

**Company Registration No. 09910883**

**Belluscura plc**

**Annual report and financial statements**

**for the year 31 December 2018**



# **Belluscura plc**

## **Report and financial statements 2018**

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# **Belluscura plc**

## **Report and financial statements 2018**

### **Officers and professional advisers**

Robert Rauker	(appointed 18 August 2016)	
Anthony Stephen Dyer	(appointed 13 November 2017)	
Dr Michael Van Hoy	(appointed 18 August 2016)	(resigned 9 February 2018)

### **Registered Office**

15 Fetter Lane  
Holborn  
London  
EC4A 1BW

### **Auditor**

KPMG LLP  
Gateway House  
Tollgate  
Chandler's Ford  
Eastleigh  
Southampton  
SO53 3TG

### **Banks**

Barclays Bank Plc  
1 Churchill Place  
London  
E14 5HP

Comerica Bank  
PO Box 650282  
Dallas  
Texas  
TX 75265-0282

### **Solicitor**

DWF  
20 Fenchurch Street  
London  
EC3M 3AG

# **Belluscura plc**

## **Strategic report for the year ended 31 December 2018**

The Directors present their strategic report on the Group for the year ended 31 December 2018.

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. Development of X-PLOR™ has been completed and the product is currently being prepared to submit to the FDA for a 510k clearance through the FDA third party clearance process. The Company expect to achieve clearance in 2019 and target the launch of the product in Q4 2019.

The Company is working on developing a follow-on product to X-PLOR™, which will target the same portable oxygen market and believe they can commercialise this product in 2020. The Company are working on other oxygen enrichment technologies in complementary markets.

The Company has taken the strategic decision to focus purely on the oxygen enrichment marketplace and has commenced the process of divesting its existing products, Slyde™, Passport™ and Wire Caddy™. The Company will retain the licence to the SNAP III™ with a view to exploring commercialisation opportunities.

As the business currently operates in the US the Company does not perceive any near term risk of Brexit impacting the Group.

### **Current Trading and Outlook**

In the current period we have moved to focus purely on oxygen enrichment technologies and commenced the divestment of the Slyde™, Passport® and Wire Caddy™. Sales of these products have therefore reduced. All sales have been in the US.

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

With the portable oxygen market expected to grow from \$1.5bn this year to \$2.4bn by 2024 the Directors believe that X-PLOR™, when launched, will provide significant growth for the Group.

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 primarily focussed on completing the X-PLOR™.

Group sales for the period to 31 December 2018 were US \$245,554 (2017: \$361,168) with losses of US \$1,478,177 (2017: \$2,829,170). Group net assets at the end of the period were US \$2,297,860 (2017: \$531,305).

### **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. It has commenced divesting of existing products to focus on the commercialisation of X-PLOR™. Management performs regular reviews of the sector to ensure it is targeting large markets.
- **Successful product development.** The Group is reliant on achieving FDA clearance for its products and any delays in this process may impact the Group. The Group are working with external FDA approved third parties to reduce this risk.

## **Belluscura plc**

- Credit risk. The Group's principal financial assets are cash, and trade and other receivables. The Group monitors receivables and should any be the subject of an identified loss event, allowance is made for impairment if required. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and 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.
- 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.

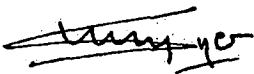
### **Analysis of Financial and non-Financial Key Performance Indicators**

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 S Dyer

**Chief Financial Officer**

28 June 2019

# **Belluscura plc**

## **Directors' report for the year ended 31 December 2018**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2018.

### **Research and development**

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

### **Proposed dividend**

No dividend was paid or was proposed during the period ended 31 December 2018.

### **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)	
Dr Michael Van Hoy	(appointed 18 August 2016)	(resigned 9 February 2018)

### **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 \$1,478,177 in the year to 31 December 2018 (2017: loss of US \$2,829,170). At the balance sheet date the Group had net assets of US \$2,297,860 (2017: US \$531,305) but generated net operating cash outflows of \$2,383,440 (2017: US \$1,783,058). As at the date of signing the Financial Statements the Group has approximately \$1,000,000 in cash.

Due to the investment required to significantly increase sales of legacy products to make them viable, the Group has subsequently sold the licence for the Slyde, and will sell the Passport and Wire Caddy products or discontinue them.

The Company raises the funds required for the Group's activities and has successfully undertaken several Private Funding rounds raising over \$8,700,000 to date to support the Group.

During the reporting period, funding rounds raised approximately \$3.7m. This cash has allowed the Group to continue to trade, selling its existing products and further pursuing the development of the X-PLOR™ (previously referred to as the CURV™), portable oxygen concentrator. The Group estimates that it will cost a further \$800,000 to complete the X-PLOR through to FDA clearance by November 2019. The Group is working closely with one of the outsourced FDA 3rd party clearance companies to reduce the risk of delays in the clearance process.

Since the period end the Group has raised a further \$700,000 from a Crowdfunding campaign and \$900,000 from new investors. The Group is currently in advanced discussions with its current and potential investors about further funding injections and have received interest for a further \$585,000 to be raised by July, which could fund the Group through to June 2020.

However, further equity fund raising is being planned in order to support the commercial launch of X-PLOR™. We are targeting a further \$2-3 million once FDA clearance is achieved. The Group has a number of private shareholders who have been supportive during all fundraisings to date and believe that, given the close proximity to the completion of the X-PLOR™, they will continue to be supportive.

The Group's forecasts and projections, including the prospect of further raising of funds, 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) 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 and halt development whilst looking for alternative source of funding such as an equity raise on the public markets. In the unlikely situation where this is also unsuccessful, the Group may cease development of the X-PLOR and seek potential purchasers of the IP intrinsically linked to the X-PLOR, in which case the application of the going concern basis of preparation may be inappropriate.

