

Company Registration No. 09910883

Belluscura plc

**Annual report and financial statements
for the year 31 December 2021**

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Belluscura plc

Report and financial statements 2021

Contents

OFFICERS AND PROFESSIONAL ADVISORS	1
CHAIRMAN'S STATEMENT	2
CHIEF EXECUTIVE'S REVIEW	3
FINANCIAL REVIEW	4
GOVERNANCE	6
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021	8
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS	10
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BELLUSCURA PLC	11
CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME	15
CONSOLIDATED BALANCE SHEET	16
COMPANY BALANCE SHEET	17
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	18
COMPANY STATEMENT OF CHANGES IN EQUITY	19
CONSOLIDATED STATEMENT OF CASH FLOWS	20
NOTES TO THE ACCOUNTS	21

Belluscura plc

Report and financial statements for the year to 31 December 2021

OFFICERS AND PROFESSIONAL ADVISORS

Registered Office
Belluscura plc
15 Fetter Lane
Holborn
London
EC4A 1BW

Officers	
Adam Reynolds	Non-Executive Chairman
Bob Rauker	Chief Executive Officer
Tony Dyer	Chief Financial Officer
Dr Patrick Strollo	Non-Executive Director
David Poutney	Non-Executive Director
Ric Piper	Non-Executive Director

Auditor
Jeffreys Henry Audit Limited
Finsgate
5-7 Cranwood Street
London
EC1B 9EE

Banks		
Barclays Bank Plc	Comerica Bank	JPMorganChase
1 Churchill Place	PO Box 650282	2200 Ross Ave, Floor 8
Canary Wharf	Dallas	Dallas
London	Texas	Texas
E14 5HP	TX 75265-0282	TX 75201

Solicitor
DWF PLC
20 Fenchurch Street
London
EC3M 3AG

Nominated Advisor
Spark Advisory Partners Limited
5 St John's Ln
London
EC1M 4BH

Broker
Dowgate Capital Ltd
15 Fetter Ln
London
EC4A 1BW

Belluscura plc

Report and financial statements for the year to 31 December 2021

CHAIRMAN'S STATEMENT

I am pleased to report on the performance of Belluscura as my first year as Chairman after listing on AIM in May 2021.

Belluscura is a business founded on the principle of making healthcare both more affordable and more available while returning a strong profit to our shareholders.

In February 2017, the Group entered into a co-exclusive licence and development agreement with Separation Design Group IP Holdings LLC ("SDG") to complete the development of the X-PLOR, a portable oxygen concentrator, used to deliver concentrated oxygen to a patient requiring oxygen therapy.

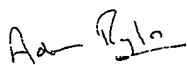
Belluscura and SDG delivered a working prototype within five months of acquiring the X-PLOR licence. X-PLOR received 510(k) clearance from the Food and Drug Administration ("FDA") on 2 March 2021.

Our products are currently manufactured in the US and the Group is delighted to have commercially launched the X-PLOR in September 2021.

The Group has also developed follow-on products which will target the same oxygen markets and continues to work on other oxygen enrichment technologies in complementary markets

We believe that the X-PLOR range of products will provide significant growth for the Group. The global demand for medical oxygen continues to grow with an estimated 300m people suffering from Chronic Obstructive Pulmonary Disease ("COPD") and the disease expecting to become the leading cause of death worldwide in 15 years. Additionally, even though the COVID-19 pandemic appears to be easing, recent studies reveal that nearly one in five people that contracted COVID-19 showed lung abnormalities, potentially resulting in a future need for supplemental oxygen¹.

The Company looks forward with optimism and will be updating shareholders on a regular basis.



Adam Reynolds
Non-Executive Chairman
28 March 2022

¹ The unmet global burden of COPD - UCL Respiratory, University College London, London, UK - <https://discovery.ucl.ac.uk/id/eprint/10052604/>

Belluscura plc

Report and financial statements for the year to 31 December 2021

CHIEF EXECUTIVE'S REVIEW

2021 has been a transformational year for Belluscura. On 2 March 2021 we received 510(k) clearance from the US FDA for the X-PLOR Portable Oxygen Concentrator. This underpinned our successful £17.5 million (\$24.5 million) fundraise and IPO listing on AIM on 28 May 2021.

Whilst we had many distributor enquiries, both in the US and internationally, in order to manage the launch and ensure we would have continuity of supply to our customers, we limited the number of initial distributor agreements. We signed our first distribution agreement in June 2021 and now have more than ten in place.

Following a successful Pre-Market Evaluation, where the units were tested with 17 volunteer oxygen users, we launched the X-PLOR in early September and in the four months to 31 December 2021 we sold 377 X-PLOR units, significantly exceeding our initial forecasts. Our device is priced competitively for the B2B market and during 2022 we will expand into the B2C marketplace which allows the Company to retain higher gross margins.

Recognising the current global supply chain challenges, the Company has significantly increased inventory levels of key components and other raw materials to pre-empt any potential disruption on production levels allowing them to be maintained in the current financial year and beyond. Inevitably, whilst these shortages remain, costs are higher, but as we increase volume and the shortages ease, we will start to benefit from economies of scale along with the potential benefits of reducing costs in 2023.

The Group's manufacturing capability has been scaled up significantly to ensure that the Company can continue to meet the increased demand from US distributors, with the Company continuing to broaden its sales network with both online and brick & mortar distributors. The Company also continues to move forward toward launching the product outside the US, having received multiple enquiries from distributors globally.

We continue to strengthen the Belluscura team, increasing headcount (excluding non-executive Directors) from 9 at the time of IPO to 16 at the end of the year. We will continue to invest in our engineering and manufacturing capability along with sales and marketing to build out our B2B sales, B2C sales and the brand. We will also invest in our quality and compliance infrastructure that any fast-growing business requires.

Forecasts of the supplementary oxygen market now expect it to grow from \$3.14bn in 2021 to \$5.64bn by 2027, representing a Compound Annual Growth Rate (CAGR) of 10.17%. The longer-term impact on oxygen requirements for recovering COVID-19 patients is yet unknown; however, there has been increased demand for oxygen related devices globally. In addition, supply chain disruption has caused a shortage of devices across the industry, which opens up opportunities for Belluscura.

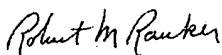
Outlook

Trading in the beginning of 2022 has continued to accelerate. In the first six weeks of 2022 we increased the number of distributors to more than 10 and had combined sales and orders for more X-PLOR units than the total number of X-PLOR units we sold in 2021.

We will increase production commensurate with market demand and manufacturing capabilities which we expect to grow significantly. The Group also continues to satisfactorily progress regulatory clearances in territories outside the US.

Development of the follow-on products, the X-PLOR CX and X-PLOR DX, continues to progress well with the expected launch of these next generation products to be in Q2 2022 and Q3 2022 respectively.

The Company has a strong balance sheet and is well positioned to deliver substantial growth in 2022. We look forward to the future with confidence.



Robert Rauker
Chief Executive Officer
28 March 2022

¹ Medical Oxygen Concentrators & Oxygen Cylinders Market Research Report by Product, by Technology, by End-user, by Region - Global Forecast to 2027 - Cumulative Impact of COVID-19 (yahoo.com)

Belluscura plc

Report and financial statements for the year to 31 December 2021

FINANCIAL REVIEW

Income statement

Revenue for the year to 31 December 2021 was \$420,316 (2020: \$nil). This revenue was generated in the final four months of the year following the launch of the X-PLOR. All revenue was generated in the US.

There was a small Product Gross Loss in the year of \$52,171 (2020: \$nil). With X-PLOR being the Group's first product to be launched, pricing was deliberately competitive to establish early B2B sales, with cost of goods sold reflecting the initial small volumes.

Other income of \$209,690 (2020: \$11,493) was from COVID-19 related grants and forgiven loans.

Operating Loss for the year was \$5.19m (2020: \$1.95m) and Total Comprehensive Loss was \$6.37m (2020: \$1.59m). Adjusted Operating Loss of \$4.21m (2020: \$1.30m) is calculated before IFRS2 Share Based Payment Charge and Surrendered Share Options (Note 6.2), Depreciation, Amortisation, Interest, Exchange Differences and IPO Costs. Note 26 Alternative Performance Measure reconciles the Total Comprehensive Loss to the Adjusted Operating Loss.

Loss per share

The basic and diluted loss per share was \$0.055 (2020: \$0.036).

Financial position

The Group net assets at 31 December 2021 were \$24.67m (2020: \$4.67m). This comprised total assets of \$26.00m (2020: \$5.24m) and total liabilities of \$1.33m (2020: \$0.57m). The total assets included intangible assets (capitalised research and development costs), property, plant and equipment and right-of-use assets of \$7.05m (2020: \$4.52m).

Cashflow

The Group had net cash of \$15.59m (2020: \$0.52m) as at 31 December 2021. Net cash inflow of funds raised in the year was \$25.21m (2020: \$2.25m). During the year the net cash outflow from operating activities was \$7.33m (2020: \$1.47m).

The Group raised £17.5 million (\$24.5 million) from investors in May when its shares were admitted to trading on AIM, before expenses of £1.4 million (\$1.9 million); of which £0.5 million (\$0.6 million) were charged to the Income Statement and £0.9 million (\$1.3 million) were charged to the Share Premium Account. These funds are being applied in pursuing the Group's strategic objectives.

Dividends

No dividend is recommended (2020: £nil) due to the early stage of the development of the Group.

Events after the reporting period

At the date of these Final Results, there were no events after the reporting period.

Change of auditors

At the Annual General Meeting on 7 May 2021 the shareholders approved the re-appointment of KPMG LLP as the Group's independent auditor. Subsequent to this, as requested by the Board, the Audit Committee considered the appointment of a new independent auditor for the year ending 31 December 2021. The Board accepted the Committee's recommendation that Jeffreys Henry Audit Limited be appointed as the Group's independent auditor.

The Board wishes to thank KPMG for their work as the Group's independent auditor since 2017.

Principal Risks and Uncertainties

The Group actively considers and manages its risks. The Directors consider the following areas of business and operational risk and details how this risk is managed or mitigated:

- **Generating revenue.** The Group's primary source of revenue is from sales of its X-PLOR product. Management performs regular reviews of the sector to ensure it is targeting large markets.
- **Successful product development.** The Group received FDA 510(k) clearance for X-PLOR on 2 March 2021. The Group's follow-on products are in advanced development and are based upon shared technology with X-PLOR. The Board regularly monitors the carrying value of capitalised product development in the light of plans for future revenue and margin.
- **Credit risk.** The Group's principal financial assets are cash, and trade and other receivables. The Group monitors receivables and should any be the subject of an identified loss event, allowance is made for impairment if required. At the end of the period the Group had four customers. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Further, apart from intercompany consolidated transactions the Group has no current debt outstanding (excluding leases capitalised under IFRS16).
- **Liquidity risk.** To support expansion plans for future development, the Group regularly reviews its financing arrangements and cash flows to ensure there is sufficient funding in place.

