended 31 December 2022, which has been prepared by the Committee and approved by the Board.

The Remuneration Committee is responsible for determining the remuneration policy for the Executive Directors, and for overseeing the Company's long-term incentive plans. The Board as a whole is responsible for determining Non-Executive Directors' remuneration. The Committee will continue to monitor market trends and developments in order to assess those relevant for the Group's future remuneration policy.

Remuneration policy for 2022 and future years

The Remuneration Committee determines the Company's policy on the structure of Executive Directors' and if required, senior management's remuneration. The objectives of this policy are to:

- Reward Executive Directors and senior management in a manner that ensures that they are properly incentivised and motivated to perform in the best interests of shareholders;
- Provide a level of remuneration required to attract and motivate high-calibre Executive Directors and senior management of appropriate calibre;
- Encourage value creation through consistent and transparent alignment of incentive arrangements with the agreed company strategy over the long term; and
- Ensure the total remuneration packages awarded to Executive Directors, comprising both performance-related and non-performance-related remuneration, is designed to motivate the individual, align interests with shareholders and comply with corporate governance best practice.

Objectives and Responsibilities

The Remuneration Committee's main responsibilities can be summarised as follows:

- To determine the framework or broad policy for the remuneration of the Chairman, the Executive Directors, and such other senior executives as it is requested by the Board to consider. The remuneration of Non-Executive Directors shall be a matter for the Chairman and the Executive Directors of the Board. No Director shall be involved in any decisions as to their own remuneration;
- To determine such remuneration policy, taking into account all factors which it deems necessary (including relevant legal and regulatory requirements);
- To review the ongoing appropriateness and relevance of the remuneration policy, including policy comparisons with market competitors;
- To design and determine targets for any performance related pay schemes operated by the Company and approving the total annual payments made under such schemes;
- To review the design of, and any changes to, all share incentive plans;
- To advise on any major changes in employee benefits structures throughout the Company;
- To review the structure, size and composition of the Board, including the skills, knowledge and experience;
- To give full consideration to succession planning;
- To recommend new Board appointments; and
- To consider any matter specifically referred to the Committee by the Board.

Remuneration Committee Report (continued)

Remuneration Policy for Non-Executive Directors

During the reporting period, Jonathan Allis, Cyrille Petit, Juergen Laucht, Kenneth West, Frank Schulkes, Marcella Ruddy, M.D. and I each received a fee for our services as Directors, which had been approved by the Board, and takes into account the time commitment and responsibilities of our roles and the current market rates for comparable organisations and appointments.

Remuneration decisions for 2022

Bonuses payable for the year ended 31 December 2022 totalled US$503,576 (2021: US$375,861).

Remuneration Committee Effectiveness

The Committee is due to perform a self-assessment of its effectiveness during the second half of 2023.

Further information on Directors' remuneration, including Directors' emoluments, share options and warrants holdings can be found in the Directors' Report on pages 18 to 22.

Daniel Bragu
Chairman of the Remuneration Committee

25 May 2023

Independent Auditors' report to the members of Polarean Imaging plc

Opinion

We have audited the financial statements of Polarean Imaging plc (the "Parent Company") and its subsidiary (the "Group") for the year ended 31 December 2022, which comprise:

- the Group statement of comprehensive income for the year ended 31 December 2022;
- the Group and parent company statements of financial position as at 31 December 2022;
- the Group and parent company statements of changes in equity for the year then ended;
- the Group and parent company statements of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards (UK IAS) and, as regards the parent company, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the Group's financial statements have been properly prepared in accordance with UK IAS;
- the Parent Company financial statements have been properly prepared in accordance with UK IAS as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 3 in the financial statements, which indicates that the Group anticipates needing to raise additional capital by the end of the second quarter of 2024 to continue financing the Group's planned activities beyond the 12 months from the date of approval of these financial statements. As stated in note 3, these events or conditions, along with the other matters as set forth in note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included an assessment of the appropriateness of the approach, assumptions and arithmetic accuracy of the model used by management when performing their going concern assessment for a period of at least 12 months from the date of the approval of the financial statements. We reviewed and challenged the underlying data and key assumptions used to make the assessment. We reviewed and considered the potential downside scenarios and the resultant impact on available funds, to assess the reasonableness of economic assumptions on the Group's liquidity requirements.

Independent Auditors' report to the members of Polarean Imaging plc (continued)

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified. Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be US$400,000 (2021: US$420,000), which represents approximately 3% (2021: 3%) of the Group's operating loss. We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements.

Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. We determined performance materiality to be US$280,000 (2021: US$295,000).

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We determined materiality for the Company financial statements as a whole was set at US$130,000 (2021: US$200,000) and its performance materiality to be US$91,000 (2021: US$140,000).

We agreed with the Audit Committee to report to it all identified errors in excess of US$13,000 (2021: US$13,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

Polarean Imaging plc and its subsidiary are accounted for from one operating location in North Carolina, USA. Our audit was conducted from the UK and the USA using a local sub-contractor as part of our audit team under our direction and supervision. All Group companies were within the scope of our audit testing.

Key Audit Matters

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

In addition to the matter described in the material uncertainty in relation to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Independent Auditors' report to the members of Polarean Imaging plc (continued)

Key audit matter – financial statements of the Group	How the scope of our audit addressed the key audit matter
Carrying value of intangible assets At the reporting date the carrying value of intangible assets, comprising patents, in the financial statements of the Group was US$1.6million (2021: US$2.2million). This represented approximately 7% of the assets of the Group at that date. Our audit risk focuses on the risk that intangible assets may be impaired. Intangible assets are detailed in note 12. The accounting policy is documented in note 3.	We discussed with management whether any indications of impairment existed. This includes considering the remaining lives of patents, the existence of any indication of technical obsolescence of technology and manufacturing processes, management's future plans for the business, the ability of the business to continue to raise new investment and the market capitalisation of the Group. We reviewed the following sources of evidence: ● Board minutes, budgets and other operational plans setting out the Group's current plans for continued commercial appraisal of the assets; and ● Reviewed the documentation with relevant authority or regulator.
Carrying value of investment in subsidiary and amounts receivable from subsidiary At the reporting date the carrying value of investment in subsidiary in the financial statements of the parent company was US$4.3million (2021: US$4.3million) and amounts receivable from subsidiary was US$54.0million (2021: US$53.8million). This represented approximately 97% of the assets of the parent company at that date. Our audit risk focuses on the risk that the recoverability of these balances may be impaired if there are such indicators exist at year end. Investments in, and amounts due from, subsidiary are detailed in note 13. The relevant accounting policies are documented in note 3.	We discussed with management whether any indications of impairment existed. This includes considering the existence of any indication of technical obsolescence of technology and manufacturing processes, management's future plans for the business, the ability of the business to continue to raise new investment and the market capitalisation of the Group.

Our audit procedures in relation to the above matter was designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

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

Independent Auditors' report to the members of Polarean Imaging plc (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 22, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Independent Auditors' report to the members of Polarean Imaging plc (continued)

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We obtained an understanding of the legal and regulatory frameworks within which the Company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and taxation legislation. Technical, clinical or regulatory laws and regulations which are inherent risks in the development of clinical drugs and devices are mitigated and managed by the Chief Technology Officer and management generally in conjunction with expert regulatory consultants in order to monitor the latest regulations and planned changes to the regulatory environment.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Stallabrass (Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

25 May 2023

Consolidated Statement of Comprehensive Income

	Notes	2022 US$	2021 US$
Revenue	4	1,033,008	1,185,427
Cost of sales		(684,732)	(677,402)
Gross profit		348,276	508,025
Administrative expenses		(8,464,766)	(6,517,396)
Depreciation	11	(277,461)	(177,349)
Amortisation	6	(760,780)	(757,016)
Selling and distribution expenses		(3,310,592)	(5,557,829)
Share-based payment expense	19	(1,205,247)	(1,814,882)
Total operating costs		(14,018,846)	(14,824,472)
Operating loss	6	(13,670,570)	(14,316,447)
Finance income	7	35,045	2,587
Finance expense	7	(23,762)	(21,101)
Other gains/(losses) – net	7	(246,309)	318,957
Loss before tax		(13,905,596)	(14,016,004)
Taxation	10	–	–
Loss for the year and total other comprehensive expense		(13,905,596)	(14,016,004)
Loss per share			
Basic and diluted (US$)	9	(0.066)	(0.071)

The results reflected above relate to continuing activities.