The directors have concluded that these circumstances represent a material uncertainty that casts significant doubt upon the group's ability to continue as a going concern and that, therefore, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Group and company have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

# Belluscura plc

## Directors' report for the year ended 31 December 2018 (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 2018	Salary & fees US \$	Benefits in kind US \$	Pension US \$	2018 Total US \$
Robert Rauker	186,154	25,739	-	211,893
Anthony Dyer	158,865	2,007	-	160,872
Dr Michael Van Hoy	16,923	-	-	16,923
	361,942	27,746	-	389,688

Period to 30 November 2017	Salary & fees US \$	Benefits in kind US \$	Pension US \$	2017 Total US \$
Robert Rauker	220,334	29,883	-	250,217
Anthony Dyer	75,866	-	-	75,866
Dr Michael Van Hoy	176,686	9,183	-	185,869
Robert Miller	55,000	-	-	55,000
	527,886	39,066	-	566,952

#### Directors' beneficial interests in shares

	As at 31 December 2017 No of Shares	As at 30 November 2016 No of Shares
Robert Rauker	723,445	165,302
Anthony Dyer	282,808	-
Dr Michael Van Hoy	250,524	166,666
Robert Miller	83,333	83,333

### 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 auditors is aware of that information.

### Other information

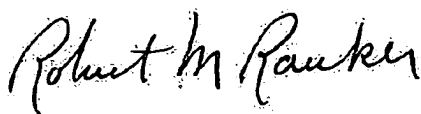
An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

### 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

28 June 2019

## **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 2018 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 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- 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 in the financial statements, which indicates that the group's and the parent company's ability to continue as a going concern is dependent on successful private equity raising of US\$ 585,000 in July 2019 and US\$2-3 million upon FDA clearance to support the commercial launch of the product. 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.

## **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.

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

### **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](http://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.

*W. Smith*

**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

28 June 2019

# Belluscura plc

## Consolidated Statement of Profit and Loss and Other Comprehensive Income For the year ended 31 December 2018

Group	Note	Year ended 31 December 2018 US \$	Period ended 30 November 2017 US \$
<b>Continuing Operations</b>			
Revenue	5	245,554	361,168
Cost of sales		(252,869)	(374,841)
<b>Gross loss</b>		<b>(7,315)</b>	<b>(13,673)</b>
Administrative expenses		(1,470,862)	(2,815,497)
<b>Operating Loss</b>		<b>(1,478,177)</b>	<b>(2,829,170)</b>
Finance income	8	-	-
<b>Loss before income tax</b>		<b>(1,478,177)</b>	<b>(2,829,170)</b>
Income tax expense	9	-	-
<b>Loss after tax for the period</b>		<b>(1,478,177)</b>	<b>(2,829,170)</b>
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences – foreign operations		(344,680)	223,317
<b>Total other comprehensive income</b>		<b>(344,680)</b>	<b>223,317</b>
<b>Total comprehensive loss for the period attributable to the equity holders</b>		<b>(1,822,857)</b>	<b>(2,605,853)</b>

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 15 to 36 are an integral part of these consolidated financial statements.

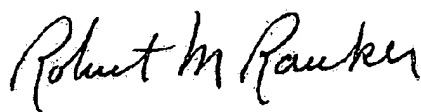
# Belluscura plc

## Consolidated Balance Sheet At 31 December 2018

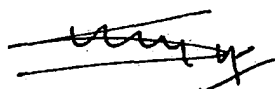
Group	Note	As at 31 December 2018 US \$	As at 31 December 2017 US \$
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	29,217	38,734
Intangible assets	12		159,914
Product Development	12	1,814,943	1,280,826
		<b>1,844,160</b>	<b>1,479,474</b>
<b>Current assets</b>			
Inventory	13	128,094	79,284
Trade and other receivables	14	46,108	147,475
Cash and cash equivalents	15	532,248	185,090
		<b>706,450</b>	<b>411,849</b>
<b>Total assets</b>		<b>2,550,610</b>	<b>1,891,323</b>
<b>Current liabilities</b>			
Trade and other payables	19	(252,750)	(1,360,018)
		<b>(252,750)</b>	<b>(1,360,018)</b>
<b>Total liabilities</b>		<b>(252,750)</b>	<b>(1,360,018)</b>
<b>Net assets</b>		<b>2,297,860</b>	<b>531,305</b>
<b>Equity attributable to the owners of the parent</b>			
Ordinary shares	17	456,107	160,978
Share premium	17	3,304,432	10,149
Capital contribution	18	165,000	165,000
Retained earnings	18	(1,298,819)	179,358
Translation reserve	18	(328,860)	15,820
<b>Total equity</b>		<b>2,297,860</b>	<b>531,305</b>

The notes on pages 15 to 36 are an integral part of these financial statements.

The financial statements on pages 9 to 36 were authorised for issue by the Board of Directors on 28 June 2019 and were signed on its behalf.



Robert Rauker  
Chief Executive Officer



A S Dyer  
Chief Financial Officer

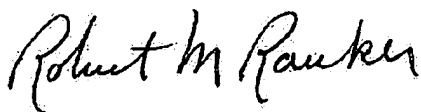
# Belluscura plc

## Company Balance Sheet At 31 December 2018

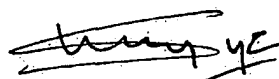
Company	Note	As at 31 December 2018 US \$	As at 30 November 2017 US \$
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	-	-
Intangible assets	12	-	159,914
Investment in subsidiaries	10	355,940	376,398
Trade and other receivables	14	3,457,022	-
		<b>3,812,962</b>	<b>536,312</b>
<b>Current assets</b>			
Trade and other receivables	14	4,085	3,591,239
Cash and cash equivalents	15	305,709	18,000
		<b>309,794</b>	<b>3,609,239</b>
<b>Total assets</b>		<b>4,122,756</b>	<b>4,145,551</b>
<b>Current liabilities</b>			
Trade and other payables	19	(494,560)	(961,178)
		<b>(494,560)</b>	<b>(961,178)</b>
<b>Total liabilities</b>		<b>(494,560)</b>	<b>(961,178)</b>
<b>Net assets</b>		<b>3,628,196</b>	<b>3,184,373</b>
<b>Equity attributable to the owners of the parent</b>			
Ordinary shares	17	456,107	160,978
Share premium	17	3,304,432	10,149
Capital contribution	18	165,000	165,000
Retained earnings	18	31,485	2,832,426
Translation reserve	18	(328,828)	15,820
<b>Total equity</b>		<b>3,628,196</b>	<b>3,184,373</b>

The notes on pages 15 to 36 are an integral part of these financial statements.

