

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to what action you should take you are recommended to seek your own financial advice immediately from an independent financial adviser authorised under the Financial Services and Markets Act 2000 (“FSMA”), if you are in the United Kingdom, or, if not, from another appropriately authorised and independent financial adviser, who specialises in advising on the acquisition of shares and other securities.

This Document should not be forwarded or sent in, into or from any Restricted Jurisdiction and persons outside the United Kingdom into whose possession this document may come, should inform themselves about and observe any applicable restrictions under the laws of the jurisdiction in which this Document is received.

This Document, which comprises an AIM admission document prepared in accordance with the AIM Rules for Companies, has been issued in connection with the application for admission to trading of the entire issued and to be issued ordinary share capital of the Company to trading on AIM, a market operated by London Stock Exchange plc (“AIM”). This Document contains no offer of transferable securities to the public within the meaning of sections 85 and 102B of the FSMA, the Act or otherwise. Accordingly, this Document does not constitute a prospectus within the meaning of section 85 of the FSMA and has not been drawn up in accordance with the Prospectus Regulation Rules or approved by, or filed with, the FCA or any other competent authority.

Application will be made for the Enlarged Share Capital of Belluscura plc to be admitted to trading on AIM. It is expected that admission of the Enlarged Share Capital to trading on AIM will commence on 28 May 2021.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the FCA. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to London Stock Exchange plc on admission to AIM in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. London Stock Exchange has not itself examined or approved the contents of this Document. The whole of the text of this Document should be read. Your attention is drawn in particular to the section entitled “Risk Factors” in Part II of this Document.

BELLUSCURA PLC

(Incorporated and registered in England and Wales with registered number 09910883)



**Placing of, and Subscription for, 38,888,888 new ordinary shares at 45 pence each per share
Admission of the Enlarged Share Capital to trading on AIM**

SPARK Advisory Partners Limited

Dowgate Capital Limited



Nominated Adviser



Broker and Bookrunner

Share capital immediately following Admission

	<i>Issued and fully paid</i>	
	<i>Amount</i>	<i>Number</i>
Ordinary shares of 1 pence each	£1,132,407.35	113,240,735

SPARK Advisory Partners Limited (“SPARK”), which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser to the Company. It will not be responsible to any person other than the Company for providing the protections afforded to its clients or for advising any other person on the contents of any part of this Document. The responsibilities of SPARK as the Company’s nominated adviser under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or any Director or Shareholder or to any other person, in respect of any decision to acquire Ordinary Shares in reliance on any part of this Document or otherwise. SPARK is not making any representation or warranty, express or implied, as to the contents of this Document.

Dowgate Capital Limited (“Dowgate Capital”), which is authorised and regulated in the United Kingdom by the FCA, is acting as broker to the Company in connection with the Placing and Admission. Dowgate Capital is acting exclusively for the Company and for no-one else in connection with the Placing and Admission. Dowgate Capital will not regard any other person (whether or not a recipient of this Document) as its customer in relation to the Placing and Admission and will not be responsible to any other person for providing the protections afforded to customers of Dowgate Capital or for providing advice in relation to the Placing, Admission or any transaction or arrangement referred to in this Document.

An investment in the Company involves a significant degree of risk and may not be suitable for all recipients of this Document. A prospective investor should consider carefully whether an investment in the Company is suitable for them in the light of his personal circumstances and the financial resources available to them. Your attention is drawn to the section entitled “Risk Factors” in Part II of this Document.

Prospective investors should rely only on the information contained in this Document. No person has been authorised to give any information or to make any representations other than as contained in this Document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company, the Directors, SPARK or Dowgate Capital.

Neither the delivery of this Document nor any issue or sale of Ordinary Shares made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as of any subsequent time.

IMPORTANT INFORMATION

This Document does not constitute an offer to sell or the solicitation of an offer to buy or subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this Document is not for distribution in or into the United States of America, Canada, Australia, New Zealand, the Republic of South Africa, the Republic of Ireland or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) nor under the applicable securities legislation of any state of the United States of America or any province or territory of Canada, Australia, New Zealand, the Republic of South Africa, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exemptions, be offered or sold directly or indirectly in or into the United States of America, Canada, Australia, New Zealand, the Republic of South Africa, the Republic of Ireland or Japan or to, or for the account or benefit of, US persons or any national, resident or citizen of the United States of America, Canada, Australia, New Zealand, the Republic of South Africa or Japan. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Investors should rely only on the information in this Document. No person has been authorised to give any information or to make any representations other than those contained in this Document and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Group, the Directors, SPARK or Dowgate Capital. No representation or warranty, express or implied, is made by SPARK, or Dowgate Capital as to the accuracy or completeness of such information, and nothing contained in this Document is, or shall be relied upon as, a promise or representation by SPARK or Dowgate Capital as to the past, present or future. Neither the delivery of this Document, under any circumstances, create any implication that there has been no change in the business or affairs of the Group since the date hereof or that the information contained herein is correct as of any time subsequent to the earlier of the date hereof and any earlier specified date with respect to such information.

The Group does not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media or any other person regarding the Company and/or the Subsidiary. The Group makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

As required by the AIM Rules for Companies, the Group will update the information provided in this Document by means of a supplement to it, if it is noted that this Document contains any mistake or substantial inaccuracy. This Document and any supplement thereto will be made public in accordance with the AIM Rules for Companies.

The contents of this Document are not to be construed as legal, financial, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial, business or tax advice in relation to any purchase or proposed purchase of Ordinary Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold shares under applicable investment legislation or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of an investment in Ordinary Shares for an indefinite period of time.

This Document does not constitute a recommendation concerning the proposed Placing. The price and value of the Ordinary Shares and any income from them can go down as well as up and investors may not get back the full amount invested on disposal of the Ordinary Shares. Past performance is not a guide to future performance. Recipients of this Document who intend to subscribe for Ordinary Shares in the Placing should ensure that they fully understand and accept the risks that will be set out in the Admission Document, when published. Information in this Document relating to the Placing cannot be relied upon as a guide to future performance. The Placing timetable including the publication of the Admission Document and the date of Admission may be influenced by a range of circumstances such as market conditions. There is no guarantee that the Placing will occur and you should not base your financial decisions on the Company's intentions in relation to the Placing or the information contained in this Document. The contents of the document are not to be construed as legal, investment, financial or tax advice. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

Certain risks to, and uncertainties for, the Company and its subsidiaries are specifically described in Part II of this Document headed "Risk Factors". Such risks and uncertainties as set out in the Risk Factors section of this Document do not necessarily comprise all the risks and uncertainties faced by the Company and its subsidiaries. If one or more of these risks or uncertainties materialises, or if underlying assumptions prove incorrect, the Company's actual results, financial condition, performance or achievements may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

To the extent available, the industry, market and competitive position data contained in this Document comes from official or third party sources. Third party industry publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. While the Company reasonably believes that each of these publications, studies and surveys has been prepared by a reputable source, the Company has not independently verified the data contained therein. In addition, certain of the industry, market and competitive position data contained in this Document comes from the Company's own internal research and estimates based on the knowledge and experience of the Company's management in the markets in which the Company operates. While the Company reasonably believes that such research and estimates are reasonable and reliable, they, and their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness and are subject to change. Accordingly, undue reliance should not be placed on any of the industry, market or competitive position data contained in this Document.

This Document is strictly private and confidential and is exempt from the general restriction in section 21 of FSMA on the communication of invitations or inducements to engage in investment activity pursuant to the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, on the grounds that this Document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Group, the Directors, SPARK or Dowgate Capital or any of their representatives that any recipient of this Document should subscribe for or purchase any of the Ordinary Shares.

The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, or under the applicable securities laws of any State of the United States or under the securities laws of Canada, Australia, the Republic of South Africa, the Republic of Ireland, Japan or the United States of America, or any State, province or territory thereof or any other jurisdiction outside the United Kingdom. Accordingly, the Ordinary Shares may not be taken up, offered, sold, resold, delivered or distributed, directly or indirectly, within, into or from the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the United States Securities Act of 1933 and in compliance with the securities laws of any State or other jurisdiction of the United States. None of the Ordinary Shares may be taken up, offered, sold, resold, delivered or distributed, directly or indirectly, within, to or from the Canada, Australia, the Republic of South Africa, the Republic of Ireland, Japan or the United States of America or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, such jurisdictions except pursuant to an applicable exemption.

Prior to making any decision as to whether to subscribe for or purchase any Ordinary Shares, prospective investors should read the entirety of this Document and, in particular, the section headed "Risk Factors".

Investors should ensure that they read the whole of this Document and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination (or the examination of the prospective investor's lawyers, financial advisers or tax advisers) of the Group and the terms of this Document, including the risks involved. Any decision to purchase Ordinary Shares should be based solely on this Document and the prospective investor's (or such prospective investor's lawyers, financial advisers or tax advisers) own examination of the Group.

Investors who subscribe for or purchase Ordinary Shares will be deemed to have acknowledged that: they have not relied on SPARK or Dowgate Capital or any person affiliated with them in connection with any investigation of the accuracy of any information contained in this Document for their investment decision; and (ii) they have relied only on the information contained in this Document, and no person has been authorised to give any information or to make any representation concerning the Company or the Ordinary Shares (other than as contained in this Document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by or on behalf of the Company, the Directors, SPARK or Dowgate Capital.

None of the Company, the Directors, SPARK or Dowgate Capital or any of their representatives is making any representation to any subscriber or purchaser of Ordinary Shares regarding the legality of an investment by such subscriber or purchaser.

SPARK and/or Dowgate Capital and/or any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to the Company, for which they would have received customary fees. SPARK or Dowgate Capital and any of their respective affiliates may provide such services to the Company and any of its affiliates in the future.

Notice to prospective investors in the United Kingdom

No Shares have been offered or will be offered pursuant to the Placing to the public in the United Kingdom prior to the publication of a prospectus in relation to the Shares which has been approved by the FCA, or in accordance with the Prospectus Regulation, except that offers of Shares to the public may be made at any time under the following exemptions under the Prospectus Regulation:

- (1) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (2) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation); or
- (3) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Shares shall require the Company or any other person to publish a prospectus pursuant to Article 23 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation and each person who initially acquires any Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of the Prospectus Regulation and/or EU Prospectus Regulation.

None of the Company, SPARK or Dowgate Capital has authorised, nor does any of them authorise, the making of any offer of Shares in circumstances in which an obligation arises for the Company, SPARK or Dowgate Capital to publish a prospectus or a supplemental prospectus in the United Kingdom in respect of such offer.

For the purposes of this provision, the expression “an offer to the public” in relation to any offer of Shares in the United Kingdom means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, and the expression “**Prospectus Regulation**” means the Regulation (EU) 2017/1129 as applied in the United Kingdom under the European Union (Withdrawal) Act 2018 (as amended).

In addition, this Document is being distributed in the United Kingdom where it is directed only at (i) persons having professional experience in matters relating to investments, i.e., investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “FPO”); and/or (ii) high net-worth companies, unincorporated associations and other bodies within the meaning of Article 49 of the FPO and/or (iii) Article 50 (certified sophisticated investors) of the FPO. The investment or investment activity to which this Document relates is available only to such persons. It is not intended that this Document be distributed or passed on, directly or indirectly, to any other class of person and in any event, and under no circumstances, should persons of any other description rely on or act upon the contents of this Document.

Notice to prospective investors in the EEA

In relation to each Member State of the European Economic Area (“**EEA**”) other than the United Kingdom (each a “**Member State**”), no Shares have been offered or will be offered pursuant to the Placing to the public in that Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Member State, or in accordance with the EU Prospectus Regulation, except that offers of Shares to the public may be made at any time under the following exemptions under the EU Prospectus Regulation:

- (1) to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;
- (2) to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) in such Member State; or

(3) in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of Shares shall require the Company or any other person to publish a prospectus pursuant to Article 23 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation and each person who initially acquires any Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of the EU Prospectus Regulation.

None of the Company, SPARK or Dowgate Capital has authorised, nor does any of them authorise, the making of any offer of Shares in circumstances in which an obligation arises for the Company, SPARK or Dowgate Capital to publish a prospectus or a supplemental prospectus in respect of such offer. For the purposes of this provision, the expression “an offer to the public” in relation to any offer of Shares in any Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, and the expression “**EU Prospectus Regulation**” means Regulation (EU) 2017/1129.

Notice to distributors Solely for the purposes of the product governance requirements contained within the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK Product Governance Rules**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the UK Product Governance Rules) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that the Shares are: (i) compatible with an end target market of investors who meet the criteria of professional clients and eligible counterparties each as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”); and (ii) eligible for distribution through all distribution channels as are permitted by the UK Product Governance Rules (the “**UK Target Market Assessment**”).

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“**MiFID II**”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that the Shares are: (i) compatible with an end target market of investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “**EU Target Market Assessment**”).

Notwithstanding the UK Target Market Assessment and the EU Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Each of the UK Target Market Assessment and the EU Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the UK Target Market Assessment and the EU Target Market Assessment, SPARK and Dowgate Capital will only procure investors who meet the criteria of professional clients and eligible counterparties each as defined under COBS or MiFID II, as applicable.

For the avoidance of doubt, each of the UK Target Market Assessment and the EU Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of Chapters 9A or 10A respectively of COBS or MiFID II, as applicable; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to, the Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.

This Document includes “**forward-looking statements**” which include all statements other than statements of historical facts including, without limitation, those regarding the Company’s financial position, business strategy, plans and objectives of management for future operations and any statements preceded by, followed by or that include forward-looking terminology such as the words “**targets**”, “**plan**”, “**project**”,

“believes”, “estimates”, “aims”, “intends”, “can”, “may”, “expects”, “forecasts”, “anticipates”, “would”, “should”, “could” or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company’s control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future. The important factors that could cause the Company’s actual results, performance or achievements to differ materially from those in forward-looking statements include factors in the section entitled “**Risk Factors**” and elsewhere in this Document. These forward-looking statements speak only as at the date of this Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions in relation to any forward-looking statements contained herein to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. As a result of these factors, the events described in the forward-looking statements in this Document may not occur. Prospective investors should be aware that these statements are estimates, reflecting only the judgement of the Company’s management and prospective investors should not therefore rely on any forward-looking statements. Any forward looking statement in this Document based on past or current trends and/or activities of the Group should not be taken as a representation or assurance that such trends or activities will continue in the future. No statement in this Document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will match or exceed the historical or published earnings of the Group.

Market, Industry and Economic data

Unless the source is otherwise identified, the market, industry, and economic and industry data and statistics in this Admission Document constitute the Existing Directors’ and Proposed Directors’ estimates, using underlying data from third parties. The Company has obtained market and economic data and certain industry statistics from internal reports, as well as from third party sources as described in the footnotes to such information. The Company confirms that all third party information set out in this Admission Document has been accurately reproduced and that, so far as the Company is aware and has been able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this Admission Document, the source of such information has been identified.

Such third party information has not been audited or independently verified.

This Admission Document includes market share, industry data and forecasts that the Company has obtained from industry publications, surveys and internal company sources. As noted in this Admission Document, the Company has obtained market and industry data relating to its business from providers of industry data and has obtained market data from the following reports:

Grand View Research: Global Medical Oxygen Concentrators & Oxygen Cylinders – Market Trend Analysis 2019 Report

ResearchDive.com: Medical Oxygen Concentrators & Oxygen Cylinders Market Analysis and Segment Forecast.

Statistics are subjective and judgmental.

Market and industry data are inherently predictive and speculative and is not necessarily reflective of actual market conditions. Statistics in such data are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. The value of comparisons of statistics for different markets is limited by many factors, including: (i) the markets are defined differently; (ii) the underlying information was gathered by different methods; and (iii) different assumptions were applied in compiling the data. Consequently, the industry publications and other reports referred to above generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and, in some instances, these reports and publications state expressly that they do not assume liability for such information. Specifically, neither SPARK nor Dowgate have authorised the contents of, or any part of, this Admission Document and

accordingly no liability whatsoever is accepted by SPARK or Dowgate for the accuracy or completeness of any market or industry data which is included in this Admission Document.