There are no items of Other Comprehensive Income ("OCI") for the year other than the loss above and therefore no separate statement of other comprehensive income has been presented.

The accompanying notes on pages 44 to 66 are an integral part of these financial statements.

Consolidated Statement of Financial Position

	Notes	2022 US$	2021 US$
ASSETS			
Non-current assets			
Property, plant and equipment	11	418,498	634,779
Intangible assets	12	1,581,591	2,193,843
Right-of-use assets	24	274,288	422,816
Trade and other receivables	14	437,539	5,539
		2,711,916	3,256,977
Current assets			
Inventories	15	1,711,419	1,426,810
Trade and other receivables	14	1,659,649	970,968
Cash and cash equivalents	16	16,454,241	28,874,908
		19,825,309	31,272,686
TOTAL ASSETS		22,537,225	34,529,663
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	17	103,463	101,642
Share premium	18	59,288,383	59,022,919
Group re-organisation reserve	18	7,813,337	7,813,337
Share-based payment reserve	19	4,865,579	3,660,332
Accumulated losses	18	(52,765,804)	(38,860,208)
		19,304,958	31,738,022
Non-current liabilities			
Deferred income	21	128,704	145,747
Trade and other payables	22	360,000	–
Lease liability	24	216,691	358,837
Contingent consideration	20	316,000	316,000
		1,021,395	820,584
Current liabilities			
Trade and other payables	22	1,979,001	1,731,114
Lease liability	24	142,146	130,949
Deferred income	21	89,725	108,994
		2,210,872	1,971,057
TOTAL EQUITY AND LIABILITIES		22,537,225	34,529,663

These Financial Statements were approved and authorised for issue by the Board of Directors on 25 May 2023 and were signed on its behalf by:

Kenneth West
Non-Executive Chairman

Company number: 10442853

The accompanying notes on pages 44 to 66 are an integral part of these financial statements.

Company Statement of Financial Position

	Notes	2022 US$	2021 US$
ASSETS			
Non-current assets			
Investment in subsidiary	13	58,362,291	58,180,314
		58,362,291	58,180,314
Current assets			
Trade and other receivables	14	68,258	22,410
Cash and cash equivalents	16	1,716,189	2,454,491
		1,784,447	2,476,901
TOTAL ASSETS		60,146,738	60,657,215
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	17	103,463	101,642
Share premium	18	59,288,383	59,022,919
Merger reserve	18	4,322,527	4,322,527
Share-based payment reserve	19	4,560,548	3,355,301
Accumulated losses	18	(8,288,811)	(6,251,190)
		59,986,110	60,551,199
Current liabilities			
Trade and other payables	22	160,628	106,016
		160,628	106,016
TOTAL EQUITY AND LIABILITIES		60,146,738	60,657,215

As permitted by section 408 of the Companies Act 2006, no separate statement of Comprehensive Income is presented in respect of the parent Company. The loss for the financial year dealt with in the financial statements of the parent Company was US$2,037,621 (2021: US$2,128,845).

These financial statements were approved and authorised for issue by the Board of Directors on 25 May 2023 and were signed on its behalf by:

Kenneth West
Non-Executive Chairman

Company number: 10442853

The accompanying notes on pages 44 to 66 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

	Share capital US$	Share premium US$	Share-based payment reserve US$	Group re-organisation reserve US$	Accumulated losses US$	Total equity US$
As at 1 January 2021	78,200	23,840,571	1,845,450	7,813,337	(24,844,204)	8,733,354
Comprehensive income						
Loss for the year	–	–	–	–	(14,016,004)	(14,016,004)
Transactions with owners						
Issue of shares	23,442	37,284,454	–	–	–	37,307,896
Share issue costs	–	(2,102,106)	–	–	–	(2,102,106)
Share-based payment expense	–	–	1,814,882	–	–	1,814,882
As at 31 December 2021 (audited)	101,642	59,022,919	3,660,332	7,813,337	(38,860,208)	31,738,022
Comprehensive income						
Loss for the year	–	–	–	–	(13,905,596)	(13,905,596)
Transactions with owners						
Issue of shares	1,821	265,464	–	–	–	267,285
Share-based payment expense	–	–	1,205,247	–	–	1,205,247
As at 31 December 2022	103,463	59,288,383	4,865,579	7,813,337	(52,765,804)	19,304,958

The accompanying notes on pages 44 to 66 are an integral part of these financial statements.

Company Statement of Changes in Equity

	Share capital US$	Share premium US$	Share-based payment reserve US$	Group re-organisation reserve US$	Accumulated losses US$	Total equity US$
As at 1 January 2021	78,200	23,840,571	1,540,419	4,322,527	(4,122,345)	25,659,372
Comprehensive income						
Loss for the year	–	–	–	–	(2,128,845)	(2,128,845)
Transactions with owners						
Issue of shares	23,442	37,284,454	–	–	–	37,307,896
Share issue costs	–	(2,102,106)	–	–	–	(2,102,106)
Share-based payment expense	–	–	1,814,882	–	–	1,814,882
As at 31 December 2021 (audited)	101,642	59,022,919	3,355,301	4,322,527	(6,251,190)	60,551,199
Comprehensive income						
Loss for the year	–	–	–	–	(2,037,621)	(2,037,621)
Transactions with owners						
Issue of shares	1,821	265,464	–	–	–	267,285
Share-based payment expense	–	–	1,205,247	–	–	1,205,247
As at 31 December 2022	103,463	59,288,383	4,560,548	4,322,527	(8,288,811)	59,986,110

The accompanying notes on pages 44 to 66 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

	2022 US$	2021 US$
Cash flows from operating activities		
Loss before tax	(13,905,596)	(14,016,004)
Adjustments for non-cash/non-operating items:		
Depreciation of property, plant and equipment	277,461	177,349
Amortisation of intangible assets and right-of use-assets	760,780	757,015
Loss on disposal of property, plant and equipment	2,766	590
Loss on remeasurement of right-of-use assets	–	11,660
Share-based payment expense	1,205,247	1,814,882
Net foreign exchange losses/(gains)	246,309	(318,957)
Finance expense	23,762	21,101
Finance income	(35,045)	(2,587)
Operating cash outflows before movements in working capital	(11,424,316)	(11,554,951)
Increase in inventories	(284,609)	(448,886)
Increase in trade and other receivables	(1,120,681)	(622,901)
Increase in trade and other payables	607,887	382,247
Decrease in deferred income	(36,312)	(5,976)
Net cash used in operations	(12,258,031)	(12,250,467)
Cash flows from investing activities		
Purchase of property, plant and equipment	(63,946)	(541,454)
Net cash used in investing activities	(63,946)	(541,454)
Cash flows from financing activities		
Issue of shares	267,285	37,307,896
Cost of issue	–	(2,102,106)
Interest paid on lease liabilities	(23,762)	(21,101)
Interest received	35,045	2,587
Principal elements of lease payments	(130,949)	(122,069)
Net cash generated by financing activities	147,619	35,065,207
Net (decrease)/increase in cash and cash equivalents	(12,174,358)	22,273,286
Cash and cash equivalents at the beginning of year	28,874,908	6,282,665
Effect of foreign exchange rate changes on cash and cash equivalents	(246,309)	318,957
Cash and cash equivalents at end of year	16,454,241	28,874,908

The accompanying notes on pages 44 to 66 are an integral part of these financial statements.

