

Company Registration No. 09910883

Belluscura plc

Annual report and financial statements

for the year 31 December 2020

Belluscura plc

Report and financial statements 2020

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Belluscura plc

Report and financial statements 2020

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Belluscura plc

Strategic report for the year ended 31 December 2020

The Directors present their strategic report on the Group for the year ended 31 December 2020.

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 private English company 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 license 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™ license. X-PLOR™ received 510k clearance from the FDA on 2 March 2021. The Company expect to launch the product in H1 2021.

The Company has also developed follow-on products for the X-PLOR™ range of oxygen concentrators, the X-PLOR CX™ and X-PLOR DX™, which will target the same oxygen markets and believe they can commercialise these products in H2 2021 and H1 2022 respectively. The Company continues to work on other oxygen enrichment technologies in complementary markets.

The Company has taken the strategic decision to focus purely on the oxygen enrichment marketplace and divested its existing products in 2019. The Company retains the licence to the SNAP III™ with a view to exploring future commercialisation opportunities, but due to the uncertainty of timescales, it has fully impaired this licence.

As the business mainly operates in the US through its subsidiary Belluscura LLC the Company does not perceive any near term risk of Brexit impacting the Group.

Current Trading and Outlook

The Directors believe that the major opportunities lie with the X-PLOR™ and complementary technologies.

The Directors believe that X-PLOR™, when launched, will provide significant growth for the Group. It is expected that the longer-term health impact of the Covid-19 pandemic will increase demand for long term oxygen therapy and accelerate the growth in the market. Forecast of the supplementary oxygen market now expected it to reach \$5.74bn by 2026.

The Directors believe the Group has made solid progress in achieving its mission.

Financial review

The Group is still in its early stages of development. Funds raised from investors are being applied to pursuing our strategic objectives. We continue to be primarily focussed on completing the X-PLOR™.

Group sales for the period to 31 December 2020 were US \$nil (2019: \$128,701) with losses of US \$1,978,145 (2019: \$1,551,996). Group net assets at the end of the period were US \$4,668,864 (2019: \$3,727,929).

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 was formed in 2015 and is still in start-up phase. Having divested its existing products in 2019, the Group’s focus is on the commercialisation of X-PLOR™ in H2 2021. Management performs regular reviews of the sector to ensure it is targeting large markets.
- **Successful product development.** The Group received FDA 510k clearance for X-PLOR™ on 2 March 2021. The Group’s follow-on products are in advanced development and are based upon the same technology as X-PLOR™.
- **Credit risk.** The Group’s principal financial assets are cash, and trade and other receivables. The Group monitors receivables and should any be the subject of an identified loss event, allowance is made for impairment if required. At the end of the period the Group had no customers. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Further, apart from intercompany consolidated transactions the Group has no current debt outstanding.

Belluscura plc

- 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.
- 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.

COVID-19

The Board have reviewed and assessed the impact of the COVID-19 pandemic on the Group. This did result in the FDA clearance process being elongated, however clearance was received on 2 March 2021. The longer-term impact on oxygen requirements for recovering COVID-19 patients is yet unknown, however the Group believes that there will be increased demand for oxygen related devices globally. The Group will continue to develop innovative advanced oxygen solutions.

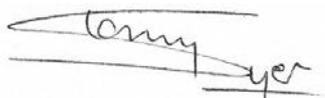
Analysis of Financial and non-Financial Key Performance Indicators

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, and expenditure control against budget.

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.

By Order of the Board

A handwritten signature in black ink, appearing to read 'A S Dyer', is written over a horizontal line. The signature is written in a cursive style.

A S Dyer

Chief Financial Officer

27 April 2021

Belluscura plc

Directors' report for the year ended 31 December 2020

The Directors present their annual report and the audited financial statements for the year ended 31 December 2020.

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 2020.

Directors

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

Robert Rauker (appointed 18 August 2016)
Anthony Stephen Dyer (appointed 13 November 2017)

Going concern

In adopting the going concern basis for preparing the financial statements, the directors have considered the principal activities as well as the business risks as set out on pages 2 to 3.

The Group made a loss of US \$1,978,145 in the period to 31 December 2020 (2019: loss of US \$1,551,996). At the balance sheet date the Group had net assets of US \$4,668,864 (2019: US \$3,727,929) and utilised net operating cash outflows of \$1,470,773 (2019: US \$1,002,377).

The Company raises the funds required for the Group's activities and has successfully undertaken several Private Funding rounds raising over \$13,500,000 to date to support the Group. During the reporting period, funding rounds raised approximately \$2.7m. This cash has allowed the Group to continue to trade, complete FDA 510k clearance of the X-PLOR™ portable oxygen concentrator and continue the development of its follow-on products, the X-PLOR™ CX and the X-PLOR™ DX portable oxygen concentrators. The Company is targeting commercial launch of X-PLOR™ in H1 2021.

Since the period end the Group has raised \$2.7m equity from new and existing shareholders which will allow the business to continue to trade. Further equity fundraising is planned in 2021 to support the commercial launch of X-PLOR™. The Group has a number of private shareholders who have been supportive during all fundraisings to date and believe that, given FDA clearance of X-PLOR™, they will continue to be supportive. As with any company placing reliance on shareholders for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Group expects that due to the close link of the COVID-19 virus to Oxygen Therapy requirements the prospects for the Group going forward to be enhanced by an increase in the requirement for Oxygen related products.

The Group's forecasts and projections, including the intention to raise further funds on the public markets to commercialise the X-PLOR™, 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. The Group's forecasts and projections, 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 3) have been considered in the assessment of these forecasts.

