27 June 2019

Polarean Imaging Plc
("Polarean" or the "Company")

Final Results

Polarean Imaging plc (AIM: POLX), the clinical stage medical-imaging technology company, with a proprietary drug-device combination product for the visualisation of pulmonary function in the magnetic resonance imaging (MRI) market, announces its audited final results for the year ended 31 December 2018.

In addition, Polarean confirms that the Annual Report and Accounts for the year ended 31 December 2018, the Notice of the Annual General Meeting ("AGM") and a Form of Proxy are now available on the Company's website (http://www.polarean-ir.com/content/investors/annual-reports.asp) and will be posted to shareholders shortly.

Polarean's AGM will be held at the offices of Reed Smith LLP at The Broadgate Tower, 20 Primrose Street, London EC2A 2RS at 2.00 p.m. on 25 July 2019.

Highlights

- First patient enrolled in Phase III FDA clinical trial during the period and trials nearing completion
- New licensing agreement with Duke University
- On track to file a New Drug Application with the FDA and to deliver first commercial sales by end of 2020
- Gross fundraise of US$1.064 million (c.£0.8 million) in July 2018 via a placing in response to investor demand
- Gross fundraise of US$4 million (c.£3.125 million) in December 2018 to support the Company's ongoing Phase III Clinical Trials and significantly strengthening the balance sheet

Post period end

- Two new System Orders from the University of British Columbia and The Hospital for Sick Children in Toronto respectively
- Total number of systems in use or on order now at 24
- Confirmed the third tranche of US$1 million from the US$3 million Small Business Innovation Research grant
- Currently at least 42 clinical trials ongoing into the use of ^{129}Xe MRI on the FDA website
- Appointment of new Chief Financial Officer

Richard Hullihen, CEO of Polarean, commented: "*We are encouraged with the progress of our Phase III clinical trials and enrolment should conclude during the third quarter of this year. We have continued to invest in our intellectual property portfolio as part of our ongoing R&D and have added new key patent filings involving gas exchange and pulmonary vascular disease. We remain confident and excited for the future of Polarean and are grateful to our investors for their continued support."*

The Company recently held its second successful investor symposium in London. Details can be found on the Company's website at http://www.polarean-ir.com/content/investors/videos.asp

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

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Chairman's Statement

The most immediate challenge facing the Company upon completion of the IPO in March 2018 was the start of the clinical trials. Satisfactory completion of the clinical trials is a necessary condition for successful commercial development as we go forward, although it is far from being the only key to our success.

The trials are now nearing completion. No clinical trial is ever straight forward and the team has worked closely with the several advisors that have guided the design, launch and prosecution of the trials, to ensure that they are proceeding to plan. As we announced on 11 June 2019, we have elected to bring online a third trial site and we are grateful to our valued collaborators at the University of Cincinnati for their help with the initiation of this site, which we believe should ensure the timely completion of enrolment in both trials by the end of the third quarter of 2019. That should allow us to file our New Drug Application ("NDA") with the FDA and, assuming approval, is expected to enable us to make our first commercial unit sales by the end of 2020.

While the clinical trials we are conducting are a critical part of the business plan, they are not the only part. The Company has continued to meet expectations in relation to sales of additional pre-clinical units to existing and new institutional customers. This has brought the total number of systems in use or on order to 24 and the majority of those are with leading medical institutions who are conducting research and additional clinical trials into the use of hyperpolarized 129 Xenon using MRI (^{129}Xe MRI). At present there are at least 42 clinical trials into the use of ^{129}Xe MRI showing on the FDA website. We were particularly pleased to be able to announce on 21 May 2019 receipt of the third year of grant from the NIH / SBIR which is funding the work being done jointly with Cincinnati Children's Hospital into the use of ^{129}Xe MRI in paediatric populations. Alongside the work being done by SickKids in Canada, and others, into paediatric populations we believe we can look forward to ^{129}Xe MRI making a materially positive medical contribution to the diagnosis and monitoring of treatment of pulmonary health conditions in children, including those suffering from cystic fibrosis.

During the year a number of key advances were made in applications of the technology to gas exchange and beyond. Many of the medical issues that arise in patients with compromised pulmonary function occur as a result of deficiencies in the body's ability to absorb oxygen out of air and into the bloodstream. Some of these medical issues, like Idiopathic Pulmonary Fibrosis ("IPF"), cannot readily be diagnosed accurately using existing techniques but they are serious conditions that are increasingly being targeted by the pharmaceutical companies for drug development. Accurate diagnosis and monitoring is one critical aspect of the effective medication of these conditions and we believe ^{129}Xe MRI can help to address this unmet medical need. In late 2018, we extended our collaboration with Duke University by securing the intellectual property rights to an entirely new application, in pulmonary vascular disease, including pulmonary arterial hypertension ("PAH"). We are already in discussion with several companies that have developed medications for PAH and other conditions (COPD and asthma for example) in the expectation that ^{129}Xe MRI can make a significant difference in both the development of new drugs and in the management of these conditions in the clinic.

Our first nine months as a public company included the completion of two additional financing rounds, the second of which closed at the end of 2018. The capital market environment for small medical technology companies was challenging throughout the year and the Polarean IPO was one of very few successful public listings in the sector on the AIM market in 2018. We were fortunate to be able to complete those financing rounds, which provided additional support for the clinical trials.