Company Statement of Cash Flows

	2022 US$	2021 US$
Cash flows from operating activities		
Loss before tax	(2,037,621)	(2,128,845)
Adjustments for non-cash/non-operating items:		
Share-based payment expense	1,205,247	1,814,882
Net foreign exchange losses/(gains)	246,629	(319,564)
Operating cash outflows before movements in working capital	(585,745)	(633,527)
(Increase)/decrease in trade and other receivables	(45,848)	38,894
Increase in trade and other payables	54,612	57,086
Net cash used by operations	(576,981)	(537,547)
Cash flows from financing activities		
Issue of shares	267,285	37,307,896
Cost of issue	–	(2,102,106)
Loans to the Subsidiary	(181,977)	(33,444,587)
Net cash generated by financing activities	85,308	1,761,203
(Decrease)/increase in cash and cash equivalents	(491,673)	1,223,656
Cash and cash equivalents at the beginning of period	2,454,491	911,271
Effect of foreign exchange rate changes on cash and cash equivalents	(246,629)	319,564
Cash and cash equivalents at end of period	1,716,189	2,454,491

The accompanying notes on pages 44 to 66 are an integral part of these financial statements.

Notes to the Financial Statements

1. General information

The Company is incorporated in England and Wales under the Companies Act 2006. The registered number is 10442853 and its registered office is at 27-28 Eastcastle Street, London, W1W 8DH. The Company is listed on the AIM market of the London Stock Exchange.

The Company is the parent company of Polarean, Inc (the "Subsidiary", together the "Group"). The principal activity of the Group is developing next generation medical imaging technology. The Subsidiary is incorporated in the United States of America and has a registered office of 2500 Meridian Parkway #175, Durham, NC 27713, USA.

2. Adoption of new and revised International Financial Reporting Standards

Standards and interpretations adopted during the year

Information on new standards, amendments and interpretations that are relevant to the Group's annual report and accounts is provided below:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

These standards have no material impact on the Group.

Standards, amendments and interpretations that are not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the United Kingdom Endorsement Board (UKEB) that are effective in future accounting periods that the Company has decided not to adopt early. These standards, amendments or interpretations are not expected to have a material impact on the Group.

3. Significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with UK adopted International Accounting Standards ("IFRS") and under the historical cost convention. The financial statements are presented in United States Dollars ("US$") except where otherwise indicated.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

The Group is moving from the development stage to full commercial exploitation of its IP. During the year ended 31 December 2022 the Group recorded a loss after tax of US$13,905,596 (2021: loss of US$14,016,004) and a net cash outflow from operating activities of US$12,258,031 (2021: US$12,250,467).

The Directors have prepared financial projections and plans for a period of at least 12 months from the date of approval of these financial statements. Based on the current management plan, management believes that these funds are sufficient for the expenditure to date as well as the planned forecast expenditure for the forthcoming 12 months.

3. Significant accounting policies continued

It is anticipated that additional capital will need to be raised by the end of the second quarter of 2024 in order to continue to fund the Group's activities at their planned levels beyond this date. This represents a material uncertainty that may cast significant doubt about the Group's and Company's ability to continue as a going concern. However, the Directors have a reasonable expectation that this uncertainty can be managed to a successful outcome, and based on that assessment, the Group and Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, these financial statements have been prepared on the going concern basis.

The financial statements do not reflect any adjustments that would be required to be made if they were to be prepared on a basis other than the going concern basis.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

Inventory

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in inventories, adjusted for rebates, and other costs incurred in bringing them to their existing location.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The financial statements are presented in United States Dollars (US$) which is also the Group's functional currency.

Foreign currencies

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for each period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transaction are used. All resulting exchange differences are recognised in "other comprehensive income" and accumulated in equity.

Basis of consolidation

The consolidated financial statements are for the year ended 31 December 2022. The measurement bases and principal accounting policies of the Group are set out below.

3. Significant accounting policies continued

On 30 May 2017 Polarean Merger-Sub, Inc., a Subsidiary of the Subsidiary, completed a merger process under which it acquired substantially all of the assets of m2m Imaging Corp ("m2m"), a portfolio company of Amphion Innovations plc engaged in the development of high-performance MRI RF coils for the global research market, primarily in micro-imaging. By 2016 m2m had been inactive for several years due to an inability to raise funds. At the date of the merger the assets of m2m were its technology and patents. The merger was affected by way of court sanction in the process of which the Subsidiary acquired, through a special purpose entity, Polarean Merger Sub, Inc. the assets of another special purpose entity, m2m Merger Sub, Inc., with m2m Merger Sub, Inc. being the surviving entity. After the reporting date, on 1 September 2017, m2m Merger Sub, Inc. was merged into the Subsidiary with the Subsidiary being the surviving entity, the effect being that m2m Merger Sub, Inc. was collapsed, and the Subsidiary had acquired the m2m assets.

As part of the arrangements for the merger 576,430 shares in the Subsidiary were issued to the former shareholders in m2m with the intention that all parties would exchange their stock in Polarean, Inc. for shares in the Group on a *pro rata* basis as soon as practicable.

The Directors consider the merger between the Subsidiary and m2m Acquisition, Inc. as a consequence of which the group acquired the exclusive worldwide rights to m2m's technology and patents does not meet the definition of an acquisition of a business as set out in IFRS3 and has therefore been accounted for as the acquisition of an asset or a group of assets that does not constitute a business.

IFRS 3 requires that in such cases the acquirer shall identify and recognise the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in IAS 38 Intangible assets) and to allocate the cost of the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

The fair value of the assets acquired under the merger arrangement of US$4,999,996 represents the aggregate estimated value of the financial obligations of the former m2m shareholders which were converted into equity in m2m prior to the merger agreement.

The Directors consider the acquisition of the entire issued common stock of the Subsidiary by the Company in exchange for equivalent equity participation in the Company to be a group re-organisation and not a business combination and to fall outside the scope of IFRS 3. Having considered the requirements of IAS 8 and the relevant UK and US guidance, the transaction has been accounted for on a merger or pooling of interest basis as if both entities had always been combined, using book values, with no fair value adjustments made nor goodwill recognised.

Revenue recognition

Revenue comprises the fair value of the sale of goods and rendering of services to external customers, net of applicable sales tax, rebates, promotions and returns.

Contracts and obligation

The majority of customer contracts have three main elements that the Group provides to the customer:

- Sale of polarisers;
- Sale of parts and upgrades; and
- Provision of service.

The sale of polarisers is seen as a distinct performance obligation and revenue is recognised at a point in time. The customer can benefit from the use of the polarisers when supplied and is not reliant on the Group to provide the parts and upgrades or service, and therefore revenue from the sale of polarisers is recognised in full when the goods are delivered to the customer.

3. Significant accounting policies continued

The second performance obligation is the sale of parts and upgrades. The customer can benefit from the use of the parts and upgrade when supplied and is not reliant on the Group to provide the service, and therefore revenue from the sale of parts and upgrades is recognised in full when the goods are delivered to the customer.

The third performance obligation is the provision of preventive maintenance service. Revenue from the provision of preventive maintenance service is recognised over the period when the services are rendered. A contract liability represents the obligation of the Group to render services to a customer for which consideration has been received (or the amount is due) from the customer.

Determining the transaction price

The transaction price is determined as the fair value of the Group expects to receive over the course of the contract.

There are no incentives given to customers that would have a material effect on the financial statements.

Allocate the transaction price to the performance obligations in the contract

The allocation of the transaction price to the performance obligations in the contract is non-complex for the Group. There is a fixed unit price for each product or service sold. Therefore, there is limited judgement involved in allocating the contract price to each unit ordered.

Recognise revenue when or as the entity satisfies its performance obligations

The overarching terms are consistent in each contract.

The sale of polarisers is seen as a distinct performance obligation and revenue is recognised at a point in time, when title of the goods transferred to the customer, as the customer can benefit from the use of the polarisers when supplied.

The sale of parts and upgrades is seen as a distinct performance obligation and revenue is recognised at a point in time, when supplied to the customer, as the customer can benefit from the use of the parts and upgrade when supplied.

The provision of service is seen as a distinct performance obligation and revenue is recognised as the Group provides these services for the duration of the contract, i.e. over time. Any unexpired portion of a service contract or payment received in advance in respect of service contracts either partially completed or not started, are included in deferred income and released over their remaining term.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

3. Significant accounting policies continued

Depreciation

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

- Computer and IT equipment – 33% straight line
- Leasehold improvements – 20% straight line
- Laboratory equipment – 20% straight line

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the statement of comprehensive income.