Belluscura plc

Report and financial statements for the year to 31 December 2021

- Foreign exchange risk. As the Group holds Sterling cash deposits and reports its financial performance in US Dollars, this exposes the Group to a potential unrealised currency risk on its Sterling bank balances. This relates to the raising of capital in the United Kingdom. The Directors review this exposure on a regular basis.

Companies Act 5.172

The Directors acknowledge their duty under s.172 of the Companies Act 2006 and consider that they have, both individually and together, acted in the way that, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, they have had regard (amongst other matters) to:

- the likely consequences of any decision in the long term. The Group's long-term strategic objectives, including progress made during the year and principal risks to these objectives, are shown in the Chairman Statement, Chief Executive's Review and Financial Review.
- the interests of the Company's employees. Our employees are fundamental to us achieving our long-term strategic objectives. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. Further details can be found in the Remuneration Report.
- the impact of the Company's operations on the community and the environment. The Group operates honestly and transparently. We consider the impact on the environment, the people who work for us and the wider community and how we can minimise this.
- the desirability of the Company maintaining a reputation for high standards of business conduct. Our intention is to behave in a responsible manner, operating high standard of business conduct and good corporate governance.
- the need to act fairly as between members of the Company. Our intention is to behave responsibly towards our shareholders and treat them fairly and equally so that they may benefit from the successful delivery of our strategic objectives.

Contingent Liabilities

On 24 February 2017, the Company entered into a co-exclusive licence and development agreement with Separation Design Group, LLC and SDG (together the "SDG Parties") ("SDG Licence") which was subsequently amended by an amendment agreement dated 19 March 2021. Pursuant to the SDG Licence: if by 3 September 2025, cumulative sales of the X-PLOR have not exceeded \$20 million dollars, Belluscura must make a one-time payment of \$3 million to the SDG Parties to maintain the exclusive SDG licence.

COVID-19

The Board have reviewed and assessed the impact of the COVID-19 pandemic on the Group. This did result in an elongated FDA clearance process, however clearance was received on 2 March 2021. We face similar challenges to businesses due to disruption caused by COVID-19, however, we believe that we are in a strong position to progress.

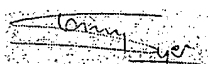
Russia/Ukraine

The Board have reviewed and assessed the impact of the current Russia/Ukraine conflict on the Group. The Group believe that based upon our current structure and plans that there will be minimal impact on the Group.

Analysis of Financial and non-Financial Key Performance Indicators

The Board continues to monitor performance regularly throughout the year by reviewing a range of key performance indicators. These include revenue growth, progress towards operational break even, expenditure (both current and investment) control against budget and cash used and remaining.

The Directors expect further improvement in performance in future periods as it achieves success in the Group's strategy to launch its products and grow through continual investment.



Tony Dyer
Chief Financial Officer
28 March 2022

Belluscura plc

Report and financial statements for the year to 31 December 2021

GOVERNANCE

Board of Directors

Adam Reynolds - Non-Executive Chairman

Adam began his career in the City in 1980 and in 2000 established his own PR/IR/Corporate finance firm which listed on AIM in November 2000 and was then later sold in 2004 via a reverse takeover. He was approached in 2005 to become non-executive Chairman of International Brand Licensing Plc ("IBL"). The company at this time had substantial debt and the remit was to turn it around, and following the sale of a number of global sports IP assets, IBL became a cash shell. In 2009 Adam introduced David Evans and Julian Baines, two leading diagnostic specialists in the UK, to the company and the Plc changed direction. That business is today called EXF Diagnostic Holdings Plc, and Adam remains a non-executive director and shareholder. In November 2012 Adam launched a successful agreed bid for the trading assets and business of Autoclenz Plc alongside its management team. Adam remains a director and shareholder. In addition, Adam is currently non-executive Chairman of AIM-quoted Yourgene Health Plc and MyHealthChecked Plc, and a non-executive director of Sosandar Plc. Adam joined the Board in April 2021.

Robert "Bob" Rauker - Chief Executive Officer

Bob is a senior management executive with a track record in the medical device sector. Over his career Bob has been involved in the valuation, acquisition and sale of multiple medical devices. Bob has served as Head of Medical Device & Life Sciences Group for Acacia Research Group (NASDAQ) in the role of SVP, where he built the medical device business to \$30 million in revenue. Previously he served as global chief IP counsel for Synthes Inc. (SIX) and the Boston Scientific Corporation (NYSE) Endoscopy business, both multi-billion dollar companies, where he managed the medical products acquisition and licensing transactions along with other senior management roles. Bob has a bachelor's degree in mechanical engineering and an MBA from the University of Massachusetts and a juris doctorate from the New Hampshire School of Law. Additionally, he is a registered patent attorney, a named inventor on 13 patents and pending applications in the medical device sector and joint inventor of the X-PLO2R portable oxygen concentrator. Bob joined the Board in August 2016.

Anthony "Tony" Dyer - Chief Financial Officer

Tony has over ten years' experience in acting as a public company chief financial officer. Between 2004 and 2017 he led the finance function and played a key strategic role in Gattaca plc becoming one of the UK's leading engineering and technology recruiters growing from one office, 40 staff and revenues of £30 million in 1996 to 14 offices in ten countries, 800 staff and global revenues of £650 million in 2017, 30 per cent. of which was generated outside the UK. Tony was a core member of the team that completed the over-subscribed fundraising and admission to trading on AIM of Gattaca plc (then Matchtech Group plc). He also led the successful £60 million acquisition and integration of AIM quoted Networkers International plc. Tony joined the Board in November 2017.

Dr. Patrick Strollo - Non-Executive Director

Dr. Strollo is Professor of Medicine and Clinical and Translational Science at the University of Pittsburgh. He has been an active member of the American Thoracic Society and the American Academy of Sleep Medicine for over 25 years. By profession, Dr. Strollo is a pulmonologist and has been in practice for over 20 years, he has over 100 publications that include 81 papers in peer reviewed journals in Sleep and Pulmonary Medicine, and 67 book chapters and invited papers. Dr. Strollo also served the United States Air Force for 31 sixteen years and ultimately rose to the rank of Lieutenant colonel. Patrick joined the Board in April 2021.

David Poutney - Non-Executive Director

David is Chief Executive of Dowgate Capital Limited. Previously he was Head of Corporate Broking at Numis Securities Limited and Numis Corporation Plc, where he was an Executive Director until he stood down in February 2016. He started his career in commercial banking before becoming a number one ranked financials analyst at a number of leading firms including BZW, James Capel and UBS. In his 20 years as a corporate broker, David worked directly on the listings of over 30 companies. He is currently a Non-Executive Director of AIM quoted Franchise Brands plc. David joined the Board in May 2021.

Richard ("Ric") Piper - Non-Executive Director

Ric read Economics at Cambridge University and qualified as a Chartered Accountant in 1977. He held senior finance roles in ICI, Citicorp, Logica and WS Atkins, where he was Group Finance Director from 1993 to 2002. He is currently a non-executive director of AIM-quoted GRCI plc and a partner at Restoration Partners. A former member of the Financial Reporting Review Panel, in the last five years he has also been chairman of Main-Listed Lakehouse plc and AIM-quoted Checkit plc and Turbo Power Systems, Inc plc and a non-executive director of Main-Listed Waterman Group plc and AIM-quoted Gattaca plc. Ric joined the Board in May 2021.

Board Governance

The Directors acknowledge the importance of high standards of corporate governance and intend, given the Company's size and the constitution of the Board, to comply with the principles set out by the Quoted Companies Alliance ("QCA") in the QCA Code.

AIM-quoted companies are required to adopt a recognised corporate governance code with effect from their admission to trading on AIM however, there is no prescribed corporate governance regime for AIM companies. The QCA has published the QCA Code, a set of corporate governance guidelines, which include a code of best practice, comprising principles intended as a minimum standard, and recommendations for

Belluscura plc

Report and financial statements for the year to 31 December 2021

reporting corporate governance matters. The Directors acknowledge the importance of high standards of corporate governance and intend, given the Company's size and the constitution of the Board, to comply with the principles set out in the QCA Code.

Since Admission, the Board has comprised six Directors, two executive and four non-executive directors, reflecting a blend of different experiences and backgrounds. The Board believes that the composition of the Board brings a desirable range of skills and experience in light of the Company's challenges and opportunities following Admission, while at the same time ensuring that no individual (or a small group of individuals) can dominate the Board's decision making. The Board meets regularly (typically monthly) to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals.

The Company has established an Audit Committee, a Remuneration Committee and a Nomination Committee, each with formally delegated duties and responsibilities and with written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

Audit committee

The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It will receive and review reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee meets regularly in each financial year, including ahead of the publication of the interim and annual accounts. It has unrestricted access to the Company's auditors, including for agreeing the audit plan. Members of the Audit Committee are Adam Reynolds, David Poutney and Ric Piper, with Ric Piper acting as chairman.

Remuneration committee

The Remuneration Committee will review the performance of the executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of employment. It will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. In exercising this role, the Directors shall have regard to the recommendations put forward in the QCA Code. No director is permitted to participate in discussions or decisions concerning his own remuneration. The Remuneration Committee will meet not less than twice in each financial year. Members of the Remuneration Committee are Adam Reynolds, David Poutney and Ric Piper, with Adam Reynolds acting as chairman.

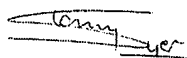
Nomination committee

The Nomination Committee will lead the process for board appointments and make recommendations to the Board. The Nomination Committee shall evaluate the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. The Nomination Committee will meet as and when necessary, but at least once each year. Members of the Nomination Committee are Adam Reynolds, David Poutney and Ric Piper, with Adam Reynolds acting as chairman.

Board Independence

In line with the QCA Code the Board has considered that Adam Reynolds, Dr Patrick Strollo and Ric Piper are independent directors. David Poutney is a substantial shareholder in the Company and is not considered independent. Mr Reynolds has assisted the Company by introducing investors since 2019. The Board does not consider Mr Reynolds' involvement in this capacity adversely impacts the assessment of his independence.

By order of the Board of Directors and signed on behalf of the Board



Tony Dyer
Chief Financial Officer
28 March 2022

Belluscura plc

Report and financial statements for the year to 31 December 2021

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their annual report and the audited financial statements for the year ended 31 December 2021.

The principal activity of the parent company is that of a holding management company and that of the Group is to develop and commercialise in oxygen related medical device products. This is achieved by using its proprietary oxygen enrichment technologies to advance the use of oxygen in medical products.

Review of the Business

Belluscura is a public English company limited by shares founded on the principle of making healthcare both more affordable and more available while returning a strong profit to our shareholders.

In February 2017, the Company entered into a co-exclusive licence and development agreement with Separation Design Group ("SDG") to complete the development of the X-PLOR, a portable oxygen concentrator, used to deliver concentrated oxygen to a patient requiring oxygen therapy. Belluscura and SDG delivered a working prototype within five months of acquiring the X-PLOR licence. X-PLOR received 510k clearance from the FDA on 2 March 2021.

Further information about the business (including an indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year) is provided in the Group's Strategic Report, being together the Chairman's Statement on page 3, the Chief Executive's Review on page 3 and the Financial Review on page 4.