We believe that partnering with pharmaceutical and other companies to facilitate the development and use of their products is a key part of Polarean's future development. We already have relationships with several companies that have expressed an interest in partnering with us. Such relationships can help us expand our development activities in the near term and, following FDA approval, to expand access to and support a presence in deployment of Polarean's technology as we reach into the clinical setting and help expand the treatment options available to patients. We have also consistently stated our intention to access markets outside the United States through partnerships and we are pleased to note a growing interest in partnering opportunities to expand our geographical footprint in that way.

The team has done a great job in efficiently producing and shipping new systems to our customers, while working closely with our installed base to provide service and support to their existing systems. As our installed base grows, this becomes a proportionally larger challenge, in addition to the continuing work in hand to improve the design and performance of our systems and to plan for the future evolution of the product. The manufacture of the equipment was successfully outsourced and the last five machines have been built under the GMP standards which are required both for pivotal clinical trials and the clinical use of this technology.

We were delighted to be able to add Chuck Osborne to our team as Chief Financial Officer in April 2019 and welcome his help in addressing the many challenges that lie ahead as we grow the Company.

We hope to be able to announce the completion of our clinical trials in the next few months and look forward to working with the FDA when we seek approval to allow marketing of the technology next year. This will be another major and exciting phase change for the Company which we will report on more fully in the coming months. We continue to look forward with determination and high confidence in the strength of the technology and the commitment of the team.

Richard Morgan
Non-Executive Chairman
26 June 2019

Chief Executive Officer's Statement

2018 – Year of Development and Accomplishment

Polarean and its subsidiaries (the 'Group') began their first full year focused on preparation for the Phase III Clinical trials. Having finalised contracts with Contract Research Organisations and with the two university sites for the trial, we planned and executed a Pilot Study which closely matched the trial protocol in order to prove that the structure and specifications of the trials were met in the "non-inferiority" structure of the trials. We conducted that study at one of the two trial sites, using the same equipment and methods of the Phase III trial protocol. That study was successful and gave the Group the confidence to initiate the trials.

The Opportunity

The US Healthcare system annual burden of pulmonary disease is US$150 billion and the Directors still see a tremendous opportunity to bring our technology's quantitative, reproducible, non-invasive method for diagnostic and therapeutic guidance to medicine. We have begun to develop the healthcare economic analyses to support the adoption by providers of our technology, working with experts in the field. Over the planning horizon of the first 48 months post commercial launch, the Group intends to address the high end of US academic and teaching hospital market segment, which comprises approximately the top 1,000 institutions nationally. The combined addressable market there for our products approaches US$500 million.

While working to achieve FDA approval for clinical use, Polarean continues to serve the medical imaging research market by providing xenon polarisers to enable functional MRI of the pulmonary system. This brings dynamic, high-resolution, regional, image-based information to pulmonary physicians and researchers whose best alternative tool is spirometry, a relatively inaccurate measurement of expired breath. Current imaging technologies are not often used for assessing lung function, despite the revolutionary effects of MRI in other medical applications.

Our Clinical Trials

Our Phase III Clinical Trials are head-to-head, non-inferiority trials which are comparing our technology to an existing nuclear medicine technique using radioactive ^{133}Xe and gamma cameras. The trials involve 80 patients in total and are being conducted at three of our closest collaborative sites, the University of Virginia Duke University ("Duke") and the University of Cincinnati. We are characterising ventilation in two sets of patients being evaluated for surgical procedures: those who are being evaluated for lung lobar resection surgery and those being evaluated for lung transplant. In each case their pre-operative expired vital capacity is measured through spirometry. Our technology and the existing nuclear medicine standard of care are used to assess the remaining post-operative vital capacities. Our trial has focused entirely on the pre-operative assessment and it makes no difference whether the patient is chosen for surgery. We are at an advanced stage in the trial and expect enrolment to conclude in the third quarter of 2019.

Our Operations

The Group completed the transition of manufacturing to a local certified medical device manufacturer. In 2018, we built and shipped five units and one upgrade. This is the largest production volume we have achieved. This included the transition to GMP level production for the Clinical Trial units and all units thereafter. We will continue to improve the production capability of our provider moving forward.

R&D

We continued to invest in our intellectual property portfolio during the year. Key new patent filings involving gas exchange and pulmonary vascular disease were added, and an expanded and enhanced license agreement with Duke was achieved.

2018 Financial Results

Broadly speaking, our operating performance was as we expected in 2018, with revenues slightly higher than expected at US$2.439 million and expenses slightly lower than expected. In addition, we raised US$1 million (before expenses) in July 2018 in a placing based on investor demand and US$4 million (before expenses) in December 2018 (a significant majority of the proceeds from the December 2018 placement were received by the Company in early 2019) in a placing designed to fund the Company through our Clinical Trial enrolment. During the period, we benefitted from the Year 2 proceeds of the NIH SBIR Grant which we have jointly with the University of Cincinnati Children's Hospital. Our pricing and margins have maintained throughout the year. It is still the case that the majority of our research systems are procured via grant mechanisms and while the outcomes are typically known with some certainty, the ultimate fiscal timing of these projects is difficult to predict with certainty.

2019 and Beyond

We plan to complete enrolment of our Phase III trials in the third quarter of 2019 and look forward to the readout of both indications with confidence, based on the results of our Pilot Study. We will proceed with filing our NDA and continue to cautiously plan to receive regulatory approval in the second half of 2020. In the meantime, we continue to collaborate with researchers in the US and abroad and look to expand our installed base of research systems. The exciting new developments in cardiology and pulmonary vascular disease are expanding and our knowledge base about these conditions is expanding.

We have begun early discussions with potential strategic partners in the pharmaceutical industry and in other geographic markets that could lead to important developments in new applications and uses for our technology, expansion into new territories, and which may bring economic benefits to the Group going forward.

