

Company Registration No. 09910883

Belluscura plc

**Annual report and financial statements
for the year ended 31 December 2023**



Belluscura plc

Report and financial statements for the year ended 31 December 2023

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Belluscura plc

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OFFICERS AND PROFESSIONAL ADVISORS

Registered Office

Belluscura plc
15 Fetter Lane
Holborn
London
EC4A 1BW

Officers

Adam Reynolds	Non-Executive Chairman
Robert Rauker	Chief Executive Officer
Simon Neicheril	Chief Financial Officer
Robert Fary	Senior Vice President of Global Sales
Ric Piper	Non-Executive Director
David Poutney	Non-Executive Director
Dr Patrick Strollo	Non-Executive Director
Jonathan Satchell	Non-Executive Director
Paul Tuson	Non-Executive Director
Tony Dyer	Company Secretary

Auditor

Gerald Edelman LLP

73 Cornhill
London
EC3V 3QQ

Banks

Barclays Bank Plc

1 Churchill Place
Canary Wharf
London
E14 5HP

JPMorganChase

2200 Ross Ave, Floor 8
Dallas
Texas
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

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CHAIRMAN & CEO'S STATEMENT

2023 – Laying the Foundation for Growth

We spent most of 2023 focusing on developing our next-generation DISCOV-R portable oxygen generator, improving and expanding our manufacturing capabilities in the US and China and building, expanding and improving our sales force capabilities in the US and China.

Lasting supply chain and manufacturing issues from COVID, mostly lack of availability of components and longer than normal-lead times to order others, impacted sales of our X-PLOR portable oxygen concentrator product. The issues were resolved the second half of 2023 setting up the Company to grow sales in 2024. As part of our push to improve sales we made several strategic hires in the US and China and started a direct-to-consumer sales program and as a consequence we have shown significant growth in the first half of 2024, exceeding 2023 sales.

We introduced prototypes of the DISCOV-R portable oxygen concentrator in Q3. Patient feedback was positive.

Distributor feedback was also positive. Over 6,500 preliminary orders were received for the DISCOV-R setting the foundation for the initial product launch in June 2024 with full commercial launch in October 2024.

In August, we signed a royalty bearing license agreement with our manufacturing partner InnoMax Medtech to sell and distribute the X-PLOR in China. In late December we received approval from China's medical device authority ("NMPA") to sell X-PLOR in China. We also received approval to sell the X-PLOR in Singapore and Hong Kong. Receiving approval in China allows us to start selling the X-PLOR in China in 2024. Sales in China continue to grow in the first half of 2024.

We released our proprietary NOMAD biometric app on a trial basis in 2023. The NOMAD tracks data on the X-PLOR and any connected third-party Bluetooth devices of the patient such as iWatch, pulse oximeters, Galaxy watches, and Fitbit devices. The NOMAD generation 1 beta platform will be followed by a commercial generation 2 in by the end of 2024.

2024 and Beyond

The Company anticipates strong growth in sales in 2024 and 2025 from both the X-PLOR and DISCOV-R devices.

US sales of X-PLOR have approximately doubled month-on-month in each of the last four months through to May 2024. Sales in May 2024 were approximately \$450k and further significant monthly growth will be achieved in June 2024.

June also marked the initial launch of the DISCOV-R direct to consumer sales program with full commercial launch of the product expected in H2.

Feedback in March of this year from distributors at the largest home healthcare trade show in the US, Medtrade, was very positive. Sales in the first half of 2024 are trending significantly higher than in 2023 with the ramp up continuing to grow with the initial launch of the DISCOV-R.

The global demand for medical oxygen continues to grow with an estimated 300m to 400m people suffering from Chronic Obstructive Pulmonary Disease¹.

The journey to commercialisation has been a long one, however we have one robust product in the market with our second product to follow in June, the Board now looks forward to the Group capturing market share.

¹ Source: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5921960/>

Adam Reynolds – Chairman

Robert Rauker – Chief Executive Officer

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FINANCIAL REVIEW

Independent Auditor's Report to the Members of Belluscura plc

Shareholders' attention is drawn to the Material uncertainty related to going concern in the Independent Auditor's Report on page 12.

Further information on the Board's assessment of Fund Raising, Prospects and Forecasts is provided under Going Concern in the Director's Report starting on page 9.

Income statement

Revenue for the year to 31 December 2023 was \$0.83m (2022: \$1.40m). There was a Product Gross Loss in the year of \$65,088 (2022: Profit \$68,105). With the Group trying to establish its products in the market, pricing was deliberately competitive to establish early B2B sales combined with cost of goods sold reflecting the initial volume higher input costs. Other operating income was \$33,942 (2022: \$8,703).

Inventory Impairment and Adjustments: Due to the early-stage nature of the business, minimum order quantities, the rapid development of products and the need to bring manufacturing in-house the Company holds a large quantity of Inventory. The Board have reviewed the Inventory and made a best assessment of its value and judged that the impairment of obsolete raw materials, the value of finished goods and batteries are absolute. The total of these adjustments in the year was \$4.22m (2022: \$0.74m).

Administrative expenses were \$13.4m (2022: \$7.5m), see note 6.4 to the accounts.

- Operating Expenses. Normal operating expenses were consistent with the prior year, \$6.00m (2022: \$6.00m) with slight increases in Staff and Other Costs netting off against reduced Sales and Marketing Expense.
- Amortisation and Depreciation: Due to the rapid development of its products the Group continued to accelerate the amortisation of development costs associated with the X-PLOR product, with a charge in the period of \$3.29m (2022: \$2.91m).
- Staff related Exceptional Costs: These include the Share-based Payments Charge, Accrued Executive Bonus and Costs related to the Former CFO. \$0.57m (2022: \$0.39m).
- Foreign exchange movements in Admin Expenses: The US\$ weakened against £Sterling by 12% during the year (1 January 2023 - \$1.21:£1.00; 31 December 2023 - \$1.27:£1.00). Due to the size of the Inter-Company Loan from the PLC to the US subsidiary which is fixed in £Sterling, \$2.25m loss (2022: \$2.9m gain).
- Royalties: Since the launch of X-PLOR in 2022, the Group's minimum royalty payments due are charged to the profit & loss account, \$0.79m (2022: \$0.76m).

Operating Loss for the year was \$18.5m (2022: \$8.2m), Total Comprehensive Loss was \$16.3m (2022: \$12.0m). Adjusted EBITDA Loss of \$6.3m (2022: \$6.2m) (See note 26 to the accounts). The adjusted EBITDA measures the underlying business performance by removing the impact of non-cash accounting adjustments which is a key performance indicator for our shareholders.

Loss per share

The basic and diluted loss per share was \$0.142 (2022: \$0.055).

Financial position

The Group net assets as at 31 December 2023 were \$17.7m (2022: \$20.4m). This comprised total assets of \$20.8m (2022: \$23.6m) and total liabilities of \$3.1m (2022: \$3.2m). The total assets included intangible assets (capitalised research and development costs), property, plant and equipment and right-of-use assets of \$10.3m (2022: \$9.1m).

During the year we have transferred a significant amount of Raw Material Inventory to InnoMax in China, resulted in significant reduction in Inventory which, at 31 December 2023, stood at \$3.32m (2022: \$ 8.43m).

Cashflow

At 31 December 2023 the Group had net cash of \$0.9m (2022: \$2.0m). During the year, net cash inflow from funds raised in the year was \$12.6m (2022: \$7.5m), net cash outflow from operating activities was \$9.1m (2022: \$14.9m).

Dividends

No dividend is recommended (2022: £nil) due to the early stage of the development of the Group.

Events after the reporting period

Events after the reporting period are detailed in Note 28 to the Accounts.

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.

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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.

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 2022. 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. 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 Inter-company 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. Further information on the Board's assessment of Fund Raising, Prospects and Forecasts is provided under Going Concern in the Director's Report starting on page 9.
- **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.

Contingent Liabilities

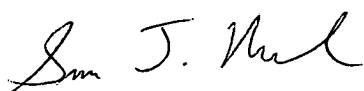
As reported in note 25, on 24 February 2017, the Company entered into a co-exclusive licence and development agreement with Separation Design Group, LLC and SDG (together the "SDG Parties") ("SDG Licence") which was subsequently amended by an amendment agreement dated 19 March 2023. Pursuant to the SDG Licence: if by 3 September 2025, cumulative sales of the X-PLOR and DISCOV-R 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. By 31 December 2023 cumulative sales of X-PLOR were \$1.8 million. No provision has been made in these Financial Statements (see notes 4 and 25).

During 2023 the Company received a claim from a supplier regarding alleged default by the Company under an ongoing contract. The Company has subsequently counter-claimed against the supplier for alleged poor service. The supplier has subsequently filed a lawsuit in the United States. The Company has received an independent legal opinion and believes that any claim against the Company is lower than the claim made by the Company. Accordingly, no provision has been made as at 31 December 2023.

Companies Act S.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, operate a 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.



Simon Neicheril
Chief Financial Officer
27 June 2024

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GOVERNANCE

Chairman's Introduction

I am pleased to introduce the Corporate Governance Report outlining the Company's approach to corporate governance.

We remain committed to ensuring we remain fully compliant with the principles of the QCA's Corporate Governance Code ("the QCA Code") believing that having high standards of corporate governance and internal controls enables effective and efficient decision making. Further information is provided below.

A new edition of the QCA Code will be effective for accounting periods commencing on or after 1 April 2024. For Belluscura this will be 1 January 2025. The QCA expects the first year to act as a transition period, so companies will have flexibility to build the capacity they need to apply its principles. During the transition period companies can focus more on using "explanations" on updated areas of the code to smooth the transition.

During 2024 the Board will be reviewing how to best comply with the new QCA Code and will report to shareholders and other stakeholders in due course. This report explains how our framework of governance has continued to support the Board's strategic activities during the year.

Board of Directors

I believe that the Company has a strong Board, one with the right breadth and depth of energy and experience for both executive and non-executive Directors. Experience includes engineering, finance, manufacturing, research & development and sales.

We continue to keep the composition of the Board under very active review so that Belluscura remains well-placed for the challenges and opportunities over the coming years. In 2023 we welcomed Bob Fary and Simon Neicheril to the Board and so far in 2024 we have additionally welcomed Jonathan Satchell and Paul Tuson.