The contents of the Company's website, any website mentioned in this Document or any website directly or indirectly linked to these websites have not been verified and do not form part of this Document, and prospective investors should not rely on such information.

The financial information and certain other figures in this Document have been subject to rounding adjustments. Therefore, the sum of numbers in a table (or otherwise) may not conform exactly to the total figure given for that table. In addition, certain percentages presented in this Document reflect calculations based on the underlying information prior to rounding and accordingly may not conform exactly to the percentages that would be derived if the relevant calculations were based on the rounded numbers.

Certain terms used in this Document are defined in the "**Definitions**" section of this Document. Certain technical terms are explained in the "**Glossary of Technical Terms**" section of this Document.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Document	24 May 2021
Issue of VCT/EIS Placing Shares	26 May 2021
Admission effective and commencement of dealings in the Enlarged Share Capital on AIM	8.00 a.m. on 28 May 2021
CREST member accounts credited with Placing Shares and Subscription Shares (where applicable)	28 May 2021
Despatch of definitive share certificates (where applicable)	by 11 June 2021

ADMISSION AND PLACING STATISTICS

Number of Existing Ordinary Shares in issue at the date of this Document	74,351,847
Number of Placing Shares	38,244,444
Number of VCT/EIS Placing Shares	14,192,554
Number of General Placing Shares	24,051,890
Number of Subscription Shares	644,444
Enlarged Share Capital following the Placing, the Subscription and Admission	113,240,735
Percentage of Enlarged Share Capital represented by the Placing Shares and the Subscription Shares	34.34%
Issue Price	45p
Gross proceeds of the Placing and Subscription	£17.5 million
Estimated net proceeds of the Placing and Subscription ⁽¹⁾	£16.1 million
Market capitalisation of the Company at the Issue Price on Admission ⁽²⁾	£50.96 million
TIDM	BELL
ISIN	GB00BD3B8Z11
SEDOL	BD3B8Z1
LEI	213800BRJQZE56XBPW94

Notes:

- (1) After deduction of estimated commissions, fees and expenses payable by the Company of approximately £1.4 million.
- (2) The market capitalisation of the Company at any given time will depend on the market price of the Ordinary Shares at that time. There can be no assurance that the market price of an Ordinary Share will equal or exceed the Issue Price.
- (3) All future dates referred to above are indicative only and are subject to change without further notice at the discretion of the Company. If any of the details contained in the timetable above should change, the revised times and dates will be notified to Shareholders by means of an announcement through a Regulatory Information Service.

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Adam Reynolds <i>Non-Executive Chairman</i> Robert Michael Rauker <i>Chief Executive Officer</i> Anthony Stephen Dyer <i>FCMA Chief Financial Officer</i> David John Poutney* <i>Non-Executive Director</i> Dr Patrick John Strollo Jnr <i>Non-Executive Director</i> Richard John Piper* <i>Non-Executive Director</i>
	all of whose business address is the Company's registered office
	*to be appointed on Admission
Website Address	www.belluscura.com
Company Secretary	Anthony Stephen Dyer
Registered Office	15 Fetter Lane London EC4A 1BW
Nominated Adviser	SPARK Advisory Partners Limited 5 St John's Lane London EC1M 4BH
Broker and Bookrunner to the Company	Dowgate Capital Limited 15 Fetter Lane London EC4A 1BW
Reporting accountants to the Company	Mazars LLP Park View House 58 The Ropewalk Nottingham NG1 5DW
Solicitors to Company – UK Law	DWF Law LLP Bridgewater Place Water Lane Leeds LS11 5DY
Solicitors to the Nomad and Broker	BPE Solicitors LLP St James House St James Square Cheltenham GL50 3PR
IP Solicitors to Company – US Law	Panitch Schwarze Belisario & Nadel LLP 2001 Market St #2800 Philadelphia PA19103 United States
Solicitors to Company – US Law	Bell Nunally & Martin LLP 2323 Ross Avenue Suite #1900 Dallas Texas 75201 United States
Registrars	Link Market Services Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

Investor Relations

Walbrook PR
75 King William Street
London EC4N 7BE

Bankers

Barclays Bank plc
1 Churchill Place Canary Wharf
London E14 5HP

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Admission Document:

“2018 Warrants”	the 448,042 warrants to subscribe for new Ordinary Shares, details of which are set out in paragraph 3.9 of Part V;
“2020 Warrants”	the 813,332 warrants to subscribe for new Ordinary Shares, details of which are set out in paragraph 3.9 of Part V;
“Act”	the Companies Act 2006 (as amended from time to time);
“acting in concert”	shall bear the meaning ascribed thereto in the Takeover Code;
“Admission”	the admission of the Enlarged Share Capital to trading on AIM following completion of the Placing and Subscription and such admission becoming effective in accordance with the AIM Rules for Companies;
“Admission Document” or “Document”	this document;
“AIM”	AIM, a market operated by the London Stock Exchange;
“AIM Rules”	together, the AIM Rules for Companies and the AIM Rules for Nominated Advisers;
“AIM Rules for Companies”	the rules of the London Stock Exchange which set out the obligations and responsibilities in relation to companies whose shares are admitted to AIM as published and amended from time to time by the London Stock Exchange;
“AIM Rules for Nominated Advisers”	the rules of the London Stock Exchange that set out the eligibility obligations and certain disciplinary matters in relation to nominated advisers as published and amended by the London Stock Exchange from time to time;
“Articles of Association” or “Articles”	the articles of association of the Company, a summary of which is set out in paragraph 5 of Part V of this Document;
“Audit Committee”	the audit committee of the Board or a sub-committee of it, further details of which are set out in paragraph 17 of Part I of this Document;
“Business Day”	any day (other than a Saturday or Sunday) on which commercial banks are open for general business in London, UK;
“certificated” or “in certificated form”	not in uncertificated form (that is, not in CREST);
“Company” or “Belluscura”	Belluscura plc, a company incorporated in England and Wales with registered number 09910883 and whose registered office is at 15 Fetter Lane, London, EC4A 1BW;
“CREST”	the relevant system (as defined in the CREST Regulations) in accordance with which securities may be held or transferred in uncertificated form, and in respect of which Euroclear is the Operator (as defined in the CREST Regulations);

“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended from time to time, and any applicable rules made under those regulations;
“Directors” or “Board”	the Existing Directors and, where applicable, the Proposed Directors, whose names are set out on page 10 of this Document, including any duly authorised committee of the board of directors of the Company and “Director” is to be construed accordingly;
“Dowgate Capital” or “Dowgate”	Dowgate Capital Limited, the Company’s broker and which is authorised and regulated by the FCA;
“EEA”	European Economic Area;
“EIS”	Enterprise Investment Scheme under provision of Part 5 of the Income Tax Act 2007;
“Enlarged Share Capital”	the issued ordinary share capital of the Company immediately following Admission comprising: (i) the Existing Ordinary Shares, (ii) the Placing Shares and (iii) the Subscription Shares;
“EU”	European Union;
“Euroclear”	Euroclear UK & Ireland Limited, a company incorporated in England and Wales and the operator of CREST;
“Existing Directors”	the directors as at the date of this document;
“Existing Ordinary Shares” or “Existing Share Capital”	the 74,351,847 Ordinary Shares in issue at the date of this Document, all of which are fully paid;
“Existing Shareholders”	the holders of the Existing Ordinary Shares and “Existing Shareholder” shall be construed accordingly;
“FCA”	the United Kingdom Financial Conduct Authority, the statutory regulator under FSMA responsible for the regulation of the United Kingdom financial services industry;
“FSMA”	the Financial Services and Markets Act 2000, as amended, including any regulations made pursuant thereto;
“General Placing”	the conditional placing by Dowgate Capital on behalf of the Company at the Placing Price of the General Placing Shares pursuant to the Placing Agreement;
“General Placing Shares”	24,051,890 new Ordinary Shares;
“Group”	the Company and the Subsidiary;
“HMRC”	Her Majesty’s Revenue and Customs of the UK;
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board;
“ISIN”	the International Securities Identification Number for the Ordinary Shares, being GB00BD3B8Z11;
“Issued Share Capital”	the entire issued ordinary share capital of the Company from time to time;

“Lock-in and Orderly Market Agreements”	the conditional lock-in and orderly market agreements dated 24 May 2021 between the Company, SPARK, Dowgate Capital and the Locked-in and Orderly Market Parties, further details of which are contained in paragraph 16 of Part V of this Document;
“Locked-in and Orderly Market Parties”	each of (1) TekCapital, (2) Mr N Wray & connected parties, (3) Mr D Poutney & connected parties, (4) the Directors and (5) Applicable Employees (as defined by the AIM Rules);
“London Stock Exchange”	London Stock Exchange Group plc;
“MAR”	the UK version of the Market Abuse Regulation (EU) (No. 596/2014) as brought into UK law through the European (Withdrawal) Act 2018, as amended;
“Nomination Committee”	the nomination committee of the Board or a sub-committee of it, further details of which are set out in paragraph 17 of Part I of this Document;
“Official List”	the Official List maintained by the UKLA;
“Option Holder”	a person who is granted an Option under the Share Option Scheme;
“Ordinary Shares”	the ordinary shares of £0.01 each in the capital of the Company;
“Placee(s)”	those person(s) who have conditionally agreed to subscribe for the Placing Shares at the Placing Price pursuant to the Placing;
“Placing”	the VCT/EIS Placing and the General Placing;
“Placing Agreement”	the conditional agreement dated 24 May 2021 between: (1) the Company; (2) SPARK; (3) Dowgate Capital and (4) the Directors relating to the Placing, and Admission further details of which are set out in paragraph 17 of Part V of this Document;
“Placing Price” or “Issue Price”	45 pence per Placing Share and Subscription Share;
“Placing Shares”	the 14,192,554 VCT/EIS Placing Shares and 24,051,890 General Placing Shares;
“Proposed Directors”	Mr D Poutney and Mr R Piper;
“Prospectus Regulation Rules”	the prospectus regulation rules made by the FCA pursuant to section 73A of the FSMA, as amended from time to time;
“QCA Code”	The Corporate Governance Code is a practical, outcome-oriented approach to corporate governance that is tailored for small and mid-size quoted companies. It was published by the Quoted Companies Alliance in 2018, as amended from time to time;
“Recognised Investment Exchange”	an investment exchange recognised by the FCA under Part XVIII of the FSMA;
“Registrars”	Link Asset Services, the trading name of Link Market Services Limited, incorporated in England and Wales with company number 03376447, whose registered office is The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, United Kingdom;

“Relationship Agreements”	the conditional relationship agreements dated 24 May 2021 between the Company, SPARK and (1) David Poutney & connected parties and Nigel Wray & connected parties and (2) TekCapital, further details of which are contained in paragraph 11.1 of Part V of this Document;
“Remuneration Committee”	the remuneration committee of the Board or a sub-committee of it, further details of which are contained in paragraph 17 of Part I of this Document;
“Restricted Jurisdiction”	the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland and Japan and any jurisdiction where local laws or regulations may result in a risk of civil, regulatory or criminal exposure if information concerning the Placing and Subscription is sent or made available to anyone in that jurisdiction;
“Restricted Share Scheme”	the Company’s restricted share scheme, details of which are set in paragraph 9.2 of Part V of this document;
“Separation Design Group” or “SDG”	Separation Design Group, LLC, a research and product development firm located in Waynesburg, Pennsylvania, with whom the Company entered into a licence and development agreement for the development and commercialisation of the X-PLO₂R portable oxygen concentrator;
“SDG Warrant”	the warrants to subscribe for up to 1,000,000 Ordinary Shares at the Issue Price which has been granted to Separation Design Group, details of which are set out in paragraph 11.10 of Part V of this Document;
“Share Dealing Code”	the Company’s share dealing code as referred to in paragraph 18 of Part I of this Document;
“Share Option Scheme”	the Belluscura PLC Enterprise Management Incentive and Unapproved Scheme;
“Shareholders”	holders of Ordinary Shares from time to time, each individually being a “Shareholder”;
“SPARK”	SPARK Advisory Partners Limited, nominated adviser to the Company and which is authorised and regulated by the FCA;
“Subscription”	the conditional subscription of the Subscription Shares at the Issue Price;
“Subscription Agreement(s)”	the agreement(s) for the subscription of the Subscription Shares, further details of which are set out in paragraph 11.11 of Part V of this Document;
“Subscription Shares”	the new shares to be issued by the Company and subscribed pursuant to the Subscription;
“Subsidiary”	Belluscura LLC, a wholly owned subsidiary of the Company, incorporated in Delaware with company number 6043452;
“Subsidiary Undertaking”	a subsidiary undertaking, as that term is defined in section 1162 of the Act;

“Substantial Shareholders”	TekCapital, Mr N Wray & connected parties and Mr D Poutney & connected parties, each of whom, following Admission, will hold a legal or beneficial interest directly or indirectly in 10 per cent. or more of the Enlarged Share Capital or voting rights of the Company, as defined in the AIM Rules for Companies;
“Takeover Code”	the City Code on Takeovers and Mergers issued by the Takeover Panel, as amended from time to time;
“Takeover Panel” or “Panel”	the Panel on Takeovers and Mergers in the United Kingdom;
“TekCapital”	TekCapital plc, the founder of the Company and a Substantial Shareholder incorporated in England and Wales with company number 08873361, whose registered office address is 5 Fleet Place, London, EC4M 7RD;
“uncertificated” or “uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland;
“United States” or “US”	the United States of America;
“VAT”	value added tax;
“VCT”	a company approved as a Venture Capital Trust under the provisions of part 6 of the Income Tax Act 2007;
“VCT/EIS Placing”	the conditional placing by Dowgate Capital on behalf of the Company at the Placing Price of the VCT/EIS Placing Shares pursuant to the Placing Agreement;
“VCT/EIS Placing Shares”	14,192,554 new Ordinary Shares;
“£” and “pounds” or “p” or “GBP”	pounds sterling and pence, the lawful currency from time to time of the United Kingdom; and
“\$” and “dollars” or “USD\$”	dollars and cents, the lawful currency from time to time of the United States.

In this Document:

- (i) use of the singular includes the plural and vice versa, unless the context otherwise requires;
- (ii) references to a ‘Part,’ or ‘Parts’ and references to page numbers, are to the relevant Part or Parts or to the relevant page or pages of this Document; and
- (iii) References to one gender includes references to all genders.

GLOSSARY OF TECHNICAL TERMS

"510(k)"	the premarket notification required under the Food, Drug and Cosmetic Act 1976 which requires device manufacturers to register and notify the FDA of their intent to market a medical device at least 90 days in advance;
"CE Marking"	the marking required for products that are traded on the single market in the European Economic Area (EEA) under Directive 93/68/EEC which shows that the manufacturer has checked that these products meet EU safety, health or environmental requirements, is an indicator of a product's compliance with EU legislation and allows the free movement of products within the EEA;
"Continuous Flow"	a constant flow from an oxygen source administering oxygen to the respiratory patient;
"ECMO₂"	a portable Extra- Corporeal Membrane Oxygen ("ECMO") product which Belluscura is developing;
"FDA"	the Food and Drug Administration, a US government agency established under the Federal Food and Drugs Act 1906 which oversees and regulates companies involved in food, drugs, cosmetics, animal food, dietary supplements, medical devices, biological goods and blood products;
"HO₂ME"	an oxygen concentrator being developed by Belluscura which is intended for home use;
"MediCare"	a national health insurance program in the United States, begun in 1966 under the Social Security Administration (SSA) and now administered by the Centers for Medicare and Medicaid Services (CMS). It primarily provides health insurance for Americans aged 65 and older.
"Oxygen Concentrator"	a device that 'purifies' ordinary air into a high concentration of oxygen for patients to inhale;
"POC"	portable oxygen concentrator;
"Pulse dose"	a newer technology, which only releases oxygen when the patient inhales (in comparison to the constant flow from continuous oxygen sources);
"VENTO₂LAT-R"	a non-invasive portable ventilator which is being developed by Belluscura;
"X-PLO₂R"	X-PLO₂R the Company's first modular portable oxygen concentrator (previously called the CURV); and
"zeolite"	any of a large group of minerals consisting of hydrated aluminosilicates of sodium, potassium, calcium, and barium. They can be readily dehydrated and rehydrated, and are used as cation exchangers and molecular sieves. Belluscura's X-PLO₂R products use zeolites to bond to nitrogen with the sieve bed;

PART I

INFORMATION ON BELLUSCURA

1. HISTORY AND INTRODUCTION

Belluscura was established in the UK in December 2015 with the object of commercialising intellectual property in the medical device space. The Company is currently focused on devices and treatments involving enriched oxygen.