Research and development

The Group continues to invest in the development of the X-PLOR™ range of products.

Proposed dividend

No dividend was paid or was proposed during the period ended 31 December 2021.

Directors

The following Directors held office during the period, and to the date of this report.

	<u>Appointed</u>
Adam Reynolds	21 April 2021
Robert ("Bob") Rauker	18 August 2016
Anthony ("Tony") Stephen Dyer	13 November 2017
Dr Patrick Strollo	12 April 2021
David Poutney	28 May 2021
Richard ("Ric") John Piper	28 May 2021

Going concern

US FDA 510(k) clearance of the Group's X-PLOR was received on 2 March 2021. The subsequent successful IPO on the AIM market of the London Stock Exchange on 28 May 2021, raised £17.5m (\$24.5m) before expenses. The Group has commenced manufacturing of the X-PLOR, launched in September 2021, and the follow-on products, the X-PLOR CX and X-PLOR DX, are expected to be commercialised within the next 12 months. The Group had \$15.6 million cash at the period end and the Directors have produced budgets and cashflow forecasts which show sufficient cash resources for the next 12 months. On this basis, the Directors have concluded that the Group will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing these Financial Results.

Political contributions

Neither the Company nor any subsidiaries made any political donations or incurred any political expenditure during the period.

Remuneration Report (this is a voluntary unaudited disclosure note)

Directors' Emoluments

Directors' emoluments are detailed in note 7.1.

Directors' beneficial interests in shares

As at 10 March 2021

As at 31 December 2021

Belluscura plc

Report and financial statements for the year to 31 December 2021

	No of Shares	No of Shares
Adam Reynolds	1,634,471	1,634,471
Robert Rauker	955,684	955,684
Anthony Dyer	778,345	778,345
Dr Patrick Strollo	-	-
David Poutney	11,605,731	11,605,731
Ric Piper	80,000	80,000

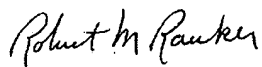
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of Jeffries Henry LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board of Directors and signed on behalf of the Board



Robert Rauker
Chief Executive Officer
28 March 2022

Belluscura plc

Report and financial statements for the year to 31 December 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the UK as adopted IFRS and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the UK;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Belluscura plc

Report and financial statements for the year to 31 December 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BELLUSCURA PLC

Opinion

We have audited the financial statements of Belluscura Plc (the 'parent company') and its subsidiaries ('the group') for the year ended 31 December 2021 which comprise consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cashflows and related notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's 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 review of current cash reserves and critical review of forecasts for a period of at least 12 months from when the financial statements are authorised for issue.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope:

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the Company, the accounting processes and controls, and the industry in which they operate.

We performed audits of the complete financial information of Belluscura Plc and Belluscura LLC.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter	Carrying value of intangible assets and capitalisation of development costs
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Belluscura plc

Report and financial statements for the year to 31 December 2021

Carrying value of intangible assets and capitalisation of development costs	Under IAS 38 there are strict capitalisation criteria, being that the intangible asset can be measured reliably and there is probable economic future benefit attributable to the asset. We have evaluated the capitalised development costs against these criteria for reasonableness.
The Group undertakes research and development activity, in respect of the licences it holds. As at the year end the Group holds intangible assets of \$6,535,385 (2020: \$4,129,660).	We have assessed the useful economic life of eth assets and found it to be reasonable.
The development costs are amortized in a straight line over 10 years, a period that the directors consider reasonable based on the life of the patents behind the development.	We have reviewed the assets for any indicators of impairment given the Group is loss making. No impairment was required following a critical review of discounted cashflow forecasts.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Company financial statements	Group financial statements
Overall materiality	£183,000 or \$247,000	\$260,000
How we determined it	Based on 1% of gross assets limited by group materiality	Based on 1% of gross assets
Rationale for benchmark applied	We believe that gross assets is a primary measure used by shareholders in assessing the performance of the Company and is a generally accepted auditing benchmark.	We believe that gross assets is a primary measure used by shareholders in assessing the performance of the Company and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$13,000 as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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

Belluscura plc

Report and financial statements for the year to 31 December 2021

- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement (page 10), 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 the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 3 were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- Obtaining confirmation of compliance from the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Belluscura plc

Report and financial statements for the year to 31 December 2021

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of 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.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Sanjay Parmar
Senior Statutory Auditor

For and on behalf of
Jeffreys Henry Audit Limited
Finsgate 5-7 Cranwood Street
London EC1V 9EE
28 March 2022

Belluscura plc

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

Group	Note	2021 US \$	2020 US \$
Continuing Operations			
Revenue	5	420,316	-
Cost of sales		(472,487)	-
Gross Profit/(Loss)		(52,171)	
Other operating income	6.1	209,690	11,493
Administrative expenses	6.2	(5,344,176)	(1,956,682)
Operating Loss		(5,186,657)	(1,945,189)
Finance costs	8	(26,837)	(32,956)
Finance costs - net		(26,837)	(32,956)
Loss before income tax		(5,213,494)	(1,978,145)
Income tax expense	9	-	-
Loss after tax for the period		(5,213,494)	(1,978,145)
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences – foreign operations		(1,153,148)	391,737
Total other comprehensive income		(1,153,148)	391,737
Total comprehensive loss for the year attributable to the equity holders		(6,366,642)	(1,586,408)
Earnings per share			
Basic: Loss per share	10	(0.055)	(0.036)
Diluted: Loss per share	10	(0.055)	(0.036)

Items in the statement above are disclosed net of tax.

The notes on pages 21 to 41 are an integral part of these consolidated financial statements.

Belluscura plc

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

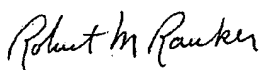
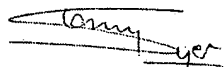
Group	Note	2021 US \$	2020 US \$
Assets			
Non-current assets			
Tangible assets	12	47,156	13,818
Intangible assets	13	-	-
Product development	13	6,723,883	4,129,660
Right of use asset	12	277,803	375,852
Non-current assets		7,048,842	4,519,330
Current assets			
Inventory	14	309,159	-
Trade and other receivables	15	3,059,363	197,653
Cash and cash equivalents	16	15,537,552	520,070
Current assets		18,956,074	717,723
Total assets		26,004,916	5,237,053
Current liabilities			
Trade and other payables	20	(1,084,601)	(230,136)
Current liabilities		(1,084,601)	(230,136)
Non-current liabilities			
Trade and other payables	20	(247,823)	(338,053)
Non-current liabilities		(247,823)	(338,053)
Total liabilities		(1,332,424)	(568,189)
Net assets		24,672,492	4,668,864
Equity attributable to the owners of the parent			
Share capital	18	1,548,227	823,201
Share premium	18	26,025,760	556,683
Capital contribution	19	165,000	165,000
Retained earnings	19	(2,349,966)	2,687,361
Translation reserve	19	(716,529)	436,619
Total equity		24,672,492	4,668,864

The notes on pages 21 to 41 are an integral part of these financial statements.

The financial statements on pages 15 to 41 were authorised for issue by the Board of Directors on 28 March 2022 and were signed on its behalf.

Robert Rauker
Chief Executive Officer

Tony Dyer
Chief Financial Officer

Belluscura plc
registered number 09910883

Belluscura plc

COMPANY BALANCE SHEET

At 31 December 2021

Company	Note	2021 US \$	2020 US \$
Assets			
Non-current assets			
Tangible assets	12	5,077	
Intangible assets	13		
Loans to subsidiaries	15	14,570,635	6,245,745
Non-current assets		14,575,712	6,245,755
Current assets			
Trade and other receivables	15	707,230	187,681
Cash and cash equivalents	16	13,063,238	317,606
Current assets		13,770,468	505,287
Total assets		28,346,180	6,751,042
Current liabilities			
Trade and other payables	20	(86,677)	(62,907)
Current liabilities		(86,677)	(62,907)
Non-current liabilities			
Trade and other payables	20	(23,026)	
Non-current liabilities		(23,026)	
Total liabilities		(109,703)	(62,907)
Net assets		(28,236,477)	6,688,135
Equity attributable to the owners of the parent			
Share capital	18	1,548,227	823,201
Share premium	18	26,025,760	556,683
Capital contribution	19	165,000	165,000
Retained earnings	19	1,214,019	4,706,632
Translation reserve	19	(716,529)	436,619
Total equity		28,236,477	6,688,135

The Parent Company's loss before tax for the period 31 December 2020 was \$3,668,779 (2020: \$1,649,098).
The Group has used the exemption under S408 CA 2006 not to disclose the company income statement.

The notes on pages 21 to 41 are an integral part of these financial statements.

The financial statements on pages 15 to 41 were authorised for issue by the Board of Directors on 28 March 2022.

Robert M Rauker

Robert Rauker
Chief Executive Officer

Tony Dyer

Tony Dyer
Chief Financial Officer

Belluscura plc
registered number 09910883

Belluscura plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

Group	Note	Attributable to equity holders of the parent company					Total US \$
		Ordinary Shares US \$	Share Premium US \$	Translation Reserve US \$	Capital Contribution US \$	Retained earnings US \$	
Balance at 31 December 2019		648,298	5,714,678	44,882	165,000	(2,844,929)	3,727,929
Issue of ordinary shares	18	174,903	2,233,896	-	-	-	2,408,799
Reduction in capital		-	(7,391,891)	-	-	7,391,891	-
Loss for the year	19	-	-	-	-	(1,978,145)	(1,978,145)
Other comprehensive income	19	-	-	391,737	-	-	391,737
Total comprehensive income		-	-	391,737	-	(1,978,145)	(1,586,408)
Share based payments	19	-	-	-	-	118,544	118,544
Balance at 31 December 2020		823,201	556,683	436,619	165,000	2,687,361	4,668,864
Balance at 31 December 2020		823,201	556,683	436,619	165,000	2,687,361	4,668,864
Issue of ordinary shares	18	725,026	25,469,077	-	-	-	26,194,103
Loss for the year	19	-	-	-	-	(5,213,494)	(5,213,494)
Other comprehensive income	19	-	-	(1,153,148)	-	-	(1,153,148)
Total comprehensive income		-	-	(1,153,148)	-	(5,213,494)	(6,366,642)
Share based payments	19	-	-	-	-	176,167	176,167
Balance at 31 December 2021		1,548,227	26,025,760	(716,529)	165,000	(2,349,966)	24,672,492

The notes on pages 21 to 41 are an integral part of these financial statements.