Whilst the directors expect that further equity raising will be successful, to the extent it is not, the directors believe that the most likely alternative will be to curtail its operations, halt development and delay commercialisation whilst looking for alternative source of funding. In the unlikely situation where this is also unsuccessful, the Group may cease further development of the X-PLOR™ range and seek potential purchasers of the company or the IP intrinsically linked to the X-PLOR™, in which case the application of the going concern basis of preparation may be inappropriate.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt upon the group and company's ability to continue as a going concern and, therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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Directors' report for the year ended 31 December 2020 (continued)

Political contributions

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

Remuneration report (this is a voluntary unaudited disclosure note)

Directors' Emoluments

Period to 31 December 2020	Salary & fees US \$	Benefits in kind US \$	Pension US \$	2020 Total US \$
Robert Rauker	200,000	31,105	-	231,105
Anthony Dyer	170,310	2,920	-	173,230
	370,310	34,025	-	404,335

Period to 31 December 2019	Salary & fees US \$	Benefits in kind US \$	Pension US \$	2019 Total US \$
Robert Rauker	185,000	33,666	-	218,666
Anthony Dyer	142,804	2,534	-	145,338
	327,804	36,200	-	364,004

Directors' beneficial interests in shares

	As at 31 December 2020 No of Shares	As at 31 December 2019 No of Shares
Robert Rauker	1,176,628	1,016,628
Anthony Dyer	636,941	636,941

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.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG 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 April 2021

Belluscura plc

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 European Union (IFRSs as adopted by the EU) 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 EU;
- 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.

Independent auditor's report to the members of Belluscura plc

Opinion

We have audited the financial statements of Belluscura plc (“the company”) for the year ended 31 December 2020 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cashflows and related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1.2 to the financial statements, which indicates that the group and company's ability to continue as a going concern is dependent on a further equity fundraise in 2021. These events and conditions, along with the other matters explained in note 2.1.2, constitute a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Based on our financial statements audit work, we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have identified, and concur with the directors' assessment that there is, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the company will continue in operation

Independent auditor's report to the members of Belluscura plc (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's/Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board/ general meeting minutes.
- Considering remuneration incentive schemes for management/ directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit

As required by auditing standards, and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group/ Company management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as provision for impairment of intangibles and provision of intercompany receivables in the parent's Company books. On this audit we do not believe there is a fraud risk related to revenue recognition because of Nil revenue.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group/Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

As the Group/Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Group/Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Group/Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statement

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent auditor's report to the members of Belluscura plc (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

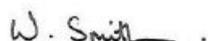
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



William Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House, Tollgate, Chandler's Ford,
Eastleigh, Southampton. SO53 3TG

27 April 2021

Belluscura plc

Consolidated Statement of Profit and Loss and Other Comprehensive Income For the year ended 31 December 2020

Group	Note	Year ended 31 December 2020 US \$	Year ended 31 December 2019 US \$
Continuing Operations			
Revenue	5	-	128,701
Cost of sales		-	(114,385)
Gross Profit/(Loss)		-	14,316
Other operating income	6.1a	11,493	44,368
Administrative expenses	6.1b	(1,956,682)	(1,573,479)
Operating Loss		(1,945,189)	(1,514,795)
Finance costs	8	(32,956)	(37,201)
Finance costs - net		(32,956)	(37,201)
Loss before income tax		(1,978,145)	(1,551,996)
Income tax expense	9	-	-
Loss after tax for the period		(1,978,145)	(1,551,996)
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences – foreign operations		391,737	373,742
Total other comprehensive income		391,737	373,742
Total comprehensive loss for the period attributable to the equity holders		(1,586,408)	(1,178,254)

The Group has used the exemption under S408 CA 2006 not to disclose the company income statement.

Items in the statement above are disclosed net of tax.

The notes on pages 16 to 38 are an integral part of these consolidated financial statements.

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Consolidated Balance Sheet At 31 December 2020

Group	Note	As at 31 December 2020 US \$	As at 31 December 2019 US \$
Assets			
Non-current assets			
Tangible assets	11	13,818	22,361
Intangible assets	12	-	-
Product development	12	4,129,660	2,935,228
Right to use asset	11	375,852	473,901
		4,519,330	3,431,490
Current assets			
Trade and other receivables	14	197,653	64,575
Cash and cash equivalents	15	520,070	1,033,512
		717,723	1,098,087
Total assets		5,237,053	4,529,577
Current liabilities			
Trade and other payables	19	(230,136)	(385,325)
		(230,136)	(385,325)
Non-current liabilities			
Trade and other payables	19	(338,053)	(416,323)
		(338,053)	(416,323)
Total liabilities		(568,189)	(801,648)
Net assets		4,668,864	3,727,929
Equity attributable to the owners of the parent			
Share capital	17	823,201	648,298
Share premium	17	556,683	5,714,678
Capital contribution	18	165,000	165,000
Retained earnings	18	2,687,361	(2,844,929)
Translation reserve	18	436,619	44,882
Total equity		4,668,864	3,727,929

The notes on pages 16 to 38 are an integral part of these financial statements.

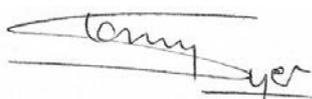
The financial statements on pages 10 to 38 were authorised for issue by the Board of Directors on 27 April 2021 and were signed on its behalf.