Polarean is fortunate to have an outstanding collection of world-class collaborators and customers in both the US and Europe. Additionally, we support the "^{129}Xe MRI Clinical Trials Consortium" and the crucial work they do in collaborative research, training investigators, providing infrastructure for evaluating new techniques, and multi-institution sharing of magnetic resonance (MR) techniques and image analysis methods. We would like to thank the National Heart Lung and Blood Institute for their continued support of our Small Business Innovation Research Program grant with Cincinnati Children's Hospital Medical Center. In addition, we have developed solid working relationships with MRI systems manufacturers and exclusive relationships with global industrial gas suppliers, all key to our future as we scale the business.

On behalf of the entire staff of Polarean Imaging, I would like to thank you for your investment in and support of the Group and we look forward to continuing to develop and deliver this critical life-saving and life-improving technology to physicians and patients everywhere.

Richard Hullihen
Chief Executive Officer
26 June 2019

Consolidated Statement of Comprehensive Income

	Notes	2018 US$	2017 US$
Revenue	4	2,439,139	1,237,163
Cost of sales		(633,463)	(297,215)
Gross profit		1,805,676	939,948
Administrative expenses		(6,161,916)	(4,051,000)
Depreciation	11	(10,140)	(7,478)
Amortisation	12	(616,852)	(361,746)
Selling and distribution expenses		(31,766)	(28,752)
Share-based payment expense	19	(251,790)	(414,866)
Total administrative expenses		(7,072,464)	(4,863,842)
Operating loss	6	(5,266,788)	(3,923,894)
Finance income	7	184	129
Finance expense	7	(188,055)	(34,056)
Loss before tax		(5,454,659)	(3,957,821)
Taxation	10	-	-
Loss for the year and total other comprehensive expense		(5,454,659)	(3,957,821)
Loss per share			
Basic and diluted (US$)	9	(0.078)	(0.139)

The results reflected above relate to continuing activities.

There is no recognised income or expense for the year other than the loss above and therefore no separate statement of other comprehensive income has been presented.

Consolidated Statement of Financial Position

	Notes	2018 US$	2017 US$
ASSETS			
Non-current assets			
Property, plant and equipment	11	17,752	21,341
Intangible assets	12	4,044,398	4,661,250
Trade and other receivables	14	12,539	12,539
		4,074,689	4,695,130
Current assets			
Inventories	15	651,781	649,860
Trade and other receivables	14	4,226,585	488,861
Cash and cash equivalents	16	875,601	960,217
		5,753,967	2,098,938
TOTAL ASSETS		**9,828,656**	**6,794,068**
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	17	49,427	23,291
Share premium	18	11,063,075	1,448,037
Group re-organisation reserve	18	7,813,337	7,813,337
Other equity	18	-	87,305
Share-based payment reserve	19	1,078,335	826,545
Accumulated losses	18	(12,212,767)	(6,758,108)
		7,791,407	3,440,407
Non-current liabilities			
Provision for contingent consideration	20	316,000	316,000
Deferred income	21	70,726	-
		386,726	316,000
Current liabilities			
Trade and other payables	22	1,590,482	1,906,376
Borrowings	23	5,213	1,104,723
Deferred income	21	54,828	26,562
		1,650,523	3,037,661
TOTAL EQUITY AND LIABILITIES		**9,828,656**	**6,794,068**

Company Statement of Financial Position

	Notes	2018 US$	2017 US$
ASSETS			
Non-current assets			
Investment in subsidiary	13	4,342,848	4,342,848
		4,342,848	4,342,848
Current assets			
Trade and other receivables	14	9,370,611	1,891,495
Cash and cash equivalents	16	235,766	23,106
		9,606,377	1,914,601
TOTAL ASSETS		**13,949,225**	**6,257,449**
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent			
Share capital	17	49,427	23,291
Share premium	18	11,063,075	1,448,037
Merger reserve	18	4,322,527	4,322,527
Other equity	18	-	87,305
Share-based payment reserve	19	773,304	521,514
Accumulated losses	18	(2,287,282)	(956,714)
		13,921,051	5,445,960
Current liabilities			
Trade and other payables	22	28,174	25,742
Borrowings	23	-	785,747
		28,174	811,489
TOTAL EQUITY AND LIABILITIES		**13,949,225**	**6,257,449**

The loss for the financial year dealt with in the financial statements of the parent Company was US$1,330,568 (2017: US$956,714).

Consolidated Statement of Changes in Equity

	Share capital US$	Share premium US$	Other equity US$	Share-based payment reserve US$	Group re-org reserve US$	Accumulated losses US$	Total equity US$
As at 1 January 2017	1	-	-	238,172	1,976,367	(2,800,287)	(585,747)
Comprehensive income							
Loss for the year	-	-	-	-	-	(3,957,821)	(3,957,821)
Transactions with owners							
Issue of shares	2,970	1,982,094	-	-	-	-	1,985,064
Share issue costs	-	(534,057)	-	173,507	-	-	(360,550)
Share-based payment expense	-	-	-	414,866	-	-	414,866
Group re-organisation	20,320	-	-	-	5,836,970	-	5,857,290
Convertible loans	-	-	87,305	-	-	-	87,305
As at 31 December 2017	**23,291**	**1,448,037**	**87,305**	**826,545**	**7,813,337**	**(6,758,108)**	**3,440,407**
Comprehensive income							
Loss for the year	-	-	-	-	-	(5,454,659)	(5,454,659)
Transactions with owners							
Issue of shares	26,136	10,161,474	(87,305)	-	-	-	10,100,305
Share issue costs	-	(546,436)	-	-	-	-	(546,436)
Share-based payment expense	-	-	-	251,790	-	-	251,790
As at 31 December 2018	**49,427**	**11,063,075**	**-**	**1,078,335**	**7,813,337**	**(12,212,767)**	**7,791,407**