Intangible Assets

Patents and related rights are assessed by reviewing their net present value of future cash flows. Patents are currently amortised over their useful life, not exceeding 10 years.

Internally generated intangible assets – research costs are costs incurred in research activities and are recognised as an expense in the period in which they are incurred. An internally generated intangible asset arising from the development of commercial technologies is recognised only if all of the following conditions are met:

- it is probable that the asset will create future economic benefits;
- the development costs can be measured reliably;
- technical feasibility of completing the intangible asset can be demonstrated;
- there is the intention to complete the asset and use or sell it;
- there is the ability to use or sell the asset; and
- adequate technical, financial and other resources to complete the development and to use or sell the asset are available.

At this time the Directors consider that the Group does not meet all of those conditions and development costs are therefore recorded as expense in the period in which the cost is incurred.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are reviewed at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3. Significant accounting policies continued

Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, 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, when appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised in finance costs.

Financial assets

The Group classifies all of its financial assets at amortised cost. Financial assets do not comprise prepayments. Management determines the classification of its financial assets at initial recognition.

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold their assets in order to collect contractual cash flows and the contractual cash flows are solely payments of the principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Amortised Cost

The Group's financial assets held at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net; such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other receivables are recognised based on the general impairment model within IFRS 9. In doing so, the Company follows the 3-stage approach to expected credit losses. Step 1 is to estimate the probability that the debtor will default over the next 12 months. Step 2 considers if the credit risk has increased significantly since initial recognition of the debtor. Finally, Step 3 considers if the debtor is credit impaired, following the criteria under IAS 39.

Financial liabilities

The Group classifies its financial liabilities in the category of financial liabilities at amortised cost. All financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provision of the instrument.

Financial liabilities measured at amortised cost comprise trade payables and other short-dated monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Unless otherwise indicated, the carrying values of the Group’s financial liabilities measured at amortised cost represents a reasonable approximation of their fair values.

3. Significant accounting policies continued

Employee benefits: pension obligations

The Group operates a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Finance costs

Finance costs comprise interest on lease liabilities; and are expensed using the effective interest method in the period in which they are incurred.

Finance income

Finance income comprises interest income and dividend income.

Interest income is recognised in the income statement as it accrues using the effective interest method.

Other gains and losses – net

Other gains and losses comprise foreign exchange gains and losses on cash and cash equivalents.

Leases

Definition of a lease

The Group assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated amortisation and impairment losses and adjusted for certain measurements of the lease liability. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lease that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities ad right-of-use assets recognised.

3. Significant accounting policies continued

As at 31 December 2022, potential future cash outflows of $479,477 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (2021: $421,142).

Income tax

Income tax for the years presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

The following temporary differences are not recognised if they arise from a) the initial recognition of goodwill, and b) for the initial recognition of other assets or liabilities in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred income tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Critical accounting estimates and judgements

The preparation of the Group's financial statements under IFRS requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The directors consider that the following judgements are likely to have the most significant effect on the amounts recognised in the financial statements.

Carrying value of intangible assets – Group

In determining whether there are indicators of impairment of the Group's intangible assets, the directors take into consideration various factors including the economic viability and expected future financial performance of the asset and when it relates to the intangible assets arising on a business combination, the expected future performance of the business acquired.

Carrying value of investments in and amounts receivable from subsidiaries – Company

In determining whether there are indicators of impairment of the Company's investments in, and amounts receivable from, its subsidiary undertakings, the directors take into consideration various factors including the economic viability and expected future financial performance of the business of the subsidiary undertakings.

4. Segmental information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (which takes the form of the Board of Directors) as defined in IFRS 8, in order to allocate resources to the segment and to assess its performance.

The chief operating decision maker has determined that the Group has one operating segment, the development and commercialisation of gas polariser devices and ancillary instruments. Revenues are reviewed based on the products and services provided: Polarisers, Parts and Upgrades, Service and Other revenue.

The Group trades in Canada, Germany, the United Kingdom and the United States of America. Revenue by origin of geographical segment for all entities in the Group is as follows:

Revenue

	2022 US$	2021 US$
Canada	446,396	529,824
Germany	–	6,750
United Kingdom	17,800	25,183
United States of America	568,812	623,670
Total	1,033,008	1,185,427

Non-current assets

	2022 US$	2021 US$
United States of America	2,711,916	3,256,977
Total	2,711,916	3,256,977

Product and services revenue analysis

Revenue

	2022 US$	2021 US$
Polarisers	759,099	826,059
Parts and Upgrades	155,787	275,789
Service	118,122	83,579
Total	1,033,008	1,185,427

Management measures revenues by reference to the Group's core services and products and related services, which underpin such income.

5. Employees and Directors

Staff costs for the Group and the Company during the year:

	2022 US$	2021 US$
Wages and salaries	4,207,883	3,604,758
Healthcare benefits	248,927	220,476
Social Security costs	290,531	248,063
	4,747,341	4,073,297

Average monthly number of people (including directors) employed by activity:

	2022 No.	2021 No.
Senior management including directors	11	10
R&D and clinical trial	10	11
Administration	7	7
Total	28	28

Key management compensation:

The following table details the aggregate compensation paid to key management personnel.

	2022 US$	2021 US$
Salaries and fees	1,527,810	1,394,235
Healthcare benefits	85,025	85,830
Social security costs	70,311	69,465
	1,683,146	1,549,530

Key management personnel include all directors who together have authority and responsibility for planning, directing, and controlling the activities of the Group and senior divisional managers.

6. Operating loss

	2022 US$	2021 US$
Depreciation		
– Owned property, plant and equipment	277,461	177,349
Amortisation of right-of-use assets	148,528	140,164
Amortisation of intangible assets	612,252	616,851
Subtotal Amortisation	760,780	757,015
Research expenses	619,007	649,695
Auditors' remuneration (note 8)	66,000	55,664
Clinical trial costs	1,070,004	(52,599)
Regulatory consulting costs	1,964,040	1,126,675
Legal and professional fees	493,290	494,688
Brand development and market research	134,645	2,091,921
Medical affairs and congress/symposia	353,066	916,238

7. Other income and expense items

	2022 US$	2021 US$
Finance income		
Sundry income	35,045	2,587
Total finance income	35,045	2,587
Finance expense		
Interest on lease liabilities	23,762	21,101
Total finance expense	23,762	21,101

	2022 US$	2021 US$
Other gains and losses - net		
Foreign exchange gains/(losses)	(246,309)	318,957
	(246,309)	318,957

8. Auditor remuneration

	2022 US$	2021 US$
Auditors' remuneration		
Fees payable to the Group's auditor for audit of Parent Company and Consolidated Financial Statements	66,000	55,664

9. Loss per share

The loss per share has been calculated using the loss for the year and the weighted average number of ordinary shares outstanding during the year, as follows:

	2022 US$	2021 US$
Loss for the year attributable to shareholders of the Group (US$)	(13,905,596)	(14,016,004)
Weighted average number of ordinary shares	211,948,868	196,961,274
Basic and diluted loss per share	(0.066)	(0.071)

For diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive warrants, options and convertible loans over ordinary shares. Potential ordinary shares resulting from the exercise of warrants, options and the conversion of convertible loans have an anti-dilutive effect due to the Group being in a loss position. As a result, diluted loss per share is disclosed as the same value as basic loss per share.

10. Taxation

There were no charges to income tax due to the losses incurred by the Group in the period.

Income taxes computed at the statutory federal income tax of 21% (2021: 21%) and the state income tax of 2.5% (2021: 2.50%) UK corporation tax is calculated at 19% of the estimated assessable profits for the year.

10. Taxation continued

	2022 US$	2021 US$
Loss on ordinary activities before tax	(13,905,596)	(14,016,004)
Taxable permanent differences	(254,993)	(49,828)
Taxable loss on ordinary activities	(14,160,589)	(14,065,832)
Taxable loss on ordinary activities multiplied by the rate of corporation tax in the US as above	(2,973,724)	(2,953,825)
Effects of:		
Adjustments for rate of tax in other jurisdictions	40,752	42,577
Unrelieved tax losses carried forward	2,932,971	2,911,248
Total taxation charge	–	–

The tax reform act of 1986 contains provisions which limit the ability to utilise the net operating loss carry forwards in the case of certain events including significant changes in ownership interests. If the Group's net operating loss carried forward, the Group would incur a federal income tax liability even though net operating loss carry forwards would be available in future years.