Robert Rauker
Chief Executive Officer



Belluscura plc
registered number 09910883

A S Dyer
Chief Financial Officer



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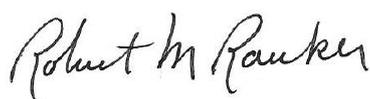
Company Balance Sheet

At 31 December 2020

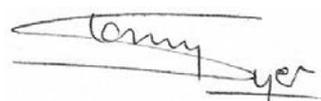
Company	Note	As at 31 December 2020 US \$	As at 31 December 2019 US \$
Assets			
Non-current assets			
Intangible assets	12	-	-
Investment in subsidiaries	10	10	10
Trade and other receivables	14	6,245,745	4,678,768
		6,245,755	4,678,778
Current assets			
Trade and other receivables	14	187,681	8,955
Cash and cash equivalents	15	317,606	814,424
		505,287	823,379
Total assets		6,751,042	5,502,157
Current liabilities			
Trade and other payables	19	(62,907)	(84,004)
		(62,907)	(84,004)
Total liabilities		(62,907)	(84,004)
Net assets		6,688,135	5,418,153
Equity attributable to the owners of the parent			
Share capital	17	823,201	648,298
Share premium	17	556,683	5,714,678
Capital contribution	18	165,000	165,000
Retained earnings	18	4,706,632	(1,154,705)
Translation reserve	18	436,619	44,882
Total equity		6,688,135	5,418,153

The notes on pages 16 to 38 are an integral part of these financial statements.

The financial statements on pages 10 to 38 were authorised for issue by the Board of Directors on 27 April 2021 and were signed on its behalf.



Robert Rauker
Chief Executive Officer



A S Dyer
Chief Financial Officer

Belluscura plc
registered number 09910883

Belluscura plc

Consolidated Statement of Changes in Equity For the year ended 31 December 2020

Group	Note	Attributable to equity holders of the parent company					Total US \$
		Ordinary Shares US \$	Share Premium US \$	Translation Reserve US \$	Capital Contribution US \$	Retained earnings US \$	
Balance at 31 December 2018		456,107	3,304,432	(328,860)	165,000	(1,298,819)	2,297,860
Issue of ordinary shares	17	192,191	2,410,246	-	-	-	2,602,437
Reduction in capital		-	-	-	-	-	-
<i>Loss for the period</i>	18	-	-	-	-	(1,551,996)	(1,551,996)
<i>Other comprehensive income</i>	18	-	-	373,742	-	-	373,742
Total comprehensive income		-	-	373,742	-	(1,551,996)	(1,178,254)
Share based payments	18	-	-	-	-	5,886	5,886
Balance at 31 December 2019		648,298	5,714,678	44,882	165,000	(2,844,929)	3,727,929
Balance at 31 December 2019		648,298	5,714,678	44,882	165,000	(2,844,929)	3,727,929
Issue of ordinary shares	17	174,903	2,233,896	-	-	-	2,408,799
Reduction in capital		-	(7,391,891)	-	-	7,391,891	-
<i>Loss for the period</i>	18	-	-	-	-	(1,978,145)	(1,978,145)
<i>Other comprehensive income</i>	18	-	-	391,737	-	-	391,737
Total comprehensive income		-	-	391,737	-	(1,978,145)	(1,586,408)
Share based payments	18	-	-	-	-	118,544	118,544
Balance at 31 December 2020		823,201	556,683	436,619	165,000	2,687,361	4,668,864

There is no impact to the reserves of the Group through adoption of IFRS16.

The notes on pages 16 to 38 are an integral part of these financial statements.

Belluscura plc

Company Statement of Changes in Equity For the period ended 31 December 2020

Attributable to owners of the parent company							
Company	Note	Ordinary Shares US \$	Share Premium US \$	Translation Reserve US \$	Capital Contribution US \$	Retained earnings US \$	Total Equity US \$
Balance at 31 December 2018		456,107	3,304,432	(328,828)	165,000	31,485	3,628,196
Issue of ordinary shares	17	192,191	2,410,246	-	-	-	2,602,437
Reduction in capital		-	-	-	-	-	-
<i>Loss for the period</i>	18	-	-	-	-	(1,192,076)	(1,192,076)
<i>Other comprehensive income</i>	18	-	-	373,710	-	-	373,710
Total comprehensive income		-	-	373,710	-	(1,192,076)	(818,366)
Share based payments	18	-	-	-	-	5,886	5,886
Balance at 31 December 2019		648,298	5,714,678	44,882	165,000	(1,154,705)	5,418,153
Balance at 31 December 2019		648,298	5,714,678	44,882	165,000	(1,154,705)	5,418,153
Issue of ordinary shares	17	174,903	2,233,896	-	-	-	2,408,799
Reduction in capital		-	(7,391,891)	-	-	7,391,891	-
<i>Loss for the period</i>	18	-	-	-	-	(1,649,098)	(1,649,098)
<i>Other comprehensive income</i>	18	-	-	391,737	-	-	391,737
Total comprehensive income		-	-	391,737	-	(1,649,098)	(1,257,361)
Share based payments	18	-	-	-	-	118,544	118,544
Balance at 31 December 2020		823,201	556,683	436,619	165,000	4,706,632	6,688,135

The notes on pages 16 to 38 are an integral part of these financial statements.