The financial statements on pages 9 to 36 were authorised for issue by the Board of Directors on 28 June 2019 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 2018

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 1 December 2016		120,402	2,099,182	(207,497)	165,000	(976,802)	1,200,285
Issue of ordinary shares	17	40,576	1,896,297	-	-	-	1,936,873
Reduction in capital		-	(3,985,330)	-	-	3,985,330	-
Loss for the period	18	-	-	-	-	(2,829,170)	(2,829,170)
Other comprehensive income	18	-	-	223,317	-	-	223,317
<b>Balance at 31 December 2017</b>		<b>160,978</b>	<b>10,149</b>	<b>15,820</b>	<b>165,000</b>	<b>179,358</b>	<b>531,305</b>
Balance at 1 January 2018		160,978	10,149	15,820	165,000	179,358	531,305
Issue of ordinary shares	17	295,129	3,294,283	-	-	-	3,589,412
Reduction in capital		-	-	-	-	-	-
Loss for the period	18	-	-	-	-	(1,478,177)	(1,478,177)
Other comprehensive income	18	-	-	(344,680)	-	-	(344,680)
<b>Balance at 31 December 2018</b>		<b>456,107</b>	<b>3,304,432</b>	<b>(328,860)</b>	<b>165,000</b>	<b>(1,298,819)</b>	<b>2,297,860</b>

The notes on pages 15 to 36 are an integral part of these financial statements.

# Belluscura plc

## Company Statement of Changes in Equity For the period ended 31 December 2018

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 1 December 2016		120,402	2,099,182	(207,497)	165,000	(126,562)	2,050,525
Issue of ordinary shares	17	40,576	1,896,297	-	-	-	1,936,873
Reduction in capital		-	(3,985,330)	-	-	3,985,330	-
Loss for the period	18	-	-	-	-	(1,026,342)	(1,026,342)
Other comprehensive income	18	-	-	223,317	-	-	223,317
<b>Balance at 31 December 2017</b>		<b>160,978</b>	<b>10,149</b>	<b>15,820</b>	<b>165,000</b>	<b>2,832,426</b>	<b>3,184,373</b>
Balance at 1 January 2018		160,978	10,149	15,820	165,000	2,832,426	3,184,373
Issue of ordinary shares	17	295,129	3,294,283	-	-	-	3,589,412
Reduction in capital		-	-	-	-	-	-
Loss for the period	18	-	-	-	-	(2,800,941)	(2,800,941)
Other comprehensive income	18	-	-	(344,647)	-	-	(344,647)
<b>Balance at 31 December 2018</b>		<b>456,107</b>	<b>3,304,432</b>	<b>(328,827)</b>	<b>165,000</b>	<b>31,485</b>	<b>3,628,197</b>

The notes on pages 15 to 36 are an integral part of these financial statements.

## Belluscura plc

### Consolidated Statement of cash flows For the period ended 31 December 2018

Group	Note	For the period ended 31 December 2018 US \$	For the period ended 31 December 2017 US \$
<b>Cash flows from operating activities</b>			
Cash generated from operations	22	(2,383,440)	(1,783,058)
Taxation paid		-	-
<b>Net cash used in operating activities</b>		<b>(2,383,440)</b>	<b>(1,783,058)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	11	-	(40,210)
Purchases of intangible assets	12	-	-
Intangible assets under development		(804,266)	(1,280,826)
Interest received		-	-
<b>Net cash used in investing activities</b>		<b>(804,266)</b>	<b>(1,321,036)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares	17	3,549,426	2,008,289
<b>Net cash generated from financing activities</b>		<b>3,549,426</b>	<b>2,008,289</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>361,720</b>	<b>(1,095,805)</b>
Cash and cash equivalents at beginning of period		185,090	1,279,236
Exchange loss on cash and cash equivalents		(14,562)	1,659
<b>Cash and cash equivalents at end of period</b>		<b>532,248</b>	<b>185,090</b>

The notes on pages 15 to 36 are an integral part of these financial statements.



# Belluscura plc

## Notes to the accounts For the year ended 31 December 2018

### 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 Financial Reporting Standards as adopted by the EU ("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 Financial Reporting Standards as adopted by the EU ("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*.

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 2018**

#### **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 \$1,478,177 in the year to 31 December 2018 (2017: loss of US \$2,829,170). At the balance sheet date the Group had net assets of US \$2,297,860 (2017: US \$531,305) but generated net operating cash outflows of \$2,383,440 (2017: US \$1,783,058). As at the date of signing the Financial Statements the Group has approximately \$1,000,000 in cash.

Due to the investment required to significantly increase sales of legacy products to make them viable, the Group has subsequently sold the licence for the Slyde, and will sell the Passport and Wire Caddy products or discontinue them.

The Company raises the funds required for the Group's activities and has successfully undertaken several Private Funding rounds raising over \$8,700,000 to date to support the Group.