The Company has raised approximately \$11.7 million since 2018 in a number of fundraising rounds in order to develop and commercialise the Company's product portfolio.

In February 2017, Belluscura entered into a co-exclusive license and development agreement with Separation Design Group LLC ("**SDG**") of Waynesburg, Pennsylvania, to jointly develop and commercialise the **X-PLO₂R™** portable oxygen concentrator, a device that weighs less than 1.5kg, yet can deliver up to 800ml per minute of pulse dose enriched oxygen to a patient prescribed long term oxygen therapy. This agreement was updated in March 2021 to be an exclusive licence and development agreement.

SDG owns patents and patent applications covering novel oxygen enrichment technologies and treatment devices and methods. Through joint development efforts with SDG and the co-exclusive licence, Belluscura now either owns or exclusively licences a total of 26 patents and applications relating to oxygen enrichment devices and treatments.

The Belluscura and SDG development relationship also includes the development of additional products, the **X-PLO₂R CX™** and the **X-PLO₂R DX™** portable oxygen concentrators. The **X-PLO₂R CX** is expected to produce the equivalent of 4 litres pulse dose oxygen and 750ml continuous flow oxygen. The **X-PLO₂R DX** is being designed to produce the equivalent of 6-litres pulse dose oxygen and 2-litres of continuous flow oxygen.

On 2 March 2021 Belluscura received 510(k) clearance from the FDA for the **X-PLO₂R**. The Directors do not anticipate requiring additional FDA 510(k) clearances to launch the **X-PLO₂R CX** and the **X-PLO₂R DX** portable oxygen concentrators, as it expects to be able to self certify under "substantially equivalent" protocols of the FDA.

Belluscura plans to launch the **X-PLO₂R** shortly and the **X-PLO₂R CX** and **X-PLO₂R DX** within the next 12 months. The Company has a manufacturing agreement to produce the products in the USA. Following a soft launch, the Company plans to appoint distributors in the US to give US-wide coverage; this is expected to occur in the second half of 2021 and into 2022. Belluscura will commence International Regulatory clearances during 2021 and 2022 before expanding distribution globally. Following launch in the US, the Company intends, in due course, to pursue commercialisation in the UK, EU, Japan, South Asia, Australia, South America and Latin America.

Belluscura has an experienced executive management team with significant expertise in the medical devices industry and UK public companies.

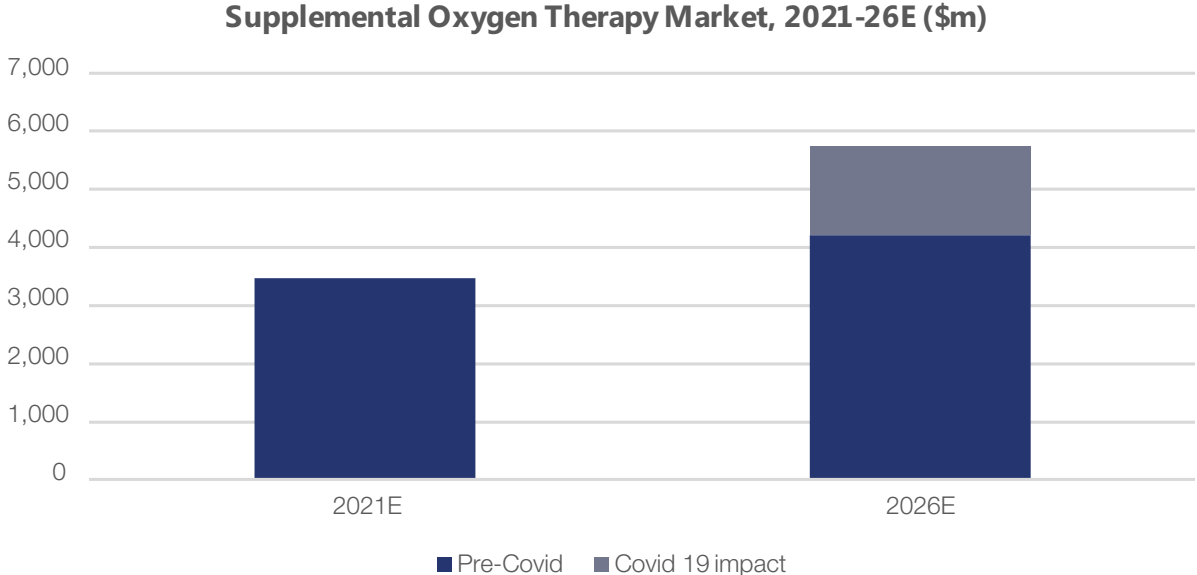
The Company has conditionally raised £17.5 million (before expenses) by the issue of 38,244,444 Placing Shares and 644,444 Subscription Shares at the Issue Price pursuant to the Placing and the Subscription. From the net proceeds of the Placing and Subscription, the Directors currently intend that some £3.0 million will be used to launch the **X-PLO₂R** and some £8.0 million will be applied to progress Belluscura's oxygen enrichment product portfolio.

2. THE MARKET

The global respiratory care devices market is estimated to be \$23.4 billion in 2021 and expected to reach \$28.6 billion by 2024, growing over \$1.7 billion per year.

Supplemental Oxygen Therapy Market

Within the respiratory care devices market, the supplemental oxygen therapy devices market was forecast in 2018 to grow by 6 per cent. per year from \$3.2 billion in 2021 to \$4.2 billion by 2026.



Sources: Grand View Research: Global Medical Oxygen Concentrators & Oxygen Cylinders – Market Trend Analysis 2019 Report
 ResearchDive.com: Medical Oxygen Concentrators & Oxygen Cylinders Market Analysis and Segment Forecast

The impact of the COVID-19 pandemic has led to an increase in this growth forecast to 11 per cent. per annum. The market is now forecast to reach \$5.7 billion by 2026, an increase of 66 per cent. over the next 5 years.

The World Health Organisation (“WHO”) announced on 24 June 2020 that it would be purchasing 184,000 oxygen concentrators, valued at over \$100 million, to address oxygen shortages in 120 countries.

As of February 2021, the WHO and partners have distributed over 30,000 concentrators and 40,000 pulse oximeters and patient monitors, reaching 121 countries, including 37 countries that are classified as “fragile”.

Respiratory Diseases

The principal respiratory disease that requires management through the prescription of supplemental oxygen is Chronic Obstructive Pulmonary Disease (“**COPD**”). In addition, other respiratory diseases where symptoms are alleviated through supplemental oxygen include Coronavirus, Pulmonary Fibrosis and Cystic Fibrosis.

Chronic Obstructive Pulmonary Disease

COPD is the name for a group of lung conditions that cause breathing difficulties. These conditions include Emphysema, Chronic Bronchitis and Asthma.

COPD typically affects middle-aged or older adults who smoke. The World Health Organisation estimates that 328 million people globally have COPD, of whom 65 million have moderate (Stage 2) or Severe (Stage 3) symptoms.

Although originally more common in men, due to increased smoking among women the disease now affects men and women almost equally. COPD also affects non-smokers, though smoking is the cause of 90 per cent. of COPD cases.

Symptoms of COPD comprise breathlessness, a persistent chesty cough, frequent chest infections and persistent wheezing. COPD is progressive and incurable and by 2030 it is forecast that it will be the third leading cause of death worldwide.

In the early stages of COPD, the progression of the disease can be slowed by inhalers, tablets and pulmonary rehabilitation. As symptoms become more severe oxygen enrichment products are used to prevent the level of oxygen in the blood falling to a dangerously low level.

COVID-19

The use of oxygen concentrators is a cornerstone treatment for COVID-19, with the WHO indicating that it intends to purchase over 100,000 units to distribute globally. The NHS is recommending oxygen for COVID-19 patients that are breathless and have blood oxygen saturations less than 94 per cent.

Although most people recover from COVID-19 after a short period, for some people the symptoms can last for considerably longer. According to the NHS, long Covid symptoms include shortness of breath which may require the use of oxygen concentration treatment.

Other Respiratory Diseases

Although COPD is the primary disease for which oxygen enrichment products are used, they are also used to alleviate the symptoms of Pulmonary Fibrosis, Cystic Fibrosis and other respiratory disorders. Currently, it is estimated that 1.5 million adults in the US and 3.5 million adults in Europe use supplemental oxygen for these respiratory disorders.

Delivery Technology and Oxygen Sources

Continuous Flow vs Pulse Dose delivery

An oxygen prescription from a clinician will typically define an amount of oxygen required by the patient in terms of Litres Per Minute ("**LPM**").

A continuous flow oxygen source administers a constant flow of oxygen to the respiratory patient. The amount of oxygen that enters a patient's lungs is a product of the amount and size of breaths that the patient takes. However, as humans do not inhale constantly, there is often a significant amount of oxygen wasted when a patient is not inhaling. This is particularly apparent with oxygen tanks which store a pre-determined and limited amount of oxygen, dependent on the size of the cylinder. Like oxygen tanks, a continuous flow oxygen concentrator delivers a steady and consistent flow of oxygen at all times. However, as an oxygen concentrator constantly recycles and purifies the air, there is no cost to this waste.

Pulse dose is the other major type of oxygen delivery. Whereas continuous flow technology has been in existence since the invention of oxygen therapy, pulse dose is a relatively new technology. Rather than releasing a constant stream of oxygen, a pulse dose machine only releases oxygen when the patient inhales. The device is designed to detect a change of pressure in the user's nasal cannula when they begin to inhale. It then administers a precisely timed oxygen bolus (dosage). By multiplying the bolus size by the number of breaths per minute, the device delivers an 'equivalent' amount of LPM oxygen to a continuous flow.

If a prescription calls for a high LPM, a patient will probably need a continuous flow oxygen source. Continuous flow oxygen concentrators typically work harder than pulse concentrators and deliver oxygen all day and night, even as the patient sleeps. Because pulse dose oxygen concentrators deliver oxygen on inhalation, this type of oxygen flow is ideal for treating respiratory conditions requiring lower LPM.

Oxygen Tanks (Cylinders) vs Oxygen Concentrators

Oxygen tanks are vessels that store purified oxygen. Oxygen is released from the tank via a valve, and once the tank is empty it needs to be returned to the supplier to be refilled.

In contrast, an oxygen concentrator is a device that 'purifies' ordinary air into a high concentration of oxygen. The constitution of the air we breathe is made up of approximately 79 per cent. Nitrogen, 20 per cent. Oxygen and 1 per cent. Argon as well as other particles.

The concentrator unit takes in the air and passes it through a sieve bed that contains Zeolites. When subjected to a high pressure, Zeolites have an affinity for Nitrogen, and the Nitrogen molecules temporarily bond to the Zeolites, allowing the Oxygen to pass through. Releasing the pressure unbinds the Nitrogen which is expelled then back into the air.

By rapidly repeating this cycle, over 95 per cent. pure oxygen can be delivered to the patient by the device.

Portable and Stationary Oxygen Sources

Portable oxygen concentrators are typically used by patients who are more mobile and able to leave their home. Stationary concentrators are typically heavier, weighing approximately 10 – 15kg and typically produce continuous flow oxygen.ⁱ

Patients who breathe more often through their mouth may benefit more from the continuous flow of a stationary concentrator. Also, doctors usually recommend that patients use continuous flow devices while sleeping; many pulse flow devices have difficulty detecting the shallower breaths people take when sleeping, and this can cause the device to sound an alarm several times per night which, in turn, can prevent the patient from getting the good night's sleep that the body needs.ⁱⁱ

Market Segmentation

The market segmentation detailed below excludes any impact of COVID-19 on the market.

Market Size by Delivery Technology

The market can be segmented by Delivery Technology.

In this segmentation, Continuous Flow devices are supplemental oxygen devices which are capable of delivering a continuous stream of oxygen to the user whereas Pulse Dose devices are supplemental oxygen devices that can only deliver Pulse Dose oxygen.

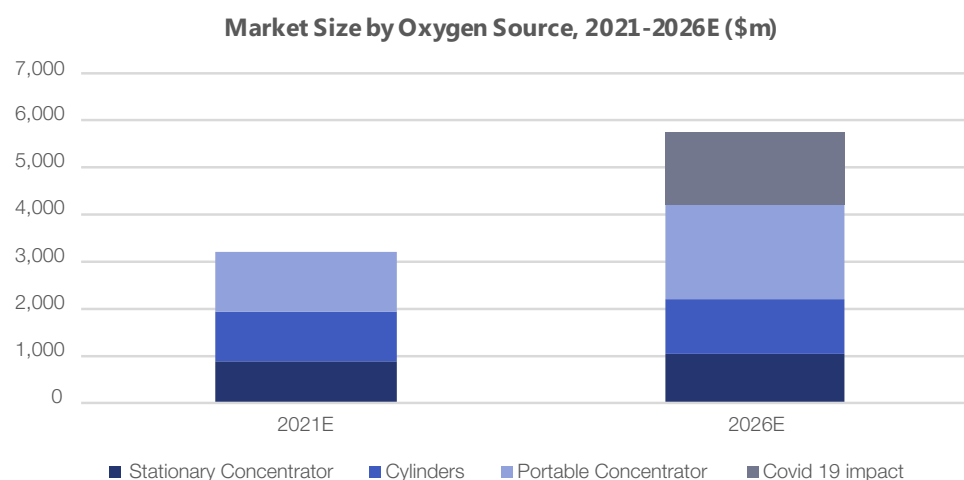
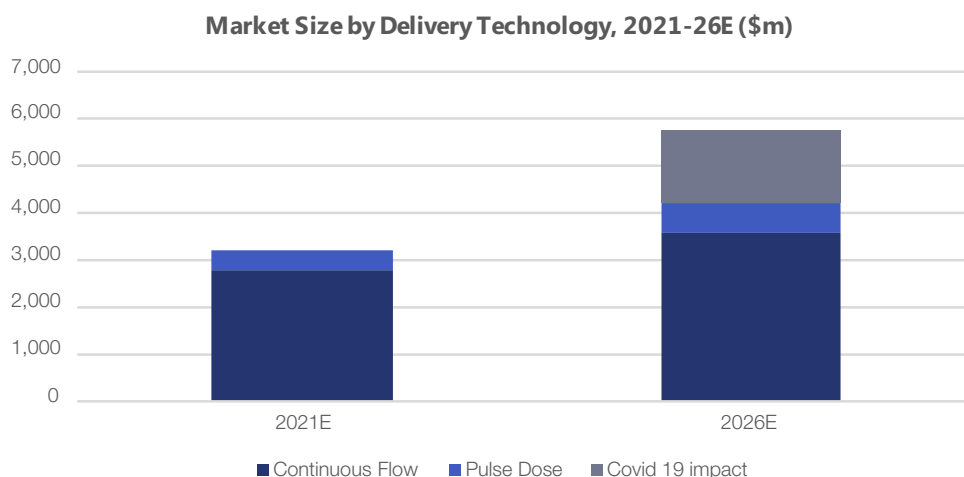
The Continuous Flow market segment is estimated at \$2.745 billion in 2021 and forecast to grow by 5 per cent. per annum to \$3.582 billion by 2026. The Pulse Dose market segment is estimated at \$434 million in 2021 and forecast to grow by 8 per cent. per annum to \$646 million in 2026. Both these forecasts are before the impact of COVID-19.