Belluscura plc

Consolidated Statement of cash flows For the period ended 31 December 2020

Group	Note	For the period ended 31 December 2020 US \$	For the period ended 31 December 2019 US \$
Cash flows from operating activities			
Cash generated from operations	23	(1,470,773)	(1,002,377)
Taxation paid		-	-
		-	-
Net cash used in operating activities		(1,470,773)	(1,002,377)
Cash flows from investing activities			
Purchases of property, plant and equipment	11	-	(2,547)
Intangible assets under development	12	(1,194,432)	(1,120,285)
Sale of product licence		-	44,368
Net cash used in investing activities		(1,194,432)	(1,078,464)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares (net)	17	2,251,774	2,655,751
Lease Payments	21	(118,859)	(105,348)
Net cash generated from financing activities		2,132,915	2,550,403
Net (decrease)/increase in cash and cash equivalents			
		(532,290)	469,562
Cash and cash equivalents at beginning of period		1,033,512	532,248
Exchange loss on cash and cash equivalents		18,848	31,702
Cash and cash equivalents at end of period		520,070	1,033,512

The notes on pages 16 to 38 are an integral part of these financial statements.

Belluscura plc

Notes to the accounts For the year ended 31 December 2020

1. General Information

Belluscura plc is a company 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 address of the registered office is detailed on page 1 of these financial statements.

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

2. Accounting Policies

2.1 Statement of compliance

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

The group financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (“Adopted IFRSs”). The Company has elected to prepare its parent company financial statements in accordance with FRS 101.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates.

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.

The Company financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 (“Adopted IFRSs”) but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

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

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

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 Measurement convention

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

Belluscura plc

Notes to the accounts For the year ended 31 December 2020

2.1.2 Going concern

In adopting the going concern basis for preparing the financial statements, the directors have considered the principal activities as well as the business risks as set out on pages 2 to 3.

The Group made a loss of US \$1,978,145 in the period to 31 December 2020 (2019: loss of US \$1,551,996). At the balance sheet date the Group had net assets of US \$4,668,864 (2019: US \$3,727,929) and utilised net operating cash outflows of \$1,470,773 (2019: US \$1,002,377).

The Company raises the funds required for the Group's activities and has successfully undertaken several Private Funding rounds raising over \$13,500,000 to date to support the Group. During the reporting period, funding rounds raised approximately \$2.7m. This cash has allowed the Group to continue to trade, complete FDA 510k clearance of the X-PLOR™ portable oxygen concentrator and continue the development of its follow-on products, the X-PLOR™ CX and the X-PLOR™ DX portable oxygen concentrators. The Company is targeting commercial launch of X-PLOR™ in H1 2021.

Since the period end the Group has raised \$2.7m equity from new and existing shareholders which will allow the business to continue to trade. Further equity fundraising is planned in 2021 to support the commercial launch of X-PLOR™. The Group has a number of private shareholders who have been supportive during all fundraisings to date and believe that, given FDA clearance of X-PLOR™, they will continue to be supportive. As with any company placing reliance on shareholders for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Group expects that due to the close link of the COVID-19 virus to Oxygen Therapy requirements the prospects for the Group going forward to be enhanced by an increase in the requirement for Oxygen related products.

The Group's forecasts and projections, including the intention to raise further funds on the public markets to commercialise the X-PLOR™, 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. The Group's forecasts and projections, 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 3) have been considered in the assessment of these forecasts.

Whilst the directors expect that further equity raising will be successful, to the extent it is not, the directors believe that the most likely alternative will be to curtail its operations, halt development and delay commercialisation whilst looking for alternative source of funding. In the unlikely situation where this is also unsuccessful, the Group may cease further development of the X-PLOR™ range and seek potential purchasers of the company or the IP intrinsically linked to the X-PLOR™, in which case the application of the going concern basis of preparation may be inappropriate.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt upon the group and company's ability to continue as a going concern and, therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

2.1.3 Changes in accounting policy

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

2.2 Basis of Consolidation

Belluscura plc was incorporated on 10 December 2015. On 16 May 2016, a US incorporated company, Belluscura LLC, was formed as a 100% owned subsidiary. On 25 April 2017 the company acquired the entire share capital of Nanotether Discovery Science Limited. Nanotether is a dormant subsidiary.

The consolidated financial statements comprise the financial statements of Belluscura plc, Belluscura LLC, and Nanotether Discovery Science Limited. Nanotether Discovery Science Limited was dissolved during the year.

Notes to the accounts For the year ended 31 December 2020

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.

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

2.3 Foreign currencies

(a) Functional and presentation currency

These consolidated financial statements are presented in US Dollars which is the presentation currency of the Group. This is 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 period-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 period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions)
- (iii) all resulting exchange differences are recognised in other comprehensive income.

2.4 Business combinations

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

Acquisitions on or after 1 January 2010

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

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

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

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

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

Notes to the accounts For the year ended 31 December 2020

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. 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 Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

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

2.7 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of assets is calculated so as to provide for the write off of 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 asset's 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

Licenses

Costs associated with the acquisition of Licenses 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.

Notes to the accounts For the year ended 31 December 2020

Further development costs attributable to the licensed 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 that 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.

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

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").

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

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

2.10 Financial assets

2.10.1 Classification

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

2.10.2 Recognition and measurement

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

2.11 Offsetting financial instruments

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

Notes to the accounts For the year ended 31 December 2020

2.12 Impairment of financial assets

Assets carried at amortised cost

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

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

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

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

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

2.13 Leases (policy applicable from 1 January 2019)

The Group has applied IFRS 16 using the modified retrospective approach.

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,

Notes to the accounts For the year ended 31 December 2020

- 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 and short-term leases. 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 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 Share capital

Share premium

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

Capital contribution

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

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.