During the reporting period, funding rounds raised approximately \$3.7m. This cash has allowed the Group to continue to trade, selling its existing products and further pursuing the development of the X-PLOR™ (previously referred to as the CURV™), portable oxygen concentrator. The Group estimates that it will cost a further \$800,000 to complete the X-PLOR through to FDA clearance by November 2019. The Group is working closely with one of the outsourced FDA 3rd party clearance companies to reduce the risk of delays in the clearance process.

Since the period end the Group has raised a further \$700,000 from a Crowdfunding campaign and \$900,000 from new investors. The Group is currently in advanced discussions with its current and potential investors about further funding injections and have received interest for a further \$585,000 to be raised by July, which could fund the Group through to June 2020.

However, further equity fund raising is being planned in order to support the commercial launch of X-PLOR™. We are targeting a further \$2-3 million once FDA clearance is achieved. The Group has a number of private shareholders who have been supportive during all fundraisings to date and believe that, given the close proximity to the completion of the X-PLOR™, they will continue to be supportive.

The Group's forecasts and projections, including the prospect of further raising of funds, 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) 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 and halt development whilst looking for alternative source of funding such as an equity raise on the public markets. In the unlikely situation where this is also unsuccessful, the Group may cease development of the X-PLOR and seek potential purchasers of the IP intrinsically linked to the X-PLOR, in which case the application of the going concern basis of preparation may be inappropriate.

The directors have concluded that these circumstances represent a material uncertainty that casts significant doubt upon the group's ability to continue as a going concern and that, therefore, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Group and company have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **2.1.3 Changes in accounting policy and disclosures**

##### **New standards and interpretations not yet adopted by the Group**

A number of new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted, however the Company has not early adopted the new or amended standards in preparing these financial statements.

The Company is required to adopt IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018, and IFRS 16 Leases from 1 January 2019.

# **Belluscura plc**

## **Notes to the accounts For the year ended 31 December 2018**

### *IFRS 9 Financial Instruments*

IFRS 9 sets out requirements for recognising, classifying and measuring financial assets and financial liabilities and introduces a new expected credit loss model. The adoption of IFRS 9 is not expected to affect the classification and measurement of the Company's financial instruments. Management has assessed that the effect of change from the incurred loss model to the expected credit loss model is considered immaterial due to the low credit risk in the Company.

### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard provides a single principles-based five-step model to be applied to all contracts with customers. The Company's current practices for recognising revenue are considered to comply in all material aspects with the concepts and principles encompassed by the new standard.

### *IFRS 16 Leases*

IFRS 16 'Leases': the IASB effective date is 1 January 2019 and has been endorsed by the EU. The standard changes the identification of leases and how they will be recognised, measured and disclosed by lessees, requiring the recognition of a right-of-use asset and liability for the future lease payments on the balance sheet. The new standard requires the right-of-use asset to be depreciated over the duration of the lease term and shown within operating profit in the income statement, with the interest cost associated with the financing of the asset included within interest expense. The Company has reviewed its lease contracts in place at 31 December 2018 and estimates that it will recognise a right-of-use asset of \$571,950 in relation to its leased office building. The Company has elected to apply the modified retrospective approach requiring no restatement of comparative figures and there will be no impact on opening equity at 1 January 2019. Following the initial recognition, the right-of-use asset will be depreciated over the duration of the lease term and shown within operating profit in the income statement, while the interest cost associated with the financing of the asset will be included within interest expense. For 2019, this is estimated to result in a decrease in operating expenses before depreciation of \$110,079, an increase in depreciation of \$98,049 and an increase in finance costs of \$40,037 resulting in a net reduction in profit before tax of circa \$28,007. The new standard, however, will not change the cumulative impact on net profit over the lease term. In the cash flow statement, lease payments which were previously contained within net cash flows from operating activities, will be separated into two components being the payment of principle on the lease liability to be reflected within financing activities and the payment of the interest that will be included within interest paid.

## **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.

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.

# **Belluscura plc**

## **Notes to the accounts For the year ended 31 December 2018**

### **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.

### **2.5 Classification of financial instruments issued by the Group**

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (i) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

# Belluscura plc

## Notes to the accounts

### For the year ended 31 December 2018

- (ii) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### 2.6 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.

The Group has adopted Auto-Enrolment but does not currently have employees opted in and the Group does not have any other pension arrangement or share based payment incentives.

#### 2.7 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.

#### 2.8 Property, plant and equipment

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

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

Depreciation of assets is calculated is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over the estimated useful economic lives as follows:

Furniture	-	5 years
Computer equipment	-	3 years
Leasehold improvements	-	5 years

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within 'Other gains / (losses) – net' in the income statement. When re-valued assets are sold, the amounts are included in other reserves are transferred to retained earnings.

#### 2.9 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.

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;

## Belluscura plc

### Notes to the accounts

#### For the year ended 31 December 2018

- (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.

#### 2.10 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.

#### 2.11 Financial assets

##### 2.11.1 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.

##### 2.11.2 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.

##### 2.12 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.

# **Belluscura plc**

## **Notes to the accounts For the year ended 31 December 2018**

### **2.13 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.

### **2.14 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**

#### *Ordinary Shares*

Ordinary shares are classified as equity.

#### *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.

## **Belluscura plc**

### **Notes to the accounts For the year ended 31 December 2018**

#### *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.

#### **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.



# Belluscura plc

## Notes to the accounts For the year ended 31 December 2018

### 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.

### 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) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. Currently all sales are in the US. The ageing of Group trade receivables is shown in note 14.

##### (b) 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 \$532,248.

#### *Ageing of creditors*

The ageing of Group trade receivables is shown in note 19.