Adam Reynolds - Non-Executive Chairman - Joined Board in 2021

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. In 2005 he became non-executive Chairman of International Brand Licensing Plc ("IBL"). That business is today called EKF Diagnostic Holdings Plc. In November 2012 Adam launched a successful agreed bid for the trading assets and business of Autoclenz Plc alongside its management team. In addition, Adam is currently non-executive Chairman of Aquis-quoted OTAQ plc and MyHealthChecked Plc, and a non-executive Director of Sosandar Plc.

Robert "Bob" Rauker - Chief Executive Officer - Joined Board in 2016

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. He is a registered patent attorney.

Simon Neicheril - Chief Financial Officer - Joined Board in October 2023

Simon joins from Pace Industries LLC, a \$600m revenue manufacturing Company with nine locations across the US and Mexico, where he held an interim CFO role. He previously held the role of CFO at GlobalStep, a high growth global software testing Company with operations in Canada, the United Kingdom, Romania, and India. He brings over 20 years of experience having served in a range of senior finance and CFO roles within a variety of industries and worked as a consultant for Big 4 firms. In addition, his broader experience includes having built and scaled finance functions for high-growth and international companies, and led IPO preparedness, investor relations, and ERP selection and implementation. Simon graduated from Marquette University, USA, with a Bachelor of Science in Accounting. He later went on to receive a Master of Business Administration from the Cox School of Business at Southern Methodist University, USA. He is a Certified Public Accountant.

Robert "Bob" Fary - Group Vice-President of Global Sales - Joined Board in May 2023.

Bob has 30 years of experience in the respiratory industry where he has held leadership roles at major oxygen concentrator manufacturers and durable medical equipment companies. During the past two decades, Bob's industry leading team was directly responsible or contributed to the sale of over 1 million portable oxygen concentrators ("POCs"), generating revenues in excess of \$1 billion.

Richard ("Ric") Piper - Non-Executive Director - Joined Board in May 2021

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, partner at Restoration Partners Limited and a Board Advisor to a number of privately owned businesses.

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David Poutney – Non-Executive Director - *Joined Board in May 2021*

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. David has worked directly on the listings of over 30 companies.

Jonathan Satchell - Non-Executive Director - *Joined Board in February 2024*

Jonathan Satchell is Chief Executive of Learning Technologies Group plc ("LTG"). LTG is listed on the AIM market of London Stock Exchange (LTG.L) and headquartered in London. LTG is at the forefront of innovation and best-practice in the learning and talent software sector and has received numerous awards for its achievements both corporately and for clients.

Dr. Patrick Strollo - Non-Executive Director - *Joined Board in April 2021*

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 sixteen years and ultimately rose to the rank of Lieutenant colonel.

Paul Tuson - Non-Executive Director - *Joined the Board in February 2024*

Paul qualified as a chartered accountant at KPMG, with over thirty years' post qualification experience, he has served as Chief Financial Officer as well as Non-Executive Director on a number of AIM quoted companies in the media and technology industries as well as CFO of a medical services company. Over this period, he has led successful IPOs, fundraisings and venture capital exits.

Board Governance – QCA Code

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 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.

The Board comprises nine Directors, three executive and six 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 over the coming years, 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.

Board Responsibilities

The Company held 11 Board Meetings during 2023. The Audit Committee held 2 meetings. The Remuneration and Nominations Committees held no meetings during the year.

The Board is responsible for the overall leadership of the Company and approves the Group's aims, objectives, its business plan and annual budgets

All Directors receive regular and timely information on the Group's operational and financial performance, including detailed Executive reports which are provided in advance of all Board meetings, and which report on performance (actual and forecasted) against the agreed budget and any significant variances.

The Board usually meets formally monthly, and at such other times as required. The Board agenda for each meeting is collated by the Chairman in conjunction with the Executive Directors.

In the event that Board approval is required between Board meetings, Board members are provided with supporting information to assist in making a decision and the decision is recorded at the following Board meeting.

There are regular informal discussions between the Executive and Non-Executives.

The Matters Reserved for the Board are kept under regular review in the light of the Board's plans for the business and progress against those plans.

The Board is committed to communicating regularly with the Company's shareholders and other stakeholders to keep them apprised of the Company's progress.

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The Board recognises its employment, environmental and health and safety responsibilities and devotes appropriate resources towards monitoring and improving compliance with existing standards.

The Executive Directors have responsibility for these areas at Board level, ensuring that the Group's policies are upheld and providing the necessary resources.

Governance Structures

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 – (<https://ir.belluscura.com/corporate-governance/board-committees>). 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, Ric Piper, with Ric Piper acting as chairman.

The Board considers Ric to have recent and relevant financial experience that befits his role as Chair of the Audit Committee. All members of the Audit Committee are considered independent. The Board considers that the Committee as a whole has competence relevant to the sector in which the Group operates.

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 (Chairman), Ric Piper, Dr Patrick Strollo, Ric Piper, Jonathan Satchell and Paul Tuson are independent Directors. 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.

David Poutney is a substantial shareholder in the Company and is not considered independent.

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



Adam Reynolds

Non-Executive Chairman

27 June 2024

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors present their annual report and the audited financial statements for the year ended 31 December 2023.

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 2022.

In 2023, the Company initially brought production of X-PLOR in-house as a result of problems with a third-party manufacturer. Later in 2023 an agreement was signed with InnoMax to produce X-PLOR units in China where they are now primarily being produced. In December of 2023, the Company successfully registered X-PLOR with the NMPA for sale in China.

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 and Chief Executive's Review on page 2 and the Financial Review on page 3.

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 2023.

Directors

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

<u>Director</u>	<u>Appointed</u>	<u>Resigned</u>
Adam Reynolds	21 April 2022	
Robert ("Bob") Rauker	18 August 2016	
Simon Neicheril	4 October 2023	
Robert ("Bob") Fary	14 June 2023	
Richard ("Ric") John Piper	28 May 2022	
Dr Patrick Strollo	12 April 2022	
David Poutney	28 May 2022	
Jonathan Satchell	9 February 2024	
Paul Tuson	9 February 2024	
Anthony ("Tony") Stephen Dyer	13 November 2017	3 October 2023

Going concern

Commercial Background

US FDA 510(k) clearance of the Group's X-PLOR was received on 2 March 2021 and was launched in the US in September 2021. The Group launched the next generation X-PLOR in October 2022 and released the DISCOV-R for Pre-Market Evaluation in June 2023.

In March 2022, we signed a manufacturing Master Supply Agreement ("MSA") with InnoMax Medical Technology, Ltd ("InnoMax") to manufacture our devices in China alongside US manufacturing.

In April 2022, the Group took the decision to transfer its US manufacturing in-house, to increase production output at high quality standards, and achieve a significant reduction in production costs. This was successfully completed at the end of July 2022. The decision to bring our US manufacturing in-house from our contract manufacturer along with the initial support of the set-up of InnoMax manufacturing in China, resulted in significant investment in Raw Material Inventory and Deposits which at 31 December 2022 stood at \$10.8m. During the year the Group transferred Raw Materials to InnoMax for utilisation in China manufacturing and alongside this, as anticipated, InnoMax is beginning to directly source most of their own components, which will progressively result in a significant margin improvement through lower unit cost of sales and has resulted in a reduction in the Company's inventory levels of

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components. Raw Material inventory at 31 December 2023 was \$1.9m. The Group has reviewed and assessed the value of inventory, with adjustments and impairment made of \$4.1m (2022: \$0.6m), as detailed in note 6.1.

X-PLOR is now almost exclusively manufactured and assembled by InnoMax and InnoMax has begun tooling to manufacture a DISCOV-R units commercially in October 2024, after initial test production units are developed and perfected in the US beginning in June 2024.

Cash at 31 December 2023 was \$0.9m (2022: \$2.0m).

Position at 31 May 2024

At 31 May 2024, the Group held \$2.9M in Inventory and Finished Goods, \$3.9m in Accounts Receivable (of which \$3.5m was due from InnoMax for the supply of components) and had Cash of \$1.1m.

Fundraising

The Group raised \$22.5m after expenses in its IPO on 28 May 2022 and \$7.1m after expenses from investors in May 2023 to support the inventory requirements of the new manufacturing agreement. In addition, \$5.1m after expenses was raised through the placing of Loan Notes in February 2023, and \$3.7m after expenses through an equity placing in June 2023 and a further \$4m in October 2023. In March 2024, \$5.2m was raised after expenses through the acquisition of TMT Acquisition plc, which operated as a cash shell.

In June 2024 the Company raised \$0.3m from the issue of equity. In July 2024 the Board expects to raise up to \$3M with a combination of a straight equity and through convertible loan notes (subject to shareholder approval at a General Meeting).

Prospects and Forecasts

The Board is confident the phased launch beginning in Summer 2024 of the award winning DISCOV-R product will be transformational for the Group. Demand is expected to be very strong because a major competitor has left the market, the two others have larger, more bulky products, and the small size of our product is very appealing to the customer base. Additionally, most of the development and capital costs for DISCOV-R have already been incurred.

Strong sales of X-PLOR and the expected significant demand for the DISCOV-R, alongside the release of working capital through the sale of goods from its existing inventory, and a capital raise in June and the expected one in July together totalling up to \$3M (as noted above) indicate that the Group has sufficient cash reserves to operate within the level of its current facilities for a period of 12 months from the date of approval of the financial statements.

Should projected sales and prices not materialize as anticipated in the Group's forecasts, then the Board would actively consider further fundraising and other mitigating actions (these conditions are necessarily considered to represent a material uncertainty that may cast significant doubt over the Group's and the Company's ability to continue as a going concern).

The Group's forecasts, taking account of reasonably possible downsides in trading performance and development costs/timelines, and the risks to these projections (set out in the Principal Risks and Uncertainties section of the Group Strategic Report on page 4) have been considered by the Board in its assessment of these forecasts.

Based on the above, the Directors believe it remains appropriate to prepare the financial statements on a going concern basis.

Political contributions

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

Remuneration Report

Directors' Emoluments

Directors' emoluments are detailed in note 7.1.

Belluscura plc

Report and financial statements for the year ended 31 December 2023

Directors' beneficial interests in shares

	As at 27 June 2024 No of Shares	As at 31 December 2023 No of Shares
David Poutney	14,255,731	14,255,731
Adam Reynolds	2,033,176	1,808,176
Jonathan Satchell	1,396,900	106,900
Robert Rauker	1,035,684	1,035,684
Robert Fary	32,000	32,000
Ric Piper	80,000	80,000

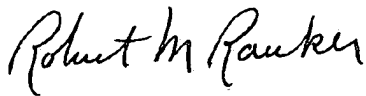
Disclosure of information to auditor

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 Gerald Edelman 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
27 June 2024

Report and financial statements for the year ended 31 December 2023

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.