Notes to the accounts For the year ended 31 December 2020

2.19 Current and deferred tax

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

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

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

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

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

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

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

2.20 Provisions

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

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

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

2.21 Revenue recognition

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

Sales of goods

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

Interest income

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

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Notes to the accounts For the year ended 31 December 2020

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

(a) Liquidity Risk

Cash flow forecasting is performed on a Group basis. The Directors monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

At the reporting date the Group held bank balances of US \$520,070.

The contractual maturities of financial liabilities is shown in note 16.

(b) Market risk

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

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

Due to low value and number of financial transactions that involve foreign currency and the fact that the Group has no borrowings to manage, the Directors have not entered into any arrangements, adopted or approved the use of derivative financial instruments 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 2020	31 December 2019
Cash and cash equivalents	317,606	814,424
Trade receivables (gross)	10,380,745	7,762,723
Trade payables	(62,908)	(84,004)
Net exposure	<u>10,635,443</u>	<u>8,493,143</u>

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 2020 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 2019.

	Equity		Profit or loss
2020	2019	2020	2019
US \$	US \$	US \$	US \$
(1,063,544)	(849,314)	(1,063,544)	(849,314)

A 10% percent weakening of the above currencies against the pound sterling at 31 December 2020 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.

Notes to the accounts For the year ended 31 December 2020

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 2018	Weighted average rate for 2019	Closing rate for 2019	Weighted average rate for 2020	Closing rate for 2020
US Dollar	1.2769	1.2769	1.3270	1.2841	1.3652

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

(a) Tangible fixed assets (see note 11)

Tangible 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.

(b) Intangible fixed assets (see note 12)

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 licensed technology and recognised as an intangible asset when the criteria in note 2.9 are met.

(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

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Notes to the accounts For the year ended 31 December 2020

respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as a component of the tax expense in the income statement, except where it relates to items charged or credited to other comprehensive income or directly to equity.

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

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

5. Revenue

The entire revenue is generated from the Sale of Goods and from its geographical market in United States of America US\$ nil (2019: US \$128,701).

Gross profit in the period was US\$ nil (2019: US\$ 14,316). Gross profit in 2019 was reduced by \$39,675 for the inventory write off of discontinued products and increased by \$16,488 for the release of unused royalty provision.

6. Other operating income and administrative expenses

6.1 (a) Other operating income

Group	2020 US\$	2019 US\$
Net gain on disposal of Slyde™ licence	-	44,368
Grants	6,421	-
Purchase of option right	5,072	-
Total	11,493	44,368

6.1 (b) Expenses by nature

Group	2020 US\$	2019 US\$
Depreciation of property plant and equipment	8,544	9,403
Costs related to fundraising activities	78,911	(2,237)
Foreign exchange movements	391,737	373,742
Employee benefit expense	1,022,677	808,524
Other administration expenses	63,079	24,556

6.2 Auditor remuneration

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

Group	2020 US\$	2019 US\$
Fees payable to the Group's auditor and its associated for the audit of the Group and Company financial statements	37,098	37,157
Fees payable to the Company's auditor and its associates for other services		
- Tax advisory services	7,705	5,175
Total	44,803	42,332

7. Employees

7.1 Directors' emoluments

Group	2020 US\$	2019 US\$
Directors emoluments	404,355	401,817
Total	404,355	401,817

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Notes to the accounts

For the year ended 31 December 2020

Two Directors served during the year (2019: 2). The highest paid Director received a salary of **\$200,000** (2019: \$185,000) and benefits of **\$31,105** (2019: \$33,666). Two Directors received share options in the year (2019: 2) and no Directors exercised share options in the year (2019: nil)

7.2 Employee benefit expense

Group	2020	2019
	US\$	US\$
Wages and salaries	765,854	679,281
Social security costs	61,396	53,767
Medical Insurance	84,077	69,813
Share based payments	111,350	5,663
Total	1,022,677	808,524

7.3 Average number of people employed

Group	2020	2019
Average number of people (including executive directors) employed		
Management	2	2
Sales	4	3
Finance	-	-
Total average headcount	6	5

8. Finance income and costs

Group	2020	2019
	US\$	US\$
Finance Cost:		
- Interest cost on Right of Use Asset	32,443	37,201
- Interest on COVID-19 Small Business Association Loan	513	-
Finance Cost	32,956	37,201

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Notes to the accounts For the year ended 31 December 2020

9. Income tax expense

Group	2020 US\$	2019 US \$
Current tax on profits for the period	-	-
Adjustments in respect of prior period	-	-
Total current tax	-	-
Income tax expense	-	-

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

Group	2020 US\$	2019 US\$
(Loss) before tax	(1,978,145)	(1,551,996)
Tax calculated at domestic tax rates applicable to profits in the respective countries	(403,628)	(294,879)
Tax effects of:		
- Expenses not deductible for tax purposes	36,150	(425)
- Capital allowances in excess of depreciation	(2,760)	(4,472)
- Unrelieved tax losses and other deductions	370,238	299,776
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. Investment in subsidiaries

Company Cost and net book value	Shares in subsidiaries	Total US \$
Balance at 31 December 2018	355,940	355,940
Investment set off against Trade and Other Payables	(355,930)	(355,930)
Balance at 31 December 2019	10	10
Balance at 31 December 2020	10	10

In 2019 Nanotether Discovery Science Limited was dissolved. At the year end, the Company's investment in Nanotether Discovery Science Ltd amounted to **\$nil** (2019: \$nil).

The loss on the disposal of the investment in Nanotether at zero value was set off against the amount payable to Nanotether in trade & other payables.