Belluscura plc

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

Attributable to equity holders of the parent company

Group	Note	Ordinary Shares US \$	Share Premium US \$	Translation Reserve US \$	Capital Contribution US \$	Retained earnings US \$	Total US \$
Balance at 31 December 2019		648,298	5,714,678	44,882	165,000	(1,154,705)	5,418,153
Issue of ordinary shares	18	174,903	2,233,896	-	-	-	2,408,799
Reduction in capital		-	(7,391,891)	-	-	7,391,891	-
Loss for the year	19	-	-	-	-	(1,649,098)	(1,649,098)
Other comprehensive income	19	-	-	391,737	-	-	391,737
Total comprehensive income		-	-	391,737	-	(1,649,098)	(818,366)
Share based payments	19	-	-	-	-	118,544	118,544
Balance at 31 December 2020		823,201	556,683	436,619	165,000	4,706,632	6,688,135
Balance at 31 December 2020		823,201	556,683	436,619	165,000	4,706,632	6,688,135
Issue of ordinary shares	18	725,026	25,469,077	-	-	-	26,194,103
Loss for the year	19	-	-	-	-	(3,668,780)	(3,668,780)
Other comprehensive income	19	-	-	(1,153,148)	-	-	(1,153,148)
Total comprehensive income		-	-	(1,153,148)	-	(3,668,780)	(4,821,928)
Share based payments	19	-	-	-	-	176,167	176,167
Balance at 31 December 2021		1,548,227	26,025,760	(716,529)	165,000	1,214,019	28,236,477

The notes on pages 21 to 41 are an integral part of these financial statements.

Belluscura plc

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

Group	Note	2021 US \$	2020 US \$
Cash flows from operating activities			
Cash generated from operations	24	(7,289,072)	(1,470,773)
Taxation paid			
Net cash used in operating activities		(7,289,072)	(1,470,773)
Cash flows from investing activities			
Purchases of property, plant and equipment	12	(45,461)	
Intangible assets under development	13	(2,750,997)	(1,194,432)
Net cash used in investing activities		(2,796,458)	(1,194,432)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares (net)	18	25,469,077	2,251,774
Lease Payments	22	(108,392)	(118,859)
Net cash generated from financing activities		25,360,685	2,132,915
Net (decrease)/increase in cash and cash equivalents		15,275,155	(532,290)
Cash and cash equivalents at beginning of year		520,070	1,033,512
Exchange loss on cash and cash equivalents		(207,673)	18,848
Cash and cash equivalents at end of year		15,587,552	520,070

The notes on pages 21 to 41 are an integral part of these financial statements.

Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

1. General Information

Belluscura plc is a public company limited by shares incorporated in England and Wales and domiciled in the UK. Company Registration No. 09910883. On 28 November 2017 the company changed its name from Belluscura Limited to Belluscura plc.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

2. Accounting Policies

2.1 Statement of compliance

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

These consolidated financial statements are prepared in accordance with United Kingdom adopted International Financial Reporting Standards (IFRS) and issued by the International Accounting Standards Board (IASB). The consolidated financial statements are presented in US Dollars, the Group's functional currency.

The financial statements for the Company have been prepared in accordance with Financial Reporting Standard 101 by applying the recognition and measurement requirements of United Kingdom adopted International Financial Reporting Standards ("IFRS"), amended where necessary in order to comply with Companies Act 2006. The Company has notified shareholders of this disclosure.

Critical accounting estimates and judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements are disclosed in note 4 (a)-(c) applicable for the whole Group and 4 (d) applicable for the Company only.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel;
- Related party transactions with wholly owned members of the group

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.
- IFRS 2 *Share Based Payments* in respect of group settled share based payments

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements

2.1.1 Going concern

US FDA 510(k) clearance of the Group's X-PLOR was received on 2 March 2021. The subsequent successful IPO on the AIM market of the London Stock Exchange on 28 May 2021, raised £17.5m (\$24.5m). The Group has commenced manufacturing of the X-PLOR, launched in September 2021, and the follow-on products, the X-PLOR CX and X-PLOR DX, are expected to be commercialised within the next 12 months. The Group had \$15.6 million cash at the year end and the Directors have produced budgets and cashflow forecasts which show sufficient cash resources for the next 12 months. On this basis, the Directors have concluded that the Group will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing these Financial Results.

2.1.2 Measurement convention

The financial statements are prepared on the historical cost basis except that assets and liabilities are stated at their fair value.

2.1.3 Changes in accounting policy

In these financial statements, where the Group has adopted new or updated standards, there is not a material impact on the financial information and on the Company's future financial statements.

2.2 Basis of Consolidation

Belluscura plc was incorporated on 10 December 2015. On 16 May 2016, a US incorporated company, Belluscura LLC, was formed as a 100% owned subsidiary. Subsidiaries are entities controlled by the Group.

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential

Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

IFRS 13 did not affect any fair value measurements of the Group's assets or liabilities and therefore had no effect on the Group's financial position or performance.

2.3 Foreign currencies

(a) Functional and presentation currency

These consolidated financial statements are presented in US Dollars which is the presentation currency of the Group, because the majority of the Group's transactions are undertaken in US Dollars. Each entity within the Group has its own functional currency which is dependent on the primary economic environment in which that subsidiary operates.

(b) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'.

(c) Group companies

The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing exchange rates at the date of that balance sheet
- (ii) income and expense for each income statement are translated at the average rates of exchange during the year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions)
- (iii) all resulting exchange differences are recognised in other comprehensive income.

2.4 Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

2.5 Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

Share-based payment transactions

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted.

The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

2.6 Interest income and expenses

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

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of assets is calculated so as to provide to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over the estimated useful economic lives as follows: Furniture - 5 years; Computer equipment - 3 years; Leasehold improvements - 5 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying value is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within administrative expenses in the income statement. When re-valued assets are sold, the amounts are included in other reserves are transferred to retained earnings.

2.8 Intangible assets

Licences and development costs

Costs associated with the acquisition of Licences for technologies and distribution rights are recognised as an intangible asset when they meet the criteria for capitalisation. That is, they are separately identifiable, measurable and it is probable that economic benefit will flow to the entity.

Further development costs attributable to the licenced technology and recognised as an intangible asset when the following criteria are met:

- (i) it is technically feasible to complete the technology for commercialisation so it will be available for use;
- (ii) management intends to complete the technology and use or sell it;
- (iii) there is an ability to use or sell the technology;
- (iv) it can be demonstrated how the technology will generate probable future economic benefits;
- (v) adequate technical, financial and other resources to complete the development and to use or sell the technology are available; and
- (vi) the expenditure attributable to the technology during its development can be reliably measured.

Licences and their associated development costs are amortised over the life of the licence or the underlying patents, whichever is shorter. The estimated useful life of the licences and development costs is 10-15 years.

2.9 Impairment of non-financial assets

Commented [LS1]: Updated in line with the state review

Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

The carrying amounts of the non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

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

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. During the financial period the Group held loans and receivables that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities that are greater than 12 months after the end of the reporting year. These are classified as noncurrent assets. The Group's loans and receivables comprise 'trade and other receivables' in the balance sheet. The Group also has cash and cash equivalents.

2.10.2 Recognition and measurement

Loans and receivables are recognised on the trade date in which the transaction took place, and are recognised at their fair value with transaction costs expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the loans or receivables have been collected, expired or transferred and the Group has subsequently transferred substantially all risks and rewards of ownership.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is the intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Impairment of financial assets

Assets carried at amortised cost

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Evidence of impairment may include indications of the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

For loans and receivables category, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as the improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.13 Leases

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

As a lessee

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, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise,
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets (liabilities under \$5,000 per annum) and short-term leases (less than 12 months). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.14 Inventory

Inventory comprises goods held for resale and are stated at the lower of cost or net realisable value. Cost is based on First In, First Out (FIFO) principle and includes all direct expenditure and other appropriate attributable costs incurred in bringing the inventory to its present location and condition.

Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

2.15 Trade receivables

Trade receivables are amounts due from customers for the sale of goods in the ordinary course of business. Collection is normally expected within three months or less (in the normal operating cycle of the business) and is classified as current assets. In the rare circumstances that they exceed a period of greater than one year they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with other banks, other short term highly liquid investments with maturities of three months or less and bank overdrafts.

2.17 Equity

Share capital and share premium

The share capital account has been established to represent the nominal value for all share issues. The share premium account has been established to represent the excess of proceeds over the nominal value for all share issues, including the excess of the exercise share price over the nominal value of the shares on the exercise of share options as and when they occur. Incremental costs directly attributable to the issue of new ordinary shares and new shares options are shown in equity as a deduction, net of tax, from the proceeds.

Capital contribution

Capital contributions are contributions made by the ultimate parent for which no consideration is given.

Retained earnings

Retained earnings are the consolidated retained earnings and share based payments reserve for the group or company.

Translation reserve

The translation reserve is the accumulated reserves created by Foreign Exchange Differences on the consolidation of group balances into the reporting currency of US\$.

2.18 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.19 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in full in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle balances on a net basis.

2.20 Provisions

Provisions and any other anticipated foreseen liabilities are recognised: when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties, and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering a class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the goods supplied, stated net of discounts, and value added taxes. The Group recognises revenue when the amount of revenue can reliably be measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, described below. The Group bases its estimate of return on historical results taking into consideration type of customer, type of transaction and specifics of each arrangement.

Income is derived from the sale of goods when the goods have been shipped to the customer.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.22 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

3. Financial Risk Management

The Company's Directors review the financial risk of the Group. Due to the early stage of its operations the Group has not entered into any form of hedging instruments to assist in the management of risk during the period under review.

3.1 Financial risk factors

Liquidity Risk

Cash flow forecasting is performed on a Group basis. The Directors monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. At the reporting date the Group held bank balances of US \$15,587,552. The contractual maturities of financial liabilities are shown in note 17.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency, with the cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

Due to low value and number of financial transactions that involve foreign currency and the fact that the Group has no borrowings to manage, the Directors have not entered into any arrangements, adopted or approved the use of derivative financial instruments

Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

to assist in the management of the exposure of these risks. The Group's exposure to foreign currency risk is based on the carrying amount for monetary financial instruments.

The gross foreign currency exposure below is with respect of pound Sterling to US Dollars.

	31 December 2021	31 December 2020
Cash and cash equivalents	5,579,784	317,606
Trade receivables (gross)	20,945,635	10,380,745
Trade payables	(109,704)	(62,908)
Net exposure	26,415,715	10,635,443

The trade receivables shown above relates to the UK entity's intercompany balance with the US entity, which will be repaid in Sterling.

A 10% percent strengthening of the pound sterling against the US Dollar at 31 December 2021 would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for 31 December 2020.

Equity		Profit or Loss	
2021	2020	2021	2020
US \$	US \$	US \$	US \$
(2,641,571)	(1,063,544)	(2,641,571)	(1,063,544)

A 10% percent weakening of the above currencies against the pound sterling at 31 December 2021 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Translation exposures

The Group's results, as presented in US Dollars, are subject to fluctuations as a result of exchange rate movements. The Group does not hedge this translation exposure to its earnings.

Gains or losses arise on the retranslation of the net assets of foreign operations at different reporting dates and are recognised within the consolidated statement of comprehensive income. They will predominantly relate to the retranslation of opening net assets at closing foreign exchange rates, together with the retranslation of retained foreign profits for the year (that have been accounted for in the consolidated income statement at average rates) at closing rates. Exchange rates for major currencies are set out below

The following exchange rates have been used in the translation of the results of foreign operations:

	Closing rate for	Weighted	Closing rate for	Weighted	Closing rate for
	2019	average rate for	2020	average rate for	2021
		2020		2021	
US Dollar	1.3270	1.2841	1.3652	1.3751	1.3534

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to adjust or maintain the capital structure, the Group may adjust the level of dividends paid to its shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings. This policy is periodically reviewed by the Directors, and the Group's strategy remains unchanged for the foreseeable future.