Report and financial statements for the year ended 31 December 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BELLUSCURA PLC

Opinion

We have audited the financial statements of Belluscura Plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise the Consolidated Statement of Profit & Loss and Other Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the notes to the Consolidated and Company Financial Statements, including a summary of 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 in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Adopted International 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 Company's affairs as at 31 December 2023 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 Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 2.1.1 of the financial statements which notes the uncertainty in the Group's and Company's level of projected production of DISCOV-R products and financial returns thereon following the expected launch of the new product in Summer 2024 and the potential consequential impact on the Group's ability to secure additional funding. As stated in note 2.1.1, these conditions are necessarily considered to represent a material uncertainty that may cast significant doubt over the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Given the conditions and uncertainties disclosed in note 2.1.1, we considered going concern to be a Key Audit Matter. Our evaluation of the Directors' assessment of the Group and the Company's ability to continue to adopt the going concern basis of accounting and in response to the Key Audit Matter included evaluating the following:

- We obtained an understanding of the Group and Company's relevant controls over the preparation and review of cash flow projections and assumptions used in the cash flow forecasts to support the going concern assumption and assessed the design and implementation of these controls;
- We obtained and evaluated the Directors' financial forecasts through comparing actual outcomes in the current year against prior forecasts. We challenged the underlying key assumptions, including revenue, production volumes, operating and capital expenditure by considering factors such as commitments under manufacturer agreements, forecasted production levels, and operating expenditure historic actuals in order to assess the reasonableness of the forecasts.
- We considered the Group's and Company's ability to launch the DISCOV-R product by Summer 2024 and achieve the forecasted production and sales levels during a period of at least twelve months from the date of approval of the financial statements. We considered sensitivities over sales volumes and the launch date.

Report and financial statements for the year ended 31 December 2023

- We assessed the reasonableness of key assumptions underpinning the forecasts by reference to latest sales volumes and prices, expenditure and commitments on the Group and Company. As appropriate we confirmed the key inputs to publicly available information and underlying source documentation.
- We assessed the mathematical accuracy of the Group's and Company's cash flow forecasts;
- We assessed the ability of the Directors' to raise additional funding based on historic successful fundraising. We also assessed alternative sources of funding available to the Group and Company.
- We performed sensitivity analysis on the cash flow forecast to consider the funding requirement under different *reasonably possible scenarios* such as a decrease in sales volumes and prices and a delayed launch of DISCOV-R products.
- We performed a reverse stress test that considered the possible impact on cash flows if no production and sales of the DISCOV-R product occurs.
- We made enquiries of Management and Directors and reviewed Board minutes and key operational contracts to assess the completeness of commitments considered in the cash flow forecasts.
- We evaluated the adequacy of disclosures made in the financial statements in respect of going concern.

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

Overview

Coverage	98% (2022: 100%) of Group loss before tax 99% (2022: 100%) of Group total assets		
Key audit matters		2023	2022
	1. Going concern	X	X
	2. Valuation of product development		
	- carrying value of intangible assets	X	X
	and capitalization of development cost		
	3. Inventory valuation	X	
	The valuation of inventory included significant impairment in the financial year due to stock becoming absolute as well as replacement of raw materials. These events were not present in the year ending 31 December 2022 and are therefore considered a Key Audit Matter for the first time in the year ending 31 December 2023.		
Materiality	Group financial statements as a whole \$208,000 (2022: \$296,000) based on 1% (2022: 1.25%) of Total Assets. Company financial statements as a whole \$145,000 (2022: \$100,000) based on 1% of Total Assets capped to 70% of Group materiality (2022: 1.25% of Total Assets capped to Group materiality)		

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 structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Company and Belluscura LLC are significant components and were subject to full scope audit procedures by the Group audit team. Our scope on the non-significant components were the performance of analytical review procedures by the Group audit team. We also performed specified audit procedures over certain account balances and transaction classes that we regarded as material to the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) 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. In addition to the matter described in the Material Uncertainty related to going concern section, we have determined the matters described to be the key audit matter to be communicated in our report.

Report and financial statements for the year ended 31 December 2023

Key audit matter	How our audit addressed the key audit matter
Valuation of product development - carrying value of intangible assets and capitalization of development cost The Group is focused on product development in relation to its series of medical equipment. Consequent to this, there is a material intangible asset (product development) balance on the balance sheet of \$9.9m as at 31 December 2023 (\$8.6m; 31 December 2022). There is a risk that the development cost is not capitalized appropriately under the relevant accounting standard. There is also a risk that the carrying value of this is not assessed appropriately for impairment. As explained in Note 2 and 13 to the consolidated financial statements, the indicators of impairment assessment in relation to the intangible assets under the relevant accounting standard require the exercise of significant judgement by Management and the Directors. Management and the Directors are required to assess whether there are any potential impairment triggers which would indicate that the carrying value of the assets may not be recoverable for each cash generating unit. Management and the Directors did not identify any indicators of impairment. Given the significance of the assets to the Group's consolidated statement of financial position and the significant management judgements and estimates involved in this area, we considered this area to be a key audit matter. Refer to Accounting Policies and Note 13	We have performed the following audit procedures: • We assessed the Directors' and Management's impairment indicator review to establish whether it was performed in accordance with the requirements of the relevant accounting standard. • We obtained and inspected third party documents relating to the product licence status to check legal title and validity of each of the licences. • We assessed the status of development of the products through enquiries of Directors, Management and Product Development Engineers in order to confirm our understanding of the products and in order to assess whether there are any indicators of impairment, as well as inspected board minutes and other publicly available information. • We challenged if the capitalization of development asset in line with the relevant accounting standard, specifically whether the intangible assets can be measured reliably and there is probably future economic benefit attributable to the asset. We agreed a sample of capitalized costs to supporting evidence such as timecards and invoices. • We assessed the adequacy and reasonableness of disclosures in the financial statement in this regard. Key observations: Based on the audit work performed, we are satisfied with the carrying valuation of intangible assets and that these balances are not impaired as at year ended 31 December 2023.
Inventory Valuation The Group holds \$3.3m of inventory as at 31 December 2023 (\$8.4m; 31 December 2022). This balance comprises \$1.4m of finished goods and \$1.9m of raw materials. There is a risk that the inventory is incorrectly valued per the relevant accounting standard, being valued at the lower of cost or net realizable value. As explained in Note 2 and 14 to the consolidated financial statements, the Group holds large quantities of inventory which increase its operational complexity. The nature of the inventory and arrangements with their manufacturer comprise of complex arrangements and included the transfer of raw materials and finished goods of \$4.8m. Management recognized significant impairment of \$2.8m against the inventory balances in the year resulting from obsolete stock and the replacement of raw materials. Given the significance of the assets to the Group's consolidated statement of financial position and the significant management judgements and estimates involved in this area, we considered this area to be a key audit matter.	We have performed the following audit procedures: • We obtained an understanding of the inventory management processes and controls inclusive of those lined to additions and subtractions to inventory by performing walkthroughs and design and implementation assessment on key controls; • We virtually attended a stock count to test existence and valuation of inventory. • We challenged the valuation of inventory for any key estimates and judgements applied by management particularly in relation to the valuation of raw material inventory. We agreed a sample of finished goods to subsequent year-end sales invoices. • We challenged the estimates and Management's judgement applied in the impairment recognition, by agreeing a sample of inputs to underlying support, Board meeting minutes and through enquiries to product development engineers. • We reviewed and challenged the agreement in place with the Group's manufacturer with regards to movement of raw material and finished goods to a receivable balance from the manufacturer and assessed the appropriateness of this classification

Report and financial statements for the year ended 31 December 2023

Refer to Accounting Policies and Note 14	and measurement against the relevant accounting standards. We assessed the adequacy and reasonableness of disclosures in the financial statement in this regard. Key observations: Based on the work performed we considered the key assumptions used by Management and the Directors in performing their assessment of the valuation of inventory to be reasonable and appropriate.
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Our application of materiality

Materiality is assessed as the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality provides a basis for determining the nature and extent of our audit procedures. Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	\$208,000 (PY: \$296,000)	\$145,000 (PY: \$100,000)
How we determined it	Based on 1% (PY: 1.25%) of gross assets. A lower percentage was applied in the current year to take into consideration the change in the Group's Management in the year.	Based on 1% (PY: 1.25%) of gross assets capped to 70% (PY: 33%) of Group materiality given the assessment of the components aggregation risk, and size based on total assets of the Group. A lower percentage was applied in the current year given the change in the Group's Management in the year.
Rationale for benchmark applied	We considered total assets to be the most significant consideration for users of the financial statements as the Group continues to develop its intangible assets.	We considered gross assets to be the primary measure used by shareholders in assessing the performance of the Company as it is the holding Company within the group.
Performance materiality	\$135,000 (PY: \$185,000)	\$94,000 (PY: \$65,000)
Basis for determining performance materiality	65% (PY: 65%) of materiality. In reaching our conclusion on the level of performance materiality to be applied we considered a number of factors including the expected total value of known and likely misstatements (based on past experience), our knowledge of the Group's control environment and management's attitude towards proposed adjustments.	65% (PY: 65%) of materiality. In reaching our conclusion on the level of performance materiality to be applied we considered a number of factors including the expected total value of known and likely misstatements (based on past experience), our knowledge of the Group's control environment and management's attitude towards proposed adjustments.

Component materiality

For each component in the scope of our Group audit, we allocated a materiality that is equal to or less than our overall Group materiality. The range of materiality allocated across components is ranged from \$145,000 to \$186,000. We set materiality for each significant component of the Group based on a percentage of between 70% and 80% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$11,650 (2022: \$14,800) for the Group and \$8,200 (2022: \$5,000) for the Company audit as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Report and financial statements for the year ended 31 December 2023

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities statement set out on page 12, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

The objectives of our audit, in respect to fraud are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatements due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

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 in the United Kingdom, China and the United States of America;
- we identified the laws and regulations applicable to the Group and Company through discussions with Directors and other management, and from our knowledge and experience of the entity's activities.
- 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 Group and Company, including Companies Act 2006, taxation legislation, data protection, employment and health and safety legislation.