The base **X-PLO₂R** product delivers Pulse Dose oxygen, whereas the **X-PLO₂R CX** and **X-PLO₂R DX** are designed to be capable of delivering both Pulse Dose and Continuous Flow oxygen.

Market Size by Oxygen Source

The market can also be segmented by Oxygen Source: Portable Oxygen Concentrators, Stationary Oxygen Concentrators and Oxygen Cylinders.

The Portable Oxygen Concentrators market segment is estimated at \$1.3 billion in 2021 and forecast to grow by 10 per cent. per annum to \$2.0 billion by 2026, the Oxygen Cylinders market segment is estimated at \$1.0 billion in 2021 and forecast to grow by 3 per cent. per annum to \$1.2 billion in 2026 and the Stationary Oxygen Concentrators market segment is estimated at \$0.9 billion in 2021 and forecast to grow by 3 per cent. per annum to \$1.0 billion by 2026.



Sources: Grand View Research: Global Medical Oxygen Concentrators & Oxygen Cylinders – Market Trend Analysis 2019 Report
 ResearchDive.com: Medical Oxygen Concentrators & Oxygen Cylinders Market Analysis and Segment Forecast

Market Dynamics

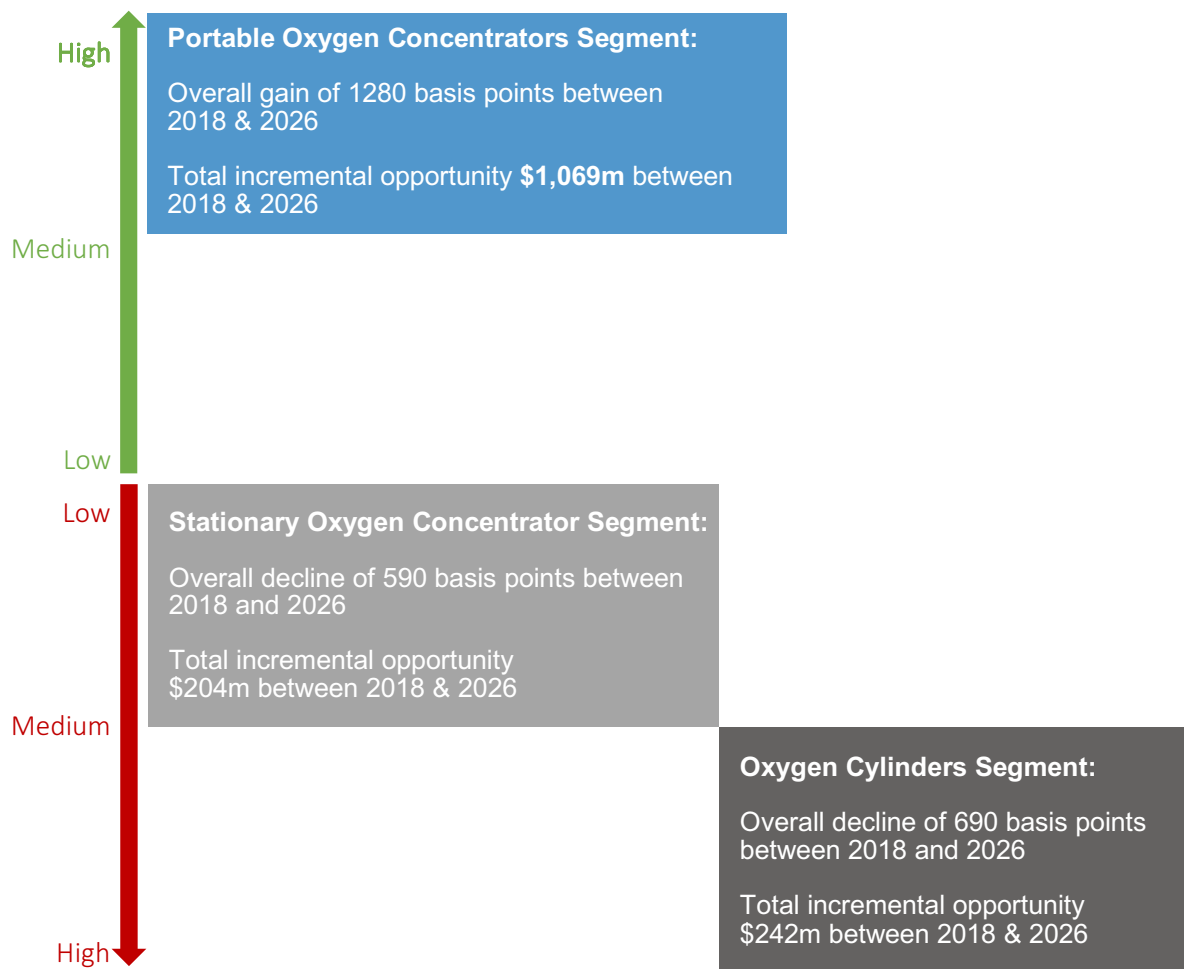
The market is already shifting as illustrated in the graphic below with the growth in the Portable Concentrator segment outpacing that of Stationary Concentrator and Cylinders.

In 2021, the market by oxygen source is expected to be split relatively evenly with Portable Concentrators having a 39 per cent. market share, closely followed by Cylinders which have a 33 per cent. market share and Stationary Concentrators that have the 28 per cent. market share.

Excluding the impact of COVID-19, growth in demand for Portable Concentrators was forecast to outpace other oxygen sources, growing 10 per cent. per annum, with market share increasing to 48 per cent.. By contrast, the markets both for Cylinders and Stationary Concentrators are forecast to grow by 3 per cent. per annum, with market shares falling to 28 per cent. and 24 per cent. respectively.

The Directors believe that the benefits of continued patient mobility on health outcomes are well understood. Consumer preference is clearly for Portable Concentrators, whether as a primary or secondary device, which facilitate an improved quality of life, with greater convenience and mobility provided by these devices relative to stationary products.

Whilst the market is already shifting, the Directors believe that by significantly reducing the size and weight of devices, this opens up the market across all three of these segments, essentially making devices traditionally classed as stationary, portable.



Sources: Grand View Research: Global Medical Oxygen Concentrators & Oxygen Cylinders – Market Trend Analysis 2019 Report

Competitive position

The charts below show the shares of the leading players in the global Portable and Stationary Oxygen Concentrator markets.

Portable Oxygen Concentrator (“POC”) market

The four largest producers have a combined market share of over 80 per cent.. Inogen is the market leader, with a 26 per cent. share followed by Invacare, with 22 per cent., Respironics (a division of Philips), with 21 per cent. and CAIRE with a 13 per cent. market share. Other groups have an 18 per cent. market share, with participants including Drive DeVilbiss.

With the market forecasted to grow in excess of \$1 billion over the next five years, the Directors believe that, with the patient and clinical attractiveness the **X-PLO₂R** range of products over existing products on the market, there is a great opportunity for the business to establish itself in the market and grab market share quickly.

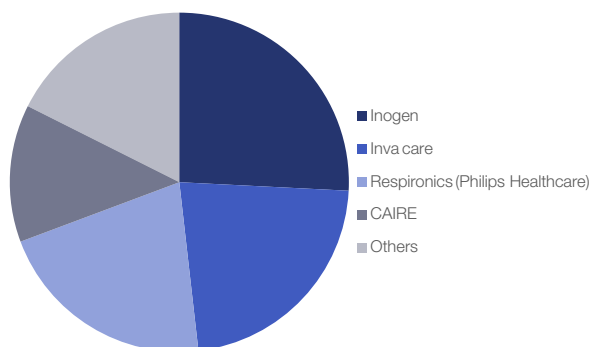
Stationary Oxygen Concentrators

Although the global Stationary Oxygen Concentrator market is dominated by the same players as the Portable Oxygen Concentrator market, they have smaller market shares, with the four major groups only accounting for 41 per cent. of the market.

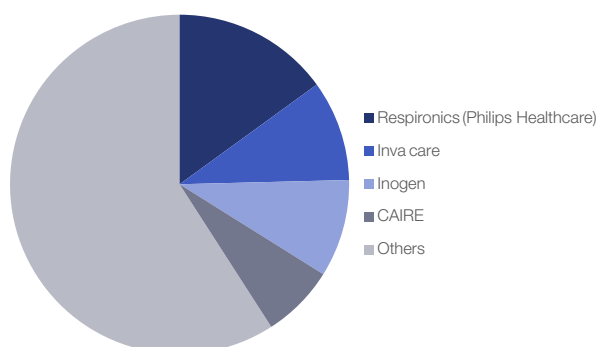
The largest player is Respiroics (Philips Healthcare) with 15 per cent., followed by Invacare with 10 per cent., Inogen with 9 per cent. and CAIRE with 7 per cent.. The 59 per cent. balance of the market is broadly spread across other device manufacturers.

Stationary Concentrators are, by nature, large and heavy. With Belluscura's advanced Technology enabling it to make devices smaller and lighter the Directors believe the Group can make inroads into this market.

Portable Oxygen Concentrator market



Stationary Oxygen Concentrators



Source: Grand View Research, Global Medical Oxygen Concentrators & Oxygen Cylinders

3. THE TECHNOLOGY

The **X-PLO₂R** is designed utilising patented advanced molecular oxygen enrichment technologies. The Group owns or licenses 26 patents and pending applications for its oxygen enrichment technologies that centre on making oxygen concentrators smaller, lighter and quieter than current products on sale. Belluscura highlights four key advantages of its range of oxygen concentrators.

● **Advanced zeolite Technology**

Belluscura's oxygen concentrators take in air and pass it through a sieve bed that contains zeolites. When subjected to a high pressure, zeolites have an affinity for Nitrogen, and the Nitrogen molecules temporarily bind to the zeolites, allowing the oxygen to pass through. Releasing the pressure unbinds the Nitrogen which is expelled back into the air. Whilst zeolite technology itself is not new, Belluscura has combined advanced zeolite technology with its other proprietary technology below to improve efficiency.

● **Ultra-Rapid Pressure Swing Adsorption**

Pressure swing adsorption ("**PSA**") processes utilize the fact that under high pressure, gases tend to be attracted to solid surfaces, or 'adsorbed'. The higher the pressure, the more gas is adsorbed. When the pressure is reduced, the gas is released, or desorbed. PSA processes can be used to separate gases in a mixture because different gases tend to be attracted to different solid surfaces more or less strongly. If a gas mixture such as air is passed under pressure through a vessel containing an adsorbent bed of zeolite that attracts nitrogen more strongly than oxygen, part or all of the nitrogen will stay in the bed, and the gas exiting the vessel will be richer in oxygen than the mixture entering. When the bed reaches the end of its capacity to adsorb nitrogen, it can be regenerated by reducing the pressure, thus releasing the adsorbed nitrogen. It is then ready for another cycle of producing oxygen-enriched air. Belluscura's technology enhances the processing speed allowing for greater oxygen flow.

- **Modularity**

Belluscura has developed and patented a modular system (“**ModulAir**” technology) that allows the device to be upgraded as the patient's disease progresses, but also enables the device to operate to different specifications enabling it to be used for multiple different purposes.

The **X-PLO₂R** base unit provides 4L of Pulse Dose oxygen which is suitable for a COPD patient in Stage 3 of the disease. As the disease progresses, the patient will be able to upgrade to the **X-PLO₂R CX** which is designed to provide 750ml Continuous Flow in addition to 4L of Pulse Dose. The advantage for the consumer is that they do not have to buy a new unit but can instead upgrade from an **X-PLO₂R** to the **X-PLO₂R CX**. The same modular system will apply to the **X-PLO₂R DX** where the base model is designed to provide 6L of Pulse Dose oxygen with the ability to be upgraded to both 8L of Pulse Dose oxygen and 2L of Continuous Flow oxygen.

By controlling **X-PLO₂R** through specific Zeolite cartridges, the device is capable of running in multiple ways, allowing it to be tailored for specific purposes, for example, Sport/Recreational, Industrial, Altitude and Private Labelling. The ability to run multiple scenarios through one device eliminates the additional manufacturing costs of making multiple devices.

- **Consumer replaceable**

The **X-PLO₂R** range of oxygen concentrators has patented consumer replaceable zeolite cartridge technology whereby the cartridge can be easily removed and replaced by the patient. Traditional oxygen concentrators have the zeolite filters built into the device and when the filter needs replacing the device needs to be returned to the supplier for the filter to be replaced. The POC provider may also have to send out a loaned POC for the consumer to use while their filter is replaced. **X-PLO₂R** customers will simply contact Belluscura for a new sieve bed, which is sent to the customer and can be replaced in minutes.

As noted above, a key focus for clinicians treating patients with oxygen therapy is keeping patients mobile and active. In particular, size and weight of the oxygen concentrator are key considerations for the demographic of patients likely to be utilising these devices. By utilising its patented Ultra-Rapid Pressure Swing Adsorption, User Replaceable Sieve and ModulAir technologies, along with advanced molecular zeolites, Belluscura has created a much more energy efficient and adaptable product.

Belluscura Modular Portfolio

The Directors anticipate that the **X-PLO₂R** range of portable oxygen concentrators will be smaller and lighter than rivals in their own class. Belluscura intends to launch three products over the next 12 months, with each product having its own competitive advantage.

X-PLO₂R

The first product to launch will be the **X-PLO₂R**.

The Directors believe that X-PLO₂R is the world's first modular portable oxygen concentrator, and will generate more oxygen by weight than any other FDA cleared POC in its class.

X-PLO₂R delivers up to the estimated equivalent of 4L of oxygen through pulse dose and is suitable for patients that have Stage 3 COPD.

The **X-PLO₂R** weighs only 3.25lbs.

X-PLO₂R CX

The next product to launch will be the **X-PLO₂R CX**.

The Directors expect that X-PLO₂R CX will be the world's first wearable continuous flow POC.

The **X-PLO₂R CX** will be available as a stand-alone unit. It will also be available as a modular upgrade from the base **X-PLO₂R** unit.

In addition to the equivalent of 4L of oxygen through pulse dose, the **X-PLO₂R CX** is designed to add the capability of 0.75L of continuous flow oxygen, making the unit suitable for patients with Stage 4 COPD.

With a larger battery, the **X-PLO₂R CX** is expected to be only slightly heavier than the base unit, at 3.75lbs.

X-PLO₂R DX

The third product in the portfolio to be launched will be the larger **X-PLO₂R DX**.

The Directors believe that X-PLO₂R DX will be the only 2-litre carryable continuous flow concentrator available.

The **X-PLO₂R DX** is designed to also be modular providing the equivalent of 6L of pulse dose oxygen at the base level and, upgradeable to deliver the equivalent of 8L pulse dose oxygen and up to 2L of continuous flow oxygen.

The unit is expected to weigh 5.75lbs

Additional Revenue Streams

The Directors believe that, in addition to the base units, patients typically purchase additional batteries and accessories, such as additional power cords and carry bags for their units.

Depending on usage, a customer will typically need to replace the sieve cartridges on average every year, and the battery every two years.

The modular design of the **X-PLO₂R** will enable customers in the future to upgrade from an **X-PLO₂R** to the **X-PLO₂R CX**, which provides continuous flow. As their conditions deteriorate requiring a continuous flow of oxygen, customers with COPD may therefore upgrade to the CX.

Regulatory Clearance

On 2 March 2021, Belluscura received FDA 510(k) clearance for the **X-PLO₂R**.

A 510(k) is a premarket submission made to FDA to demonstrate that the device to be marketed is as safe and effective, that is, substantially equivalent, to a legally marketed device (section 513(i)(1)(A) FD&C Act). A device is substantially equivalent if, in comparison to a predicate, it:

- has the same intended use as the predicate; and
- has the same technological characteristics as the predicate.