##### (c) 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.

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

	31 December 2018	31 December 2017
Cash and cash equivalents	310,990	36,348
Trade receivables	6,087,465	3,949,291
Trade payables	(494,560)	(961,177)
Net exposure	<u>(5,903,895)</u>	<u>3,024,462</u>

## Belluscura plc

### Notes to the accounts

#### For the year ended 31 December 2018

A 10% percent strengthening of the pound sterling against the US Dollar at 31 December 2018 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 2017.

	Equity		Profit or loss
2018	2017	2018	2017
US \$	US \$	US \$	US \$
(590,389)	302,446	(590,389)	302,446

A 10% percent weakening of the above currencies against the pound sterling at 31 December 2017 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### Translation exposures

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

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

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

	Closing rate for 2016	Weighted average rate for 2017	Closing rate for 2017	Weighted average rate for 2018	Closing rate for 2018
US Dollar	1.2507	1.2887	1.3503	1.3350	1.2769

### 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. The Group has no external 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. The Directors regularly review the capital structure of the Company and consider the cost of capital and the associated risks with each class of capital. The Company has no external borrowings and this has no impact on the gearing levels of the Group as at 31 December 2018.

### 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.

# Belluscura plc

## Notes to the accounts For the year ended 31 December 2018

### 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.

#### (c) Deferred taxes

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

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

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

### 5. Revenue

The entire revenue is generated from the Sale of Goods and from its geographical market in United States of America **US\$ 245,554** (2017: US \$361,168)

Gross profit in the period was negative **US\$ 7,315** (2017: US\$ 13,673) due to minimum royalty amounts due on the licenced products exceeding the royalties due on sales made. The excess above royalties due on sales in the period was **US\$ 108,962** (2017: \$107,430).

### 6. Expenses

#### 6.1 Expenses by nature

Group	2018 US\$	2017 US\$
Depreciation of property plant and equipment	9,517	(1,045)
Amortisation of intangible assets	11,686	12,221
Impairment of intangible assets	415,861	19,644
Costs related to fundraising activities	9,775	623,807
Foreign exchange movements	(344,679)	223,317
Other administration expenses	1,713,381	1,937,566

# Belluscura plc

## Notes to the accounts For the year ended 31 December 2018

### 6.2 Auditor remuneration

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

Group	2018 US\$	2017 US\$
Fees payable to the Group's auditor and its associated for the audit of the Group and Company financial statements	34,710	20,800
Fees payable to the Company's auditor and its associates for other services		
- Tax advisory services	5,206	3,900
	39,916	24,700

### 7. Employees

#### 7.1 Directors' emoluments

Group	2018 US\$	2017 US\$
Directors emoluments	389,688	566,952
<b>Total</b>	<b>389,688</b>	<b>566,952</b>

The highest paid Director received a salary of \$186,154 (2017: \$220,334) and benefits of \$25,739 (2017: \$29,883).

#### 7.2 Employee benefit expense

Group	2018 US\$	2017 US\$
Wages and salaries including restructuring costs and other termination benefits	714,954	899,678
Social security costs	61,271	68,889
<b>Total</b>	<b>776,225</b>	<b>968,567</b>

#### 7.3 Average number of people employed

Group	2018	2017
Average number of people (including executive directors) employed		
Management	2	3
Sales	3	3
Finance	1	1
<b>Total average headcount</b>	<b>6</b>	<b>7</b>

### 8. Finance income and costs

Group	2018 US\$	2017 US\$
Finance Income:		
- Interest income on short term bank deposits	-	-
<b>Finance income</b>	<b>-</b>	<b>-</b>

# Belluscura plc

## Notes to the accounts For the year ended 31 December 2018

### 9. Income tax expense

Group	2018 US\$	2017 US \$
Current tax on profits for the period	-	-
Adjustments in respect of prior period	-	-
<b>Total current tax</b>	-	-
<b>Income tax expense</b>	-	-

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

Group	2018 US\$	2017 US\$
<b>(Loss) before tax</b>	<b>(1,478,177)</b>	<b>(2,829,170)</b>
Tax calculated at domestic tax rates applicable to profits in the respective countries	(280,854)	(546,209)
Tax effects of:		
- Expenses not deductible for tax purposes	1,857	120,395
- Impairment of SNAP	54,274	-
- Capital allowances in excess of depreciation	(5,551)	(7,747)
- Unrelieved tax losses and other deductions	230,274	433,561
<b>Total income tax charge</b>	-	-

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. The provision includes

### 10. Investment in subsidiaries

Company	Shares in subsidiaries	Loans to subsidiaries	Total US \$
<b>Cost and net book value</b>			
At 30 November 2016	10	-	10
Additions during the period *	376,388	-	376,388
<b>Balance at 31 December 2017</b>	<b>376,398</b>	<b>-</b>	<b>376,398</b>
Foreign currency translation differences	(20,458)	-	(20,458)
<b>Balance at 31 December 2018</b>	<b>355,940</b>	<b>-</b>	<b>355,940</b>

\* As of previous year reporting date, the Investment in subsidiaries includes foreign currency translation differences and gain on bargain purchase recognised in the profit and loss aggregating to \$ 34,577 and £17,511 respectively.

At the year end, the Company's investment in Nanotether Discovery Science Ltd amounted to £278,753 (2018: £278,753).

Principal subsidiaries name	Country of Incorporation & place of business	Class of share held	% of ordinary shares directly held	Nature of business
Belluscura LLC	USA	Ordinary	100%	Sale of medical devices
Nanotether Discovery Science Ltd	UK	Ordinary	100%	Research (Dormant)

#### The registered office:

Belluscura LLC 160 Greentree Drive, Suite 101, Dover, Delaware 19904, County of Kent  
Nanotether Discovery Science Limited Chasemore Farm, Bookham Road, Downside, Cobham, Surrey, KT11 3JT

The Company's loss before tax for the period 31 December 2018 was \$2,800,941 (2017: \$1,026,342).