Report and financial statements for the year ended 31 December 2023

- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and reviewing legal expenditure; 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 Group and 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; and
- 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 were indicative of potential bias. Key judgements and assumptions are comprised in the impairment assessment of the carrying value of intangible assets, including appropriateness of the capitalization of development costs of intangible assets and inventory valuation as assessed within our Key Audit Matters above; and
- 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 which included our evaluation of Management's assessment on the impact of climate change on the Group and Company and related disclosures;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims.

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.

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Hemen Doshi (Senior Statutory Auditor)
For and on behalf of Gerald Edelman LLP,
Chartered Accountants
Statutory Auditor
73 Cornhill
London
EC3V 3QQ

27 June 2024

Belluscura plc

CONSOLIDATED STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

Group	Note	2023 US \$	2022 US \$
Continuing Operations			
Revenue	5	825,409	1,398,082
Cost of sales		(890,497)	(1,329,977)
Product Gross (Loss)/Profit		(65,088)	68,105
Inventory Impairment and Adjustments	6.1	(4,138,030)	(609,848)
Gross (Loss)		(4,203,118)	(541,743)
Other operating income	6.2	33,942	8,703
Other direct costs	6.3	(103,991)	(136,825)
Administrative expenses	6.4	(13,418,554)	(7,459,047)
Operating Loss		(17,691,721)	(8,128,912)
Finance income	8.1	2,127	-
Finance costs	8.2	(828,025)	(24,073)
Loss before income tax		(18,517,619)	(8,152,985)
Income tax expense	9	-	-
Loss after tax for the period		(18,517,619)	(8,152,985)
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences – foreign operations		2,248,588	(3,827,808)
Total other comprehensive income		2,248,588	(3,827,808)
Total comprehensive loss for the year attributable to the equity holders		(16,269,031)	(11,980,792)
Earnings per share			
Basic & Diluted: Loss per share	10	(0.142)	(0.055)

The notes on pages 25 to 46 are an integral part of these consolidated financial statements.

Adjusted EBITDA¹

Group	2023 US \$	2022 US \$
Total comprehensive loss for the year	(16,269,031)	(11,980,792)
<i>Add back:</i>		
Administrative expenses Realised & unrealised FX movements in	2,424,237	(2,877,886)
Other comprehensive income FX currency translation differences	(2,248,588)	3,827,808
Net foreign exchange movement²	175,649	949,922
Finance Income and Costs	19,337	24,073
Accrued Interest on Convertible Loan Notes	806,561	-
Product development amortisation	3,293,232	2,911,988
Costs relating to fundraising activities	92,536	-
Former CFO compensation	96,393	-
Share option costs	-	162,505
Minimum royalties in excess of sales royalties	792,818	763,430
Contract Manufacturer Capacity Costs	86,440	128,607
Inventory Impairment and Adjustments	4,138,030	609,848
Accrued Bonus	315,000	-
Issue of share-based payments	163,061	229,241
Adjusted EBITDA	(6,289,974)	(6,201,178)

1 Reconciliation to Adjusted EBITDA measure

Adjusted EBITDA is the Group's key adjusted profit measure. Total comprehensive loss for the year is adjusted to exclude non-recurring and exceptional items.

2 Net foreign exchange movements

The US\$ weakened against £Sterling by 5% during the year (1 January 2023 - \$1.21:£1.00; 31 December 2023 - \$1.27:£1.00). Due to the size of the Inter-Company Loan from the PLC to the US subsidiary which is fixed in £Sterling, this creates an accounting presentational impact between Administrative Expenses and Other Comprehensive Income, which to a large extent can be netted off against one another.

- Realised FX movements in administrative expenses arise from the revaluation of £Sterling cash balances into US\$
- Unrealised FX movements in administrative expenses arise from the revaluation of the Inter-Company Loan fixed in £Sterling into US\$
- Foreign currency translation differences in Other Comprehensive Income arise from the revaluation of the PLC balance sheet into US\$

Belluscura plc

CONSOLIDATED BALANCE SHEET

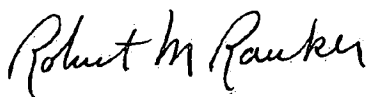
As at 31 December 2023

Group	Note	2023 US \$	2022 US \$
Assets			
Non-current assets			
Tangible assets	12	186,928	152,717
Product development	13	9,987,516	8,668,732
Other long-term receivable	15	1,952,649	-
Right of use asset	12	136,887	246,924
Non-current assets		12,263,980	9,068,373
Current assets			
Inventory	14	3,320,652	8,431,031
Trade and other receivables	15	4,306,492	4,054,102
Cash and cash equivalents	16	932,926	2,044,836
Current assets		8,560,070	14,529,969
Total assets		20,824,050	23,598,342
Current liabilities			
Trade and other payables	20	(3,070,621)	(3,045,788)
Current liabilities		(3,070,621)	(3,045,788)
Non-current liabilities			
Trade and other payables	20	(61,267)	(200,432)
Non-current liabilities		(61,267)	(200,432)
Total liabilities		(3,131,888)	(3,246,220)
Net assets		17,692,162	20,352,122
Equity attributable to the owners of the parent			
Share capital	18	1,845,523	1,662,185
Share premium	18	37,494,672	33,379,947
Other Equity Instruments	18	9,167,689	-
Capital contribution	19	165,000	165,000
Retained earnings	19	(28,635,114)	(10,310,673)
Translation reserve	19	(2,345,608)	(4,544,337)
Total equity		17,692,162	20,352,122

The notes on pages 25 to 46 are an integral part of these financial statements.

The financial statements on pages 19 to 46 were authorised for issue by the Board of Directors on 27 June 2024 and were signed on its behalf.

Robert Rauker
Chief Executive Officer



Simon Neicheril
Chief Financial Officer



Belluscura plc
registered number 09910883

Belluscura plc

COMPANY BALANCE SHEET

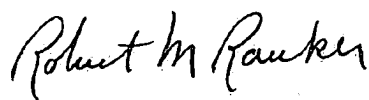
At 31 December 2023

Company	Note	2023 US \$	2022 US \$
Assets			
Non-current assets			
Tangible assets	12	4,424	7,107
Intangible assets	13	-	-
Right of use asset	12	55,181	67,169
Investment in subsidiaries	11	301,307	-
Loans to subsidiaries	15	36,397,060	26,725,430
Non-current assets		36,757,972	26,799,706
Current assets			
Trade and other receivables	15	204,511	471,965
Cash and cash equivalents	16	265,807	1,237,288
Current assets		470,318	1,709,253
Total assets		37,228,290	28,508,959
Current liabilities			
Trade and other payables	20	(171,514)	(155,682)
Current liabilities		(171,514)	(155,682)
Non-current liabilities			
Trade and other payables	20	(41,978)	(56,563)
Non-current liabilities		(41,978)	(56,563)
Total liabilities		(213,492)	(212,245)
Net assets		37,014,798	28,296,714
Equity attributable to the owners of the parent			
Share capital	18	1,845,523	1,662,185
Share premium	18	37,542,672	33,427,947
Other equity instruments	18	9,167,689	-
Capital contribution	19	165,000	165,000
Retained earnings	19	(9,342,188)	(2,414,081)
Share option reserve	19	(20,180)	-
Translation reserve	19	(2,343,718)	(4,544,337)
Total equity		37,014,798	28,296,714

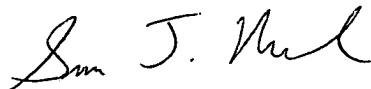
The Parent Company's loss before tax for the period 31 December 2023 was \$7,144,338 (2022: \$3,820,378).
The Group has used the exemption under S408 CA 2006 not to disclose the Company income statement.

The notes on pages 25 to 46 are an integral part of these financial statements.

The financial statements on pages 19 to 46 were authorised for issue by the Board of Directors on xx June 2024.



Robert Rauker
Chief Executive Officer



Simon Neicheril
Chief Financial Officer

Belluscura plc
registered number 09910883

Belluscura plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

Group		Ordinary Shares US \$	Share Premium US \$	Other Equity Instruments US \$	Translation Reserve US \$	Capital Contribution US \$	Retained Earnings US \$	Total US \$
	Note							
Balance at 1 January 2022		1,548,227	26,025,760	-	(716,529)	165,000	(2,349,966)	24,672,492
Issue of ordinary shares	18	113,958	7,354,187	-	-	-	-	7,468,145
Loss for the year	19	-	-	-	-	-	(8,152,985)	(8,152,985)
Other comprehensive income	19	-	-	-	(3,827,808)	-	-	(3,827,808)
Total comprehensive income					(3,827,808)	-	(8,152,985)	(11,980,793)
Issue of share-based payments	19	-	-	-	-	-	192,278	192,278
Balance at 31 December 2022		1,662,185	33,379,947	-	(4,544,337)	165,000	(10,310,673)	20,352,122
Balance at 1 January 2023		1,662,185	33,379,947	-	(4,544,337)	165,000	(10,310,673)	20,352,122
Issue of ordinary shares	18	183,338	4,114,725	-	-	-	-	4,298,063
Issue of other equity instruments	18	-	-	9,167,689	-	-	-	9,167,689
Loss for the year	19	-	-	-	-	-	(18,517,619)	(18,517,619)
Other comprehensive income	19	-	-	-	2,198,729	-	-	2,198,729
Total comprehensive income		-	-	-	2,198,729	-	(18,517,619)	(16,318,890)
Issue of share-based payments	19	-	-	-	-	-	193,178	193,178
Balance at 31 December 2023		1,845,523	37,494,672	9,167,689	(2,345,608)	165,000	(28,635,114)	17,692,162

The notes on pages 25 to 46 are an integral part of these financial statements.