As the **X-PLO₂R CX** and **X-PLO₂R DX** are based upon the same technology as the **X-PLO₂R** the Directors expect these devices not to require an additional FDA 510(k) clearance.

The Company intends to primarily target the US market, following the launches of the **X-PLO₂R**, **X-PLO₂R CX** and **X-PLO₂R DX** planned for July 2021, December 2021 and March 2022 respectively. Thereafter, the Company plans to sell directly to consumers and target international markets from Q1 in 2022. Belluscura has started the process of seeking the appropriate licenses for distribution in international territories, such as the CE Mark. The Directors believe these processes will be simplified as the Company has already received FDA approval.

Future Opportunities

Biometric Drug & Device Data

The Directors believe that following the launches of the products above, there is a significant opportunity to enhance these devices by collecting and collating Smart data.

Through the integration of biometric data from smart devices, Belluscura would be able to collate valuable clinical data to aid patients' clinicians to better understand the use of the device and in turn allow clinicians to better assess their patients' changing needs.

Integration possibilities include:

GPS Smart Watch	Activity, movement, location, altitude, heart rate, stress levels, sleep patterns
Smart Pulse Oximeter	Blood saturation - SaO ₂
Smart Inhaler	Providing medication information
X-PLO₂R (with Bluetooth)	Oxygen flow setting and breathing rate

Collecting this information through a Belluscura COPD App the Company should be able to provide a fuller overall picture of a patient's circumstances, activity and functionality to the clinician, making the **X-PLO₂R** range of products a more valuable proposition.

Devices beyond X-PLO₂R

Belluscura also has three further products in development, which utilise the same technology as the **X-PLO₂R** but for larger units:

HO₂ME	HO₂ME is a prototype of the X-PLO₂R but is stationary and for home use. HO₂ME is expected to be able to deliver 5-10L of continuous oxygen and is intended for Stage 4 COPD patients.
VENTO₂LAT-R	A non-invasive portable ventilator.
ECMO₂ Device	Extra-Corporeal Membrane Oxygen (ECMO) has for many years been used for patients with life-threatening hypoxaemia and hypercarbia. Positive outcomes by patients who suffered from SARS or Swine Flu has resulted in ECMO becoming a recommended treatment for patients with severe acute respiratory distress syndrome. Belluscura is developing a portable ECMO product (ECMO₂) to serve this market.

4. BUSINESS MODEL AND STRATEGY

Manufacturing

With FDA clearance received, the Group is now pressing ahead with developing the manufacturing capability.

Belluscura is outsourcing manufacturing of the **X-PLO₂R** to two separate US companies that have expertise in producing medical device products. The battery manufacturer is a leading provider of advanced battery and power systems for global Original Equipment Manufacturers ("**OEMs**"). The unit and zeolite cartridge manufacturer is a full service electronics manufacturing and custom material solutions provider with a proven track record of supplying state-of-the-art solutions to a diverse group of OEMs. These manufacturers are established US companies, which removes concerns on cross—border supply chain issues. The companies are certified to ISO 13485 and ISO 9001 standards.

The production process is advancing well and the Directors do not envisage any issues in the scaling up of production as demand builds. Further, as the level of demand increases the Group will be able to optimise the production process, thereby increasing gross margin.

Commercialisation Strategy

The Directors have adopted a five-phase process for the commercialisation of the **X-PLO₂R** portfolio.

Phase 1

The **X-PLO₂R** will launch in July 2021 with online distributors. The **X-PLO₂R CX** is targeted for launch in December 2021 and expected to be available in the market from January 2022 onwards.

Phase 2

The Company expects that the **X-PLO₂R** will launch with MediCare providers in November 2021 and in the market via this route from December 2021 onwards. It is also expected that the **X-PLO₂R CX** will launch with various providers in January 2022 and in the market from February 2022 onwards.

Phase 3

The Company expects to begin the marketing and manufacturing with medical companies that may produce the **X-PLO₂R** portfolio under a private label as early as the second half of 2021.

Phase 4

The Directors intend to develop the Web E-Commerce to sell directly to consumers in December 2021, and launch these sales in February/March 2022.

Phase 5

The **X-PLO₂R DX** is expected to launch in March 2022.

Sales & Distribution

The FDA and regulators in other geographical jurisdictions approve the supply of Supplemental Oxygen products. Patients are given a prescription by their clinician and are typically left to source their own oxygen supply and device.

Portable Oxygen Concentrators are covered by insurance, and the Directors believe that in many cases portable devices are purchased as a secondary unit in addition to a primary stationary oxygen supply at home. The purpose of portable units is to enable patient mobility and enhance quality of life.

Belluscura has developed an initial three-phase plan for its route to market.

Phase 1 – Soft Launch

The first phase is a soft launch to get the product into the US market with up to five strategically placed Online and Brick & Mortar distributors in the US.

The purpose of the soft launch is to streamline the manufacturing and distribution process, ensure the final manufactured product performs to specifications and to iron out any minor glitches before wider roll out of distribution.

The Group has already signed an agreement with one distributor and is in discussions with a number of others, both online and physical retailers and has received indications (but not contractually binding) of orders for over 500 **X-PLO₂R** devices. These cover patients that pay privately (approximately half of the market) or have the cost of the unit covered by insurance.

Phase 2 – Broaden US Distribution Network

The second phase of distribution is to broaden the distribution network.

Belluscura has already filed for approval to be supplied through MediCare and expects clearance within 60 days.

The Group will seek agreements with distributors who supply hospitals and homecare providers.

The Group will also initiate the international registration process so that the **X-PLO₂R** range can be sold into export markets including the UK and EU.

Phase 3 – Expand Sales Channels

The next phase will be to expand into additional sales channels.

The Group will explore building a Direct-to-Consumer (“**DTC**”) offering by building its own sales and marketing operation, rather than selling through distributors. Given the share of the retail price taken by distributors, if successful this would materially increase the revenue per unit sold for the Group.

In addition, Belluscura is evaluating the potential to acquire a Durable Medical Equipment (“**DME**”) distributor to aid selling into the Direct-to-Consumer channel.

The Group will look to enter into negotiations with retailers and medical companies that wish to produce Belluscura products under a private label.

Belluscura will also structure its approach to selling into international markets.

5. INTELLECTUAL PROPERTY AND LICENCE AGREEMENT

Belluscura's portfolio of **X-PLO₂R** products utilises a range of intellectual property and patents.

Given the importance of such patents to the Company, the Directors engaged Panitch Schwartze Belisario & Nadel LLP, an external law firm with intellectual property expertise to review the Company's current patent portfolio. They have determined that, currently, Belluscura owns or licenses via an agreement with SDG as summarised later in this paragraph, a total of 26 patents and pending applications as listed below and that all patents are currently in effect, relevant filing fees and annuities have been paid to maintain the patents listed below and they are not aware of any prior art or acts or omissions that would render the patents unenforceable.

	<i>PAT/APP NO.</i>	<i>FILE DATE</i>	<i>ISSUE DATE</i>	<i>OWNER</i>	<i>LICENSE</i>	<i>TITLE</i>	<i>COUNTRY</i>
1	US 9,199,055	21-Oct-2014	1-Dec-2015	SDG	Exclusive: Belluscura	ULTRA RAPID CYCLE PORTABLE OXYGEN CONCENTRATOR	USA
2	US 8,894,751	24-Nov-2009	25-Nov-2014	SDG	Exclusive: Belluscura	ULTRA RAPID CYCLE PORTABLE OXYGEN CONCENTRATOR	USA
3	US 8,888,902	15-Aug-2012	18-Nov-2014	SDG	Exclusive: Belluscura	PORTABLE OXYGEN ENRICHMENT DEVICE AND METHOD OF USE	USA
4	US 8,500,852	30-Apr-2007	6-Aug-2013	SDG	Exclusive: Belluscura	SORPTION METHOD, DEVICE, AND SYSTEM	USA
5	US 7,291,271	09-Dec-2003	6-Nov-2007	SDG	Exclusive: Belluscura	MESO-FREQUENCY TRAVELING ELECTRO-KINETIC CONTINUOUS ADSORPTION SYSTEM	USA
6	US2019175856	24-Mar-2017	pending	SDG, Belluscura	Exclusive: Belluscura	POSITIVE AIRWAY PRESSURE SYSTEM WITH INTEGRATED OXYGEN	USA
7	AU 2017238664	24-Mar-2017	pending	SDG, Belluscura	Exclusive: Belluscura	POSITIVE AIRWAY PRESSURE SYSTEM WITH INTEGRATED OXYGEN	Australia
8	EP 3 432 964	24-Mar-2017	pending	SDG, Belluscura	Exclusive: Belluscura	POSITIVE AIRWAY PRESSURE SYSTEM WITH INTEGRATED OXYGEN	EP, Europe
9	US D889,394	31-May-2018	7-Jul-2020	SDG, Belluscura	Exclusive: Belluscura	BATTERY	USA
10	EP 3 634 559	01-Jun-2018	pending	SDG, Belluscura	Exclusive: Belluscura	CONFIGURABLE OXYGEN CONCENTRATOR AND RELATED METHOD	EP, Europe
11	JP 2020522338	01-Jun-2018	pending	SDG, Belluscura	Exclusive: Belluscura	CONFIGURABLE OXYGEN CONCENTRATOR AND RELATED METHOD	JP, Japan
12	CN 110913937	01-Jun-2018	pending	SDG, Belluscura	Exclusive: Belluscura	CONFIGURABLE OXYGEN CONCENTRATOR AND RELATED METHOD	CN, China
13	CA 3064851	01-Jun-2018	pending	SDG, Belluscura	Exclusive: Belluscura	CONFIGURABLE OXYGEN CONCENTRATOR AND RELATED METHOD	CA, Canada
14	IN 201917047435	01-Jun-2018	pending	SDG, Belluscura	Exclusive: Belluscura	CONFIGURABLE OXYGEN CONCENTRATOR AND RELATED METHOD	IN, India

	<i>PAT/APP NO.</i>	<i>FILE DATE</i>	<i>ISSUE DATE</i>	<i>OWNER</i>	<i>LICENSE</i>	<i>TITLE</i>	<i>COUNTRY</i>
15	US 9,839,757	06-Oct-2015	12-Dec-2017	SDG	Exclusive: Belluscura	ULTRA RAPID CYCLE PORTABLE OXYGEN CONCENTRATOR	USA
16	US 10,507,300	26-Sep-2017	17-Dec-2019	SDG	Exclusive: Belluscura	ULTRA RAPID CYCLE PORTABLE OXYGEN CONCENTRATOR	USA
17	US 9,492,781	17-Oct-2014	15-Nov-2016	SDG	Exclusive: Belluscura	PORTABLE OXYGEN ENRICHMENT DEVICE AND METHOD OF USE	USA
18	US 9,993,765	26-Aug-2016	12-Jun-2018	SDG	Exclusive: Belluscura	PORTABLE OXYGEN ENRICHMENT DEVICE AND METHOD OF USE	USA
19	WO 2020/055933	11-Sep-2018	pending	Belluscura	Exclusive: Belluscura	SYSTEM AND METHOD FOR IMPROVING PATIENT RECOVERY POSTOPERATIVELY	USA
20	US 16/678,026	8-Nov-2019	pending	SDG	Exclusive: Belluscura	ULTRA RAPID CYCLE PORTABLE OXYGEN CONCENTRATOR	USA
21	US 16/678,018	8-Nov-2019	pending	SDG	Exclusive: Belluscura	ULTRA RAPID CYCLE PORTABLE OXYGEN CONCENTRATOR	USA
22	PCT/ US20/17015	29-Mar-2019	pending	SDG, Belluscura	Exclusive: Belluscura	INTEGRATED EXTRACORPOREAL OXYGENATION AND CO2 REMOVAL WITH VENTILATION SYSTEM	USA
23	PCT/ US21/22133	13-Mar-2020	pending	SDG, Belluscura	Exclusive: Belluscura	PORTABLE VENTILATOR	USA
24	US 10,953,187	06 Jun 2017	23-Mar 2021	SDG, Belluscura	Exclusive: Belluscura	CONFIGURABLE OXYGEN CONCENTRATOR AND RELATED METHOD	USA
25	US 17/140,457	4-Jan-2021	Pending	SDG, Belluscura	Exclusive: Belluscura	CONFIGURABLE OXYGEN CONCENTRATOR AND RELATED METHOD	USA
26	US 17/198,310	11-Mar-2021	Pending	Belluscura	Exclusive: Belluscura	SYSTEMS AND METHODS FOR IMPROVING PATIENT HEALTH	USA

ARRANGEMENTS WITH SDG

In February 2017, the Company entered into a co-exclusive licence and development agreement with Separation Design Group, LLC and SDG (together the “**SDG Parties**”) (“**SDG Licence**”) which was subsequently amended by an amendment agreement in March 2021 (“**Amended SDG Licence**”).

Under the terms of the Amended SDG Licence the Company agrees to pay SDG royalties, which amount to less than 5 per cent. of sales value of **X-PLO₂R**. In addition, the Company will pay SDG for development, testing and post-consumer evaluation work on the **X-PLO₂R** products for the next three years. In aggregate the minimum royalties and development costs over the three years from April 2021 will amount to c\$3.5 million, broadly spread over the period. Further details of the licence and development agreement are set out in paragraph 11.4 of Part V of this Document.

The Company has fully funded the **X-PLO₂R** product, and under the SDG Licence has the right to use all the intellectual property required for its manufacture.

6. CURRENT TRADING AND PROSPECTS

The Company was incorporated on 10 December 2015. Audited financial information on the Group for the period from 1 January 2018 to 31 December 2020 is set out in Part III of this Document.

On 2 March 2021 the Group received FDA clearance for **X-PLO₂R**. Subsequent to the 31 December 2020 the Group has raised \$2.6 million from shareholders and the Group is deploying these funds to continue progressing the manufacturing set-up and commercialisation of **X-PLO₂R**.

7. DIRECTORS AND SENIOR MANAGEMENT AND EMPLOYEES

On Admission, the Board will comprise two executive Directors and four non-executive Directors.

Directors

Brief biographical details of the Existing Directors and the Proposed Directors are set out below:

Existing Directors

Adam Reynolds, Non-Executive Chairman (age 58)

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

Robert “Bob” Rauker, Chief Executive Officer (age 55)

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

Anthony “Tony” Dyer, Chief Financial Officer (age 52)

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

Dr. Patrick Strollo, Non-Executive Director (age 67)

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

sixteen years and ultimately rose to the rank of Lieutenant colonel. Patrick was appointed as a director in April 2021.

Proposed Directors

David Poutney, Non-Executive Director (age 68)

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

Richard (“Ric”) Piper, Non-Executive Director (age 68)

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

Senior Management

Cary Parrott, Vice President Sales North America (age 49)

Cary has over ten years’ sales experience in the medical device industry running sales teams and delivering marketing and sales plans to a variety of customer types including surgeons, operating room management, pharmacy management and c-suite. He has a broad-based background in medical products including extensive experience with start-up companies and launching new products, having served in various management positions with top medical companies such as Ethicon, Inc., ZymoGenetics, Inc., HemCon Medical Technologies, Inc. and Marine Polymer Technologies, Inc.

Dr. Raymond “Paul” Bray, Vice President of Operations (Age 56)

After completing the bachelor’s degree in engineering physics at Cornell University, Paul’s served in the United States Air Force. He obtained a PhD in chemical engineering at Texas Tech University. Over the last 20 years, his experience has included engineering and quality management roles in the semiconductor, electronics, building materials, and medical device industries. Since 2010, Paul has been a manufacturing engineer in the neuromodulation division of St. Jude Medical; a consultant with Maetrics; and a manufacturing and quality engineer at Apollo Endosurgery. He is a co-inventor of the deep brain stimulation lead with segmented electrodes (US patent 9,370,653 B2).