# Belluscura plc

## Notes to the accounts For the year ended 31 December 2018

### 11. Property, plant and equipment

Group	Leasehold Improvements US\$	Furniture and Equipment US \$	Computer Equipment US \$	Total US \$
At 30 November 2016	13,775	22,241	17,173	53,189
Additions during the period		35,880	4,330	40,210
Disposals during the period	(13,775)	(22,241)	(14,469)	(50,485)
<b>At 31 December 2017</b>	<b>-</b>	<b>35,880</b>	<b>7,034</b>	<b>42,914</b>
At 1 January 2018	-	35,880	7,034	42,914
Additions during the period	-	-	-	-
Disposals during the period	-	-	-	-
<b>At 31 December 2018</b>	<b>-</b>	<b>35,880</b>	<b>7,034</b>	<b>42,914</b>
<b>Accumulated depreciation</b>				
At 30 November 2016	(1,607)	(2,541)	(2,704)	(6,852)
Depreciation charge for the period	-	(1,872)	(4,502)	(6,374)
Depreciation charge on disposals	1,607	2,541	4,898	9,046
<b>At 31 December 2017</b>	<b>-</b>	<b>(1,872)</b>	<b>(2,308)</b>	<b>(4,180)</b>
At 1 January 2018	-	(1,872)	(2,308)	(4,810)
Depreciation charge for the period	-	(7,176)	(2,341)	(9,517)
Depreciation charge on disposals	-	-	-	-
<b>At 31 December 2018</b>	<b>-</b>	<b>(9,048)</b>	<b>(4,649)</b>	<b>(13,697)</b>
<b>Net book value</b>				
At 31 December 2017	-	34,008	4,726	38,734
<b>At 31 December 2018</b>	<b>-</b>	<b>26,832</b>	<b>2,385</b>	<b>29,217</b>
<b>Company</b>			<b>Computer Equipment US \$</b>	<b>Total US \$</b>
At 30 November 2016			5,982	5,982
Additions during the period			-	-
Disposals during the period			(5,982)	(5,982)
<b>At 31 December 2017</b>			<b>-</b>	<b>-</b>
At 1 January 2018			-	-
Additions during the period			-	-
Disposals during the period			-	-
<b>At 31 December 2018</b>			<b>-</b>	<b>-</b>
<b>Accumulated depreciation</b>				
At 30 November 2016			(655)	(655)
Depreciation charge for the period			-	-
Depreciation charge on disposals			655	655
<b>At 31 December 2017</b>			<b>-</b>	<b>-</b>
At 1 January 2018			-	-
Depreciation charge for the period			-	-
Depreciation charge on disposals			-	-
<b>At 31 December 2018</b>			<b>-</b>	<b>-</b>
<b>Net book value</b>				
At 31 December 2017			-	-
<b>At 31 December 2018</b>			<b>-</b>	<b>-</b>

## Belluscura plc

### Notes to the accounts For the year ended 31 December 2018

#### 12. Intangible assets

Group	Purchased intangible assets	
	Licenses US \$	Product Development US\$
Cost		
At 30 November 2016	185,618	-
Additions during the period	-	1,280,826
Foreign currency translation differences	14,780	-
<b>At 31 December 2017</b>	<b>200,398</b>	<b>1,280,826</b>
At 1 January 2018	200,398	1,280,826
Additions during the period (a)	-	804,267
Foreign currency translation differences	(10,892)	-
<b>At 31 December 2018</b>	<b>189,506</b>	<b>2,085,093</b>
<b>Accumulated amortisation and impairment</b>		
At 30 November 2016	(6,572)	-
Amortisation charge for the period	(12,221)	-
Impairment of intangible asset (note b)	(19,644)	-
Foreign currency translation differences	(2,047)	-
<b>At 31 December 2017</b>	<b>(40,484)</b>	<b>-</b>
At 1 January 2018	(40,484)	-
Amortisation charge for the period	(11,686)	-
Impairment of Licences (note c)	(145,711)	-
Impairment of Product Development (note d)	-	(270,150)
Foreign currency translation differences	8,377	-
<b>At 31 December 2018</b>	<b>(189,506)</b>	<b>(270,150)</b>
<b>Net book value</b>		
At 31 December 2017	159,914	1,280,826
<b>At 31 December 2018</b>	<b>-</b>	<b>1,814,943</b>

#### Impairment

- During the current year, the Group has capitalised \$791,816 (2017: \$1,023,126) of development costs related to the X-PLOR™ portable oxygen concentrator. These assets are still under construction and on which amortisation has not started yet.
- On 9 September 2017 the Group cancelled the Exclusive Patent Licence Patent Agreement with Arizona State University. The management did not consider there to be a reasonable prospect of developing a commercially product in the near to medium term.
- On 29 November 2018 the Group decided to focus the Group's limited funds on completing the development and achieving FDA clearance of the X-PLOR™ Oxygen Concentrator. Due to the resources required to drive a significant increase in sales of its licenced products; the Slyde, the Passport and the Wire Caddy, it would divest these products, and after discussions with potential acquirers of these products, management assessed that the Group would be unable to achieve any meaningful price for the licences and therefore decided to fully impair the intangible value of those licences. Whilst management perceive there to be potential value in the SNAP III product, at the current stage of development they feel it appropriate to fully impair the licence.
- Whilst management perceive there to be potential value in the SNAP III product, at the current stage of development they feel it appropriate to fully impair the product development costs.