The capital structure of the Group consists of cash and bank balances and equity consisting of issued share capital, reserves and retained earnings of the Group.

3.3 Fair value

Financial instruments are measured at fair value including cash and cash equivalents trade and other payables, and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their fair value.

4. Critical accounting estimates and judgements

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.

Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

Key judgement

The following judgement (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

(a) Intangible fixed assets (see note 13)

Intangible fixed assets, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Development costs attributable to the licenced technology and recognised as an intangible asset when the criteria in note 2.8 are met.

(b) Impairment reviews

The Group undertakes an impairment review annually, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. In respect of impairment reviews, the key assumptions are as follows:

- Growth rates. The value in use of the intangible assets is calculated from cash flow projections for the relevant business activities based on the latest financial projections covering the anticipated useful economic life of the intangible assets.
- Discount rates. The pre-tax discount rate used to calculate value is determined in relation to the relevant business activities and their geographic location, using external benchmarks where possible to arrive at a relevant weighted average cost of capital.

(c) Deferred taxes

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as a component of the tax expense in the income statement, except where it relates to items charged or credited to other comprehensive income or directly to equity.

(d) Recoverability of intercompany debt by the company from its subsidiaries.

The directors assess the recoverability of amounts owed by the subsidiary to the parent company, which requires judgement to be made. This involves forecasting sales revenues to be earned by the subsidiary which will enable it to repay the parent company.

5. Segmental reporting

The chief operating decision makers consider that in the year to 31 December 2021 there is only one operating segment, being the sale of oxygen concentrators in the United States. The Group generated revenue of \$420,316 in the year (2020: \$nil). All sales were in the United States.

6. Other operating income and administrative expenses

6.1 Other operating income

Group	2021 US\$	2020 US\$
Grants	6,876	6,421
Purchase of option right	-	5,072
SBA Loan forgiveness	202,814	-
Total	209,690	11,493

6.2 Expenses by nature

Group	2021 US \$	2020 US \$
Depreciation of property plant and equipment	14,531	8,544
Depreciation of right of use asset	98,049	98,049
Amortisation of product development	156,774	-
Costs related to fundraising activities	646,042	78,911
Realised and Unrealised foreign exchange movements	(734,678)	405,370
Employee benefit expense	1,838,779	911,327
IFRS2 Share Based Payment Charge	180,091	111,350
Surrendered Share Options	511,947	-
Sales & Marketing	1,118,472	-
Other administration expenses	1,414,169	343,131
Administration expenses	5,344,176	1,956,682
P&L foreign exchange movements in Other Comprehensive Income	1,153,148	(391,737)
Total expenses	6,497,324	1,564,945

Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

As disclosed in the Admission Document, published ahead of admission to trading on AIM in May 2021, Robert Rauker agreed to surrender part of the options over 439,373 ordinary shares granted on 29 October 2019 and over 815,496 ordinary shares granted on 7 May 2020 in exchange for a cash payment. The consideration paid by the Company to Mr Rauker in relation to the surrender of the respective parts of Mr Rauker's options was calculated based on the difference between the Placing Price of 45p per share and the exercise price per Share payable by the Option Holder for the respective option multiplied by the number of Shares that are being surrendered. This amount is included within Employee Benefit Expense.

6.3 Auditor remuneration

During the period, the Group (including its subsidiaries) obtained the following services provided by the auditor and its associates:

Group	2021 US\$	2020 US\$
Fees payable to the Group's auditor and its associated for the audit of the Group and Company financial statements	35,753	37,098
Fees payable to the Company's auditor for other services		
- Tax advisory services	1,375	7,705
Total	37,128	44,803

7. Employees

7.1 Directors' emoluments

	Salary & fees US \$	Benefits in kind US \$	Pension US \$	2021 US \$	2020 US \$
Adam Reynolds	47,414	-	-	47,414	-
Robert Rauker	314,172	39,713	21,454	375,339	231,105
Anthony Dyer	283,329	11,539	15,381	310,249	173,230
Dr Patrick Strollo	23,333	-	-	23,333	-
David Poutney	24,285	-	-	24,285	-
Ric Piper	28,333	-	-	28,333	-
Total	715,866	51,252	36,835	813,953	404,335

No Directors received or exercised share options during the year. On 7 December 2021 Robert Rauker exercised 179,537 Warrant Shares at an average price of 13.45 pence per share and Tony Dyer exercised 141,404 Warrant Shares at a price of 13.00 pence per share.

7.2 Employee benefit expense

Group	2021 US\$	2020 US\$
Wages and salaries	1,536,707	765,854
Social security costs	122,759	61,396
Medical Insurance	130,961	84,077
Pension and other benefits	48,352	-
	1,838,779	911,327
Share based payments	180,091	111,350
Surrendered Share Options	611,947	-
Total employee benefit expense	2,630,817	1,022,677

7.3 Average number of people employed

Group	2021 US\$	2020 US\$
Average number of people (including executive directors) employed		
Directors	2	2
Operations	7	4
Administration	2	-
Total average headcount	11	6

8. Finance income and costs

Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

Group	2021 US\$	2020 US\$
Finance Cost:		
- Interest cost on Right of Use Asset	26,837	32,443
- Interest on COVID-19 Small Business Association Loan		513
Finance Cost	26,837	32,956

9. Income tax expense

Group	2021 US\$	2020 US\$
Current tax on profits for the year		-
Adjustments in respect of prior year		-
Total current tax		-
Income tax expense		-

The charge for the year can be reconciled to the loss per the Income Statement as follows:

Group	2021 US\$	2020 US\$
(Loss) before tax	(5,213,493)	(1,978,145)
Tax calculated at domestic tax rates applicable to profits in the respective countries	(1,042,493)	(403,628)
Tax effects of:		
- Expenses not deductible for tax purposes	(129,212)	36,150
- Capital allowances in excess of depreciation	(9,431)	(2,760)
- Unrelieved tax losses and other deductions	1,181,342	370,238
Total income tax charge		-

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses. The weighted average applicable UK tax rate was 19%. Unused tax losses for which no deferred tax assets have been recognised is attributable to the uncertainty over the recoverability of those losses through future profits.

10 Earnings/(Loss) per share

Group	2021 US\$	2020 US\$
Profit/(Loss) for the year US\$	(5,213,494)	(1,978,145)
Weighted Average Shares in Issue	94,724,159	55,598,175
Basic Loss per Share US\$	(0.055)	(0.036)
Weighted Average Shares, Warrants and Options in Issue	109,794,921	75,534,490
Diluted Loss per Share US\$	(0.055)	(0.036)

All potentially dilutive items are disregarded for the purpose of the diluted earnings per share as they are considered antidilutive.

11. Investment in subsidiaries

Company	Shares in subsidiaries	Total US\$
Cost and net book value		
Balance at 31 December 2020	10	10
Balance at 31 December 2021		

Principal subsidiaries name	Country of Incorporation & place of business	Class of share held	% of ordinary shares directly held		Nature of business
			2021	2020	
Belluscura LLC	USA	Ordinary	100%	100%	Sale of medical devices

Registered office of Belluscura LLC is 160 Greentree Drive; Suite 101, Dover, Delaware 19904, County of Kent

Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

12. Property, plant and equipment

Group	Land & buildings (Right of Use Asset) US\$	Furniture and Equipment US \$	Computer Equipment US \$	Total US \$
Cost				
At 1 January 2020	571,950	35,880	7,034	614,864
Additions during the year	-	-	-	-
Disposals during the year	-	-	-	-
At 31 December 2020	571,950	35,880	9,581	617,411
At 1 January 2021	571,950	35,880	9,581	617,411
Additions during the year	-	16,162	31,706	47,868
Disposals during the year	-	-	(7,034)	(7,034)
At 31 December 2021	571,950	52,042	34,253	658,245
Accumulated depreciation				
At 1 January 2020	(98,049)	(16,224)	(6,876)	(121,149)
Depreciation charge for the year	(98,049)	(7,176)	(1,367)	(106,592)
Depreciation charge on disposals	-	-	-	-
At 31 December 2020	(196,098)	(23,400)	(8,243)	(227,741)
At 1 January 2021	(196,098)	(23,400)	(8,243)	(227,741)
Depreciation charge for the year	(98,049)	(8,629)	(5,902)	(112,580)
Depreciation charge on disposals	-	-	7,035	7,035
At 31 December 2021	(294,147)	(32,029)	(7,110)	(333,286)
Net book value				
At 31 December 2020	375,852	12,480	1,338	389,670
At 31 December 2021	277,803	20,013	27,143	324,959

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as Land & Building (see note 22).

Company	Furniture and Equipment US \$	Computer Equipment US \$	Total US \$
Cost			
At 1 January 2020	-	-	-
Additions during the year	-	-	-
Disposals during the year	-	-	-
At 31 December 2020	-	-	-
At 1 January 2021	-	-	-
Additions during the year	2,103	3,909	6,011
Disposals during the year	-	-	-
At 31 December 2021	2,103	3,909	6,011
Accumulated depreciation			
At 1 January 2020	-	-	-
Depreciation charge for the year	-	-	-
Depreciation charge on disposals	-	-	-
At 31 December 2020	-	-	-
At 1 January 2021	(297)	(638)	(935)
Depreciation charge for the year	-	-	-
Depreciation charge on disposals	-	-	-
At 31 December 2021	(297)	(638)	(935)

Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

Net book value				
At 31 December 2020				
At 31 December 2021	1	1,806	3,271	5,077

Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

13. Intangible assets

Group	Purchased intangible assets		
	Licences US \$	Product Development US\$	Total US\$
Cost			
At 1 January 2020	189,506	3,205,378	3,394,884
Additions during the year	-	1,194,432	1,194,432
At 31 December 2020	189,506	4,399,810	4,589,316
At 1 January 2021	189,506	4,399,810	4,589,316
Additions during the year	-	2,750,997	2,750,997
Disposal during the year	(189,506)	-	(189,506)
At 31 December 2021	-	7,150,807	7,150,807
Accumulated amortisation and impairment			
At 1 January 2020	(189,506)	(270,150)	(459,656)
At 31 December 2020	(189,506)	(270,150)	(459,656)
At 1 January 2021	(189,506)	(270,150)	(459,656)
Amortisation in the year	-	(156,774)	(156,774)
Disposal during the year	189,506	-	189,506
At 31 December 2021	-	(426,924)	426,924
Net book value			
At 31 December 2020	-	4,129,660	4,129,660
At 31 December 2021	-	6,723,883	6,723,883
Company	Purchased intangible assets		
	Licences US \$		Total US\$
Cost			
At 1 January 2020	189,506		189,506
Additions during the year	-		-
At 31 December 2020	189,506		189,506
At 1 January 2021	189,506		189,506
Additions during the year	-		-
Disposal during the year	(189,506)		(189,506)
At 31 December 2021	-		-
Accumulated amortisation and impairment			
At 1 January 2020	(189,506)		(189,506)
At 31 December 2020	(189,506)		(189,506)
At 1 January 2021	(189,506)		(189,506)
Amortisation in the year	-		-
Disposal during the year	189,506		189,506
At 31 December 2021	-		-
Net book value			
At 31 December 2020	-		-
At 31 December 2021	-		-

14. Inventory

Group	2021 US \$	2020 US \$
Finished goods	309,159	-
Total inventory	309,159	-

Company

The Company held no inventory.

Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

15. Trade and other receivables

Group	2021 US \$	2020 US \$
Trade receivables	224,918	-
Less provision for impairment of trade receivables	-	-
Trade receivables – net	224,918	-
VAT	216,136	16,146
Deposits, prepayments and other debtors	2,613,309	9,972
Total trade and other receivables	3,059,363	197,653

The fair value of trade and other receivables are not materially different to those disclosed above. The Groups exposure to credit risk related to trade receivables is detailed in note 3 to the accounts on page 29.

Company – Current	2021 US \$	2020 US \$
Receivable from shareholders	-	171,535
Prepayments and other debtors	491,094	-
VAT	216,136	16,146
Total trade and other receivables	707,230	187,681

Company – Non-Current	2021 US \$	2020 US \$
Receivables from Group companies	20,945,635	10,380,745
Less provision for impairment of Intercompany receivables	(6,375,000)	(4,135,000)
Total trade and other receivables	14,570,635	6,245,745

Ageing of trade receivables:

Group	0-30 days US \$	30-60 days US \$	60-90 days US \$	90+ days US \$	Total Gross US \$	ECL US \$	Total Net US \$
2020	-	-	-	-	-	-	-
2021	142,776	78,920	3,210	-	224,918	-	224,918

Company

The Company had no trade receivables.

The amount receivable from Group companies is an interest free loan given and is repayable on demand. Management doesn't intend to recall it in the next 12 months and hence same has been disclosed as Non-Current.

The basis of the impairment of Intercompany receivables is the management intends to recall it within 5 years (2020: 7 years) so it is discounted over 5 years at 7%. The majority of investment has been used to develop and sell products initially in the US market. The Group expects the US entity to become profitable and cash positive within 2 years.

A 10% percent increase in the discount rate would increase the impairment by \$540,000 (2020: \$322,000) and a 10% reduction in the discount rate would reduce impairment by \$505,000 (2020: 337,000).

16. Cash and cash equivalents

Group	2021 US \$	2020 US \$
Cash and bank and in hand	15,587,552	520,070
Total cash and cash equivalents	15,587,552	520,070

Company	2021 US \$	2020 US \$
Cash at bank and in hand	13,036,238	317,606
Total cash and cash equivalents	13,036,238	317,606

The Groups exposure to foreign exchange risk is detailed in note 3 to the accounts on page 28.

17. Categories of financial assets and financial liabilities

Group	2021	2020
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Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

	US \$	US \$
Financial assets		
Trade and other receivables at amortised cost	2,385,689	-
Receivables from shareholders	-	171,535
Cash and equivalents	15,587,552	520,070
	17,973,241	691,605

Financial liabilities		
Trade and other payables at amortised cost	768,314	73,391
Lease liability	335,830	417,384
COVID-19 Loan	33,834	77,314
	1,137,978	568,089

Company	2021 US \$	2020 US \$
Financial assets		
Loans and receivables at amortised cost	20,945,635	10,380,745
Provision	(6,375,000)	(4,135,000)
Net loans and receivables at amortised cost	14,570,635	6,245,745
Other receivables at amortised cost	338,343	171,535
Cash and equivalents	13,063,239	317,606
	27,972,217	6,734,886

Financial liabilities		
Trade and other payables at amortised cost	1,983	62,797

Maturity Analysis of financial liabilities

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated contractual interest payments and exclude the effect of netting agreements:

Group	Carrying amount US \$	Contractual cashflows US \$	1 year or less US \$	1-5 years US \$	5 years and over US \$
2020					
Trade and other payables at amortised cost	73,391	73,391	73,391	-	-
Lease liability	417,384	474,759	118,183	356,576	-
COVID-19 Small Business Association Loan	77,314	77,314	77,314	-	-
	568,089	625,464	268,888	356,576	-
2021					
Trade and other payables at amortised cost	768,314	768,314	768,314	-	-
Lease Liability	335,830	335,830	111,093	224,737	-
COVID-19 Small Business Association Loan	33,834	33,834	4,629	29,205	-
	1,137,978	1,137,978	883,976	254,002	-

18. Share capital and premium

Share capital Group	No of shares of £0.01 each	Total US \$
Issued and fully paid up		
At 1 January 2020	49,132,482	648,298
Shares issued for cash	12,887,361	163,653
Shares issued for cash received post year end	885,918	11,250
At 31 December 2020	62,905,761	823,201
At 1 January 2021	62,905,761	823,201
Shares issued for cash	50,929,683	725,026
At 31 December 2021	113,835,444	1,548,227

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

Share premium Group	Ordinary Shares US \$	Total
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Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

US \$

Allotted and fully paid up		
At 1 January 2020	5,714,678	5,714,678
Premium on shares issued (net of cost of issue of shares)	2,233,896	2,233,896
Reduction in Capital	(7,391,891)	(7,391,891)
At 31 December 2020	556,683	556,683
At 1 January 2021	556,683	556,683
Premium on shares issued	26,795,379	26,795,379
Cost of issue of shares	(1,326,802)	(1,326,802)
At 31 December 2021	26,025,760	26,025,760

At the end of the year there were 1,666,665 share warrants in issue at an average subscription price of \$0.50 (2020: 8,122,243 at \$0.18 per share). There was no consideration paid for the warrants.

Share options

During the year staff were granted share options, vesting 100% on an exit or in equal annual thirds following Grant Date.

Award	2021 000's	2020 000's	Date of Grant	Exercise Price	Exercise Period From To		Avg remaining contractual life
Unapproved	4,893		07/05/2020	\$0.195	07/05/2020	07/05/2030	8.6 years
EMI	1,882		07/05/2020	\$0.195	07/05/2020	07/05/2030	8.6 years
Unapproved	100		07/04/2021	\$0.195	07/04/2021	07/04/2031	9.3 years
Unapproved	60		12/04/2021	\$0.618	12/04/2021	12/04/2031	9.3 years
EMI	10		28/05/2021	\$0.639	28/05/2021	28/05/2031	9.4 years
Unapproved	100		01/06/2021	\$0.779	01/06/2021	01/06/2031	9.5 years
Unapproved	100		14/06/2021	\$0.699	14/06/2021	14/06/2031	9.5 years
Unapproved	40		23/08/2021	\$1.365	23/08/2021	23/08/2031	9.7 years
Unapproved	20		13/09/2021	\$1.287	13/09/2021	13/09/2031	9.7 years
Unapproved	40		20/09/2021	\$1.167	20/09/2021	20/09/2031	9.7 years
Unapproved	20		25/10/2021	\$1.390	25/10/2021	25/10/2031	9.8 years
Unapproved	20		22/11/2021	\$1.328	22/11/2021	22/11/2031	9.9 years
Unapproved	20		01/12/2021	\$1.285	01/12/2021	01/12/2031	9.9 years
Total	530	6,775					

Key assumptions used in the calculation of share option fair value

Date of Grant	Award	Share price on the date of grant \$	Exercise price \$	Volatility %	Expected Dividend Yield %	(%) Vesting period Years	Risk-free rate of interest %	Fair value \$
07/05/2020	Unapproved	0.195	0.195	28.5	0%	2.50	2.1	0.03
07/05/2020	EMI	0.195	0.195	28.5	0%	2.50	2.1	0.03
07/04/2021	Unapproved	0.195	0.195	28.5	0%	3.17	2.1	0.03
12/04/2021	Unapproved	0.618	0.618	28.5	0%	3.17	2.1	0.08
28/05/2021	EMI	0.639	0.639	28.5	0%	3.00	2.1	0.08
01/06/2021	Unapproved	0.779	0.779	28.5	0%	3.00	2.1	0.09
14/06/2021	Unapproved	0.699	0.699	28.5	0%	3.00	2.1	0.08
23/08/2021	Unapproved	1.365	1.365	28.5	0%	3.00	2.1	0.17
13/09/2021	Unapproved	1.287	1.287	28.5	0%	3.00	2.1	0.16
20/09/2021	Unapproved	1.167	1.167	28.5	0%	3.00	2.1	0.14
25/10/2021	Unapproved	1.390	1.390	28.5	0%	3.00	2.1	0.17
22/11/2021	Unapproved	1.328	1.328	28.5	0%	3.00	2.1	0.16
01/12/2021	Unapproved	1.285	1.285	28.5	0%	3.00	2.1	0.16

The key assumptions used in calculating the share-based payments were as follows:

- The Black-Scholes model is used to value both the options.
- The expected volatility is based on a comparator set of similar stocks.
- The risk-free rate of return which is commensurate with the expected term.
- Expected forfeiture rates are based on recent experience of staff turnover levels.
- The charge is spread over the vesting period on a straight-line basis.

Movement in share options

	Number	Weighted average exercise price	Weighted average share price
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Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

	000's	\$	\$
Outstanding at 1 January 2020	5,655	0.085	0.078
Granted	6,775	0.195	0.195
Outstanding at 31 December 2020	12,430	0.145	0.142
Outstanding at 1 January 2021	12,430	0.145	0.142
Granted	530	0.783	0.788
Lapsed/forgiven	(1,460)	0.202	0.135
Outstanding at 31 December 2021	11,500	0.167	0.172

Share based payments charge

Group	2021	2020
	US \$	US \$
Charge in year	180,091	118,544

19. Reserves

Retained earnings	Group	Company
	US \$	US \$
At 1 January 2020	(2,844,929)	(1,154,705)
Loss for the year	(1,978,145)	(1,649,098)
Reduction in Capital	7,391,891	7,391,891
Share based payments charge	118,544	118,544
At 31 December 2020	2,687,361	4,706,632
Loss for the year	(5,213,494)	(3,668,730)
Share based payments charge	176,167	176,167
At 31 December 2021	(2,349,966)	(1,214,019)

On 7 October 2020, the shareholders of the group passed a special resolution, pursuant to Chapter 2 of Part 13 of the Companies Act 2006, to cancel the balance standing to the credit of the share premium account and transfer the same to reserves.

Capital Contribution	Group	Company
	US \$	US \$
At 31 December 2019	165,000	165,000
Capital contribution received	-	-
At 31 December 2020	165,000	165,000
Capital contribution received	-	-
At 31 December 2021	165,000	165,000

The Capital Contribution relates to the acquisition of intangible product licences.

Translation reserve	Group	Company
	US \$	US \$
At 1 January 2020	44,882	44,882
Foreign exchange (loss)/gain	391,737	391,737
At 31 December 2020	436,619	436,619
Foreign exchange (loss)/gain	(1,153,148)	(1,153,148)
At 31 December 2021	(716,529)	(716,529)

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, primarily relating to the statement of financial position at the reporting dates. The reporting date foreign exchange rates by major currency are provided in note 3.