Belluscura plc

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

Company	Note	Ordinary Shares US \$	Share Premium US \$	Other Equity Instruments US \$	Translation Reserve US \$	Capital Contribution US \$	Retained Earnings US \$	Total US \$
Balance at 1 January 2022		1,548,227	26,025,760	-	(716,529)	165,000	1,214,019	28,236,477
Issue of ordinary shares	18	113,958	7,402,187	-	-	-	-	7,516,145
Loss for the year	19	-	-	-	-	-	(3,820,378)	(3,820,378)
Other comprehensive income	19	-	-	-	(3,827,808)	-	-	(3,827,808)
Total comprehensive income		-	-	-	(3,827,808)	-	(3,820,378)	(7,648,186)
Share-based payments	19	-	-	-	-	-	195,151	195,151
Balance at 31 December 2022		1,662,185	33,427,947	-	(4,544,337)	165,000	(2,411,208)	28,299,587
Balance at 1 January 2023		1,662,185	33,427,947	-	(4,544,337)	165,000	(2,411,208)	28,299,587
Issue of ordinary shares	18	183,338	4,114,725	-	-	-	-	4,298,063
Issue of other equity instruments	18	-	-	9,167,689	-	-	-	9,167,689
Loss for the year	19	-	-	-	-	-	(7,144,338)	(7,144,338)
Other comprehensive income	19	-	-	-	2,200,619	-	-	2,200,619
Total comprehensive income		-	-	-	2,200,619	-	(7,144,338)	(4,943,719)
Issue of share-based payments	19	-	-	-	-	-	193,178	193,178
Balance at 31 December 2023		1,845,523	37,542,672	9,167,689	(2,343,718)	165,000	(9,362,368)	37,014,798

The notes on pages 25 to 46 are an integral part of these financial statements.

Belluscura plc

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

Group	Note	2023 US \$	2022 US \$
Cash flows from operating activities			
Cash generated from operations	24	(9,131,571)	(14,906,368)
Net cash used in operating activities		(9,131,571)	(14,906,368)
Cash flows from investing activities			
Purchases of property, plant and equipment	12	(85,409)	(144,776)
Intangible assets under development	13	(4,447,282)	(4,856,846)
Purchase of Right of Use asset		-	(75,509)
Net cash used in investing activities		(4,532,691)	(5,077,131)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares (net)	18	4,236,474	7,467,030
Proceeds from issuance of other equity instruments (net)	18	8,401,168	-
Purchase of share by Employee Benefit Trust	18	-	(48,000)
Lease Payments	22	(126,347)	(130,780)
Net cash generated from financing activities		12,511,295	7,288,250
Net (decrease) in cash and cash equivalents		(1,152,967)	(12,695,249)
Cash and cash equivalents at beginning of year		2,044,836	15,889,552
Exchange loss on cash and cash equivalents		41,057	(1,149,467)
Cash and cash equivalents at end of year		932,926	2,044,836

The notes on pages 25 to 46 are an integral part of these financial statements.

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", see note 11). 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:

- Profit & Loss account and related notes;
- Statement of financial position and related notes;
- 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;
- Disclosures in respect of the compensation of Key Management Personnel; and
- 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

Commercial Background

US FDA 510(k) clearance of the Group's X-PLOR was received on 2 March 2021 and was launched in the US in September 2021. The Group launched the next generation X-PLOR in October 2022 and released the DISCOVER for Pre-Market Evaluation in June 2023.

In March 2022, we signed a manufacturing Master Supply Agreement ("MSA") with InnoMax Medical Technology, Ltd ("InnoMax") to manufacture our devices in China alongside US manufacturing.

In April 2022, the Group took the decision to transfer its US manufacturing in-house, to increase production output at high quality standards, and achieve a significant reduction in production costs. This was successfully completed at the end of July 2022. The decision to bring our US manufacturing in-house from our contract manufacturer along with the initial support of the set-up of InnoMax manufacturing in China, resulted in significant investment in Raw Material Inventory and Deposits which at 31 December 2022 stood at \$10.8m. During the year the Group transferred Raw Materials to InnoMax for utilisation in China manufacturing and alongside this, as anticipated, InnoMax is beginning to directly source most of their own components, which will progressively result in a significant margin improvement through lower unit cost of sales and has resulted in a reduction in the Company's inventory levels of components. Raw Material inventory at 31 December 2023 was \$1.9m. The Group has reviewed and assessed the value of inventory, with adjustments and impairment made of \$4.1m (2022: \$0.6m), as detailed in note 6.1.

X-PLOR is now almost exclusively manufactured and assembled by InnoMax and InnoMax has begun tooling to manufacture a DISCOV-R units commercially in October 2024, after initial test production units are developed and perfected in the US beginning in June 2024.

Cash at 31 December 2023 was \$0.9m (2022: \$2.0m).

Position at 31 May 2024

At 31 May 2024, the Group held \$2.9M in Inventory and Finished Goods, \$3.9m in Accounts Receivable (of which \$3.5m was due from InnoMax for the supply of components) and had Cash of \$1.1m.

Fundraising

The Group raised \$22.5m after expenses in its IPO on 28 May 2022 and \$7.1m after expenses from investors in May 2023 to support the inventory requirements of the new manufacturing agreement. In addition, \$5.1m after expenses was raised through the placing of Loan Notes in February 2023, and \$3.7m after expenses through an equity placing in June 2023 and a further \$4m in October 2023. In March 2024, \$5.2m was raised after expenses through the acquisition of TMT Acquisition plc, which operated as a cash shell.

In June 2024 the Company raised \$0.3m from the issue of equity. In July 2024 the Board expects to raise up to \$3M with a combination of a straight equity and through convertible loan notes (subject to shareholder's approval at a General Meeting).

Prospects and Forecasts

The Board is confident the phased launch beginning in Summer 2024 of the award winning DISCOV-R product will be transformational for the Group. Demand is expected to be very strong because a major competitor has left the market, the two others have larger, more bulky products, and the small size of our product is very appealing to the customer base. Additionally, most of the development and capital costs for DISCOV-R have already been incurred.

Strong sales of X-PLOR and the expected significant demand for the DISCOV-R, alongside the release of working capital through the sale of goods from its existing inventory, and a capital raise in June and the expected one in July together totalling up to \$3M (as noted above) indicate that the Group has sufficient cash reserves to operate within the level of its current facilities for a period of 12 months from the date of approval of the financial statements.

Should projected sales and prices not materialize as anticipated in the Group's forecasts, then the Board would actively consider further fundraising and other mitigating actions (these conditions are necessarily considered to represent a material uncertainty that may cast significant doubt over the Group's and the Company's ability to continue as a going concern).

The Group's forecasts, taking account of reasonably possible downsides in trading performance and development costs/timelines, and the risks to these projections (set out in the Principal Risks and Uncertainties section of the Group Strategic Report on page 4) have been considered by the Board in its assessment of these forecasts.

Based on the above, the Directors believe it remains appropriate to prepare the financial statements on a going concern basis.

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.

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 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.

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.

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.

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 (See Note 18).

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 are recognised in P&L as they accrue, using 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 is provided 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 3-15 years.

Development costs are amortised from the date products are launched, taking into account the Directors opinion as to the expected further development of the technology and is regularly reassessed.

2.9 Impairment of non-financial assets

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" or "CGU"). Due to the close technological nature of it's two products, Belluscura has assessed the business has one CGU.

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. The Company's current product technology generates cash inflow in the same manner and therefore the management have assessed there to be one CGU.

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.

The Group recognises a provision for expected credit loss (ECL) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms (if any). ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit loss that results from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss provision is required for credit loss expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The ECL model is applicable to financial assets classified at amortised cost and contract assets under IFRS 15 Revenue from Contracts with Customers. The measurement of ECL includes where relevant, an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Group applies both the simplified approach, using a provision loss rate matrix which is based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment; and the three-stage general approach to determine impairment of trade receivables depending on their respective nature.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis. Under this approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each ageing category and for each individual exposure. The PD and LGD is based on default rates determined by external rating

agencies for the counterparties. The EAD is the total amount of outstanding receivable at the reporting period. These three components are multiplied together and adjusted for forward-looking information, which includes relevant country: GDP data; inflation rates; interest rates; and FX rates and product selling prices, to arrive at an ECL. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

For receivables from related parties, the Group applies the general approach. The general approach involves tracking the changes in the credit risk and recognising a loss allowance based on a 12-month ECL at each reporting date. When the Group acquires credit impaired assets, the ECL that is netted against the gross receivable balance is released to the consolidated statement of comprehensive income when the original invoice that the ECL relates to is settled.

For amounts due from Group companies, the Company recognises an allowance equal to the 12-month ECL where there has been no significant increase in credit risk since initial recognition. If it has been determined that there has been a significant increase in credit risk since initial recognition, a lifetime ECL is recognised

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.

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.

Other Equity Instruments

The Company has raised funds through the issues of Convertible Loan Notes. The issue of the Loan Notes is a form of equity instrument as detailed in Note 4 (f). The Company has a small number of Warrants outstanding to which the Company has not applied a value to (see note 18).

Warrants

The Company accounts for issued warrants either as a liability or equity in accordance with the substance of the transaction, depending on whether the warrants are issued in exchange for goods or services, or not. When there is an exchange of goods or services, warrants are accounted for as share-based payments. If there is no exchange of goods or services, the warrants are considered an equity instrument if it includes: (i) no contractual obligation either to deliver cash or another financial asset to another entity; and

(ii) the instrument will or may be settled in the Company's own equity instrument if it is a non-derivative that includes no contractual obligation for the Company to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants *pro rata* to all of its existing owners of the same class of its own non-derivative equity instruments. Liability-classified warrants are measured at fair value on the grant date and at the end of each reporting period. Any change in the fair value of the warrants after the grant date is recorded as FVTPL. Equity-classified warrants are accounted for at fair value on grant date with no changes in fair value recognised after the grant date.

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 probably will not reverse in the foreseeable future.

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 comprises the value of consideration received for sales of our developed products. Substantially all of our revenue is derived or denominated in U.S. dollars, regardless of where the customer is located. At inception of a contract with a customer the terms are assessed to determine whether they products or services are distinct, whereby the customer can benefit from the good or service either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, where the transfer of the good or service is separately identifiable from other promises in the contract and should be accounted for as separate performance obligations.

Revenues from the sale of goods are recognised upon delivery.

The Group bases its estimate of return on historical results taking into consideration type of customer, type of transaction and specifics of each arrangement.

Where an agreement involves several performance obligations, the total fee is allocated to individual performance obligations based on their relative standalone selling price. The standalone selling price is assessed by reference to prices regularly charged for the performance obligation when it is sold separately, or if this cannot be used, then other factors may be considered, such as the excess of the total transaction price over the sum of the observable stand-alone selling prices of other goods or services promised in the agreement.

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

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. 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 \$932,926 (2022: \$2,044,836). 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 external borrowings to manage, the Directors have not entered into any arrangements, adopted or approved the use of derivative financial instruments 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 2023	31 December 2022
Cash and cash equivalents	260,678	553,070
Trade receivables (gross)	49,897,060	35,725,430
Trade payables	(213,492)	(212,246)
Net exposure	49,944,246	36,066,254

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 2023 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 2022.