Company Statement of Changes in Equity

	Share capital US$	Share premium US$	Other equity US$	Share-based payment reserve US$	Merger reserve US$	Accumulated losses US$	Total equity US$
As at 1 January 2017	1	-	-	-	-	-	1
Comprehensive income							
Loss for the year	-	-	-	-	-	(956,714)	(956,714)
Transactions with owners							
Issue of shares	23,290	1,982,094	-	-	4,322,527	-	6,327,911
Share issue costs	-	(534,057)	-	173,507	-	-	(360,550)
Share-based payment expense	-	-	-	348,007	-	-	348,007
Convertible loans	-	-	87,305	-	-	-	87,305
As at 31 December 2017	**23,291**	**1,448,037**	**87,305**	**521,514**	**4,322,527**	**(956,714)**	**5,445,960**
Comprehensive income							
Loss for the year	-	-	-	-	-	(1,330,568)	(1,330,568)
Transactions with owners							
Issue of shares	26,136	10,161,474	(87,305)	-	-	-	10,100,305
Share issue costs	-	(546,436)	-	-	-	-	(546,436)
Share-based payment expense	-	-	-	251,790	-	-	251,790
As at 31 December 2018	**49,427**	**11,063,075**	**-**	**773,304**	**4,322,527**	**(2,287,282)**	**13,921,051**

Consolidated Statement of Cash Flows

	2018 US$	2017 US$
Cash flows from operating activities		
Loss before tax	(5,454,659)	(3,957,821)
Adjustments for non-cash/non-operating items:		
Depreciation of plant and equipment	10,140	7,478
Amortisation of intangible assets	616,852	361,746
Share-based payment expense	251,790	414,866
Interest paid	188,055	34,056
Interest received	(184)	(129)
Operating cash flows before movements in working capital	**(4,388,006)**	**(3,139,804)**
Increase in inventories	(1,921)	(328,199)
Increase in trade and other receivables	(69,517)	(440,931)
(Decrease)/increase in trade and other payables	(315,894)	1,343,861
Increase/(decrease) in deferred income	98,992	(50,618)
Net cash used in operations	**(4,676,346)**	**(2,615,691)**
Cash flows from investing activities		
Purchase of plant and equipment	(6,551)	(16,834)
Interest received	184	129
Net cash used in investing activities	**(6,367)**	**(16,705)**
Cash flows from financing activities		
Issue of shares	5,093,775	2,481,808
Interest paid	(188,055)	(34,056)
Issue of notes and loans	5,213	1,047,014
Repayment of notes and loans	(312,836)	-
Net cash generated by financing activities	**4,598,097**	**3,494,766**
Net (decrease)/increase in cash and cash equivalents	(84,616)	862,370
Cash and cash equivalents at the beginning of year	960,217	97,847
Cash and cash equivalents at end of year	**875,601**	**960,217**

Company Statement of Cash Flows

	Year ended 31 December 2018 US$	Year ended 31 December 2017 US$
Cash flows from operating activities		
Loss before tax	(1,330,568)	(956,714)
Adjustments for non-cash/non-operating items:		
Share-based payment expense	251,790	348,007
Operating cash flows before movements in working capital	**(1,078,778)**	**(608,707)**
Increase in trade and other payables	2,433	25,742
Net cash used by operations	**(1,076,345)**	**(582,965)**
Cash flows from financing activities		
Issue of shares	5,099,914	1,624,514
Loans to intercompany	(3,810,909)	(1,851,022)
Issue of notes and loans	-	832,579
Net cash generated by financing activities	**1,289,005**	**606,071**
Increase in cash and cash equivalents	212,660	23,106
Cash and cash equivalents at the beginning of period	23,106	-
Cash and cash equivalents at end of period	**235,766**	**23,106**

These Financial Statements were approved and authorised for issue by the Board of Directors on 26 June 2019 and were signed on its behalf by:

Richard Morgan
Non-executive Chairman

Notes on 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 AIM 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.

IFRS 9 'Financial Instruments'

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The Group has considered the implications of IFRS 9 to have an immaterial impact, as detailed in the financial assets accounting policy.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition. This supersedes IAS 18 Revenue and the core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has considered the implications of IFRS 15 to have an immaterial impact, as detailed in the revenue recognition accounting policy.
Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's annual report and accounts.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

IFRS 16 'Leases', effective 1 January 2019

The IASB has published IFRS 16 'Leases', completing its long-running project on lease accounting. The new Standard, which is effective for accounting periods beginning on or after 1 January 2019, requires lessees to account for leases 'on-balance sheet' by recognising a 'right-of-use' asset and a lease liability. The date of initial application of IFRS 16 for the Group will be 1 January 2019. It will affect most companies that report under IFRS and are involved in leasing and will have a substantial impact on the annual report and accounts of lessees of property and high value equipment. This standard has been endorsed by the European Union.

The Group's management has carried out an impact review of the implementation of IFRS 16 and has decided it will apply the modified retrospective adoption method in IFRS 16, and, therefore, will only recognise leases on the Statement of Financial Position as at 1 January 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date.