The Group has tax losses carried forward of US$47,297,438 (2021: US$33,391,842). The unutilised tax losses have not been recognised as a deferred tax asset due to uncertainty over the timing of future profits and gains. In addition, there are approximately US$726,000 (2021: US$531,000) of unrecognised deferred tax assets in respect of the share-based payment.

11. Property, plant and equipment

	Leasehold improvements US$	Furniture and equipment US$	Computers and IT equipment US$	Total US$
Cost				
At 1 January 2021	13,658	440,790	59,273	513,721
Additions	17,050	464,585	59,819	541,454
Disposals	–	–	(1,328)	(1,328)
At 31 December 2021	30,708	905,375	117,764	1,053,847
Additions	3,500	52,470	7,976	63,946
Disposals	–	–	(5,298)	(5,298)
At 31 December 2022	34,208	957,845	120,442	1,112,495
Accumulated depreciation				
At 1 January 2021	6,068	213,012	23,377	242,457
Depreciation expense	7,934	146,656	22,759	177,349
Disposals	–	–	(738)	(738)
At 31 December 2021	14,002	359,668	45,398	419,068
Depreciation expense	5,864	237,778	33,819	277,461
Disposals	–	–	(2,532)	(2,532)
At 31 December 2022	19,866	597,446	76,685	693,997
Carrying amount				
At 31 December 2021	16,706	545,707	72,366	634,779
At 31 December 2022	14,342	360,399	43,757	418,498

Notes to the Financial Statements (continued)

12. Intangible assets

	Patents US$	Total US$
Cost		
At 1 January 2021	5,045,996	5,045,996
Additions	–	–
At 31 December 2021	5,045,996	5,045,996
Additions	–	–
At 31 December 2022	5,045,996	5,045,996
Accumulated amortisation		
At 1 January 2021	2,235,302	2,235,302
Amortisation expense	616,851	616,851
At 31 December 2021	2,852,153	2,852,153
Amortisation expense	612,252	612,252
At 31 December 2022	3,464,405	3,464,405
Carrying amount		
At 31 December 2021	2,193,843	2,193,843
At 31 December 2022	1,581,591	1,581,591

13. Investment in subsidiary undertaking

Company	Investment in subsidiary undertaking US$	Amount due from subsidiary undertaking US$	Total US$
Cost			
At 31 December 2021	4,342,848	53,837,466	58,180,314
At 31 December 2022	4,342,848	54,019,443	58,362,291
Carrying amount			
At 31 December 2021	4,342,848	53,837,466	58,180,314
At 31 December 2022	4,342,848	54,019,443	58,362,291

The investment in subsidiary undertaking is stated at cost less provision for impairment. The amount due from subsidiary undertaking are regarded as net investment which is subject to the impairment assessment whenever events or changes in circumstance indicate that the carrying value of the investment and the amount due from subsidiary undertakings may not be recoverable. For the year under review, there is no such indicator for impairment.

The net carrying amounts noted above relates to the Subsidiary. The subsidiary undertaking during the year were as follows:

	Registered office address	Country of incorporation	Interest held %
Polarean Inc.	2500 Meridian Parkway #175, Durham, NC 27713, USA	USA	100

Notes to the Financial Statements (continued)

14. Trade and other receivables

	Group		Company	
Amounts falling due after one year	2022 US$	2021 US$	2022 US$	2021 US$
Rental deposit	5,539	5,539	–	–
Prepayments	432,000	–	–	–
	437,539	5,539	–	–

	Group		Company	
Amounts falling due within one year	2022 US$	2021 US$	2022 US$	2021 US$
Trade receivables	109,397	119,096	–	–
Prepayments	1,550,252	851,872	68,258	22,410
	1,659,649	970,968	68,258	22,410

Analysis of trade receivables based on age of invoices

	< 30 $'000	31 – 60 $'000	61 – 90 $'000	> 90 $'000	Total Gross $'000	ECL $'000	Total Net $'000
2022	65,558	–	–	43,839	109,397	–	109,397
2021	73,500	–	45,097	499	119,096	–	119,096

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The ECL balance has been determined based on historical data available to management in addition to forward looking information utilising management knowledge. The Company applies a similar approach to measuring ECL for the amounts due from group undertakings.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. The majority of trade and other receivables are non-interest bearing. Where the effect is material, trade and other receivables are discounted using discount rates which reflect the relevant costs of financing. The carrying amount of trade and other receivables approximates fair value.

15. Inventory

	Group	
	2022 US$	2021 US$
Finished Goods and Component parts	1,711,419	1,426,810

During the year ended 31 December 2022, a total of US$597,736 of inventories was included in the statement of comprehensive income as an expense (2021: US$624,507).

16. Cash and cash equivalents

	Group		Company	
	2022 US$	2021 US$	2022 US$	2021 US$
Cash at bank and in hand	16,454,241	28,874,908	1,716,189	2,454,491

17. Share capital

The issued share capital of the Company was as follows:

Allotted and called up – Ordinary shares of 0.037p each	2022 No.	2022 US$	2021 No.	2021 US$
At beginning of period	209,249,966	101,642	163,212,935	78,200
Issue of shares upon warrant exercise	–	–	928,089	474
Issue of shares to investors	–	–	44,932,142	22,881
Issue of shares upon option exercise	3,797,543	1,821	176,800	87
At end of year	213,047,509	103,463	209,249,966	101,642

On 24 February 2021, the Company issued 61,563 new ordinary shares upon the exercise of share warrants with an exercise price of £0.15 each.

On 25 March 2021, the Company issued 358,713 new ordinary shares upon the exercise of share warrants with an exercise price of £0.00037 each.

On 31 March 2021, 7 April 2021 and 8 April 2021 the Company issued a total of 44,932,142 new ordinary shares of £0.00037 each in the capital of the Company at the issue price of 60 pence per share in a Placing, Subscription and Open Offer for total proceeds of £27 million (before expenses).

On 16 April 2021, the Company issued 467,733 new ordinary shares upon the exercise of share warrants with an exercise price of £0.00037 each.

On 17 May 2021, the Company issued 40,080 new ordinary shares upon the exercise of share warrants with an exercise price of £0.00037 each.

On 23 November 2021, the Company issued 66,800 new ordinary shares upon the exercise of share options with an exercise price of £0.025358 each.

On 9 December 2021, the Company issued 110,000 new ordinary shares upon the exercise of share options with an exercise price of £0.15 each.

On 11 January 2022, the Company issued a total of 133,600 new ordinary shares upon the exercise of share options with an exercise price of £0.02478 each.

On 11 January 2022, the Company issued a total of 132,630 new ordinary shares upon the exercise of share options with an exercise price of £0.15 each.

On 01 February 2022, the Company issued a total of 109,356 new ordinary shares upon the exercise of share options with an exercise price of £0.15 each.

On 05 April 2022, the Company issued a total of 2,057,440 new ordinary shares upon the exercise of share options with an exercise price of £0.00313 each.

On 05 April 2022, the Company issued a total of 93,520 new ordinary shares upon the exercise of share options with an exercise price of £0.02571 each.

17. Share capital continued

On 06 April 2022, the Company issued a total of 267,200 new ordinary shares upon the exercise of share options with an exercise price of £0.00314 each.

On 20 April 2022, the Company issued a total of 260,169 new ordinary shares upon the exercise of share options with an exercise price of £0.15 each.

On 20 April 2022, the Company issued a total of 136,109 new ordinary shares upon the exercise of share options with an exercise price of £0.23 each.

On 22 July 2022, the Company issued a total of 534,400 new ordinary shares upon the exercise of share options with an exercise price of £0.15 each.

On 27 July 2022, the Company issued a total of 73,119 new ordinary shares upon the exercise of share options with an exercise price of £0.15 each.