Principal subsidiaries name	Country of Incorporation & place of business	Class of share held	% of ordinary shares directly held		Nature of business
			2020	2019	
Belluscura LLC	USA	Ordinary	100%	100%	Sale of medical devices

The registered office:

Belluscura LLC

160 Greentree Drive, Suite 101, Dover, Delaware 19904, County of Kent

The Parent Company's loss before tax for the period 31 December 2020 was **\$1,640,014** (2019: \$1,192,076).

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Notes to the accounts For the year ended 31 December 2020

11. Property, plant and equipment

Group	Land & buildings (Right of Use Asset)	Furniture and Equipment	Computer Equipment	Total
Cost	US\$	US \$	US \$	US \$
At 1 January 2019	571,950	35,880	7,034	614,864
Additions during the period	-	-	2,547	2,547
Disposals during the period	-	-	-	-
At 31 December 2019	571,950	35,880	9,581	617,411
At 1 January 2020	571,950	35,880	9,581	617,411
Additions during the period	-	-	-	-
Disposals during the period	-	-	-	-
At 31 December 2020	571,950	35,880	9,581	617,411
Accumulated depreciation				
At 1 January 2019	-	(9,048)	(4,649)	(13,697)
Depreciation charge for the period	(98,049)	(7,176)	(2,227)	(107,452)
Depreciation charge on disposals	-	-	-	-
At 31 December 2019	(98,049)	(16,224)	(6,876)	(121,149)
At 1 January 2020	(98,049)	(16,224)	(6,876)	(121,149)
Depreciation charge for the period	(98,049)	(7,176)	(1,367)	(106,592)
Depreciation charge on disposals	-	-	-	-
At 31 December 2020	(196,098)	(23,400)	(8,243)	(227,741)
Net book value				
At 31 December 2019	473,901	19,656	2,705	496,262
At 31 December 2020	375,852	12,480	1,338	389,670

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as Land & Building (see note 21).

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Notes to the accounts For the year ended 31 December 2020

12. Intangible assets

Group	Purchased intangible assets			
	Cost	Licenses	Product	Total
		US \$	Development	
At 1 January 2019	189,506	2,085,093	2,274,599	
Additions during the period	-	1,120,285	1,120,285	
At 31 December 2019	189,506	3,205,378	3,394,884	
At 31 December 2019	189,506	3,205,378	3,394,884	
Additions during the period	-	1,194,432	1,194,432	
At 31 December 2020	189,506	4,399,810	4,589,316	
Accumulated amortisation and impairment				
At 1 January 2019	(189,506)	(270,150)	(459,656)	
At 31 December 2019	(189,506)	(270,150)	(459,656)	
At 1 January 2020	(189,506)	(270,150)	(459,656)	
At 31 December 2020	(189,506)	(270,150)	(459,656)	
Net book value				
At 31 December 2019	-	2,935,228	2,935,228	
At 31 December 2020	-	4,129,660	4,129,660	

Note:

During the current year, the Group has capitalised \$1,194,005 (2019: \$1,009,617) of development costs related to the X-PLOR™ portable oxygen concentrator and capitalised \$342,093 (2019: \$110,669) of development costs related to the X-PLOR DX portable continuous flow oxygen concentrator. These assets are still under construction and on which amortisation has not started yet.

Company	Purchased intangible assets	
	Cost	Licenses
At 1 January 2019		US \$
Additions during the period		189,506
At 31 December 2019		189,506
At 31 December 2019		189,506
Additions during the period		-
At 31 December 2020		189,506
Accumulated amortisation and impairment		
At 1 January 2019		(189,506)
Amortisation charge for the period		-
At 31 December 2019		(189,506)
At 31 December 2019		(189,506)
Amortisation charge for the period		-
At 31 December 2020		(189,506)
Net book value		
At 31 December 2019		-
At 31 December 2020		-

13. Inventory

Due to the divestment of legacy products and new products not yet online, there is no current inventory.

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Notes to the accounts For the year ended 31 December 2020

14. Trade and other receivables

Group	2020 US \$	2019 US \$
Trade receivables	-	12,398
Less provision for impairment of trade receivables	-	(6,750)
Trade receivables – net	-	5,648
VAT	16,146	8,809
Receivable from shareholders	171,535	-
Prepayments and other debtors	9,972	50,118
Total trade and other receivables	197,653	64,575

The fair value of trade and other receivables are not materially different to those disclosed above. The Groups exposure to credit risk related to trade receivables is detailed in note 3 to the accounts on page 24.

Company – Current	2020 US \$	2019 S \$
Receivable from shareholders	171,535	-
Prepayments and other debtors	-	146
VAT	16,146	8,809
Total trade and other receivables	187,681	8,955

Company – Non-Current	2020 US \$	2019 US \$
Receivables from Group companies	10,380,745	7,753,768
Less provision for impairment of Intercompany receivables	(4,135,000)	(3,075,000)
Total trade and other receivables	6,245,745	4,678,768

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 \$
2019	3,152	936	1,560	6,750	12,398	(6,750)	5,648
2020	-	-	-	-	-	-	-

Company	0-30 days US \$	30-60 days US \$	60-90 days US \$	90+ days US \$	Total Gross US \$	ECL US \$	Total Net US \$
2019	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-

The amount receivable from Group companies is an interest free loan given and is repayable on demand. Management doesn't intend to recall it in the next 12 months and hence same has been disclosed as Non-Current. The basis of the impairment of Intercompany receivables is the management intends to recall it within 7 years so it is discounted over 7 years at 7%. The majority of investment has been used to develop and sell products initially in the US market. The Group expects the US entity to be become profitable and cash positive within 3 years.