At 31 December 2018 operating lease commitments amounted to US$183,421 (see note 24), which is expected to reduce to US$109,899 at 31 December 2019. Assuming the Group's lease commitments remain at this level, the effect of discounting those commitments is anticipated to result in right-of-use assets and lease liabilities of approximately US$115,000 being recognised on 1 January 2019. However, further work still needs to be carried out to determine whether and when extension and termination options are likely to be exercised, which will result in the actual liability recognised being higher than this.

Instead of recognising an operating expense for its operating lease payments, the group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its current operating lease cost, which for the year ended 31 December 2018 was approximately US$73,000.

There are no other standards issued which are expected to have a material impact on the financial statements.

3 Significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and under the historical cost convention, as modified by the use of fair value for financial instruments measured at fair value. 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 Directors consider the going concern basis of preparation to be appropriate in preparing the financial statements.

The Group is in its development stage and has not yet moved to full commercial exploitation of its IP. During the year ended 31 December 2018 the Group recorded a loss after tax of US$5,454,659 (2017: loss of US$3,957,821) and a net cash outflow from operating activities of US$4,676,346 (2017: US$2,615,691).

On 28 December 2018 the Group raised proceeds of US$4.0 million (excluding expenses) from investors by the issue of shares of which US$3.7 million remain outstanding at year-end.

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 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.

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.

Government and other grants

Grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Grants are treated as deferred income and released to the income statement on the achievement of the relevant performance criteria.

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.

Basis of consolidation

The consolidated financial statements are for the year ended 31 December 2018. They have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The measurement bases and principal accounting policies of the Group are set out below. 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 effected 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.

IFRS3 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 provisional estimate of 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 IFRS3. 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 supplied to the customer.

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 supplied to the customer.

The third performance obligation is the provision of preventive maintenance service. Revenue from the provision of preventive maintenance service is recognised in the period in which the services are provided over the life of the contract.

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 supplied 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 a as distinct performance obligation and revenue us 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.

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 "other operating income" in the statement of comprehensive income.

Intangible Assets

Patents and related rights which are acquired through a business combination, 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.

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.

Amortised costs

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.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. 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.

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.

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.

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 include:

- 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.
- Bank and other borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

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

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.

Net finance costs

Finance costs
Finance costs comprise interest payable on borrowings, direct issue costs, dividends on preference shares and foreign exchange losses; and are expensed in the period in which they are incurred.

Finance income
Finance income comprises interest receivable on funds invested, and foreign exchange gains.

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The costs associated with operating leases are taken to the income statement on an accruals basis over the period of the lease.

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 arsing 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 as endorsed by the EU 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 estimates and judgements are likely to have the most significant effect on the amounts recognised in the financial statements.

Carrying value of intangible assets
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.

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 operates 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

	2018 US$	2017 US$
Canada	163,677	340,113
Germany	15,117	24,617
United Kingdom	38,661	111,765
United States of America	2,221,684	760,668
Total	2,439,139	1,237,163

Non-current assets

	2018 US$	2017 US$
United States of America	4,074,689	4,695,130
Total	4,074,689	4,695,130

Product and services revenue analysis

Revenue

	2018 US$	2017 US$
Polarisers	1,056,728	340,113
Parts and Upgrades	56,610	91,529
Service	117,220	154,528
Grants	1,208,581	650,993
Total	2,439,139	1,237,163

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:

	2018 US$	2017 US$
Wages and salaries	1,667,233	837,619
Social security costs	367,748	321,009
	2,034,981	1,158,628

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

	2018 No.	2017 No.
Senior management including directors	9	5
R&D and clinical trial	7	7
Administration	1	1
Total	17	13

Key management compensation:

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

	2018 US$	2017 US$
Salaries and fees	873,229	512,636
Social security costs	331,771	196,462
	1,205,000	709,098

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

	2018 US$	2017 US$
Depreciation		
- Owned plant and equipment	9,601	6,939
- Leased plant and equipment	539	539
Amortisation of intangible assets	616,852	361,746
Research expenses	672,633	167,655
Operating lease costs	77,971	68,335
Auditors remuneration (note 8)	42,938	143,792

7 Net finance expense

	2018 US$	2017 US$
Interest income	184	129
Total finance income	184	129
Finance expense	188,055	34,056
Total finance expense	188,055	34,056

8 Auditor remuneration

	2018 US$	2017 US$
Auditors remuneration		
Fees payable to the Group's auditor for audit of Parent Company and Consolidated Financial Statements	42,938	45,237
Fees payables to the Group's auditor for other services (assurance related services)	-	98,555

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:

	2018 US$	2017 US$
Loss for the year attributable to shareholders of the	(5,454,659)	(3,957,821)
Weighted average number of ordinary shares*	69,940,338	28,460,390
Basic and diluted loss per share	(0.078)	(0.139)

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.

The Group sub-divided its share capital on the basis of 26.71999:1 in February 2018. The weighted average for the year ended 31 December 2017 reflects this.

10 Taxation

There were no charges to current corporate taxation due to the losses incurred by the Group in the period. No deferred tax assets have been recognised due to the uncertainty of reversal being dependant on future taxable profits.

Income taxes computed at the statutory federal income tax of 21% (2017: 35%) and the state income tax of 3.30% (2017: 3.30%). UK corporation tax is calculated at 19% of the estimated assessable profits for the year.