Equity		Profit or Loss	
2023	2022	2023	2022
US \$	US \$	US \$	US \$
(4,994,424)	(3,606,625)	(4,994,424)	(3,606,625)

A 10% percent weakening of the above currencies against the pound sterling at 31 December 2023 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 2021	Weighted average rate for 2022	Closing rate for 2022	Weighted average rate for 2023	Closing rate for 2023
US Dollar	1.3534	1.23.72	1.2098	1.2438	1.2740

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.

Key judgement

The following judgements and 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) Other equity instruments

The Directors assess the accounting principles for the issues of other equity instruments. The issue of the Loan Notes are a form of equity financing because:

- 1) They fall within the parameters of section 560(1)(b) of the CA 2006, being the relevant statutory provision in this jurisdiction;
- 2) They fall within the parameters of IAS 32 being the internationally recognised accounting standard. IAS 32 has three tests to determine whether the instrument is equity or has a debt element;
 - a. an unavoidable contractual obligation to pay cash to the loan note holders;
 - b. an obligation to issue a variable number of shares; and

- c. an obligation to issue a fixed number of shares to settle an instrument whose book value is variable

In respect of the Loan Notes, the answer to all three of the above is "no". Therefore, the Instrument falls within the accepted definition of equity and are accounted for as equity from day one.

(e) *Contingent liabilities*

SDG Licence - 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 2023. Pursuant to the SDG Licence: if by 3 September 2025, cumulative sales of the X-PLOR and DISCOV-R 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. By 31 December 2023 cumulative sales of X-PLOR were \$1.8 million. The Directors assess that the Group will meet the minimum obligations and therefore no provision has been made in these Financial Statements.

Supplier Claim - During 2023 the Company received a claim from a supplier regarding alleged default by the Company under an ongoing contract. The Company has subsequently counter-claimed against the supplier for alleged poor service. The supplier has subsequently filed a lawsuit in the United States. The Company has received an independent legal opinion and believes that any claim against the Company is lower than the claim made by the Company. Accordingly, no provision has been made as at 31 December 2023. The Directors believe that based on their current assessment of the facts the current \$nil provision is appropriate. However, the final amount is dependent upon the outcome of the agreements between the two parties and/or the lawsuit.

Key estimates

The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

(a) *Recoverability of Inter-Company 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.

(b) *Share-based payments charge*

The Group's share-based payment charge is calculated using the Black-Scholes model with an assessment of: the expected volatility based on a comparator set of similar stocks; the risk-free rate of return which is commensurate with the expected term and the 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.

5. Segmental reporting

The chief operating decision makers consider that in the year to 31 December 2023 there is only one operating segment, being the sale of oxygen concentrators in the United States.

The Group generated gross revenue of \$1,320,433 less discounts of \$495,024 in the year (2022: \$1,542,948; \$144,866). All sales were in the United States.

6. Inventory Impairment and Adjustments, other operating income and administrative expenses

6.1 *Inventory Impairment and Adjustments*

Group	2023 US\$	2022 US\$
Obsolete raw material inventory and inventory adjustments	845,827	609,848
Impairment of Batteries	1,077,626	-
Impairment of Finished Goods Value	1,888,122	-
Provision for 2024 RMA's ("Return to Manufacturer Authorization's")	326,455	-
Total	4,138,030	609,848

6.2 *Other operating income*

Group	2023 US\$	2022 US\$
Freight Charged	14,795	6,805
Rent recharged	19,147	1,898
Total	33,942	8,703

6.3 *Other direct costs*

Group	2023 US\$	2022 US\$
Sales Royalties	40,884	69,904
Freight Costs	63,107	66,921
Total	103,991	136,825

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6.4 Expenses by nature

Group	2023 US \$	2022 US \$
<i>Operating Expenses</i>		
Employee benefit expense	3,433,042	2,999,299
Sales & Marketing	655,229	1,420,134
Other administration expenses	1,903,776	1,578,231
	5,992,047	5,997,664
<i>Depreciation & Amortisation</i>		
Depreciation of property plant and equipment	49,559	38,619
Depreciation of right of use asset	113,231	104,869
Amortisation of product development	3,293,232	2,911,998
	3,456,022	3,055,486
<i>Staff Related Exceptional Costs</i>		
IFRS2 Share-based Payment Charge	163,061	229,241
Share option costs	-	162,505
Accrued Bonus	315,000	-
Former CFO Compensation	96,393	-
	574,454	391,746
<i>Foreign Exchanges movements in Administration Expenses</i>		
Realised and Unrealised foreign exchange movements	2,424,237	(2,877,886)
<i>Other</i>		
Minimum Royalties in excess of Sales Royalties	792,818	763,430
Costs related to fundraising activities	92,536	-
Contract Manufacturer Capacity Costs	86,440	128,607
	971,794	892,037
Administration expenses	13,418,555	7,459,050

6.5 Auditor remuneration

During the period, the Group obtained the following services provided by the auditor and its associates:

Group	2023 US\$	2022 US\$
Fees payable to the Group's auditor for the audit of the Group and Company financial statements	84,000	69,283
Total	84,000	69,283

7. Employees

7.1 Directors' emoluments

	Salary & fees US \$	Bonus US\$	Benefits in kind US \$	Pension US \$	2023 US \$	2022 US \$
Adam Reynolds	84,371	-	-	-	84,371	74,231
Robert Rauker ¹	325,000	157,500	35,975	32,500	550,975	571,121
Simon Neicheril ²	51,923	11,250	-	-	63,173	-
Robert Fary	187,692	-	23,108	-	210,800	-
Dr Patrick Strollo	20,000	-	-	-	20,000	35,000
David Poutney	37,314	-	-	-	37,314	49,488
Ric Piper	43,533	-	-	-	43,533	43,302
Anthony Dyer ³	177,242	-	13,841	17,724	208,807	313,752
Total	927,075	168,750	72,924	50,224	1,218,973	1,086,894

¹ Robert Rauker deferred his bonus at the Company's request and as at the date of this report this bonus has not been paid.

² Appointed 4 October 2023

³ Resigned 4 October 2023

7.2 Employee benefit expense

Group	2023 US\$	2022 US\$
Wages and salaries	2,922,837	2,173,897
Social security costs	203,076	209,648
Medical Insurance	185,467	199,090
Pension and other benefits	131,662	119,091
	3,443,042	2,701,726
Issue of share-based payments	163,061	229,241
Share option costs	-	162,505
Total employee benefit expense	3,606,103	3,093,472

7.3 Average number of people employed

Group	2023 US\$	2022 US\$
Average number of people (including executive Directors) employed		
Directors	3	2
Operations	29	19
Administration	3	3
Total average headcount	35	24

8.1 Finance income

Group	2023 US\$	2022 US\$
Finance Income:		
- Other Interest Income and Costs	2,127	-
Finance Income	2,127	-

8.2 Finance costs

Group	2023 US\$	2022 US\$
Interest cost on Right of Use Asset	19,256	23,617
Accrued Interest on Other Equity Instruments	806,561	-
Other Interest and Costs	2,208	456
Finance Cost	828,025	24,073

9. Income tax expense

Group	2023 US\$	2022 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	2023 US\$	2022 US\$
(Loss) before tax	(18,947,539)	(8,152,895)
Tax calculated at domestic tax rates applicable to profits in the respective countries	(3,789,508)	(1,630,579)
Tax effects of:		
- Expenses not deductible for tax purposes	-	-
- Capital allowances in excess of depreciation	(21,317)	(30,542)
- Unrelieved tax losses	3,286,548	1,661,121
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	2023 US\$	2022 US\$
Profit/(Loss) for the year US\$	(18,497,539)	(8,152,895)
Weighted Average Shares in Issue	130,395,343	119,398,219
Basic Loss per Share US\$	(0.142)	(0.068)
Weighted Average Shares, Warrants and Options in Issue	131,949,445	131,797,259
Diluted Loss per Share US\$	(0.142)	(0.068)

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

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11. Investment in subsidiaries

Principal subsidiaries name	Belluscura LLC	Belluscura Shenzhen Technology Company Limited
Country of Incorporation & place of business	USA	China
Class of share held	Ordinary	Ordinary
% of ordinary shares directly held 2023	100%	100%
% of ordinary shares directly held 2022	100%	100%
Nature of business	Sale of medical devices	Sale of medical devices
Registered office	160 Greentree Drive Suite 101, Dover Delaware 19904 County of Kent USA	Room 1603, No. 3, Yinxing Zhijie (Shen Guo Dian Building), Guangang Road, Xinlan Community, Guanlan Street, Longhua District, Shenzhen, China

Company	2023 US\$	2022 US \$
Capital Investment in Belluscura Shenzhen Technology Company Ltd	301,307	-
Total	301,307	-

12. Property, plant and equipment

Group	Land & buildings (Right of Use Asset) US\$	Furniture and Equipment US \$	Computer Equipment US \$	Production Equipment US \$	Leased Units US \$	Vehicles US \$	Total US \$
At 1 January 2022	571,950	52,042	34,253	-	-	-	658,245
Additions during the year	73,838	1,664	44,170	65,025	-	33,173	217,870
At 31 December 2022	645,788	53,706	78,423	65,025	-	33,173	876,115
At 1 January 2023	645,788	53,706	78,423	65,025	-	33,173	876,115
Additions during the year	-	1,802	12,278	6,841	65,104	-	86,025
FX Revaluation	3,918	184	353	-	-	-	4,455
At 31 December 2023	649,706	55,692	91,054	71,866	65,104	33,173	966,595
Accumulated depreciation							
At 1 January 2022	(294,147)	(32,029)	(7,110)	-	-	-	(333,286)
Depreciation charge	(104,717)	(7,356)	(19,461)	(10,272)	-	(1,382)	(143,188)
At 31 December 2022	(398,864)	(39,385)	(26,571)	(10,272)	-	(1,382)	(476,474)
At 1 January 2023	(398,864)	(39,385)	(26,571)	(10,272)	-	(1,382)	(476,474)
Depreciation charge	(113,955)	(3,081)	(27,908)	(13,889)	(1,944)	(5,529)	(166,306)
At 31 December 2023	(512,819)	(42,466)	(54,479)	(24,161)	(1,944)	(6,911)	(642,780)
Net book value							
At 31 December 2022	246,924	14,321	51,852	54,753	-	31,791	399,641
At 31 December 2023	136,887	13,226	36,575	47,705	63,160	26,262	323,815