Jon Meneese, Vice President, Marketing (Age 43)

Jon has 20 years’ experience in both the medical device and pharmaceutical industries, developing and implementing strategies in both the US and Globally. Jon spent 12 years at Galderma working in the Rosacea and Psoriasis business and spent 4 years in Paris as the Global Franchise Head for Rosacea. Most recently Jon worked at Alcon in a Global role where he led the Specialty Lens segment and developed the mid to long term company strategy for Myopia. He also led the acquisition of Alcon’s purchase of TearFilm innovations in late 2019. Jon has a BA in Biological Sciences from Southern Illinois University and an MBA from Washington University in St. Louis with a focus on Marketing.

Employees

The Company currently employs 8 members of staff in total excluding non executive directors. With the exception of the UK based Chief Financial Officer, the head office in Plano, Texas is the base for all other personnel.

8. SHARE OPTIONS AND WARRANTS

Share Options

At Admission there will be total of 11,189,999 share options in issue to management, as set out in the table below.

<i>Name</i>	<i>Date share option granted</i>	<i>Type of share option granted</i>	<i>Number of unexercised shares</i>	<i>Exercise price</i>
Robert Rauker	29 October 2019	Unapproved	2,196,867	£0.065
Cary Parrott	29 October 2019	Unapproved	971,246	£0.065
Paul Bray	29 October 2019	Unapproved	693,747	£0.065
Anthony Dyer	5 November 2019	EMI share option	1,248,745	£0.065
Robert Rauker	7 May 2020	Unapproved	4,077,480	£0.15
Anthony Dyer	7 May 2020	EMI share option	1,881,914	£0.15
Other management	19 April 2021	Unapproved	120,000	£0.45

The Company intends to grant options to subscribe for new Ordinary Shares from time to time to incentivise directors, employees, and consultants at the discretion of the Directors and subject to the approval of the Remuneration Committee. Options granted to subscribe for new Ordinary Shares in this manner will be up to a maximum of 10 per cent., in aggregate, of the Company's issued share capital from time to time in line with market standard practices. The terms of such options shall be determined at the time of grant including any relevant vesting and performance conditions.

Warrants

A total of 2,261,374 Warrants remain outstanding as set out below:

<i>Name of Warrant</i>	<i>Expiry Date</i>	<i>Number of shares subject to unexercised Warrants</i>	<i>Exercise price</i>
2018 Warrants	31 May 2023	448,042	£0.13
2020 Warrants	6 May 2023	813,332	£0.15

SDG Warrants

In addition, on 4 May 2021, Belluscura has granted to SDG a warrant to subscribe for up to 1,000,000 Ordinary Shares at the Issue Price, details of which are set out in paragraph 11.10 of Part V of this Document (the "**SDG Warrant**"). The exercise period commences on the first anniversary of Admission and ends on 4 May 2025.

Further details of the SDG Warrant instrument are set out in paragraph 11.10 of Part V of this Document.

9. REASONS FOR ADMISSION AND DETAILS OF THE PLACING AND SUBSCRIPTION

The Directors believe that Admission and the funds to be raised pursuant to the Placing and Subscription are an important step in the Group's development and expansion. The Company is seeking Admission in order to:

- Increase the profile of the Group in the UK and internationally;
- Provide future access to capital;
- Provide the Group with the ability to incentivise its employees;
- Provide the ability to issue Ordinary Shares as consideration for acquisitions; and
- Provide liquidity in the Ordinary Shares.

The Placing

Dowgate Capital, as agent for the Company, has conditionally agreed to use its reasonable endeavours to procure Placings for the Placing Shares at the Placing Price. The Placing Shares will be placed with institutional and other investors introduced by Dowgate Capital. The Placing has not been underwritten by Dowgate Capital.

In addition, subscribers for Placing Shares should be aware of the possibility that the VCT/EIS Placing Shares might be issued but that the General Placing Shares are not issued. In these circumstances, Admission will not take place.

The Placing Shares represent approximately 34.34 per cent. of the Enlarged Share Capital and will raise approximately £16.1 million for the Company net of estimated expenses of £1.4 million. The Placing Shares will be issued credited as fully paid and will, on issue, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions thereafter declared, made or paid on the Enlarged Share Capital.

The Placing is conditional, *inter alia*, on Admission becoming effective and the Placing Agreement becoming unconditional in all other respects by no later than 8.00 a.m. on 28 May 2021 or such later date (being no later than 11 June 2021) as the Company, SPARK and Dowgate Capital may agree. The Placing Agreement contains provisions entitling SPARK and Dowgate Capital to terminate the Placing in certain customary circumstances prior to Admission becoming effective. If this right is exercised, the Placing will lapse. Details are set out in paragraph 17 of Part V of this Document.

The Subscription

The Subscription has raised approximately £290,000 for the Company by the issue of 644,444 Ordinary Shares at the Issue Price.

The Subscription is conditional upon Admission becoming effective. The Subscription will lapse if Admission has not become effective on or by 11 June 2021.

The costs of the Placing, the Subscription and Admission are estimated to be approximately £1.4 million.

10. USE OF PLACING AND SUBSCRIPTION PROCEEDS

The net proceeds of the Placing and Subscription are expected to be approximately £16.1 million and are currently intended to be applied as follows:

- Widening staffing resources within Engineering & Quality, Marketing, Sales & Customer Service, Compliance & Finance and appointing a key Manufacturing & Regulatory Executive;
- Marketing of the product ranges, including building the brand, improving the website functionality and SEO and social media presence;
- Funding towards the FDA Medical Device Compliance, IT & Data Compliance and CE Mark Clearance;
- Research & Development into new products and increasing testing capabilities;
- Funding for the overheads of the firm such as running the offices; and
- Initial working capital funding.

11. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

At Admission, the Directors will hold, or be directly and indirectly interested in, an aggregate of 14,106,735 Ordinary Shares, representing approximately 12.46 per cent. of the Enlarged Share Capital. TekCapital, Mr Poutney (and connected parties) and Mr Nigel Wray (and connected parties) will, at Admission, be interested in an aggregate of 17,138,767, 11,605,731 and 13,564,413 Ordinary Shares respectively, representing approximately 15.13, 10.25 and 11.98 per cent. of the Enlarged Share Capital.

Each of the Locked-in and Orderly Market Parties have agreed not to dispose of any interest in the Ordinary Shares, which they may have on Admission (or subsequently acquire within one year of Admission) for the period of one year following Admission except in certain restricted circumstances. In addition, they have each further agreed that for an additional 12-month period following the first anniversary of Admission they

shall only dispose of any interest in Ordinary Shares in accordance with orderly market principles with the prior written consent of the Company's broker, such disposal to be made through Dowgate Capital, or the successors thereof as the Company's brokers. These restrictions will apply in respect of 44,809,915 Ordinary Shares representing 39.57 per cent. of the Enlarged Share Capital.

Details of these lock-in and orderly market arrangements are set out in paragraph 16 of Part V of this Document.

12. RELATIONSHIP AGREEMENTS

Mr D Poutney (and connected parties) and Mr N Wray (and connected parties) will hold 11,605,731 and 13,564,413 Ordinary Shares on Admission, representing approximately 10.25 and 11.98 per cent. of the Enlarged Share Capital and 22.23 per cent. in aggregate. They have undertaken to the Company, SPARK and Dowgate that, for so long they (either alone or together with any party with whom they are acting in concert) is interested in Ordinary Shares carrying 15 per cent. or more of the Company's voting share capital, they will not act to unduly influence the Company or its Board or otherwise interfere with the day-to-day management of the Company.

TekCapital will hold 17,138,767 Ordinary Shares on Admission, representing approximately 15.13 per cent. of the Enlarged Share Capital. TekCapital has undertaken to the Company, SPARK and Dowgate that, for so long as it (either alone or together with any party with whom it is acting in concert) is interested in Ordinary Shares carrying 15 per cent. or more of the Company's voting share capital, it will not act to unduly influence the Company or its Board or otherwise interfere with the day-to-day management of the Company.

Details of the Relationship Agreements are set out in paragraph 11.1 of Part V of this Document.

13. ADMISSION, SETTLEMENT AND CREST

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence at 8.00 a.m. on 28 May 2021. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any other such exchange.

The Ordinary Shares will, from Admission, be eligible for CREST settlement and settlement of transactions in the Ordinary Shares may take place within the CREST system if a Shareholder so wishes. CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Regulations. For more information concerning CREST, Shareholders should contact their broker or Euroclear at 33 Cannon Street, London EC4M 5SB, United Kingdom or by telephone on +44 (0)207 849 0000.

The Ordinary Shares have the ISIN number GB00BD3B8Z11.

14. THE TAKEOVER CODE AND CONCERT PARTY

The Company is a public company incorporated in England and Wales and its Ordinary Shares will be admitted to trading on AIM. Accordingly, the Takeover Code applies to all takeover and merger transactions in relation to the Company.

The Takeover Code governs, *inter alia*, transactions which may result in a change of control of a company to which the Takeover Code applies. Under Rule 9 of the Takeover Code any person who acquires, whether by a series of transactions over a period of time or not, an interest in shares (as defined in the Takeover Code) which, taken together with shares in which he is already interested or in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, that person will normally be required to make a general offer to all the remaining shareholders to acquire their shares. Similarly, Rule 9 of the Takeover Code also provides that when any person, together with persons acting in concert with him, is interested in shares which, in aggregate, carry more than 30 per cent. of the voting rights of such company, but does not hold shares carrying 50 per cent. or more of such voting rights, a general offer will normally be required if any further interest in shares is acquired by any such person.

An offer under Rule 9 must be in cash and must be at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company in question during the 12 months prior to the announcement of the offer. Persons acting in concert include persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of that company. The Company understands that the individuals set out in paragraph 7.2 of Part V of this Document are presumed to be acting in concert (the '**Concert Party**') for the purposes of the Takeover Code.

Immediately following Admission, the Concert Party will be interested in, in aggregate, 32,604,361 issued Ordinary Shares representing approximately 28.79 per cent. of the Enlarged Share Capital.

Should any member of the Concert Party acquire any interest in Ordinary Shares (or should any individual member of the Concert Party acquire any interest in Ordinary Shares such that they are interested individually in 30 per cent. or more of the voting rights of the Company), this will normally give rise to an obligation upon that member of the Concert Party to make an offer for the entire issued share capital of the Company in accordance with Rule 9 of the Takeover Code.

15. DIVIDEND POLICY

The primary purpose of the Placing and Subscription is to provide growth capital with which to fund and accelerate the continuing expansion and development of the business. Accordingly, the Directors do not intend that the Company will declare a dividend in the near term, with available cash resources of the Group channelled into funding its expansion. Thereafter, the Board intends to commence the payment of dividends only when it becomes commercially prudent to do so, having regard to the availability of distributable profits and the funds required to finance continuing future growth.

16. TAXATION

Information regarding United Kingdom taxation is set out in paragraph 15 of Part V of this Document. These details are, however, intended only as a general guide to the current tax position under UK taxation law. Shareholders who are in doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial adviser immediately.

17. CORPORATE GOVERNANCE

AIM-quoted companies are required to adopt a recognised corporate governance code with effect from their admission to trading on AIM however, there is no prescribed corporate governance regime for AIM companies. The QCA has published the QCA Code, a set of corporate governance guidelines, which include a code of best practice, comprising principles intended as a minimum standard, and recommendations for reporting corporate governance matters. The Directors acknowledge the importance of high standards of corporate governance and intend, given the Company's size and the constitution of the Board, to comply with the principles set out in the QCA Code.

Upon Admission, the Board will comprise six Directors, two of whom shall be executive and four of whom shall be non-executive directors, reflecting a blend of different experiences and backgrounds as described in paragraph 7 of this Part I. The Board believes that the composition of the Board brings a desirable range of skills and experience in light of the Company's challenges and opportunities following Admission, while at the same time ensuring that no individual (or a small group of individuals) can dominate the Board's decision making. The Board intends to meet regularly to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals.

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

Audit committee

The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It will receive and review reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee will meet not less than four times in each financial year and will have unrestricted access to the Company's auditors. Members of the Audit Committee are Adam Reynolds, David Poutney and Ric Piper, with Ric Piper acting as chairman of the Committee.

Remuneration committee

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

Nomination committee

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

Board Independence

In line with the QCA Code the Board has considered that Adam Reynolds, Dr Patrick Stollo and Ric Piper are independent directors. David Poutney is a substantial shareholder in the Company and is not considered independent. The Company has raised approximately \$11.7 million in various pre-IPO fundraising rounds since 2018, and Mr Reynolds has assisted the Company in introducing investors in some of these fundraises since 2019. The Board does not consider Mr Reynolds' involvement in this capacity adversely impacts the assessment of his independence.

18. SHARE DEALING CODE

The Share Dealing Code adopted by the Company applies to any person discharging management responsibility, which will apply to all the Directors, any closely associated persons and applicable employees (as each is defined in the Share Dealing Code). The Share Dealing Code sets out their responsibilities under the AIM Rules, FSMA, MAR and other relevant legislation. The Share Dealing Code addresses the share dealing restrictions as required by the AIM Rules and MAR. The Share Dealing Code's purpose is to ensure that Directors and other relevant persons do not abuse, or place themselves under suspicion of abusing, inside information that they may have or be thought to have, especially in periods leading up to an announcement of financial results. The Share Dealing Code sets out a notification procedure which is required to be followed prior to any dealing in the Ordinary Shares.

19. FURTHER INFORMATION

Your attention is drawn to Parts II to V of this Document, which provide additional information on the Company and, in particular, to the Risk Factors set out in Part II of this Document.

PART II

RISK FACTORS

The attention of prospective investors is drawn to the fact that an investment in the Ordinary Shares may not be suitable for all such investors and will involve a variety of risks which, if they occur, may have a materially adverse effect on the Company's business or financial condition, results or future operations. In such case, the market price of the Ordinary Shares could decline and an investor might lose all or part of his or her investment.

In addition to the information set out in this Document, the following risk factors should be considered carefully in evaluating whether to make an investment in the Company. The following factors do not purport to be an exhaustive list or explanation of all the risk factors involved in investing in the Company and they are not set out in any particular order of priority.

Additionally, there may be further risks of which the Directors are not aware or believe to be immaterial which may, in the future, adversely affect the Company's business and the market price of the Ordinary Shares. In particular, the Company's performance might be affected by changes in market and economic conditions and in legal, regulatory and tax requirements.

Before making a final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them. Any prospective investor who is in any doubt as to any action he should take, should consult with an independent financial adviser authorised under FSMA, if the investor is in the United Kingdom or, if not, another appropriately authorised independent financial adviser, who specialises in advising on the acquisition of shares and other securities.

RISK FACTORS RELATING TO THE BUSINESS AND OPERATIONS OF THE COMPANY

OPERATING RISKS

Limited operating history

Belluscura has a limited financial history and track record. It was incorporated in December 2015 and, having divested its initial portfolio of products, now purely focuses on oxygen enrichment technology. The Directors believe that the Board has experience in developing pre-revenue businesses and that the business has developed appropriate financial and operational processes.

There can be no certainty that the Company will be able to adequately implement its strategy as expected, nor achieve or sustain revenues, profitability or positive cash flow from its operating activities.

Early-stage of revenue generation

Belluscura is still at an early stage of its development and faces a number of operational, strategic and financial risks frequently encountered by pre-revenue companies looking to bring new products to the market. In particular, its future growth and prospects will depend on its ability:

- to develop, source or acquire products which have broad commercial appeal;
- to secure commercialisation partnerships with contract manufacturers on appropriate terms;
- to secure commercialisation partnerships with contract sales organisations on appropriate terms;
- to manage the growth of the business; and
- to continue to expand and improve operational, financial and management information, quality control systems and its commercialisation function on a timely basis whilst at the same time maintaining effective cost controls.

A failure of one or more of these risks could have a material adverse effect on the Company's business, financial condition and results of operations.