20. Trade and other payables

Group – Current	2021	2020
	US \$	US \$

Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

Trade creditors	768,314	-
Social security and other taxes	20,269	100
Lease liability	111,033	92,217
COVID-19 Loans	10,808	64,428
Accruals and other creditors	174,177	73,391
Total current trade and other payables	1,084,601	230,136
Group – Non-current	2021	2020
	US \$	US \$
COVID-19 Loans	23,026	12,886
Lease liability	224,797	325,167
Total non-current trade and other payables	247,823	338,053

There are no amounts included with lease liability repayable after five years

Company – Current	2021	2020
	US \$	US \$
Trade creditors	1,983	-
Social security and other taxes	20,269	100
COVID-19 Loans	10,808	-
Accruals and other creditors	53,617	62,807
Total trade and other payables	86,677	62,907
Company – Non-current	2021	2020
	US \$	US \$
COVID-19 Loans	23,026	-
Total trade and other payables	23,026	-

The fair values of trade and other payables are not materially different to those disclosed above. The Group's exposure to currency and liquidity risk is detailed in note 3 to the accounts on page 28.

21. Deferred income tax

Unused tax losses for which no deferred tax assets have been recognised are attributable to the uncertainty over the recoverability of those losses through future profits. A blended tax rate of 20% has been used to calculate the potential deferred tax.

Group	2021	2020
	US \$	US \$
Deferred tax		
Accelerated capital allowances	(9,431)	(2,760)
Share based payments	57,113	23,642
Short term timing differences	-	-
Tax losses	2,815,024	2,035,030
	2,805,593	2,055,912
Unprovided deferred tax asset	(2,805,593)	(2,055,912)
Deferred Tax	-	-
Company	2021	2020
	US \$	US \$
Deferred tax		
Accelerated capital allowances	-	-
Share based payments	57,113	23,642
Short term timing difference	470,400	201,400
Tax losses	433,772	332,088
	961,285	557,130
Unprovided deferred tax asset	(961,285)	(557,130)
	-	-

22. Leases as a lessee

Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 11):

Group	Land and buildings US\$	Total US \$
At 1 January 2020	473,901	473,901
Depreciation charge for the year	(98,049)	(98,049)
At 31 December 2020	375,852	375,852
Depreciation charge for the year	(98,049)	(98,049)
At 31 December 2021	277,803	277,803

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Group is a lessee

	2021 US \$	2020 US \$
Interest expense on lease liability	26,837	32,443
Depreciation on right of use assets	98,049	98,049

Amounts recognised in statement of cash flows

	2021 US \$	2020 US \$
Total cash outflow for leases	108,391	118,859

Lease Liabilities

Group	Land and buildings US\$	Total US \$
At 1 January 2020	498,398	498,398
Interest	32,443	32,443
Payment	(113,457)	(113,457)
At 31 December 2020	417,384	417,384
At 1 January 2021	417,384	417,384
Interest	26,837	26,837
Payment	(108,391)	(108,391)
At 31 December 2021	335,830	335,830

Maturity analysis of undiscounted cash flows due for leases

	2021 US\$	2020 US \$
Within one year	122,235	118,183
After one year but not more than five years	334,340	356,576
After five years	-	-
Total	356,575	474,759

23. Dividends

No dividend has been declared for the year ended 31 December 2021 and no dividend was paid during the year.

24. Cash generated from operating activities

Belluscura plc

NOTES TO THE ACCOUNTS

For the year ended 31 December 2021

Group	2021 US \$	2020 US \$
Loss before income tax	(5,213,494)	(1,978,145)
Adjustments for		
- Depreciation	14,531	8,544
- ROU Depreciation	98,049	98,049
- Amortisation and impairment	156,774	-
- No cash interest expense	26,837	32,956
- Movement in foreign exchange	333,842	(68,056)
- Share based payments	180,091	111,350
Movement in trade and other receivables	(2,179,894)	81,268
Inventory movement	(309,159)	-
Movement in trade and other payables	(396,649)	243,261
Cash generated from operating activities	(7,289,072)	(1,470,773)

25. Contingent Liability

On 24 February 2017, the Company entered into a co-exclusive licence and development agreement with Separation Design Group, LLC and SDG (together the "SDG Parties") ("SDG Licence") which was subsequently amended by an amendment agreement dated 19 March 2021. Pursuant to the SDG Licence: if by 3 September 2025, cumulative sales of the X-PLOR have not exceeded \$20 million dollars, Belluscura must make a one-time payment of \$3 million to the SDG Parties to maintain the exclusive SDG licence.

26. Alternative Performance Measures

Operating Loss is reconciled to Adjusted Operating Loss as follows:

Group	2021 US \$	2020 US \$
Total Comprehensive Loss for the year	(6,366,642)	(1,586,408)
Adjustments for		
- IFRS2 Share Based Payment Charge	180,091	111,350
- Surrendered Share Options	611,947	-
- Depreciation	112,580	106,593
- Amortisation	156,774	-
- Non-cash interest expense	26,837	32,956
- Costs of raising funds charge to P&L	646,062	-
- Exchange differences	418,470	33,633
Total Adjustments	2,152,761	284,532
Adjusted Operating Loss	(4,213,881)	(1,301,876)

27. Related party transactions

As disclosed in the Admission Document, prior to Robert Rauker joining the Company, he undertook independent patent work for Separation Design Group IP Holdings LLC ("SDG"). Pursuant to a Patent Broker Agreement dated 22 October 2015 SDG entered into an agreement with Medicinus IP LLC ("Medicinus"), of which Robert Rauker is the sole shareholder, under which Medicinus has agreed to facilitate the sale and/or licence of intellectual property owned by SDG which includes soliciting potential buyers and licencees of such intellectual property. In consideration for the provision of these services, Medicinus receives a fee of 12.5 per cent. of the licence fees, sales price and/or royalties received by SDG which will include 12.5 per cent. of the royalties the Company will pay to SDG in relation to sales of the X-PLOR, pursuant to the agreement entered into between SDG and the Company. The agreement can be terminated by either party by written notice.

The non-executive fees paid to Adam Reynolds were paid through his company Reyco Limited.

In the period the Company paid \$1,065,781 to Dowgate Capital Limited in relation to brokerage fees, research and fundraising activities. David Poutney is the Chief Executive Officer of Dowgate Capital Limited.

28. Events after the reporting period

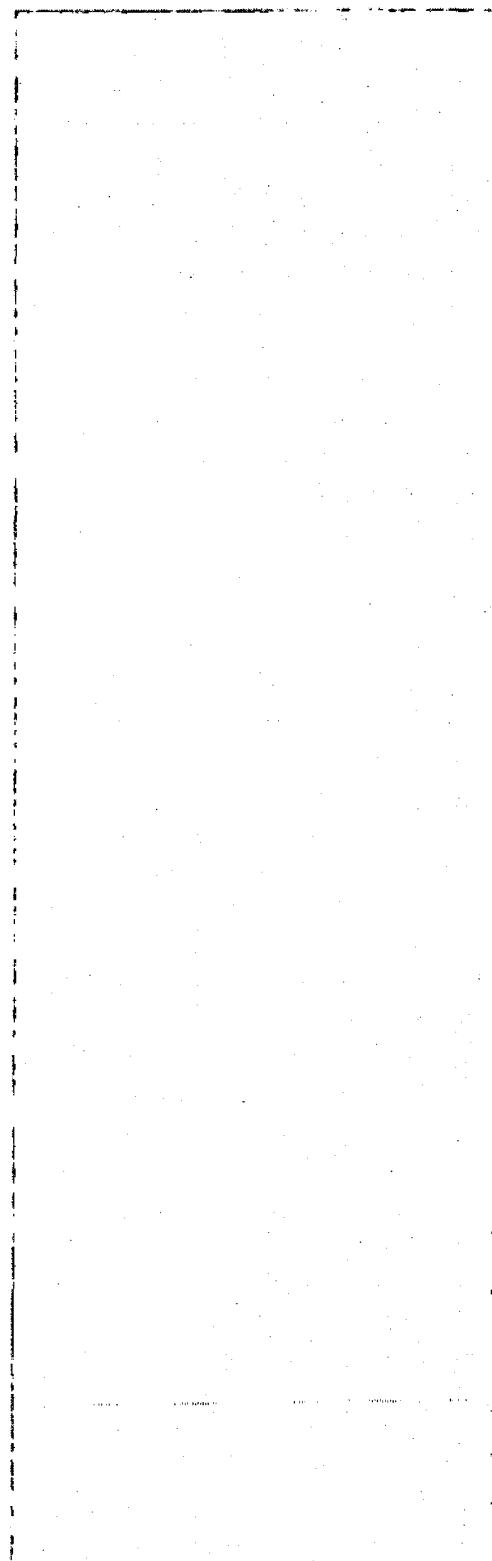
At the date of these Final Results there have been no events that require disclosure in accordance with IAS10, 'Events after the balance sheet date'.

Belluscura plc

Company Registration No. 09910883

Belluscura plc

NOTICE OF ANNUAL GENERAL MEETING



Belluscura plc

1 April 2022

Dear Shareholder

INTRODUCTION

I am pleased to send you details about the Annual General Meeting (the "AGM") of Belluscura plc (the "Company") to be held on 25 April 2022 at Solent Hotel & Spa, Rookery Avenue, Whiteley, Fareham, Hampshire, PO15 7AJ at 12.00pm. The formal notice of the AGM (the "Notice") is attached to this letter.

The purpose of this letter is to provide shareholders of the Company with details of the background to, and the reasons for, the resolutions to be proposed at the AGM (the "Resolutions"), to explain why the Directors believe that the passing of the Resolutions is in the best interests of the Company and as a whole and to recommend that shareholders of the Company vote in favour of the Resolutions.

BUSINESS TO BE CONSIDERED AT THE AGM

Details of the Resolutions to be proposed at the AGM are set out below. Resolutions 1 to 6 are to be proposed as ordinary resolutions and Resolutions 7 and 8 are to be proposed as special resolutions.

1 Approval of Statutory Accounts (Resolution 1)

The Directors will present the audited financial statements of the Company for the period ended 31 December 2021 together with the Directors' report and the auditor's report on those financial statements.

2 Re-election of Executive Directors (Resolutions 2 and 3)

The articles of association of the Company require that one-third of the Directors retire at each annual general meeting of the Company. The Directors listed in the Notice, each being eligible to do so, stand for re-election.

3 Auditors (Resolutions 4 and 5)

Shareholders are required to appoint or re-appoint auditors at every annual general meeting at which accounts are presented to shareholders. The Directors recommend that the shareholders re-appoint Jeffreys Henry Audit Limited to hold office as the Company's auditors until the conclusion of the next annual general meeting at which accounts are laid before shareholders. It is also proposed to grant the Directors authority to the agree auditor's remuneration.