18. Reserves

Share premium

Share premium represents the excess of subscription amounts for the issue of shares over nominal value of shares issued, less any attributable share issue costs.

Group re-organisation reserve

The group re-organisation reserve arose on the transaction under which the Group acquired the Subsidiary by way of a group re-organisation.

Share based payment reserve

Cumulative fair value of options charged to the consolidated income statement net of transfers to the profit or loss reserve on exercised.

Accumulated losses

Includes all current and prior year retained profits and losses.

Merger reserve

The balance on the merger reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued in an acquisition made by the issue of shares where the transaction qualifies for merger relief under the Companies Act 2006.

19. Share-based payments

Share options

The Company grants share options at its discretion to Directors, management and employees. These are accounted for as equity settled transactions. Should the options remain unexercised after a period of ten years from the date of grant the options will expire unless an extension is agreed to by the board. Options are exercisable at a price equal to the Company's quoted market price on the date of grant or an exercise price to be determined by the board.

19. Share-based payments continued

Details of share options granted, exercised, lapsed and outstanding at the year-end are as follows:

	Number of share options 2022	Weighted average exercise price (US$) 2022	Number of share options 2021	Weighted average exercise price (US$) 2021
Outstanding at beginning of year	24,443,312	0.50	16,884,322	0.19
Granted during the year	1,941,000	0.71	8,580,000	1.11
Exercised during the year	(3,797,543)	0.07	(176,800)	0.14
Forfeited/lapsed during the year	(3,202,198)	0.99	(844,210)	1.01
Outstanding at end of the year	19,384,571	0.51	24,443,312	0.50
Exercisable at end of the year	13,751,273	0.34	13,055,517	0.14

Date Granted	No. of options	Exercise price	Vesting conditions
08 March 2022	70,000	52 pence	Time-based[1]
13 April 2022	500,000	55 pence	Time-based[1]
04 May 2022	500,000	52 pence	Time-based[1]
23 June 2022	246,000	48 pence	Time-based[1]
25 August 2022	573,000	61 pence	Time-based[1]
20 October 2022	52,000	49 pence	Time-based[1]
	1,941,000		

[1]25% of the options shall vest on the one-year anniversary of the employee's date of hire with the remaining 75% vesting in equal portions over the 36 months following the one-year anniversary of the employee's date of hire.

The options outstanding as at 31 December 2022 have an exercise price in the range of US$0.0041 to US$1.19 (2021: US$0.0041 to US$1.19).

The fair value of options granted during the year has been calculated using the Black Scholes model which has given rise to fair values per share of between US$0.23 and US$0.47. This is based on risk-free rates of between 1.8% and 3.9%, volatility of between 58% and 80% and expected life of 4 years.

The Black Scholes calculations for the options resulted in a charge of US$1,205,247 (2021: US$1,814,882) which has been expensed in the year. The weighted average remaining contractual life of the share options is 6.37 years (2021: 6.85 years). The weighted average share price at the date of exercise for all share options exercised during the period was US$0.75 (2021: $0.58). All share options are equity settled on exercise.

Share warrants

The Company grants share warrants at its discretion to Directors, management, employees, advisors and lenders. These are accounted for as equity settled transactions. Terms of warrants vary from agreement to agreement.

19. Share-based payments continued

Details for the warrants granted, exercised, lapsed and outstanding at the year-end are as follows:

	Number of share options 2022	Weighted average exercise price (US$) 2022	Number of share options 2021	Weighted average exercise price (US$) 2021
Outstanding at beginning of year	3,054,129	0.01	3,994,165	0.09
Exercised during the year	–	–	(928,089)	0.34
Forfeited/lapsed during the year	–	–	(11,947)	0.34
Outstanding at end of the year	3,054,129	0.01	3,054,129	0.01
Exercisable at end of the year	3,054,129	0.01	3.054,129	0.01

The weighted average remaining contractual life of the share warrants is 1.55 years (2021: 2.55 years). The weighted average share price at the date of exercise for all share warrants exercised during the period was US$nil (2021: US$0.68).

20. Provision for contingent consideration

	Group		Company	
	2022 US$	2021 US$	2022 US$	2021 US$
Provision for contingent consideration	316,000	316,000	–	–

On 19 December 2011, the Subsidiary entered into an agreement with a third party to purchase various assets, including patents, trademarks, a license agreement and physical inventory. As consideration for this transaction, the Subsidiary agreed to pay 5 per cent. of gross revenue on clinical sales of products that are sold related to the patents purchased, for seven years from the date of the commercial sale. As of 31 December 2022, the fair value of this contingent consideration was US$316,000 (2021: US$316,000). This liability is valued based on a probability weighted expected return method using projected future cash flows. There were no significant events in the year ended 31 December 2022 necessitating revision of the probability weighted expected value of the contingent consideration.

There was therefore US$Nil profit or loss arising on revaluation of contingent consideration during the year ended 31 December 2022 (2021: US$Nil).

21. Deferred income

	Group		Company	
	2022 US$	2021 US$	2022 US$	2021 US$
Arising from service contracts				
Balance brought forward	254,741	260,717	–	–
Additions	69,809	77,603		
Revenue taken in year	(106,121)	(83,579)	–	–
Balance carried forward	218,429	254,741	–	–
Current	89,725	108,994	–	–
Non-current	128,704	145,747	–	–
	218,429	254,741	–	–

22. Trade and other payables

	Group		Company	
Amounts falling due within one year	2022 US$	2021 US$	2022 US$	2021 US$
Trade payables	597,363	405,953	45,861	40,887
Accruals and other payables	1,381,638	1,325,161	114,767	65,129
	1,979,001	1,731,114	160,628	106,016

	Group		Company	
Amounts falling due after one year	2022 US$	2021 US$	2022 US$	2021 US$
Accruals and other payables	360,000	–	–	–

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs and are payable within 1 year.

The Directors consider the carrying value of all financial liabilities to be equivalent to their fair value.

23. Changes in liabilities from financing activities

Group

	1 January 2021 US$	Cash flows US$	Non-cash changes US$	31 December 2021 US$
Lease liability	221,428	(143,170)	411,528	489,786
Total liabilities from financing activities	221,428	(143,170)	411,528	489,786

	1 January 2022 US$	Cash flows US$	Non-cash changes US$	31 December 2022 US$
Lease liability	489,786	(154,710)	23,761	358,837
Total liabilities from financing activities	489,786	(154,710)	23,761	358,837

24. Leases

Nature of leasing activities

The group leases properties in the jurisdiction in which it operates with all lease payments fixed over the lease term.

	2022 No.	2021 No.
Number of active leases	2	2

The Group discounts the lease payments using its incremental borrowing rate at the commencement date of the lease. The weighted-average rate applied is 10%.

24. Leases continued

Right-of-use assets

	Land and Buildings US$
At 1 January 2021	184,213
Additions	378,767
Amortisation expense	(140,164)
At 31 December 2021	422,816
At 1 January 2022	422,816
Amortisation expense	(148,528)
At 31 December 2022	274,288

Lease Liabilities

	Land and Buildings US$
At 1 January 2021	221,428
Additions	390,427
Interest expense	21,101
Lease payments	(143,170)
At 31 December 2021	489,786
At 1 January 2022	489,786
Interest expense	23,761
Lease payments	(154,710)
At 31 December 2022	358,837

Analysis of lease liabilities

Maturity of the lease liabilities is analysed as follows:

	2022 US$	2021 US$
Within 1 year	142,146	130,949
Later than 1 year and less than 5 years	216,691	358,837
	358,837	489,786

25. Commitments

Royalty commitments

The Subsidiary has entered into three agreements requiring royalty payments. One agreement is conditional and requires a payment of 5 per cent. of gross revenue on clinical sales during the payment period beginning on the date a product is first commercially sold, contingent on receiving FDA approval, and ending seven years from that date. A separate agreement requires payments of 0.25 per cent of net sales of machines, and 20 per cent of any sublicensing income for a specific method of use of patent beginning in 2016. Additionally, beginning five years after the effective date of 1 February 2021, there are minimum yearly royalties of US$5,000. The third agreement requires a fixed payment of US$250,000 for use of patents.