	2018 US$	2017 US$
Loss on ordinary activities before tax	(5,454,659)	(3,957,821)
Loss on ordinary activities multiplied by the rate of corporation tax in the US as above	(1,145,478)	(1,385,237)
Effects of:		
Adjustments for rate of tax in other jurisdictions	26,611	226,518
Unrelieved tax losses carried forward	1,118,867	1,158,719
Total taxation charge	-	-

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

11 Property, plant and equipment

	Leasehold improvements US$	Furniture and equipment US$	Computers and IT equipment US$	Total US$
Cost				
At 1 January 2017	2,695	27,671	8,232	38,598
Additions	-	-	16,834	16,834
At 31 December 2017	2,695	27,671	25,066	55,432
Additions	-	4,952	1,599	6,551
At 31 December 2018	**2,695**	**32,623**	**26,665**	**61,983**
Accumulated depreciation				
At 1 January 2017	360	19,516	6,737	26,613
Depreciation expense	539	2,775	4,164	7,478
At 31 December 2017	899	22,291	10,901	34,091
Depreciation expense	539	3,380	6,221	10,140
At 31 December 2018	**1,438**	**25,671**	**17,122**	**44,231**
Carrying amount				
At 31 December 2017	1,796	5,380	14,165	21,341
At 31 December 2018	**1,257**	**6,952**	**9,543**	**17,752**

12 Intangible assets

	Patents US$	Total US$
Cost		
At 1 January 2017	46,000	46,000
Additions – m2m (see note 3 – basis of consolidation)	4,999,996	4,999,996
At 31 December 2017	5,045,996	5,045,996
Additions	-	-
At 31 December 2018	5,045,996	5,045,996
Accumulated amortisation		
At 1 January 2017	23,000	23,000
Amortisation expense	361,746	361,746
At 31 December 2017	384,746	384,746
Amortisation expense	616,852	616,852
At 31 December 2018	1,001,598	1,001,598
Carrying amount		
At 31 December 2017	4,661,250	4,661,250
At 31 December 2018	4,044,398	4,044,398

13 Investment in subsidiary undertakings

Company	Subsidiary Undertakings US$
Cost	
At 31 December 2017	4,342,848
Additions	-
At 31 December 2018	4,342,848
Carrying amount	
At 31 December 2017	4,342,848
At 31 December 2018	4,342,848

The Directors annually assess the carrying value of the investment in the Subsidiary and in their opinion no impairment provision is currently necessary.

The net carrying amounts noted above relates to the Subsidiary. The subsidiary undertakings 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

14 Trade and other receivables

	Group		Company	
Amounts falling due after one year	**2018 US$**	**2017 US$**	**2018 US$**	**2017 US$**
Rental deposit	12,539	12,539	-	-

	Group		Company	
Amounts falling due within one year	**2018 US$**	**2017 US$**	**2018 US$**	**2017 US$**
Trade receivables	166,277	750	-	-
Other receivables	3,972,321	415,331	3,708,681	-
Prepayments	87,367	31,686	-	-
Due from Group undertakings	-	-	5,661,930	1,851,021
Called up share capital not fully paid	620	620	-	-
Due from borrowings	-	40,474	-	40,474
	4,226,585	488,861	9,370,611	1,891,495

The Company's other receivable of US$3.7 million relates to the funds outstanding from the share issue on 28 December 2018.

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*
2018	163,677	2,600	-	-	166,277	-	166,277
2017	750	-	-	-	750	-	750

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. Based on the analyses performed there is no material impact on the transition to ECL. 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	
	2018	2017
	US$	US$
Component parts	651,781	649,860

16 Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	US$	US$	US$	US$
Cash at bank and in hand	875,601	960,217	235,766	23,106

17 Share capital

The issued share capital of the Company was as follows:

Allotted and called up - Ordinary shares of 0.037p each	2018 No.	2018 US$	2017 No.	2017 US$
At beginning of period	48,470,142	23,291	2,672	1
Issue of shares on group reorganisation	-	-	42,286,709	20,320
Issue of shares to investors	47,321,448	23,540	6,180,761	2,970
Issue of shares upon converting loans	4,939,303	2,596	-	-
At end of year	100,730,893	49,427	48,470,142	23,291

The Company was incorporated on 24 October 2016 with issued share capital of £1 comprising 1 ordinary share of £1 each. On 30 May 2017 the share capital of the Group was divided into 100 ordinary shares of 1p each.

On 30 May 2017 the Company issued 1,582,587 new ordinary shares as consideration for the acquisition of 100% of the issued share capital of the Subsidiary.

On 31 May 2017, the Company raised US$2 million of pre-IPO funding by way of the issue of 231,316 new ordinary shares at a price of £6.68 per share.

On 16 February 2018 the Company sub-divided its share capital on the basis of 26.71999:1. The number of ordinary shares in issue in the Company at 31 December 2017 reflects the sub-division.

On 28 March 2018 the Company issued 20,000,000 new ordinary shares at a price of £0.15 each.

On 16 July 2018 the Company issued 5,000,000 new ordinary shares at a price of £0.16 each.

On 28 December 2018, the Company issued 22,321,448 new ordinary shares at a price of £0.14 each. Of the US$4.0 million (excluding expenses) raised from investors, US$3.7 million remain outstanding at year-end.

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.

Other equity
Includes the value of conversion rights on convertible loans.

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 and cancelled/lapsed options.

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.

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

	Number of share options 2018	Weighted average exercise price (US$) 2018	Number of share options 2017	Weighted average exercise price (£)
Outstanding at beginning of year	5,156,960	0.02	5,156,960	0.02
Granted during the year	10,403,600	0.20	-	-
Forfeited/lapsed during the year	-	-	-	-
Outstanding at end of the year	15,560,560	0.13	5,156,960	0.02
Exercisable at end of the year	6,590,282	0.07	4,304,619	0.01

During the year ended 31 December 2018, 10,403,600 options were granted (2017: Nil). The options will vest in equal portions on an annual basis on the anniversary of Admission, over the four year period from the date of Admission. The options outstanding as at 31 December 2018 have an exercise price in the range of US$0.0041 to US$0.20 (2017: US$0.0041 to US$0.0337).