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	Land & buildings (Right of Use Asset)	Furniture and Equipment	Computer Equipment	Total
Cost	US\$	US \$	US \$	US \$
At 1 January 2022	-	2,102	3,909	6,011
Additions during the year	73,838	1,364	2,730	77,932
At 31 December 2022	73,838	3,466	6,639	83,943
At 1 January 2023	73,838	3,466	6,639	83,943
Additions during the year	-	-	-	-
FX Revaluation	3,918	184	353	4,455
At 31 December 2023	77,756	3,650	6,992	88,398
Accumulated depreciation				
At 1 January 2022	-	(297)	(638)	(935)
Depreciation charge for the year	(6,669)	(450)	(1,613)	(8,732)
At 31 December 2022	(6,669)	(747)	(2,251)	(9,667)
At 1 January 2023	(6,669)	(747)	(2,251)	(9,667)
Depreciation charge for the year	(15,906)	(769)	(2,451)	(19,126)
At 31 December 2023	(22,575)	(1,516)	(4,702)	(28,793)
Net book value				
At 31 December 2022	67,169	2,719	4,388	74,276
At 31 December 2023	55,181	2,134	2,290	59,605

**13. Intangible assets
Group**

Cost	Product Development US\$	Total US\$
At 1 January 2022	7,150,807	7,150,807
Additions during the year	4,856,846	4,856,846
Disposal during the year	(270,150)	(270,150)
At 31 December 2022	11,737,503	11,737,503
At 1 January 2023	11,737,503	11,737,503
Additions during the year	4,447,282	4,447,282
At 31 December 2023	16,184,785	16,184,785
Accumulated amortisation and impairment		
At 1 January 2022	(426,924)	(426,924)
Additions during the year	(2,911,997)	(2,911,997)
Disposal during the year	270,150	270,150
At 31 December 2022	(3,068,771)	(3,068,771)
At 1 January 2023	(3,068,771)	(3,068,771)
Amortisation in the year	(3,128,498)	(3,128,498)
At 31 December 2023	(6,197,269)	(6,197,269)
Net book value		
At 31 December 2022	8,668,732	8,668,732
At 31 December 2023	9,987,516	9,987,516

**14. Inventory
Group**

	2023 US \$	2022 US \$
Finished goods	1,426,357	1,737,785
Raw Materials	1,894,295	6,693,246
Total inventory	3,320,652	8,431,031

Inventory adjustments and impairments are detailed in note 6.1. The Company held no inventory.

15. Trade and other receivables

Group - Current	2023 US \$	2022 US \$
Trade receivables	170,719	305,194
Less provision for impairment of trade receivables	(70,922)	-
Trade receivables – net	99,797	305,194
Inventory sold to and Prepaid Inventory sent to InnoMax	2,913,684	1,021,073
VAT	85,300	40,068
Deposits, prepayments and other debtors	1,207,711	2,687,767
Total trade and other receivables	4,306,492	4,054,102
Group – Non-Current	2023 US \$	2022 US \$
Inventory sold to and Prepaid Inventory sent to InnoMax	1,952,649	-
Total other long-term receivable	1,952,649	-

The fair value of trade and other receivables are not materially different to those disclosed above. The Groups exposure to credit risk is detailed in note 3 on page 32. Inventory sold to InnoMax to be paid on the transfer of manufactured units. The long term receivable has been discounted by 10%.

Company – Current	2023 US \$	2022 US \$
Trade receivables	5,957	2,858
VAT	85,300	40,068
Prepayments and other debtors	113,254	429,039
Total trade and other receivables	204,511	471,965
Company – Non-Current	2023 US \$	2022 US \$
Receivables from Group companies	49,897,060	35,725,430
Less provision for impairment of Inter-Company receivables	(13,500,000)	(9,000,000)
Total trade and other receivables	36,397,060	26,725,430

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 \$
2022	174,062	110,972	15,040	5,120	305,194	-	305,194
2023	8,449	(2,772)	66,679	98,364	170,720	-	170,720

Company

The Company had no trade receivables relating to sale of products.

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

The basis of the impairment of Inter-Company receivables is the management intends to recall it within 4 years (2022: 5 years) so it is discounted over 5 years at 7%. The investment has been used to develop products 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 \$1,111,000 (2022: \$795,000) and a 10% reduction in the discount rate would reduce impairment by \$1,032,000 (2022: 740,000).

16. Cash and cash equivalents

Group	2023 US \$	2022 US \$
Cash and bank and in hand	932,926	2,044,836
Total cash and cash equivalents	932,926	2,044,836
Company	2023 US \$	2022 US \$
Cash at bank and in hand	265,807	1,237,288
Total cash and cash equivalents	265,807	1,237,288

17. Categories of financial assets and financial liabilities

Group	2023 US \$	2022 US \$
Financial assets		
Trade and other receivables at amortised cost	6,259,141	3,834,080
Cash and equivalents	932,926	2,044,836
	7,192,067	5,878,916
Financial liabilities		
Trade and other payables at amortised cost	2,953,037	2,294,956
Lease liability	178,852	302,619
	3,131,889	2,597,575
Company	2023 US \$	2022 US \$
Financial assets		
Loans and receivables at amortised cost	49,897,060	35,725,430
Provision	(12,500,000)	(9,000,000)
Net loans and receivables at amortised cost	37,397,060	26,725,430
Other receivables at amortised cost	57,199	305,308
Cash and equivalents	265,807	1,237,288
	37,720,066	28,268,026
Financial liabilities		
Trade and other payables at amortised cost	17,463	60,783

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 \$
2022					
Trade & other payables at amortised cost	2,294,956	2,294,956	2,294,956	-	-
Lease liability	302,619	302,619	126,693	176,926	-
	2,597,575	2,597,575	2,421,649	176,926	-
2023					
Trade & other payables at amortised cost	2,582,637	2,582,637	2,582,637	-	-
Lease Liability	178,852	302,619	260,641	41,978	-
	2,761,489	2,885,256	2,843,278	41,978	-

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 2022	113,835,444	1,548,227
Shares issued for cash	9,181,717	113,958
At 31 December 2022	123,017,161	1,662,185
Shares issued for cash	14,515,406	183,338
At 31 December 2023	137,532,567	1,845,523

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 US \$
Allotted and fully paid up		
At 1 January 2022	26,025,760	26,025,760
Premium on shares issued	7,858,078	7,858,078
Cost of issue of shares	(455,891)	(455,891)
Purchase of shares by EBT	(48,000)	(48,000)
At 31 December 2022	33,379,947	33,379,947
Premium on shares issued	4,573,624	4,573,624
Cost of issue of shares	(458,899)	(458,899)
At 31 December 2023	37,494,672	37,494,672

At the end of the year there were 500,000 share warrants in issue at an average subscription price of \$0.45 (2022: 766,666 at \$0.47 per share). There was no consideration paid for the warrants.

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

Award	2023 000's	2022 000's	Date of Grant	Exercise Price	Exercise Period From To	Avg remaining contractual life
Unapproved		40	09/03/2022	\$1.251	09/03/2022 09/03/2032	8.3 years
Unapproved		15	14/03/2022	\$1.219	14/03/2022 14/03/2032	8.3 years
Unapproved		100	01/04/2022	\$1.540	01/04/2022 01/04/2032	8.3 years
Unapproved		20	04/04/2022	\$1.518	04/04/2022 04/04/2032	8.3 years
Unapproved		100	18/04/2022	\$1.508	18/04/2022 18/04/2032	8.4 years
Unapproved		20	18/04/2022	\$1.508	18/04/2022 18/04/2032	8.4 years
Unapproved		1	26/05/2022	\$1.115	26/05/2022 26/05/2032	8.4 years
Unapproved		1	26/05/2022	\$1.115	26/05/2022 26/05/2032	8.4 years
Unapproved		20	11/07/2022	\$0.941	11/07/2022 11/07/2032	8.5 years
Unapproved		40	18/07/2022	\$0.948	18/07/2022 18/07/2032	8.5 years
Unapproved		20	19/08/2022	\$0.870	19/08/2022 19/08/2032	8.6 years
Unapproved		20	29/08/2022	\$0.785	29/08/2022 29/08/2032	8.6 years
Unapproved		20	10/10/2022	\$0.540	10/10/2022 10/10/2032	8.8 years
Unapproved		20	24/10/2022	\$0.500	24/10/2022 24/10/2032	8.9 years
Unapproved	300		16/01/2023	\$0.505	16/01/2023 16/01/2033	9.1 years
Unapproved	400		16/01/2023	\$0.505	16/01/2023 16/01/2033	9.1 years
Total	700	437				

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 %	(%) Vesting period Years	Risk-free rate of interest %	Fair value \$
	Unapproved	1.251	1.251	28.5	3.00	2.1	0.19
14/03/2022	Unapproved	1.219	1.219	28.5	3.00	2.1	0.19
01/04/2022	Unapproved	1.540	1.540	28.5	3.00	2.1	0.19
04/04/2022	Unapproved	1.518	1.518	28.5	3.00	2.1	0.15
18/04/2022	Unapproved	1.508	1.508	28.5	3.00	2.1	0.14
18/04/2022	Unapproved	1.508	1.508	28.5	3.00	2.1	0.15
26/05/2022	Unapproved	1.115	1.115	28.5	3.00	2.1	0.18
26/05/2022	Unapproved	1.115	1.115	28.5	3.00	2.1	0.13
11/07/2022	Unapproved	0.941	0.941	28.5	3.00	2.1	0.12
18/07/2022	Unapproved	0.948	0.948	28.5	3.00	2.1	0.12
19/08/2022	Unapproved	0.820	0.820	28.5	3.00	2.1	0.11
29/08/2022	Unapproved	0.790	0.790	28.5	3.00	2.1	0.11
10/10/2022	Unapproved	0.505	0.505	28.5	3.00	2.1	0.06
24/10/2022	Unapproved	0.500	0.500	28.5	3.00	2.1	0.06
16/01/2023	Unapproved	0.505	0.505	28.5	3.00	2.1	0.06
16/01/2023	Unapproved	0.505	0.505	28.5	3.00	2.1	0.06

Black-Scholes model is used to value both the options.

b. The expected volatility is based on a comparator set of similar stocks.

c. The risk-free rate of return which is commensurate with the expected term.

d. Expected forfeiture rates are based on recent experience of staff turnover levels.

e. The charge is spread over the vesting period on a straight-line basis.