26. Financial instruments

The Group has exposure to the following key risks related to financial instruments:

i. Market risk

ii. Credit risk

iii. Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated Financial Statements.

The Group uses financial instruments including cash, loans, as well as trade receivables and payables that arise directly from operations.

Due to the simple nature of these financial instruments, there is no material difference between book and fair values, discounting would not give a material difference to the results of the Group and the Directors believe that there are no material sensitivities that require additional disclosure.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Subsidiary. In order to minimise the risk, the Subsidiary endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount. The Group considers the banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence no provision is required.

The Directors do not consider that there is any concentration of risk within either trade or other receivables. There are no impairments to trade or other receivables in each of the years presented.

Categories of financial instruments

	Group		Company	
Financial assets at measured at amortised cost	**2022 US$**	**2021 US$**	**2022 US$**	**2021 US$**
Cash and cash equivalents	16,454,241	28,874,908	1,716,189	2,454,491
Trade and other receivables – current	109,397	119,096	–	–
Other receivables – non-current	5,539	5,539	–	–
Financial liabilities at measured at amortised cost				
Trade and other payables- current	360,000	–	–	–
Other payables – non-current	1,979,001	1,731,114	160,629	106,016

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising returns to shareholders through the optimisation of capital structure. The Group is funded by equity. Equity comprises share capital, share premium, share-based payment reserves, group re-org reserves and accumulated losses and is presented in the statement of financial position. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group manages the capital structure and makes adjustments to it in the light of changes to economic conditions and risks.

26. Financial instruments continued

(b) **Market risk**

There is no interest risk exposure to the group or the company. The Company made unsecured interest-free loans to its subsidiary and are expected to be repaid in the future as the subsidiary is revenue generative.

(c) **Liquidity risk**

A maturity analysis of the Group's financial liabilities is shown below:

	Carrying amounts	Undiscounted cash flow	Less than a year	1-2 years	2-5 years
2022					
Trade and other payables	2,339,001	2,339,001	1,979,001	240,000	120,000
Lease liabilities	358,837	384,435	158,135	150,248	76,052
	2,697,838	2,723,436	2,137,136	510,248	76,052
2021					
Trade and other payables	1,731,114	1,731,114	1,731,114	–	–
Lease liabilities	489,786	539,145	154,710	158,135	226,300
	2,220,900	2,270,259	1,885,824	158,135	226,300

Capital risk management

As highlighted earlier in these financial statements, the presentation currency of the Group is the US dollar. The Group has foreign currency denominated assets and liabilities. Exposure to exchange rate fluctuations therefore arises. The Group pays for invoices denominated in a foreign currency in the same currency as the invoice and therefore suffers from a level of foreign currency risk, but this is immaterial. The Group did not enter into any derivative financial instruments to manage its exposure to foreign currency risk in the year.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at 31 December 2022 is as follows:

	2022 USD $	2021 USD $
British pound sterling	1,716,189	2,454,491
Cash balances	1,716,189	2,454,491

At 31 December 2022, if all foreign currencies in which the Group transacts had strengthened or weakened by 10% against the US dollar with all other variables held constant, post-tax loss for the would have been increased/(decreased) by:

	2022 US$	2021 US$
Strengthened by 10% - increase in post-tax loss	171,619	245,449
Weakened by 10% - decrease in post-tax loss	(171,619)	(245,449)

26. Financial instruments continued

The rate of 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year-end for a 10% change in foreign currency rates. A positive number above indicates an increase in loss (increase in profit) or other equity where the US$ strengthens by 10% against the relevant currency. For a 10% weakening of the US$ against the relevant currency, there would be an equal and opposite impact on the profit or loss and other equity.

27. Contingent liabilities

The Directors are not aware of any material contingent liabilities, except for the contingent consideration detailed in note 20.

28. Related party transactions

Remuneration of the key management personnel has been disclosed in Note 5.

29. Events after the reporting period

Between 1 January 2023 and 20 April 2023, the Company granted options over a total of 325,000 ordinary shares of £0.00037 each in the capital of the Company to three new employees. The options vest over a four-year period and have an exercise price equal to the closing price on the date of grant.

On 17 April 2023, the Company announced the appointment of Daniel Brague, a Non-Executive Director of the Company, as a consultant to the Company to provide strategic advice to the Company's commercial team. Under the terms of the consultancy contract, the Company will pay Mr. Brague an hourly fee of $300. The fee is capped at $100,000 in total.

POLAREAN IMAGING PLC

(Incorporated in England and Wales under the Companies Act 2006 with company number 10442853)

NOTICE OF ANNUAL GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have recently sold or transferred all of your shares in Polarean Imaging plc, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

It is intended that the Annual General Meeting (the "AGM") of Polarean Imaging plc (the "Company") will be held at the Company's office at 2500 Meridian Parkway, Suite 175, Durham, NC 27713 USA at 2:00 p.m. BST (9:00 a.m. EST) on 28 June 2023. The Company understand and recognises the importance of the AGM and the Board greatly values the opportunity to meet shareholders in person. However, we understand that this may not be possible or desirable for all whom wish to attend, therefore, the Company will offer shareholders the option to participate in the AGM remotely via a Zoom conference call. If you wish to use this facility, please contact the Company' investors relations firm, Walbrook Public Relations, by emailing polarean@walbrookpr.com who will provide further information. However, shareholders will not be able to vote at the meeting when joining via the Zoom conference call. Shareholders are therefore asked, whether or not they propose to attend the AGM, to exercise their votes and appoint the Chairman of the AGM as their proxy by completing the form of proxy sent to them with this document and return it to the Company's registrars as soon as possible. They must receive it by 2:00 p.m. BST (9:00 a.m. EST) on 26 June 2023 (or, in circumstances where the AGM is adjourned to a date later than 48 hours after the time specified for the Meeting, 48 hours before the time of the adjourned meeting, excluding any UK non-working days).

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Polarean Imaging plc (the "Company") will be held at the Company's office at 2500 Meridian Parkway, Suite 175, Durham, NC 27713 USA at 2:00 p.m. BST (9:00 a.m. EST) on 28 June 2023 for the purpose of considering and, if thought fit, transacting the following business:

ORDINARY BUSINESS

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and consider the Company's audited accounts for the year ended 31 December 2022 and the Directors' of the Company (the "Director(s)") and auditors' reports thereon.
2. To consider and approve the remuneration report as detailed in the Company's annual report and accounts.
3. To re-appoint Crowe UK LLP as auditor of the Company (the "Auditor") to hold office until the conclusion of the next general meeting at which accounts are laid and to authorise the Directors to fix the Auditor's remuneration.
4. To re-elect Marcella Ruddy as a Director, who retires in accordance with article 78 of the Articles, and who, being eligible, offers herself for re-election.
5. To re-elect Juergen Laucht as a Director, who retires in accordance with article 78 of the Articles, and who, being eligible, offers himself for re-election.

6. To re-elect Cyrille Petit as a Director, who retires in accordance with article 83 of the Articles, and who, being eligible, offers himself for re-election.

7. To approve the amendments to the rules of the Polarean Imaging plc Share Option Plan (the "Plan") as further described on page 19 of the Annual Report and to authorise the Directors to do all such other acts and things they may consider appropriate to implement the amended plan.

8. To generally and unconditionally authorise the Directors for the purpose of section 551 of the Companies Act 2006 (the "Act"), in substitution for all existing authorities to the extent unused, to exercise all the powers of the Company to allot or grant rights to subscribe for or to convert any security into shares in the Company:

   a) up to 10,000,000 ordinary shares of £0.00037 each ("Ordinary Shares") in respect of the Plan; and

   b) otherwise than pursuant to paragraph (a) above, up to 31,957,126 Ordinary Shares (being 15 per cent. of the total number of Ordinary Shares in issue as at the date of this notice),

   provided that this authority shall expire on the earlier of 15 months after the date of passing of this resolution or the conclusion of the annual general meeting of the Company next following the passing of this resolution, save that the Company may, before such expiry, make an offer or agreement which would or might require shares or equity securities, as the case may be, to be allotted or such rights granted after such expiry and the Directors may allot shares or equity securities or grant such rights, as the case may be, in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolution as a special resolution:

9. Subject to the passing of resolution 8 above, to empower the Directors, pursuant to the general authority conferred on them and section 570 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash as if section 561 of the Act did not apply to any such allotment, **provided that** this power shall be limited to the allotment of equity securities:

   a) made in connection with an offer of securities, open for acceptance for a fixed period, to holders of Ordinary Shares of the Company on the register on a fixed record date in proportion (as nearly as may be) to their then holdings of such Ordinary Shares (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any legal or practical problems under the laws or requirements of any recognised regulatory body or any stock exchange in any overseas territory or in connection with fractional entitlements); and/or

   b) wholly for cash (otherwise than pursuant to paragraph 9(a) above) up to an aggregate number of 31,957,126 Ordinary Shares.