A 10% percent increase in the discount rate would increase the impairment by \$322,000 (2019: \$240,000) and a 10% reduction in the discount rate would reduce impairment by \$337,000 (2019: 251,000).

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Notes to the accounts For the year ended 31 December 2020

15. Cash and cash equivalents

Group	2020 US \$	2019 US \$
Cash and bank and in hand	520,070	1,033,512
Total cash and cash equivalents	520,070	1,033,512

Company	2020 US \$	2019 US \$
Cash at bank and in hand	317,606	814,424
Total cash and cash equivalents	317,606	814,424

The Groups exposure to foreign exchange risk is detailed in note 3 to the accounts on page 24.

16. Categories of financial assets and financial liabilities

Group	2020 US \$	2019 US \$
Financial assets		
Loans and receivables at amortised cost	-	5,648
Receivables from shareholders	171,535	-
Cash and equivalents	520,070	1,033,512
	691,605	1,039,160

Financial liabilities		
Trade and other payables at amortised cost	73,391	297,770
Lease liability	417,384	498,398
COVID-19 Small Business Association Loan	77,314	-
	568,089	796,168

Company	2020 US \$	2019 US \$
Financial assets		
Loans and receivables at amortised cost	10,380,745	7,753,768
Provision	(4,135,000)	(3,075,000)
Net loans and receivables at amortised cost	6,245,745	4,678,768
Receivables from shareholders	171,535	-
Cash and equivalents	317,606	814,424
	6,734,886	5,493,192

Financial liabilities		
Trade and other payables at amortised cost	62,797	77,791

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Notes to the accounts For the year ended 31 December 2020

Maturity Analysis of financial liabilities

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

Group	Carrying amount US \$	Contractual cashflows US \$	1 year or less US \$	1-5 years US \$	5 years and over US \$
2020					
Trade and other payables at amortised cost	73,391	73,391	73,391	-	-
Lease liability	417,384	474,759	118,183	356,576	-
COVID-19 Small Business Association Loan	77,314	77,314	77,314	-	-
	568,089	625,464	268,888	356,576	-
2019					
Trade and other payables at amortised cost	297,770	297,770	297,770	-	-
Lease Liability	498,398	588,890	114,131	474,759	-
COVID-19 Small Business Association Loan		-	-	-	-
	796,168	886,660	411,901	474,759	-

17. Share capital and premium

Share capital

Group and Company	No of shares of £0.01 each	Ordinary Shares US \$	Total US \$
Issued and fully paid up			
At 1 January 2019	33,782,234	456,107	456,107
Shares issued for cash	15,350,248	192,191	192,191
At 31 December 2019	49,132,482	648,298	648,298
At 31 December 2019	49,132,482	648,298	648,298
Shares issued for cash	12,889,190	163,653	163,653
Shares issued for cash received post year end	885,918	11,250	11,250
At 31 December 2020	62,907,590	823,201	823,201

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 and Company	Ordinary Shares US \$	Total US \$
Allotted and fully paid up		
At 1 January 2019	3,304,432	3,304,432
Premium on shares issued (net of cost of issue of shares)	2,410,246	2,410,246
At 31 December 2019	5,714,678	5,714,678
At 1 January 2020	5,714,678	5,714,678
Premium on shares issued (net of cost of issue of shares)	2,233,896	2,233,896
Reduction in Capital	(7,391,891)	(7,391,891)
At 31 December 2020	556,683	556,683

The cost of issue of shares relates to broker's commissions on funds raised of \$83,928 (2019: \$183,156).

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At the end of the period there were 8,122,243 share warrants in issue at an average subscription price of \$0.18 (2019: 6,367,318 at \$0.18 per share). There was no consideration paid for the warrants.

Share options

During the year staff were granted share options, vesting 100% on an exit or in equal annual thirds following a stock market listing of the Company. As an exit is not predictable, the Company determined the best measurement period is a potential listing-mid 2021

Award	2020 000's	2019 000's	Date of Grant	Exercise Price	Exercise Period		Avg remaining contractual life
					From	To	
Unapproved	-	4,380	31/10/2019	\$0.085	31/10/2019	31/10/2029	8.8 years
EMI	-	1,275	05/11/2019	\$0.085	05/11/2019	05/11/2029	8.8 years
Unapproved	4,893	-	07/05/2020	\$0.195	07/05/2020	07/05/2030	9.6 years
EMI	1,882	-	07/05/2020	\$0.195	07/05/2020	07/05/2030	9.6 years
Total	6,775	5,655					

Movement in share options

	Number 000's	Weighted average exercise price \$	Weighted average share price \$
Outstanding at 1 January 2019	-	-	-
Granted	5,655	0.085	0.078
Outstanding at 31 December 2019	5,655	0.085	0.078
Outstanding at 1 January 2020	5,655	0.085	0.078
Granted	6,775	0.195	0.195
Outstanding at 31 December 2020	12,430	0.145	0.142

Key assumptions used in the calculation of share option fair value

Date of Grant	Award	Share price on the date of grant \$	Exercise price \$	Volatility %	Expected Dividend Yield %	(%) Vesting period Years	Risk-free rate of interest %	Fair value \$
31/10/2019	Unapproved	0.078	0.085	28.5	0%	2.67	2.1	0.01
05/11/2019	EMI	0.078	0.085	28.5	0%	2.67	2.1	0.01
07/05/2020	Unapproved	0.195	0.195	28.5	0%	2.50	2.1	0.03
07/05/2020	EMI	0.195	0.195	28.5	0%	2.50	2.1	0.03