# Belluscura plc

## Notes to the accounts For the year ended 31 December 2018

### 12. Intangible assets (continued)

Company	Purchased intangible assets
Cost	Licenses US \$
At 30 November 2016	185,618
Additions during the period	-
Foreign currency translation differences	14,780
<b>At 31 December 2017</b>	<b>200,398</b>
At 1 January 2018	200,398
Additions during the period	-
Foreign currency translation differences	(10,892)
<b>At 31 December 2018</b>	<b>189,506</b>
<b>Accumulated amortisation and impairment</b>	
At 30 November 2016	(6,572)
Amortisation charge for the period	(12,221)
Impairment of intangible asset (note e)	(19,644)
Foreign currency translation differences	(2,047)
<b>At 31 December 2017</b>	<b>(40,484)</b>
At 1 January 2018	(40,484)
Amortisation charge for the period	(11,686)
Impairment of intangible asset (note e)	(145,711)
Foreign currency translation differences	8,376
<b>At 31 December 2018</b>	<b>(189,506)</b>
<b>Net book value</b>	
At 31 December 2017	159,914
<b>At 31 December 2018</b>	<b>-</b>

### Impairment

- (e) On 9 September 2017 the Group cancelled the Exclusive Patent Licence Patent Agreement with Arizona State University. The management did not consider there to be a reasonable prospect of developing a commercially product in the near to medium term.
- (f) On 29 November 2018 the Group decided to focus the Group's limited funds on completing the development and achieving FDA clearance of the X-PLOR™ Oxygen Concentrator. Due to the resources required to drive a significant increase in sales of its licenced products; the Slyde, the Passport and the Wire Caddy, it would divest these products, and after discussions with potential acquirers of these products, management assessed that the Group would be unable to achieve any meaningful price for the licences and therefore decided to fully impair the intangible value of those licences. Whilst management perceive there to be potential value in the SNAP III product, at the current stage of development they feel it appropriate to fully impair the licence.

### 13. Inventory

Group	2018 US \$	2017 US \$
Finished goods	128,094	79,284
<b>Inventory</b>	<b>128,094</b>	<b>79,284</b>



# Belluscura plc

## Notes to the accounts For the year ended 31 December 2018

### 14. Trade and other receivables

Group	2018 US \$	2017 US \$
Trade receivables	36,159	83,050
Less provision for impairment of trade receivables	(4,108)	(6,469)
Trade receivables – net	32,051	76,581
VAT	4,085	48,763
Prepayments and other debtors	9,972	22,131
<b>Total trade and other receivables</b>	<b>46,108</b>	<b>147,475</b>

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 23.

Company – Current	2018 US \$	2017 US \$
Receivables from Group companies	-	3,542,476
VAT	4,085	48,763
<b>Total trade and other receivables</b>	<b>4,085</b>	<b>3,591,239</b>

Company – Non-Current	2018 US \$	2017 US \$
Receivables from Group companies	5,732,022	-
Less provision for impairment of Intercompany receivables	(2,275,000)	-
<b>Total trade and other receivables</b>	<b>3,457,022</b>	<b>-</b>

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 become profitable and cash positive within 3 years.

Ageing of past due but not impaired trade receivables:

Group	2018 US \$	2017 US \$
0-30 days	6,496	36,609
30-60 days	15,370	29,236
60-90 days	3,851	2,395
90+ days	6,334	8,341
<b>Total</b>	<b>32,051</b>	<b>76,581</b>

Ageing of impaired trade receivables

Group	2018 US \$	2017 US \$
0-30 days	-	429
30-60 days	-	-
60-90 days	-	723
90+ days	4,108	5,317
<b>Total</b>	<b>4,108</b>	<b>6,469</b>

# Belluscura plc

## Notes to the accounts For the year ended 31 December 2018

### Movement of impaired trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2018 US \$	2017 US \$
Balance at 1 January 2017	6,469	-
Impairment loss recognised	-	6,469
Impairment loss reversed	(2,361)	-
Balance at 31 December 2018	4,108	6,469

### 15. Cash and cash equivalents

Group	2018 US \$	2017 US \$
Cash and bank and in hand	532,248	185,090
<b>Total cash and cash equivalents</b>	<b>532,248</b>	<b>185,090</b>

Company	2018 US \$	2017 US \$
Cash at bank and in hand	305,709	18,000
<b>Total cash and cash equivalents</b>	<b>305,709</b>	<b>18,000</b>

The Groups exposure to foreign exchange risk is detailed in note 3 to the accounts on page 23.

### 16. Categories of financial assets and financial liabilities

Group	2018 US \$	2017 US \$
Financial assets		
Loans and receivables at amortised cost	36,159	83,050
Cash and equivalents	532,248	185,090
	<b>568,407</b>	<b>268,140</b>
Financial liabilities		
Trade and other payables at amortised cost	247,033	1,346,065

Company	2018 US \$	2017 US \$
Financial assets		
Loans and receivables at amortised cost	3,457,022	3,542,476
Cash and equivalents	305,709	18,000
	<b>3,762,731</b>	<b>3,560,476</b>
Financial liabilities		
Trade and other payables at amortised cost	488,845	947,224

# Belluscura plc

## Notes to the accounts For the year ended 31 December 2018

### 17. Share capital and premium

#### Share capital

Group and Company	Number of shares of £0.01 each	Ordinary Shares US \$	Total US \$
<b>Issued and fully paid up</b>			
At 1 December 2016	8,617,918	120,402	120,402
Shares issued for consideration other than cash	519,608	6,716	6,716
Shares issued for cash	2,654,119	33,860	33,860
<b>At 31 December 2017</b>	<b>11,791,645</b>	<b>160,978</b>	<b>160,978</b>
At 1 January 2018	11,791,645	160,978	160,978
Shares issued for consideration other than cash	1,923,854	26,610	26,610
Shares issued for cash	20,066,735	268,519	268,519
<b>At 31 December 2018</b>	<b>33,782,234</b>	<b>456,107</b>	<b>456,107</b>

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 \$
<b>Allotted and fully paid up</b>		
At 1 December 2016	2,099,182	2,099,182
Premium on shares issued	1,896,297	1,896,297
Reduction in capital	(3,985,330)	(3,985,330)
<b>At 31 December 2017</b>	<b>10,149</b>	<b>10,149</b>
At 1 January 2018	10,149	10,149
Premium on shares issued	3,294,283	3,294,283
<b>At 31 December 2018</b>	<b>3,304,432</b>	<b>3,304,432</b>

Reduction in Capital - On 28 September 2017 the shareholders of the Group passed a special resolution, pursuant to Chapter 2 of Part 13 of the Companies Act 2006, to cancel the share premium account of the Company.