   This authority shall expire on the earlier of 15 months after the date of passing of this resolution and the conclusion of the annual general meeting of the Company next following the passing of this resolution but the Company may, before such expiry, make an offer or agreement which would or might require shares or equity securities, as the case may be, to be allotted or such rights granted after such expiry and the Directors may allot shares or equity securities or grant such rights, as the case may be, in pursuance of such an offer or agreement notwithstanding that the power conferred by this resolution has expired.

By Order of the Board

Stephen Austin
Company Secretary

25 May 2023

Registered Office:
27-28 Eastcastle Street
London
W1Q 8DH

NOTES

A shareholder entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote on their behalf at the AGM. A proxy need not be a shareholder.

(1) Arrangements for the meeting

Shareholders who wish to attend the AGM in person should arrive at the venue in good time to allow their attendance to be registered. Shareholders who wish to participate in the meeting remotely via the Zoom conference call should contact the Company's investor relations firm, Walbrook Public Relations, by emailing polarean@walbrookpr.com who will provide further information. However, Shareholders will not be able to vote at the meeting when joining via the Zoom conference call. The Board:

- encourages Shareholders to submit their votes by proxy as early as possible, and Shareholders are encouraged to appoint the Chairman of the meeting as their proxy. All proxy appointments should be received by no later than 2:00 p.m. BST on 26 June 2023;
- strongly recommends CREST members to vote electronically through the CREST electronic proxy appointment service as your vote will automatically be counted. In addition, the Company has also decided that proxy appointments can also be submitted by Shareholders electronically (even outside CREST) by logging on to www.shareregistrars.uk.com, clicking on the "Proxy Vote" button and then following the on-screen instructions (you can locate your log-in details on the top of the proxy form). Please contact Share Registrars Limited contact number on +44 (0) 1252 821390 for any further guidance. Dealing with paper proxies requires physical interaction such as post sorting and delivery, evaluation and manual input.
- proposes that voting at the meeting will be conducted by means of a poll on all resolutions, with each Shareholder having one vote for each share held, thereby allowing all those proxy votes submitted and received prior to the meeting to be counted; and
- encourages you to submit any question that you would like to be answered at the meeting by sending it, together with your name as shown on the Company's register of members and the number of shares held, to the following email address: polarean@walbrookpr.com so that it is received by no later than 2:00 p.m. BST on 26 June 2023. Please insert "AGM – Shareholder Questions" in the subject header box of your email. The Company will endeavour to respond to all questions received from Shareholders at the AGM or within seven days following the AGM.

(2) To appoint a proxy, shareholders should use the form of proxy enclosed with this notice of AGM. Please carefully read the instructions on how to complete the form of proxy. For a proxy to be effective, the instrument appointing a proxy together with the power of attorney or such other authority (if any) under which it is signed or a notarised certified copy of the same must be deposited with the Company's registrars, Share Registrars Limited of 3 The Millennium Centre, Crosby Way, Farnham, Surrey, GU9 7XX, United Kingdom (the "**Registrars**") or shareholders can submit their vote(s) by logging on to www.shareregistrars.uk.com, clicking on the "Proxy Vote" button and then following the on-screen instructions (you can locate your log-in details on the top of the proxy form) by 2:00 p.m. BST on 26 June 2023, or, if the AGM is adjourned, 48 hours before the time fixed for the adjourned meeting (excluding any part of a day that is not a business day). The completion and return of a form of proxy does not preclude a shareholder from subsequently attending and voting at the AGM in person if he or she so wishes. If a shareholder has appointed a proxy and attends the AGM in person, such proxy appointment will automatically be terminated.

(3) Pursuant to Regulation 41 of Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders on the register of members at 2:00 p.m. BST on 26 June 2023 or, if the meeting is adjourned, 48 hours before the time of the adjourned meeting (excluding any part of a day that is not a business day), shall be entitled to attend or vote at the AGM in respect of the number of ordinary shares of £0.00037 each (the "**Ordinary Shares**") registered in their name at that time. Changes to the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the AGM.

(4) Any Shareholder may insert the full name of a proxy or the full names of two alternative proxies of the Shareholder's choice in the space provided with or without deleting 'the Chairman of the meeting.' A proxy need not be a Shareholder but must attend the meeting to represent the relevant Shareholder. The person whose name appears first on the Form of Proxy and has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow. If this proxy form is signed and returned with no name inserted in the space provided for that purpose, the Chairman of the meeting will be deemed to be the appointed proxy. Where a Shareholder appoints as his/her proxy someone other than the Chairman, the relevant Shareholder is responsible for ensuring that the proxy attends the meeting and is aware of the Shareholder's voting intentions. Any alteration, deletion or correction made in the Form of Proxy must be initialled by the signatory/ies.

(5) A shareholder may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different Ordinary Share or Ordinary Shares held by that shareholder. A shareholder may not appoint more than one proxy to exercise rights attached to any one Ordinary Share. If a shareholder wishes to appoint more than one proxy, they should contact the Registrars on 01252 821390, +44 1252 821390 from overseas. Lines are open from 9.00 a.m. to 5.00 p.m. Monday to Friday, excluding public holidays. Alternatively, you may write to the Registrars at Share Registrars Limited, 3 The Millennium Centre, Crosby Way, Farnham, Surrey, GU9 7XX, United Kingdom for additional proxy forms and for assistance.

(6) Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same Ordinary Share.

(7) As at the close of business on the date immediately preceding this notice, the Company's issued share capital comprised 213,047,509 Ordinary Shares. Each Ordinary Share carries the right to vote at the AGM and, therefore, the total number of voting rights in the Company as at close of business on the date immediately preceding this notice is 213,047,509.

(8) A shareholder's instructions to the proxy must be indicated in the appropriate space provided. To abstain from voting on a resolution, select the relevant 'Vote withheld' box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

(9) This form of proxy must be signed by the appointor, or his attorney duly authorised in writing. The power of attorney or other authority (if any) under which the form of proxy is signed, or a notarised certified copy of the power or authority, must be received by the Registrars with the form of proxy. If the appointor is a corporation, the form of proxy should be signed on its behalf by an attorney or duly authorised officer or executed as a deed or executed under common seal. In the case of joint holders, the signature of any one of them will suffice, but the names of all joint holders should be stated.

(10) CREST members who wish to appoint a proxy or proxies through the CREST Electronic Proxy Appointment Service may do so for the AGM to be held at 2:00 p.m. BST on 28 June 2023 and any adjournment(s) thereof by following the procedures described in the CREST manual. All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be received by the Registrars (ID 7RA36) no later than 2:00 p.m. BST on 26 June 2023, or, if the AGM is adjourned, 48 hours before the time fixed for the adjourned meeting (excluding any part of a day that is not a business day).

(11) In order to revoke a proxy instruction, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Registrars. In the case of a shareholder which is a company, the revocation notice must be executed in accordance with note 12 below. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice and must be received by the Registrars not less than 48 hours (excluding any part of a day that is not a business day) before the time fixed for the holding of the AGM or any adjourned meeting (or in the case of a poll before the time appointed for taking the poll) at which the proxy is to attend, speak and to vote. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

(12) A corporation's form of proxy must be executed under either its common seal, if any, or under the hand of a duly authorised officer or attorney, in each case as required under the laws of its relevant jurisdiction.