4 Authority to Allot Shares (Resolution 6)

At the Company's last annual general meeting held on 30 June 2021, the shareholders of the Company passed a resolution giving the Directors authority to allot ordinary shares of £0.01 each in the capital of the Company. That power expires following the conclusion of the AGM; therefore, the Directors propose that the relevant authority is renewed at the AGM and, accordingly, Resolution 6 has been proposed to grant the Directors limited authority to exercise the powers of the Company to allot ordinary shares of £0.01 each in the capital of the Company.

Resolution 6, if passed, will grant authority for the directors to issue new shares within the best practice limits set by The Investment Association. The authority set out in resolution 6(a) would permit allotments of new shares up to approximately one-third of the current issued share capital. The authority set out in resolution 6(b) would permit allotments of new shares up to approximately two-thirds of the current issued share capital but would apply only in the case of an allotment of shares made pursuant to a rights issue (pre-emptive offer). The power granted by this Resolution will expire on the conclusion of next year's annual general meeting or, if earlier, on the date falling 15 months after the passing of this Resolution.

5 Disapplication of Statutory Pre-Emption Rights (Resolution 7)

If the Directors wish to allot unissued shares or other equity securities for cash, the Companies Act 2006 requires that such shares or other equity securities are offered first to existing shareholders in proportion to their existing holdings. At the last annual general meeting of the Company, shareholders passed a special resolution granting the Directors authority to allot equity securities for cash, without first being required to offer such securities to existing shareholders by the limited

Belluscura plc

disapplication of section 561 of the Companies Act 2006. That power expires following the conclusion of the AGM; therefore, the Directors propose that the relevant authority is renewed at the AGM. The power granted by Resolution 7 will expire on the conclusion of next year's annual general meeting or, if earlier, on the date falling 15 months after the passing of this Resolution. Resolution 7, if passed, will grant the Directors authority to allot equity securities on a non-pre-emptive basis under the Companies Act 2006 in an amount up to approximately 15 per cent. of the current issued share capital.

6 Authority to Purchase Own Shares (Resolution 8)

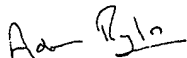
This Resolution, which is proposed as a special resolution, will give the Company authority to purchase its own shares in the market up to a limit of approximately 10 per cent. of its issued ordinary share capital (excluding treasury shares) at 31 March 2022, being the latest practicable date prior to the publication of this notice. The maximum and minimum prices are stated in the Resolution. Whilst they do not currently have any intention to utilise this authority the Directors believe that it is advantageous for the Company to have this flexibility to make market purchases of its own shares. The Directors will exercise this authority only if they are satisfied that a purchase would result in an increase in expected earnings per share and would be in the interests of shareholders generally.

In the event that shares are purchased, they would either be cancelled (and the number of shares in issue would be reduced accordingly) or, in accordance with the Companies Act 2006, be retained as treasury shares. The Company may consider holding repurchased shares pursuant to the authority conferred by this Resolution as treasury shares. This gives the Company the ability to transfer treasury shares quickly and cost effectively and would provide the Company with additional flexibility in the management of its capital base.

RECOMMENDATION

The Directors consider that all of the Resolutions to be proposed at the AGM to be in the best interests of the Company and its shareholders as a whole and recommend that shareholders vote in favour of all of the Resolutions.

Yours faithfully



Adam Reynolds
Chairman

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the contents of this document and/or the action you should take, you should immediately obtain your own advice from your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000. If you are in the UK or, if not, another appropriately authorised professional adviser. If you have sold or otherwise transferred (or will sell or transfer) all of your shares in Belluscura plc (the "Company") prior to the Company's general meeting (the "AGM"), please pass this document together with the accompanying documents 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.

Belluscura plc

Notice of Annual General Meeting

Belluscura plc. Registered in England and Wales under registered number 09910883.

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "AGM") of Belluscura plc (the "Company") to be held on 25 April 2022 at 12.00pm at Solent Hotel & Spa, Rookery Avenue, Whiteley, Fareham, Hampshire, PO15 7AJ at 12.00pm. The meeting is convened for the following purposes:

To consider and if thought fit, to pass the following Resolutions, numbers 1 to 6 of which will be proposed as ordinary resolutions and numbers 7 and 8 as special resolutions.

Ordinary Resolutions

- 1) THAT the audited accounts of the Company for the period ended 31 December 2021 be received and adopted and the reports of the Directors and independent auditors thereon.
- 2) THAT Adam Reynolds, who is retiring from office as a Director of the Company by rotation pursuant to the articles of association of the Company, be re-elected pursuant to the articles of association of the Company.
- 3) THAT Ric Piper, who is retiring from office as a Director of the Company by rotation pursuant to the articles of association of the Company, be re-elected pursuant to the articles of association of the Company.
- 4) THAT Jeffreys Henry Audit Limited be re-appointed as auditor to the Company until the conclusion of the next annual general meeting at which accounts are laid before the Company.
- 5) THAT the Directors be authorised to determine the remuneration of the auditors.
- 6) To resolve that the directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any security into, shares:
 - a) up to a maximum nominal amount (within the meaning of section 551(3) and (6) of the Act) of £380,562.20 (such amount to be reduced by the nominal amount allotted or granted under resolution 6(b) below in excess of such amount); and
 - b) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Act) of £761,124.40 (such amount to be reduced by any allotments or grants made under resolution 6(a) above) in connection with or pursuant to an offer by way of a rights issue in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the directors consider it necessary, as permitted by the rights of those securities), but subject to such exclusions or other arrangements as the directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever,

these authorisations to expire at the conclusion of the next annual general meeting of the Company (or if earlier on the date falling 15 months after the passing of this Resolution), unless previously revoked or varied by the Company (save that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry, and the directors may allot shares, or grant rights to subscribe for or to convert any security into shares in pursuance of any such offer or agreement as if the authorisations conferred hereby had not expired).

Special Resolutions

- 7) THAT, subject to the passing of resolution 6 and in accordance with section 570 of the Act, the Directors of the Company be and are generally empowered to allot equity securities (as defined in section 560 of the Act), pursuant to and

Belluscura plc

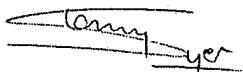
conditional upon the authority conferred by resolution 6 above, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall:

- a) be limited to the allotment of equity securities up to an aggregate nominal amount of £171,253.16; and
- b) expire at the end of the next annual general meeting of the Company to be held after the date on which this resolution is passed, or, if earlier, 15 months after the passing of this resolution (unless renewed, varied or revoked by the Company prior to or on that date), save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution 7 revokes and replaces all unexercised powers previously granted to the Directors of the Company to allot equity securities as if section 561 of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

- 8) THAT, the Company be generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of any of the ordinary shares in the capital of the Company on such terms and in such manner as the Directors may from time to time determine, such shares to be either held as treasury shares or cancelled as the board may determine provided that:
- a) the maximum number of ordinary shares which may be purchased is 11,416,877 ordinary shares;
 - b) the minimum price that may be paid for each ordinary share is the nominal amount of such share which amount shall be exclusive of expenses, if any;
 - c) the maximum price (exclusive of expenses) that may be paid for each ordinary share is an amount equal to the higher of:
 - i. 105 per cent. of the average of the middle market quotations for the ordinary shares of the Company (as derived from the AIM Appendix to the Daily Official List of London Stock Exchange plc) for the five business days immediately preceding the day on which such share is contracted to be purchased; and
 - ii. the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange as stipulated by the Commission-adopted Regulatory Technical Standards pursuant to article 5(6) of the Market Abuse Regulation;
 - d) the Company may, before this authority expires, make a contract to purchase ordinary shares that would or might be executed wholly or partly after the expiry of this authority, and may make purchases of ordinary shares pursuant to it as if this authority had not expired; and
 - e) unless previously renewed, revoked or varied, this authority shall expire 15 months after the passing of this resolution, or if earlier, at the conclusion of the next annual general meeting of the Company.

By order of the Board



Anthony Dyer
Director and Company secretary
1 April 2022

Belluscura plc

Notes to the Notice of Annual General Meeting

1. Pursuant to Part 13 of the Companies Act 2006 and to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those members registered in the register of members of the Company at close of business on 21 April 2022 shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the AGM.
2. A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: either by the appointment of a proxy (described below) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's articles of association and the relevant provision of the Companies Act 2006.
3. A member who is entitled to attend and vote at the AGM may appoint a proxy to vote instead of him. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A proxy need not be a member of the Company but must attend the AGM in order to represent you.
4. A hard copy form of proxy has not been sent to you but you can request one directly from the registrars, Link Group's general helpline team on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. Or via email at shareholderenquiries@linkgroup.co.uk or via postal address at to Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form. For the purposes of determining the time for delivery of proxies, no account has been taken of any part of a day that is not a working day.
5. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed.
6. You can vote by either:
 - a. by logging on to www.signalshares.com and following the instructions (if you have not registered to use this service before, you will need your investor code which can be located on a share certificate or by contacting the registrar, Link Market Services Limited);
 - b. by requesting a hard copy form of proxy directly from the registrar, Link Group, on Tel: 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 and 17:30, Monday to Friday excluding public holidays in England and Wales; or
 - c. in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
7. In order for a proxy appointment to be a valid form of proxy must be completed. In each case the form of proxy must be received by Link Group at PXS 1, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL, by 12.00 NOON on 21 April 2022.
8. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.
9. If the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by using the procedures described in the CREST manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by Link Group (ID [RA10]) not later than 12.00 noon on 21 April 2022.

11. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Link Market Services Limited is able to retrieve the message by enquiry to CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages and normal system timings and

Belluscura plc

limitations will apply in relation to the input of a CREST Proxy Instruction. It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12. In order to revoke a proxy instruction, you will need to inform the Company by sending a signed notice clearly stating your intention to revoke your proxy appointment to Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL. In the case of a member that is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or a duly appointed attorney for the Company. 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. The revocation notice must be received by Link Group no later than 12.00 noon on 21 April 2022. If you attempt to revoke your proxy appointment but the revocation is received after the time specified, then your proxy appointment will remain valid.

13. As at 31 March 2022, the Company's issued share capital comprised 114,168,777 ordinary shares of £0.01 each. Each ordinary share carries the right to one vote at a general meeting of the Company. No ordinary shares were held in treasury and accordingly the total number of voting rights in the Company as at 31 March 2022 is 114,168,777.

Please note that the Company is proposing to allow shareholders the opportunity to raise any issues or concerns arising from the business proposed to be conducted at the meeting. Appropriate questions on the business of the meeting should be emailed to the Company Secretary tony.dyer@belluscura.com before 12.00 noon on 21 April 2022 and responses will be posted on the Company's website, www.belluscura.com on the morning of the AGM.

14. The Company must answer any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

15. The register of directors' interests in the shares of the Company and copies of the directors' service contracts and letters of appointment, other than those expiring or determinable without payment of compensation within one year, are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this notice until the AGM and will be available for inspection at the registered office for at least 15 minutes prior to and during the meeting.

16. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of the Company by 6.00pm on 22 April 2022 shall be entitled to attend and vote at the annual general meeting in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

17. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

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