### 18. Reserves

Retained earnings	Group US \$	Company US \$
At 30 November 2016	(976,802)	(126,562)
Loss for the period	(2,829,170)	(1,026,342)
Reduction in capital	3,985,330	3,985,330
<b>At 31 December 2017</b>	<b>179,358</b>	<b>2,832,426</b>
Loss for the period	(1,478,177)	(2,800,941)
<b>At 31 December 2018</b>	<b>(1,298,819)</b>	<b>31,485</b>

# Belluscura plc

## Notes to the accounts For the year ended 31 December 2018

Capital Contribution	Group US \$	Company US \$
At 30 November 2016	165,000	165,000
Capital contribution received	-	-
At 31 December 2017	165,000	165,000
Capital contribution received	-	-
At 31 December 2018	165,000	165,000

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

Translation reserve	Group US \$	Company US \$
At 30 November 2016	(207,497)	(207,497)
Foreign exchange loss	223,317	223,317
At 31 December 2017	15,820	15,820
Foreign exchange gain	(344,680)	(344,648)
At 31 December 2018	(328,860)	(328,828)

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	2018 US \$	2017 US \$
Trade creditors	149,497	817,137
Amounts due to related parties	-	213,897
Social security and other taxes	5,717	13,953
Accruals and other creditors	97,536	315,031
	252,750	1,360,018
Company	2018 US \$	2017 US \$
Trade creditors	97,902	201,885
Amounts due to Group companies	351,358	358,050
Amounts due to related parties	-	127,606
Social security and other taxes	5,715	13,953
Accruals and other creditors	39,585	259,684
	494,560	961,178

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 23.

The Groups financial liabilities analysis at 31 December 2018 was as follows:

Group	2018 US \$	2017 US \$
In less than one year on demand:		
Trade and other payables	252,749	1,360,018
	252,749	1,360,018

The Group has no borrowing facilities

# Belluscura plc

## Notes to the accounts

### For the year ended 31 December 2018

#### 20. Deferred income tax

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. A blended tax rate of 19% has been used to calculate the potential deferred tax.

##### Group

	2018	2017
	US \$	US \$
<b>Deferred tax</b>		
Accelerated capital allowances	(5,551)	(7,747)
Short term timing differences	54,274	-
Tax losses	652,656	432,769
Unprovided deferred tax asset	(701,379)	(425,022)
	-	-

##### Company

	2018	2017
	US \$	US \$
<b>Deferred tax</b>		
Accelerated capital allowances	-	-
Short term timing difference	435,196	-
Tax losses	211,242	(114,259)
Unprovided deferred tax asset	(646,438)	114,259
	-	-

#### 21. Dividends

No dividend has been declared for the period ended 31 December 2018 and no dividend was paid during the period.

#### 22. Cash generated from operating activities

Group	2018	2017
	US \$	US \$
Loss before income tax	(1,478,177)	(2,829,170)
Adjustments for		
- Depreciation	9,517	(1,045)
- Amortisation and impairment	428,253	31,866
- Finance costs – net	-	-
- Movement in foreign exchange	(338,077)	223,803
- Gain on bargain purchases	-	(17,711)
Movement in trade and other receivables	291,977	(87,205)
Inventory movement	(48,811)	(74,781)
Movement in trade and other payables	(1,248,122)	971,185
<b>Cash generated from operating activities</b>	<b>(2,383,440)</b>	<b>(1,783,058)</b>

## Belluscura plc

### Notes to the accounts For the year ended 31 December 2018

#### 23. Commitments

##### Operating lease commitments

The Group's subsidiaries have one office rental agreement.

The total un-provided lease commitment is:

Group	2018 US\$	2017 US \$
Arising:		
No later than 1 year	110,079	105,348
Later than 1 year and no later than 5 years	480,836	526,740
After 5 years	108,053	70,232

On 21 August 2017 the Group entered into a 7-year lease for an office in Dallas to accommodate the business for future growth. During the year \$105,352 (2017: \$83,219) was recognised as an expense in the income statement in respect of operating leases.

#### 24. Related party transactions

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

Until April 2017 Tekcapital PLC, a company incorporated in England and Wales and listed on the London Stock Exchange (AIM), in the opinion of the Directors, was the Group's ultimate parent company and ultimate controlling party.

The Group's results for the period until 1 May 2017 are included in the consolidated accounts of Tekcapital PLC. Copies of the group financial statements of Tekcapital PLC are available from Companies House, Crown Way, Cardiff CF14 3UZ or [www.tekcapital.com](http://www.tekcapital.com).

During previous the period Tekcapital PLC provided funding by way of payment for certain expenditure. At the end of the period the balance owed to Tekcapital PLC was \$nil (2017: \$127,606). On 31 January 2018 the loan was converted into equity.

During previous the period Tekcapital LLC provided funding by way of payment for certain expenditure. At the end of the period the balance owed to Tekcapital LLC was \$nil (2017: \$86,291). On 31 January 2018 the loan was converted into equity.

During the previous period Tekcapital PLC paid legal expenses of \$55,096 on behalf of the Company.

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

#### 25. Events after the reporting period

The Group completed a private funding round in June 2019

- The placing was made at \$0.195 per share
- The Group issued a total of 8,536,707 new ordinary shares of £0.01p by way of a placing and raised gross proceeds of approximately US\$1.6m.