Dependence on key individuals

Given the relatively small size of Belluscura, its future success is substantially dependent on the Directors and a relatively small number of people. The Directors therefore view the continued service of the Board members, senior management and other key personnel as important. Whilst the Directors are taking steps to ensure that knowledge, skills and expertise are shared so as to avoid the Company being unduly dependent on individuals, they acknowledge that such measures may prove not to be effective if there were adverse circumstances beyond the Company's control affecting one or more key personnel. In order to be able to develop, support and maintain its business, the Company must also recruit and retain suitably qualified personnel some of whom require a very specialist skill set.

There is no assurance that it will recruit and retain sufficient quality key staff or always be able to do so on a timely basis. A failure to do so could have a material adverse effect on the Company's business, financial condition and results of operations.

Reliance on SDG for development of the Company's products

Belluscura engages SDG for the development of its products, based upon design and specifications provided by the Company. If SDG ceased to exist, the Company would have to source this service from an alternative provider and difficulties would arise for the Company in terms of product development, particularly as SDG have a high level of experience and expertise in producing the POCs.

In precaution for the unlikely event that SDG becomes unavailable or incapacitated or otherwise fails to perform the terms of a development project, the Company is taking pre-emptive steps to develop and recruit an engineering team that is able to perform duplicate services and research and development tasks to substitute for SDG, if necessary. The Directors expect that, once established the in house engineering team will have the ability to conduct research and development, as well as manage technical aspects required to support the commercial sale and support of the **X-PLO₂R** portable oxygen concentrator.

Risk of losing licence if sales are insufficient over the next 4 years

Under the terms of the SDG Licence, as described in paragraph 11.4 of Part V of this Document, SDG has the right to terminate the agreement if, after forty-eight (48) months from the initial commercial launch of the **X-PLO₂R**, cumulative sales of products have not exceeded twenty million dollars, unless Belluscura makes a one-time payment of \$3,000,000. In the event that this sales figure is not achieved, and the Company is unable or unwilling to make this payment, this is likely to have a material adverse effect on the Company's business.

Dependence on other parties and manufacturing risks

In the medium-term, Belluscura does not intend to carry out any manufacturing activities. Accordingly, the Company will be reliant upon being able to source products from a limited number of contract manufacturers. These contract manufacturers will be subject to a range of operating risks to which all manufacturers are exposed, including, *inter alia*, industrial accidents, technical failures, labour disputes, supply issues and fire, explosion and other plant issues. There can be no guarantee that buffer supplies of stocks would be sufficient for the entirety of the period before supplies from the relevant manufacturer could be resumed or an alternative supplier brought into production. This risk will be exacerbated in circumstances where a product is sourced from a single supplier and no, or insufficient, buffer stocks have been accumulated.

These risks, all of which may include aspects that may be beyond the control of the relevant manufacturer, could lead to a material disruption in the supply of product to the Company and, accordingly, in the ability of the Company to supply its customers.

The manufacture of the Belluscura's products includes raw materials, components, manufacturing processes and assembly. The manufacturing process will rely on the timely supply of raw materials and components. There are risks that the availability of raw materials is not adequate to meet demand. There are also risks

that the supply of components from third parties is impacted by the supply of raw materials for those components. The cost of raw materials and components are subject to a variety of risks including supply and tariffs.

A lack of product supply could have a material impact on the ability of the Company to meet demand and the cost of components could have a material impact on profitability.

Notwithstanding the regulatory risks associated with manufacturing and supplying medical device products, there are certain additional risks associated with commercial partnerships, including:

- the risk that third parties may have economic or business interests or goals that are inconsistent with those of the Company;
- the risk that third parties are unable or unwilling to fulfil their obligations; or
- the risk that third parties experience financial or other difficulties.

These risks could lead to a lack of supply of the Company's product.

A lack of product supply could have a material disruption in the supply of product to the Company and, accordingly, in the ability of the Company to supply its customers.

Additional Financing

Belluscura is seeking to raise sufficient capital to fund its operations until it becomes cash generative. The Company expects to incur significant costs in connection with commercialisation of the **X-PLO₂R** product range. The Company's financing requirements depend on numerous factors, including the rate of market acceptance of its products, its ability to attract distributors and customers and some factors outside of the Company's control. There may be future circumstances where the Company may require additional financing in the medium to long term, whether from equity or debt sources, to finance working capital requirements or to finance its growth through future stages of development.

Any additional share issue may have a dilutive effect on Shareholders, particularly if they are unable or choose not to subscribe by taking advantage of rights of pre-emption that may be available. Debt funding may require assets of the Company to be secured in favour of the lender, which security may be exercised if the Company were to be unable to comply with the terms of the relevant debt facility agreement. Failure to obtain adequate future financing on acceptable terms, if at all, could cause the Company to delay, reduce or abandon its development programmes or hinder commercialisation of its product portfolio and could have a material adverse effect on the Company's business, financial condition or operating results.

MARKET RISKS

Demand for products

It is possible that the Belluscura's products may not attract the number of customers and/or will not sell in the quantities and/or at the prices anticipated by the Board.

In those circumstances, the Company would receive less than the projected income from sales of such products with a consequent material adverse effect on the Company's business, financial condition or operating results.

Customers, pricing and payment terms

Belluscura is a new entrant into the market and in order to establish sufficient sales of its product may need to adjust its pricing. Additionally, the Company's future customers may have substantial purchasing power and negotiating leverage. There can be no assurance that the Company will be able to secure good contractual terms with its customers.

In certain cases, the Company may negotiate lower pricing or accept payment terms which impact adversely upon the revenue received by, the margins achieved by, and the cash flow in any given period.

Competition risks

The medical devices industry has become more competitive. Established categories are becoming crowded as they mature and there has been a significant increase in smaller technological companies who are gaining market share by offering very low prices and innovative business models. A number of Belluscura's competitors are large, global business which affords them a significant amount of financial and pricing strength. In addition, the Company anticipates that it will face increased competition in the future as new companies enter the market and alternative products, strategies and technologies become available.

The results of increased competition from new and existing competitors, along with the potential of competitors aggressive pricing, may have a material adverse effect on the Company's financial results. The medical products industry is highly competitive and if the Company's business model is successful it may be replicated by other organisations, some of which may have greater resources than the Company.

Product recalls might be necessary

Belluscura may be faced with the necessity of recalling one or more products or batches of products from the market. This necessity may also occur if no de facto product property exists that makes a recall obligatory, in particular a side effect or defect, but rather if such a property is merely suspected of being present.

A recall of the Company's product may result in loss of revenue, damage to the Company's reputation and, moreover, trust among clinicians, patients and customers could be adversely affected. Potentially, affected products may no longer be able to be sold. This could lead to a consequent material adverse effect on the Company's business, financial condition or operating results and further, options for refinancing on the capital market could be negatively affected or even excluded.

Technological advancement

Sales of Belluscura's products may be impacted by further technological advancement in the medical device industry where, in particular, the application and use of analytics is continually changing the technological landscape. It is important for companies operating in this area to be able to provide accurate and timely medical treatments to fulfil the needs of the value-driven healthcare environment.

There is no certainty that the Company will be able to adapt to the rapid technological changes, which could have a negative impact on the Company's ability to generate significant sales revenues from its products.

Changes in clinical practice

Sales of Belluscura's products may be impacted significantly in the event that relevant treatment processes evolve so as to remove, or significantly diminish, the need for a product of that nature as part of the treatment process, or if a cheaper alternative is successfully developed.

Any such impact may have a significant adverse effect on the Company's business, results of operation, financial condition and future prospects.

The market opportunity for the Group's products may diminish over time if the Covid-19 pandemic is eradicated quicker than expected

Estimates as to the size of the market for Belluscura's products have increased due to the impact of the global COVID-19 pandemic. In the event that relevant treatment processes evolve so as to remove, or significantly diminish, the need for a product of that nature as part of the treatment process, or if a cheaper alternative is successfully developed, this estimated increase in market size may diminish.

Any such impact may have an adverse impact on the Company's business, results of operation, financial condition and future prospects.

Systemic risks

The medical devices sector has shown substantial growth in the past, but this is no guarantee of future sector growth and decreased reimbursement changes in the future by private and government insurance carriers could adversely impact sales of the Belluscura's products.

Any such impact may have an adverse impact on the Company's business, results of operation, financial condition and future prospects.

Economic conditions

The markets in which the Belluscura and its partners offer its products are directly affected by many national and international factors that are beyond the Company's control, such as political, economic, currency, social and other factors.

Any economic downturn either globally, regionally or locally in any country in which Belluscura and/or its partners operate may have an adverse effect on the demand for the Company's products and those of its partners. A more prolonged economic downturn may lead to an overall decline in the Company's sales, or those of its partners and may have an adverse impact on the Company's business, results of operation, financial condition and future prospects.

Risks relating to the acquisition of new products

Whilst Belluscura does not currently intend on product acquisitions, the Company will continue to evaluate and explore strategically beneficial acquisitions or licensing opportunities in related sectors. However, the Company may be unable to find suitable opportunities on attractive terms, or it may not be able to consummate such opportunities as a result of competition from other prospective acquirers, or due to the Company's potential inability to finance such acquisitions.

Failing to complete any such opportunities may have an adverse effect on the Company's business, results of operations, financial condition and future prospects.

There can be no assurance that the benefits which the Company would expect from acquisitions or licensing opportunities will be realised to the extent or in the time frame which the Board may initially anticipate. In addition, these opportunities may involve a number of risks, including the diversion of management's attention to unforeseen difficulties in relation to an acquired product, unanticipated costs and liabilities, the implementation of new operating procedures and disruption of the Company's ongoing business at that point in time. These challenges can be magnified due to the size of the acquisition.

Any delays or unexpected costs incurred in connection with product acquisitions including significant one-time capital expenditures, may result in dilutive issues of equity securities, increased debt or other contingent liabilities, adverse tax consequences, deferred consideration charges and the recording and later amortisation of amounts related to deferred consideration and certain purchased intangible assets. Any of which items could have an adverse effect on the Company's business, results of operations, financial condition and future prospects.

COMPLIANCE AND REGULATORY RISKS

Protection of intellectual property

The Directors engaged an external law firm with intellectual property expertise to review the Company's current patent portfolio and they have determined that the listed patents are all currently in effect, relevant filing fees and annuities have been paid to maintain the listed patents and are not aware of any prior art or acts or omissions that would render Company's patents invalid or unenforceable. Further, the Directors are not aware of any infringement by Belluscura's products of the intellectual property rights of any third parties. A freedom to operate search has been conducted on behalf of the Company supporting the Directors' belief that the Company's FDA cleared **X-PLO₂R** portable oxygen concentrator does not infringe the patent rights of any third parties. Third parties may assert claims that the Company and/or the products that it intends to supply infringe intellectual property rights or misuse confidential information belonging to them. Any such claims, irrespective of merit, could be time consuming and expensive to defend or settle and could divert

management resources and attention. There may also be related cost implications and/or potential monetary damages to be paid if an intellectual property violation occurs and/or implications for the products marketed by Belluscura.

Some of the Company's proprietary rights may not be protected fully by Belluscura's registered rights (such as patents) and, therefore, the Company is reliant on internal processes and systems to protect such rights when possible. Whilst the Directors believe that Belluscura's efforts to protect its proprietary rights in the proprietary systems and processes are adequate, there is a risk that they may not be sufficient to prevent misappropriation of its intellectual property and it may not be able to detect unauthorised use of, or take appropriate steps to enforce, its intellectual property rights. No assurance is given that the Company will be able to acquire or develop products which are capable of being protected, or that any protection gained will be sufficiently broad in scope to protect the Company's intellectual property rights and exclude competitors from producing similar competing technology.

There can be no guarantee that third parties have not or will not independently develop products with the same or similar functionality as the Company's products without infringing the Company's intellectual property rights, and there can be no guarantee that any such competing products would not have a material adverse effect on revenues, results of operations and prospects of the Company. The intellectual property that Belluscura owns or licenses gives a degree of protection against competitors copying the Company's **X-PLO₂R** product. However, the intellectual property right does not prevent another company or inventor designing a similar product with mechanics akin to Belluscura's, or a product which is seen as an improvement of the **X-PLO₂R** design.

Further, monitoring unauthorised use of intellectual property and enforcing intellectual property rights is time consuming, expensive, and complicated. In addition, intellectual property rights, and specifically patent rights, are granted and enforced regionally such that rights can only be enforced in countries and regions where granted, thereby requiring time consuming, expensive and complicated enforcement efforts in countries or regions where a potential third-party infringer makes, uses, sells or offers to sell the infringing product. The Company may not enforce intellectual property rights outside of countries or regions where rights are granted. In such circumstances, the Company will conduct appropriate cost benefit analysis for the Board to consider.

Disputes with a third party relating to the infringement or protection of intellectual property

If Belluscura's competitors file patent applications that claim intellectual property rights over products also claimed by the Company, the Company may have to participate in interference, *inter-parties* disputes, derivation proceedings or opposition proceedings to determine whether to intervene. The Company might also be accused of infringing a third party's intellectual property rights, in which case it will have no option other than to defend the allegation, which it may, or may not, be possible to resolve through negotiation or which might result in court proceedings that run to a full trial.

An adverse outcome in any of these circumstances will mean that the Company might be subject to significant financial liabilities, be required to cease selling a product in certain jurisdictions or to pay license fees (both prospectively and retrospectively). The Company could incur substantial costs in any litigation or other proceedings relating to patent rights, even if they are resolved in the Company's favour. If the proceedings were in the US, the basic rule is that each party is responsible for its own costs. By contrast, the rule in respect of English proceedings is that the loser pays the winner's costs, although there is never 100 per cent. recovery of costs from the losing side. Other jurisdictions may have rules that lead to results unfavourable to the Company with respect to its intellectual property. Some of the Company's competitors may be able to sustain the costs of complex litigation more effectively or for a longer time than the Company can because of their substantially greater resources and Belluscura's position as a pre-revenue business.

Despite Belluscura's technology being covered by at least 25 patents and pending patent applications, there is a risk of potential patent infringement from third parties or the patents could be challenged or declared invalid at some future date.

Uncertainties or threatened or actual disputes relating to any patent, patent application or other intellectual property right (including confidential information) could have a material adverse effect on the Company's ability to develop and/or market a product, enter into collaborations in respect of the affected products, or raise additional funds.

Need for additional intellectual property

Belluscura plans to launch the **X-PLO₂R DX** and **X-PLO₂R CX** later in 2021 as part of the **X-PLO₂R** portfolio. Whilst no further IP is expected to be required to complete the development of these products, given the products are still under development it is not possible to rule out the need for additional intellectual property. The Directors acknowledge that this could be a risk to the Company if additional intellectual property is needed and subsequently the launches of these products are delayed, impacting revenues and reputation.

Changes in patent laws or patent jurisprudence

Belluscura's future success could be in part derived from intellectual property protection, particularly patents. Obtaining and exploiting patents in the medical devices industry involves both legal and technological complexity. The Board believes that together with the management team they have a strong knowledge of the patent process, however obtaining and exploiting patents is costly, time-consuming and uncertain.

In recent years, the US Supreme Court has ruled on several patent cases which have resulted in either a narrowing of the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. This could have a materially adverse impact on the Company, particularly in relation to its strategy of acquiring products which have already achieved patent status and a consequential and adverse effect on the Company's business, results of operations, financial condition and future prospects.

Additionally, the America Invents Act (the "**AIA**") in the United States has resulted in significant changes to the US patent system with regard to increasing uncertainty on a company's ability to obtain patents in the future. The combination of the US Supreme Court decisions and the AIA has created uncertainty in respect of the value of patents, once obtained. Particularly significant changes to US patent law under the AIA are:

- a patent is now awarded to the "first-inventor-to-file" rather than the first to invent;
- a new definition of prior art which removes geographic and language boundaries found in pre-AIA law and certain categories of "secret" prior art have been removed;
- the implementation of new procedures for challenging the validity of issued patents; and
- third parties are allowed to submit any patent, published application, or publication relevant to examination of a pending patent application with concise explanation for inclusion during prosecution of the patent application.