The fair value of options granted has been calculated using the Black Scholes model which has given rise to fair values per share of US$0.09. This is based on risk-free rates of 1.41% and volatility of 40.84%.

The Black Scholes calculations for the options granted resulted in a charge of US$211,015 (2017: US$66,859) which has been expensed in the year.

The weighted average remaining contractual life of the share options is 7.91 years (2017: 6.2 years).

All share options are equity settled on exercise.

On 23 May 2019, the Company granted 1.2 million share options to Chuck Osborne with an exercise price of 15 pence per share. 25% of the options shall vest on 29 April 2020 with the remaining 75% vesting in equal portions on the last day of each calendar month over the period of 36 months, starting on 31 May 2020.

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 very from agreement to agreement.

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

	Number of share warrants 2018	**Weighted average exercise price (US$) 2018**	**Number of share warrants 2017**	**Weighted average exercise price (US$) 2017**
Outstanding at beginning of year	9,065,428	0.15	5,081,449	0.01
Granted during the year	866,236	0.20	3,983,979	0.33
Forfeited/lapsed during the year	(2,908,125)	0.30	-	-
Outstanding at end of the year	7,023,539	0.09	9,065,428	0.15
Exercisable at end of the year	7,023,539	0.09	4,371,841	0.00

On 30 May 2017, by way of a Warrant Substitution Agreement the outstanding warrants in the Subsidiary were substituted into warrants over shares in the Company. The Warrant Substitution Agreement did not vary or amend any of the terms and conditions of the warrants granted.

On completion of the m2m merger the Company granted a warrant of 5% of the issued share capital of the Subsidiary following the merger to Amphion Innovations Plc, Robert Bertoldi and Richard Morgan. A total of 2,618,373 warrants were issued pursuant to the Amphion Warrant Instrument.

On 31 May 2017 the Company granted 1,236,174 warrants to subscribers as part of the pre-merger fundraise on 31 May 2017 (Subscriber Warrants). These warrants can be exercised at any time from Admission to 25 May 2021.

As part of the pre-Admission fundraising which was completed in December 2017 the Company granted 129,432 warrants to subscribers (Pre-Admission Fundraise Warrants). These warrants can be exercised at any time from Admission to 25 May 2021.

On 11 January 2018 the Company granted 866,236 warrants to subscribers with an exercise price of 15 pence per share which vested immediately and expiry on 31 March 2019.

On 16 February 2018 the Company sub-divided its share capital on the basis of 26.71999:1. The warrants above reflect this event.

The fair value of options granted during the year have been calculated using the Black Scholes model which has given rise to fair values per share of US$0.04. This is based on risk-free rates of 1.41% and volatility of 40.84%.

The Black Scholes calculations for warrants resulted in a charge of US$40,775 (2017: US$348,007) which has been expensed in the year.

The weighted average remaining contractual life of the share warrants is 4.1 years (2017: 3.6 years).

On 2 April 2019 the Company issued 705,040 new ordinary shares of £0.00037 each in the capital of the Company at the exercise price of 15 pence per share, following the exercise of warrants from certain investors that subscribed in January 2018. The total consideration received by the Company pursuant to the warrant exercise will be £105,756. The remaining 157,796 warrants issued in January 2018 lapsed on 1 April 2019.

20 Provision for contingent consideration

	Group		Company	
	2018 US$	**2017 US$**	**2018 US$**	**2017 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 2018, the fair value of this contingent consideration was US$316,000 (2017: 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 2018 necessitating revision of the probability weighted expected value of the contingent consideration.

There was therefore no profit or loss arising on revaluation of contingent consideration during the year ended 31 December 2018 (2017: nil).

21 Deferred income

	Group		Company	
	2018 US$	**2017 US$**	**2018 US$**	**2017 US$**
Arising from service contracts				
Current	54,829	26,562	-	-
Non-current	70,726	-	-	-
	125,555	26,562	-	-

22 Trade and other payables

	Group		Company	
	2018 US$	**2017 US$**	**2018 US$**	**2017 US$**
Trade payables	417,356	711,363	-	-
Accruals and other payables	923,126	945,013	28,174	25,742
Royalties	250,000	250,000	-	-
	1,590,482	1,906,376	28,174	25,742

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

Royalties comprise a fixed payment of US$250,000 in relation to an agreement entered into by the Subsidiary for the use of patents, see note 24 – Royalty commitments.

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

23 Borrowings and loans

	Group		Company	
	2018 US$	2017 US$	2018 US$	2017 US$
Related party loans	-	47,086	-	-
Overdraft	5,213	-	-	-
Note payable	-	265,750	-	-
Convertible loan notes	-	791,887	-	785,747
	5,213	1,104,723	-	785,747

In June 2013, an unsecured subordinated promissory note was issued to a related party for a principal amount of US$8,000 per month for 18 months for a total of US$144,000. The note bears interest at 3 per cent. per annum. All principal and outstanding interest on the note is was repaid in December 2018.

In April 2017, an unsecured loan note was issued for a principal amount of US250,000. The note bears interest at 6.75 per cent. per annum. All principal and outstanding interest on the note was repaid in April 2018.