Movement in share options

	Number 000's	Weighted average exercise price \$	Weighted average share price \$
Outstanding at 1 January 2022	12,400	0.259	0.303
Granted	437	1.141	1.023
Lapsed/forgiven	(1,223)	0.121	0.187
Outstanding at 31 December 2022	11,614	0.290	0.324
Outstanding at 1 January 2023	11,614	0.290	0.324
Granted	700	0.505	0.505
Lapsed	(135)	0.089	0.089
Outstanding at 31 December 2023	12,179	0.296	0.329

Share-based payments charge Group

	2023 US \$	2022 US \$
Charge in year	229,241	180,091

19. Reserves

Retained earnings	Group US \$	Company US \$
At 1 January 2022	(2,349,966)	1,214,019
Loss for the year	(8,152,985)	(3,820,378)
Share-based payments charge	192,278	192,278
At 31 December 2022	(10,310,673)	(2,414,081)
Loss for the year	(18,517,619)	(7,141,465)
Share-based payments charge	213,358	213,358
At 31 December 2023	(28,614,934)	(9,342,188)

On 7 October 2022, 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 US \$	Company US \$
At 31 December 2020	165,000	165,000
Capital contribution received	-	-
At 31 December 2022	165,000	165,000
Capital contribution received	-	-
At 31 December 2023	165,000	165,000

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

Share Option Reserve	Group US \$	Company US \$
At 1 January 2022	-	-
Lapsed share options	-	-
At 31 December 2022	-	-
Lapsed share options	(20,180)	(20,180)
At 31 December 2023	(20,180)	(20,180)

Translation reserve	Group US \$	Company US \$
At 1 January 2022	(716,529)	(716,529)
Foreign exchange (loss)/gain	(3,827,808)	(3,827,808)
At 31 December 2022	(4,544,337)	(4,544,337)
Foreign exchange (loss)/gain	2,198,729	2,200,619
At 31 December 2023	(2,345,608)	(2,343,718)

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	2023 US \$	2022 US \$
Trade creditors	657,128	2,545,948
Payroll accruals	151,262	-
Accrued Bonus	315,000	-
Social security and other taxes	24,316	19,871
Lease liability	159,563	125,693
Vehicle hire purchase	4,179	3,832
Provision for 2024 RMA's	326,454	-
Accrued inventory purchases	512,705	-
Accruals and other creditors	920,014	350,444
Total current trade and other payables	3,070,621	3,045,788
Group – Non-current	2023 US \$	2022 US \$
Lease liability	41,978	176,926
Vehicle hire purchase	19,289	23,506
Total non-current trade and other payables	61,267	200,432

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

Company – Current	2023 US \$	2022 US \$
Trade creditors	17,463	60,783
Social security and other taxes	24,316	19,871
Lease liability	16,572	12,182
Accruals and other creditors	113,163	62,846
Total trade and other payables	171,514	155,682
Company – Non-current	2023 US \$	2022 US \$
Lease liability	41,978	56,563
Total trade and other payables	41,978	56,563

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.

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, based upon the UK and US corporate tax rates, of 20% has been used to calculate the potential deferred tax.

Group	2023 US \$	2022 US \$
Deferred tax		
Accelerated capital allowances	(22,094)	(9,431)
Share-based payments	100,551	57,113
Tax losses	9,141,967	2,815,024
	9,220,424	2,862,706
Unprovided deferred tax asset	(9,220,424)	(2,862,706)
Deferred Tax	-	-
Company	2023 US \$	2022 US \$
Deferred tax		
Accelerated capital allowances	-	-
Share-based payments	100,551	90,279
Short term timing difference	735,000	551,250
Tax losses	1,675,639	520,430
	2,511,190	1,161,959
Unprovided deferred tax asset	(2,511,190)	(1,161,959)
Deferred Tax	-	-

The Group has cumulative unused tax losses of \$9.1m.

22. Leases as a lessee

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 & buildings US\$	Total US \$
At 1 January 2022	277,803	277,803
Additions	73,838	73,838
Depreciation charge for the year	(104,717)	(104,717)
At 31 December 2022	246,924	246,924
Depreciation charge for the year	(109,886)	(109,886)
At 31 December 2023	136,887	136,887
Amounts recognised in profit or loss	2023 US \$	2022 US \$
Interest expense on lease liability	19,399	23,617
Depreciation on right of use assets	109,886	104,869
Amounts recognised in statement of cash flows	2023 US \$	2022 US \$
Total cash outflow for leases	146,721	130,780

Lease Liabilities

Group	Land and buildings US\$	Total US \$
At 1 January 2023	335,830	335,830
Additions	73,838	73,838
Interest	23,617	23,617
Payment	(130,666)	(130,666)
At 31 December 2023	302,619	302,619
At 1 January 2023	302,619	302,619
Additions	-	-
Interest	19,399	19,399
Payment	(146,721)	(146,721)
At 31 December 2023	175,297	175,297

Maturity analysis of undiscounted cash flows due for leases

	2023 US\$	2022 US \$
Within one year	120,362	125,693
After one year but not more than five years	41,743	176,926
After five years	-	-
Total	162,105	302,619

23. Dividends

No dividend has been declared for the year ended 31 December 2023 and no dividend was paid during the year.

24. Cash generated from operating activities

Group	2023 US \$	2022 US \$
Loss before income tax	(18,497,540)	(8,152,985)
Adjustments for		
- Depreciation	51,503	38,619
- ROU Depreciation	122,517	104,869
- Amortisation and impairment	3,128,499	2,911,999
- No cash interest expense	813,041	20,279
- Movement in foreign exchange	(620,714)	(914,776)
- Issue of share-based payments	142,981	229,241
Movement in trade and other receivables	(1,502,346)	(3,502,980)
Inventory movement	5,109,920	(8,121,873)
Movement in trade and other payables	2,120,568	2,481,239
Cash generated from operating activities	(9,131,571)	(14,906,368)

25. Contingent Liabilities

SDG Licence

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 2023. Pursuant to the SDG Licence: if by 3 September 2025, cumulative sales of the X-PLOR and DISCOV-R 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. By 31 December 2023 cumulative sales of X-PLOR were \$1.8 million.

The Directors assess that the Group will meet the minimum obligations and therefore no provision has been made in these Financial Statements.

Supplier Claim

During 2023 the Company received a claim from a supplier regarding alleged default by the Company under an ongoing contract. The Company has subsequently counter-claimed against the supplier for alleged poor service. The supplier has subsequently filed a lawsuit in the United States.

The Company has received an independent legal opinion and believes that any claim against the Company is lower than the claim made by the Company.

Accordingly, no provision has been made as at 31 December 2023. The Directors believe that based on their current assessment of the facts the current \$nil provision is appropriate. However, the final amount is dependent upon the outcome of the agreements between the two parties and/or the lawsuit.

26. Alternative Performance Measures

Adjusted EBITDA¹

Group	2023 US \$	2022 US \$
Total comprehensive loss for the year	(16,269,031)	(11,980,792)
<i>Add back:</i>		
Administrative expenses Realised & unrealised FX movements in	2,424,237	(2,877,886)
Other comprehensive income FX currency translation differences	(2,248,588)	3,827,808
Net foreign exchange movement²	175,649	949,922
Finance Income and Costs	19,337	24,073
Accrued Interest on Convertible Loan Notes	806,561	-
Product development amortisation	3,293,232	2,911,988
Costs relating to fundraising activities	92,537	-
Former CFO compensation	96,393	-
Share option costs	-	162,505
Minimum royalties in excess of sales royalties	792,818	763,430
Contract Manufacturer Capacity Costs	86,440	128,607
Inventory Impairment and Adjustments	4,138,030	609,848
Accrued Bonus	315,000	-
Issue of share-based payments	163,061	229,241
Adjusted EBITDA	(6,289,973)	(6,201,178)

1 Reconciliation to Adjusted EBITDA measure

Adjusted EBITDA is the Group's key adjusted profit measure. Total comprehensive loss for the year is adjusted to exclude non-recurring and exceptional items.

2 Net foreign exchange movements

The US\$ weakened against £Sterling by 5% during the year (1 January 2023 - \$1.21:£1.00; 31 December 2023 - \$1.27:£1.00). Due to the size of the Inter-Company Loan from the PLC to the US subsidiary which is fixed in £Sterling, this creates an accounting presentational impact between Administration Expenses and Other Comprehensive Income, which to a large extent can be netted off against one another.

- o Realised FX movements in administrative expenses arise from the revaluation of £Sterling cash balances into US\$
- o Unrealised FX movements in administrative expenses arise from revaluation of the Inter-Company Loan fixed in £Sterling into US\$
- o Foreign currency translation differences in Other Comprehensive Income arise from revaluation of the PLC balance sheet into US\$

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 licensees 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 year the Company paid \$436 thousand (2022: \$1,065 thousand) to Dowgate Capital Limited in relation to brokerage fees, research and fundraising activities. David Poutney is the Chief Executive Officer of Dowgate Capital Limited.

In 2023, Robert Rauker was awarded a bonus program worth \$625 thousand based on milestones on commercial progress with InnoMax. To date \$312 thousand has been earned, although payment of \$157 thousand (See Note 7.1) of the earned amount has been deferred until 2025 at the Company's election.

28. Events after the reporting period

In March 2024 the Group completed the acquisition of TMT Acquisition plc, which operated as a cash shell.

On 31 October 2023, Belluscura announced a recommended all share offer for TMT Acquisition plc, which became wholly unconditional on 9 February 2024.

Based on the Closing Price of 21.0 pence per Belluscura Share on the Latest Practicable Date, the Offer was equivalent in value to 21.0 pence for each TMT Acquisition Share and the Offer valued the entire issued ordinary share capital of TMT Acquisition at approximately £5.78 million.

The value of a TMT Acquisition Share under the Offer, based on the Closing Price per Belluscura Share of 30.5 pence on 2 October 2023 (being the latest practicable date prior to the commencement of the Offer Period), is 30.5 pence representing a premium of approximately 79% to the Closing Price of 17.0 pence per TMT Acquisition Share on 2 October 2023 (being the latest practicable date prior to the commencement of the Offer Period).

TMT Shareholders received 27,499,994 Belluscura shares.

In June 2024 the Company raised \$0.3m from the issue of equity.