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

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

Share based payments charge

Group	2020 US \$	2019 US \$
Charge in year	118,544	5,886

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Notes to the accounts For the year ended 31 December 2020

18. Reserves

Retained earnings	Group US \$	Company US \$
At 31 December 2018	(1,298,819)	31,485
Loss for the period	(1,551,996)	(1,192,076)
Share based payments charge	5,886	5,886
At 31 December 2019	(2,844,929)	(1,154,705)
Loss for the period	(1,978,145)	(1,649,098)
Reduction in Capital	7,391,891	7,391,891
Share based payments charge	118,544	118,544
At 31 December 2020	2,687,361	4,706,632

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

Capital Contribution	Group US \$	Company US \$
At 31 December 2018	165,000	165,000
Capital contribution received	-	-
At 31 December 2019	165,000	165,000
Capital contribution received	-	-
At 31 December 2020	165,000	165,000

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

Translation reserve	Group US \$	Company US \$
At 31 December 2018	(328,860)	(328,828)
Foreign exchange loss	373,742	373,710
At 31 December 2019	44,882	44,882
Foreign exchange loss/gain	391,737	391,737
At 31 December 2020	436,619	436,619

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.

19. Trade and other payables

Group – Current	2020 US \$	2019 US \$
Trade creditors	-	33,968
Social security and other taxes	100	5,480
Lease liability	92,217	82,075
COVID-19 Small Business Association Loan	64,428	-
Accruals and other creditors	73,391	263,802
	230,136	385,325
Group – Non-Current	2020 US \$	2019 US \$
COVID-19 Small Business Association Loan	12,886	-
Lease liability	325,167	416,323
	338,053	416,323

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

Company	2020	2019
	US \$	US \$
Trade creditors	-	-
Social security and other taxes	100	6,213
Accruals and other creditors	62,807	77,791
	62,907	84,004

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 related to trade and other payables is detailed in note 3 to the accounts on page 24.

Included within trade and other payables is \$338,053 (2019: \$416,323) expected to be settled in more than 12 months.

On 4 May 2020 the Group secured a COVID-19 Small Business Association (SBA) Loan for \$76,800 with an interest rate of 1.00% per annum. The loan matures on 4 May 2022. Interest has been accrued on this loan to 31 December 2020. As at 31 December 2020, no repayments had been made. On 9 April 2021 the entire loan was forgiven.

20. Deferred income tax

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

Group

	2020	2019
Deferred tax	US \$	US \$
Accelerated capital allowances	(2,760)	(4,472)
Share based payments	23,642	1,118
Short term timing differences	-	425
Tax losses	2,035,030	1,547,630
	2,055,912	1,544,701
Unprovided deferred tax asset	(2,055,912)	(1,544,701)
Deferred Tax	-	-

Company

	2020	2019
Deferred tax	US \$	US \$
Accelerated capital allowances	-	-
Share based payments	23,642	1,118
Short term timing difference	201,400	152,425
Tax losses	332,088	264,242
	557,130	417,785
Unprovided deferred tax asset	(557,130)	(417,785)
	-	-

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the unrecognised deferred tax asset would have increased by \$135,198.

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Notes to the accounts For the year ended 31 December 2020

21. Leases as a lessee (IFRS 16)

Right-of-use assets

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

Group	Land and buildings US\$	Total US \$
At 1 January 2019	-	-
Addition to right of use asset	571,950	571,950
Depreciation charge for the period	(98,049)	(98,049)
At 31 December 2019	473,901	473,901
Depreciation charge for the period	(98,049)	(98,049)
At 31 December 2020	375,852	375,852

Amounts recognised in profit or loss

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

	2020 US \$	2019 US \$
Interest expense on lease liability	32,443	37,201
Depreciation on right of use assets	98,049	98,049

Amounts recognised in statement of cash flows

	2020 US \$	2019 US \$
Total cash outflow for leases	118,859	105,348

Lease Liabilities

Group	Land and buildings US\$	Total US \$
At 1 January 2019	571,950	571,950
Interest	37,201	37,201
Payment	(110,753)	(110,753)
At 31 December 2019	498,398	498,398
At 1 January 2020	498,398	498,398
Interest	32,443	32,443
Payment	(113,457)	(113,457)
At 31 December 2020	417,384	417,384

Maturity analysis of undiscounted cash flows due for leases

	2020 US\$	2019 US \$
Within one year	118,183	114,131
After one year but not more than five years	356,576	474,759
After five years	-	-
Total	474,759	588,890

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Notes to the accounts For the year ended 31 December 2020

22. Dividends

No dividend has been declared for the period ended 31 December 2020 and no dividend was paid during the period.

23. Cash generated from operating activities

Group	2020	2019
	US \$	US \$
Loss before income tax	(1,978,145)	(1,551,996)
Adjustments for		
- Depreciation	8,544	9,403
- Amortisation and impairment	98,049	98,049
- Proceeds from sale of asset	-	(44,368)
- No cash interest expense	32,956	37,202
- Movement in foreign exchange	(68,056)	(385,513)
- Share based payments	111,350	5,663
Movement in trade and other receivables	81,268	(634,169)
Inventory movement	-	128,094
Movement in trade and other payables	243,261	1,335,258
Cash generated from operating activities	(1,470,773)	(1,002,377)

24. Related party transactions

Details of Directors' remuneration are given in the Directors' report.

As at the period end the Group does not have any controlling party.

25. Events after the reporting period

Following the reporting date and at the date of signing the Group has raised approximately \$2.7m from new and existing shareholders.