An unsecured promissory note that was issued in June 2017 for a principal amount of US$150,000, with an interest rate of 6 per cent per annum, was settled in full including all outstanding interest in April 2018.

In December 2017, an unsecured convertible loan note was issued for a principal amount of US$903,000 (£647,147) was converted with accrued interest, into 4,939,303 ordinary shares in the Company at a conversion price equal to 90 per cent of the issue price of the ordinary shares upon admission.

Net debt reconciliation

	2018 US$	2017 US$
Cash and cash equivalents	875,601	960,217
Current borrowings	(5,213)	(1,104,723)
Net debt	**870,388**	**(144,506)**

	Cash and cash equivalents US$	Current borrowings US$	Total US$
Net debt at 1 January 2017	97,847	(104,541)	**(6,694)**
Cash flows	862,370	(1,047,014)	**(184,644)**
Other non-cash movements	-	46,832	**46,832**
Net debt at 31 December 2017	**960,217**	**(1,104,723)**	**(144,506)**
Cash flows	(84,616)	307,623	**223,007**
Other non-cash movements	-	791,887	**791,887**
Net debt at 31 December 2018	**875,601**	**(5,213)**	**870,388**

24 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.

Operating lease commitments

At 31 December 2018, the Company was committed to making the following payments under non-cancellable operating leases:

	Land & Buildings	
	2018	**2017**
	US$	**US$**
No later than one year	73,522	72,205
Later than one year, and not later than five years	109,899	183,421
Total	183,421	255,626

The operating lease commitments for the rental of the property is calculated on a straight-line basis over the length of the lease.

25 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 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.

The Company has made unsecured interest-free loan to its Subsidiary and is repayable on demand and is expected to be repaid in the future as the Subsidiary is revenue generative.

Categories of financial instruments

	Group		Company	
	2018 US$	**2017 US$**	**2018 US$**	**2017 US$**
Cash and cash equivalents	875,601	960,217	235,766	23,106
Loans and receivables				
Trade and other receivables – current	4,226,585	488,861	9,370,611	1,891,495
Trade and other receivables – non-current	12,539	12,539	-	-
Financial Liabilities measured at amortised cost				
Trade and other payables	1,590,482	1,906,376	28,174	25,742
Borrowings – current	5,213	1,104,723	-	785,747

Borrowings

	Group		Company	
Financial Instruments	**2018 US$**	**2017 US$**	**2018 US$**	**2017 US$**
Related Party Loans	-	47,086	-	-
Overdraft	5,213	-	-	-
Note payable	-	265,750	-	-
Convertible Loan Notes	-	791,887	-	785,747
Total	5,213	1,104,723	-	785,747

In June 2013, an unsecured subordinated promissory note was issued to Technology Commercialization Group, for whom Kenneth West was a retained consultant, for a principal amount of US$8,000 per month for 18 months for a total of US$144,000. The note bears interest at 3 per cent. per annum. This was repaid in full in December 2018.

In December 2017, an unsecured convertible loan note was issued for a principal amount of US$903,000 (£647,147) was converted with accrued interest, into 4,939,303 ordinary shares in the Company at a conversion price equal to 90 per cent of the issue price of the ordinary shares upon admission.

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 debt and equity balances. The Group is both equity and debt funded, and these two elements combine to make up the capital structure of the business. Equity comprises share capital, share premium and retained losses and is equal to the amount shown as ‘Equity’ in the statement of financial position. Debt comprises various items which are set out in further detail above and in note 23.

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

(b) ***Market risk***

The interest rate profile of the Subsidiary's borrowings is shown below:

Interest rate profile of interest-bearing borrowings:

	2018		2017	
	Debt US$	**Interest rate**	**Debt US$**	**Interest rate**
Fixed rate borrowings Related party loans	-	-%	24,852	6-10%
Weighted average cost of fixed rate borrowings	-	-%	24,852	8%

Details of the above borrowings can be found in note 23 above.

Interest rate sensitivity analysis

As the interest rates on shareholders loans are fixed, interest rate risk is considered to be very low.

(c) ***Liquidity risk***

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

	2018 US$	**2017 US$**
Less than one year	5,213	49,631
One to two years	-	-
Two to five years	-	-
Total including interest cash flows	5,213	49,631
Less: interest cash flows	-	(2,545)
Total principal cash flows	5,213	47,086

Derivatives

The Group and Company have no derivative financial instruments.

26 Contingent liabilities

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

27 Related party transactions

In June 2013, an unsecured subordinated promissory note was issued to Technology Commercialization Group, for whom Ken West was a retained consultant, for a principal amount of US$8,000 per month for 18 months for a total of US$144,000. The note bears interest at 3 per cent per annum. All principal and outstanding interest on the note was due 3 June 2016. This was repaid in full in December 2018.

28 Events after the reporting period

On the 2 April 2019, the Company issued 705,040 new ordinary shares of £0.00037 each at an exercise price of 15 pence per share in relation to the warrants exercised by certain investors that subscribed for Convertible Loan Notes the Group undertook in a pre-Admission fundraise in December 2017. The Company received £105,756.

On 23 May 2019, the Company granted 1.2 million share options to Chuck Osborne with an exercise price of 15 pence per share. 25% of the options shall vest on 29 April 2020 with the remaining 75% shall vest in equal portions on the last day of each calendar month over the period of 36 months, starting on 31 May 2020.

Notice of Annual General Meeting

The Annual General Meeting of Polarean Imaging plc will be held at the offices of Reed Smith LLP at The Broadgate Tower, 20 Primrose Street, London EC2A 2RS at 2.00 p.m. on 25 July 2019.