A decrease in the value of patents in general may impact on the Company's ability to protect its products, thereby having an adverse effect on the Company's business, results of operations, financial condition and future prospects.

Legal, regulatory, ethical practices, fraud, privacy, record-keeping and other trading practices.

Belluscura's reputation is central to its future success in terms of the products it provides, the relationships it currently has and intends to develop in the future with distributors, partners and customers, the way in which it conducts its business and the financial results which it achieves. The Company may face reputational risk arising from a number of factors, including failure to deal appropriately with legal and regulatory requirements, ethical practices, fraud, privacy, record-keeping and other trading practices, as well as market risks inherent in the Company's business.

The failure, or allegations or perceptions of failure, of the Company to deal appropriately with legal and regulatory requirements, privacy, record-keeping, sales and trading practices or its failure to meet the expectations of the press and the general public, as well as its customers, suppliers, employees, shareholders and other business partners may have a material adverse effect on the Company's reputation, business, results of operations, financial condition and future prospects.

Failure of partners or customers, or the Company itself, to comply with regulatory requirements

If any of the Belluscura's partners or customers, or the Company itself, were to breach applicable regulatory requirements, the Company may incur substantial additional expense to comply with the regulatory requirements to maintain the relevant agreement. The failure of a third party properly to carry out their contractual duties or regulatory obligations would be disruptive to the Company's business.

This could have a materially adverse effect on the Company's ability to generate profits as well as its ability to source premium products. Further, any action taken by a third party that is detrimental to the Company's reputation could have a negative impact on the Company's ability to register its trademarks and other forms of Intellectual Property protection, and/or market and sell its products.

Legislative and regulatory requirements and possible changes

The manufacturing and marketing of Belluscura's existing products are subject to regulation by government and regulatory agencies in a number of countries. Of particular importance is the requirement to maintain approval for a product from the applicable regulatory agencies to enable the Company's products to be marketed. Such clearance or approval requires clinical evaluation of data relating to safety, quality and efficacy of a product. Many countries, including the United States (510(k) clearance), Europe (CE Marking) and Japan (Pharmaceutical and Medical Devices Agency), have high standards of technical appraisal. There is no guarantee that the Company will be able to obtain or sustain the necessary regulatory approvals for some or all of its products. In addition, changes in legislation, regulatory policies or the discovery of problems with the products or their manufacture may result in the imposition of restrictions on the products or manufacture. Further, in recent years, particularly in the United States and EMEA, there has been rising regulatory pressure on medical device companies focused on reducing costs and improving patient quality of care, such as through the provisions of the Affordable Care Act 2010 in the US and the Medical Device Directives in the EMEA.

Regulators undertake periodic reviews and inspections. If they discover previously unknown problems with a product or its manufacturing process, or if the Company, its partners or customers fail to comply with regulatory requirements, regulators could:

- impose fines against the Company, its partners or its customers;
- impose restrictions on the individual product, its manufacture, or the Company, its partners or its customers;
- require the Company, its partners or its customers to recall or remove a product from clinical use;
- suspend or withdraw its regulatory approvals or clearances;
- require the Company, its partners or customers to change its product labelling; or
- require the Company, its partners or its customers to withdraw and amend its marketing and promotional materials for the product.

Should the Company fail to comply with any of the relevant regulations and consequently any of these events occur, the Company may incur substantial additional costs to comply with the regulatory requirements and may have a material adverse effect on the Company's reputation, business, results of operations, financial condition and future prospects.

Product liability and insurance

Belluscura's activities expose it to potential product liability and professional indemnity risks that are inherent in the development and manufacture of medical devices that come into direct contact with patients, and the Company could become subject to product liability lawsuits.

Any product liability claim brought against Belluscura, with or without merit, could result in the increase of the Company's product liability insurance rates or the inability to secure cover in the future. In addition, Belluscura could incur costs in connection with any such proceedings, any amounts awarded by a court or arbitral body, or in connection with any settlement of the same. The Company's existing and future relationships and reputation could also be adversely affected with consequential adverse effects on its business development, growth and revenue prospects.

Cross-country economic, political, judicial, administrative, tax and regulatory matters

Belluscura's strategy is global and the Company and its partners operate in numerous countries, each of which has its own national characteristics in terms of how business is regulated and conducted in terms of economic, political, judicial, administrative, taxation or other regulatory matters.

The Company could therefore be affected by any one of these factors, as well as other unforeseen matters, which could have a material adverse effect on its business, operating results or financial condition.

RISKS RELATING TO THE ORDINARY SHARES

Investment in AIM securities and liquidity of the Company's Ordinary Shares

An investment in companies whose shares are traded on AIM is perceived to involve a higher degree of risk and be less liquid than an investment in companies whose shares are listed on the Official List. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than the Official List. The future success of AIM and liquidity in the market for Ordinary Shares cannot be guaranteed. In particular, the market for Ordinary Shares may become or may be relatively illiquid and therefore, such Ordinary Shares may be or may become difficult to sell.

The market for the Ordinary Shares following Admission may be highly volatile and subject to wide fluctuations in response to a variety of factors which could lead to losses for Shareholders. These potential factors include amongst others: any additions or departures of key personnel, litigation and press, newspaper and/or other media reports.

Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up, that the market price of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may, therefore, realise less than or lose all of their investment.

Market in the Ordinary Shares

The share price of publicly quoted companies can be highly volatile and shareholdings illiquid. The market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, some specific to the Company and its operations and others to the AIM market in general including, but not limited to, variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions or legislative changes in the Company's sector. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares.

The trading of the Ordinary Shares on AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares and there is no guarantee that an active market will develop or be sustained after Admission. It may be more difficult for an investor to realise his investment in the Company than in a company whose shares are quoted on the Official List.

Dilution of shareholders' interest as a result of additional equity fundraising

The Company may need to raise additional funds in the future to finance, amongst other things, working capital, expansion of the business, new developments relating to existing operations or new acquisitions.

If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the percentage ownership of the existing Shareholders may be reduced. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

Dividends

There can be no assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Company are subject in the case of a final dividend to the approval of the Shareholders and, in the case of an interim dividend to the decision of the Directors, and will depend upon,

among other things, the Company's earnings, financial position, cash requirements, availability of profits, as well as provisions for relevant laws or generally accepted accounting principles from time to time.

EIS and VCT status

The Company received advanced assurance from HMRC on 25 August 2020, based on UK legislation then in force, that it would be considered 'knowledge intensive' and that a subscription for Ordinary Shares in the Company should be eligible for tax relief under the EIS and would be a "qualifying holding" for a VCT under Chapter 4 Part 5 (EIS) and Part 6 (VCT) of the UK Income Tax Act 2007 respectively, and that the Common Stock will be eligible shares for the purposes of section 173 and section 285(3A) of the UK Income Tax Act 2007 up to a maximum investment of £9.1 million. The advance assurance only relates to the qualifying status of the Company and its shares and will not guarantee that any particular investor will qualify for tax relief in respect of an acquisition of Ordinary Shares. The continuing availability of EIS relief and the status of the relevant VCT Placing Shares as a qualifying holding for VCT purposes will be conditional, amongst other things, on the Company continuing to satisfy the requirements for a qualifying company throughout the period of three years from the date of the investor making its investment (under EIS) and, for VCT purposes, throughout the period the shares are held as a "qualifying holding". Neither the Company nor the Company's advisers are giving any warranties or undertakings that any relief under the EIS or that VCT qualifying status will be available in respect of the Placing and Subscription, or that in due course such relief or status will not be withdrawn.

Circumstances may arise where the Board believes that the interests of the Company are not best served by acting in a way that preserves the EIS or VCT qualifying status (if granted). In such circumstances, the Company cannot undertake to conduct its activities in a way designed to preserve any such relief or status. Should the law regarding EIS or VCTs change, then any relief or qualifying status previously obtained may be lost.

The issue of the Placing Shares will be conducted in two separate tranches over two Business Days to enable where possible some investors to benefit from certain tax reliefs available to VCT and EIS investors. It is intended that the Company will issue the VCT/EIS Placing Shares on 26 May 2021, being two Business Days prior to Admission. The issue of the VCT/EIS Placing Shares will not be conditional on Admission. However, it is conditional, inter alia, on: (i) the Placing Agreement having been entered into and it having not been terminated prior to the issue of the VCT/EIS Placing Shares; (ii) the performance by the Company of its obligations under the Placing Agreement in so far as the same fall to be performed prior to completion of the VCT/EIS Placing; and (iii) the satisfaction or, where appropriate, the waiver of all other conditions set out in the Placing Agreement relating to the issue of the VCT/EIS Placing Shares.

The issue of the General Placing Shares will be conditional upon Admission. Investors should be aware of the possibility that the VCT/EIS Placing Shares may be issued and that none of the remaining Placing Shares are issued. Investors should also be aware that Admission may not take place. Consequently, even if the VCT/EIS Placing Shares are issued, there is no guarantee that the placing of the General Placing Shares will become unconditional. If all of the Placing Shares are not issued and Admission does not take place, the Company will not be able to implement the strategy and growth plans in the timeframes outlined in this Document.

Any person who is in any doubt as to their taxation position should consult their professional tax adviser in order that they may fully understand how the rules apply in their individual circumstances.

Changes in taxation legislation or the interpretation of tax legislation could affect the Company's ability to provide returns to Shareholders

Any changes in taxation legislation or the interpretation of taxation legislation could affect the Company's ability to provide returns to Shareholders. The taxation of an investment in the Company depends on the individual circumstances of the relevant investor.

The investment detailed in this Document may not be suitable for all of its recipients and involves a high degree of risk. Before making an investment decision, prospective investors are advised to consult a professional adviser authorised under the FSMA if they are in the United Kingdom or, if not, to consult another appropriately authorised and independent financial adviser who specialises in advising on investments of the kind described in this Document. Prospective investors should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them.

PART III

HISTORICAL FINANCIAL INFORMATION RELATING TO BELLUSCURA PLC

SECTION A – ACCOUNTANT’S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF BELLUSCURA PLC



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Belluscura plc
15 Fetter Lane
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EC1M 4JN

SPARK Advisory Partners Limited
5 St John’s Lane
London
EC1M 4BH

24 May 2021

Dear Sir or Madam

Belluscura plc (“Belluscura”)

Introduction

We report on the financial information set out in Section B of Part III of the AIM admission document dated 24 May 2021 (the “Admission Document”) of Belluscura plc (“the Company”).

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the statements of financial affairs of Belluscura as at 31 December 2018, 2019 and 2020 and of its losses, cash flows and changes in equity for the years then ended in accordance with the basis of preparation set out in note 1 to the financial information.

Responsibilities

The directors of the Company are responsible for preparing the financial information in accordance the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of preparation

This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in note 2 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent of the Company in accordance with the Financial Reporting Council's Revised Ethical Standard 2019 as applied to Investment Circular Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Material uncertainty related to going concern

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

Our opinion is not modified in respect of this matter.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and makes no omission likely to affect its import.

This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Mazars LLP

Chartered Accountants

SECTION B – HISTORICAL FINANCIAL INFORMATION OF BELLUSCURA PLC

Consolidated Statement of Profit & Loss and Other Comprehensive Income

		Year ended 31 December	Year ended 31 December	Year ended 31 December
	Note	2018 US\$	2019 US\$	2020 US\$
Continuing operations				
Revenue	5	245,554	128,701	–
Cost of sales		(252,869)	(114,385)	–
Gross (loss)/profit		<u>(7,315)</u>	<u>14,316</u>	<u>–</u>
Other operating income	6a	–	44,368	11,493
Administrative expenses	6b	(1,470,862)	(1,573,479)	(1,956,682)
Operating loss		<u>(1,478,177)</u>	<u>(1,514,795)</u>	<u>(1,945,189)</u>
Finance costs		–	(37,201)	(32,956)
Finance costs – net		<u>–</u>	<u>(37,201)</u>	<u>(32,956)</u>
Loss before income tax		<u>(1,478,177)</u>	<u>(1,551,996)</u>	<u>(1,978,145)</u>
Income tax expense	9	–	–	–
Loss after tax for the period		<u>(1,478,177)</u>	<u>(1,551,996)</u>	<u>(1,978,145)</u>
Other comprehensive income: foreign exchange (gain)/loss		(344,680)	373,742	391,737
Total other comprehensive income		<u>(344,680)</u>	<u>373,742</u>	<u>391,737</u>
Total comprehensive loss for the period attributable to the equity holders		<u>(1,822,857)</u>	<u>(1,178,254)</u>	<u>(1,586,408)</u>
Basic loss per share (US\$ per share)	17	(0.075)	(0.028)	(0.029)
Diluted loss per share (US\$ per share)	17	(0.075)	(0.028)	(0.029)

Consolidated Balance Sheet

		<i>As at</i>	<i>As at</i>	<i>As at</i>
	<i>Note</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
		<i>2018</i>	<i>2019</i>	<i>2020</i>
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Assets				
Non-current assets				
Property, plant and equipment	11	29,217	22,361	13,818
Intangible assets	12	1,814,943	2,935,228	4,129,660
Right of use asset		–	473,901	375,852
		<u>1,844,160</u>	<u>3,431,490</u>	<u>4,519,330</u>
Current assets				
Inventory	13	128,094	–	–
Trade and other receivables	14	46,108	64,575	197,653
Cash and cash equivalents	15	532,248	1,033,512	520,070
		<u>706,450</u>	<u>1,098,087</u>	<u>717,723</u>
Total assets		<u><u>2,550,610</u></u>	<u><u>4,529,577</u></u>	<u><u>5,237,052</u></u>
Liabilities				
Current liabilities				
Trade and other payables	20	(252,750)	(385,325)	(230,136)
		<u>(252,750)</u>	<u>(385,325)</u>	<u>(230,136)</u>
Non-current liabilities				
Trade and other payables	20	–	(416,323)	(338,053)
		<u>–</u>	<u>(416,323)</u>	<u>(338,053)</u>
Total liabilities		<u><u>(252,750)</u></u>	<u><u>(801,648)</u></u>	<u><u>(568,189)</u></u>
Net assets		<u><u>2,297,860</u></u>	<u><u>3,727,929</u></u>	<u><u>4,668,864</u></u>
Equity attributable to the owners of the parent				
Share capital	18	456,107	648,298	823,201
Share premium	18	3,304,432	5,714,678	556,683
Capital contribution	19	165,000	165,000	165,000
Retained earnings	19	(1,298,819)	(2,844,929)	2,687,361
Translation reserve	19	(328,860)	44,882	436,619
Total equity		<u><u>2,297,860</u></u>	<u><u>3,727,929</u></u>	<u><u>4,668,864</u></u>

Consolidated Statement of Changes in Equity

	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 January 2018		160,978	10,149	15,820	165,000	179,358	531,305
Issue of ordinary shares	18	295,129	3,294,283	–	–	–	3,589,412
<i>Loss for the period</i>	19	–	–	–	–	(1,478,177)	(1,478,177)
<i>Other comprehensive income</i>	19	–	–	(344,680)	–	–	(344,680)
Total comprehensive income		–	–	(344,680)	–	(1,478,177)	(1,822,857)
Balance at 31 December 2018		<u>456,107</u>	<u>3,304,432</u>	<u>(328,860)</u>	<u>165,000</u>	<u>(1,298,819)</u>	<u>2,297,860</u>
Balance at 1 January 2019		456,107	3,304,432	(328,860)	165,000	(1,298,819)	2,297,860
Issue of ordinary shares	18	192,191	2,410,246	–	–	–	2,602,437
<i>Loss for the period</i>	19	–	–	–	–	(1,551,996)	(1,551,996)
<i>Other comprehensive income</i>	19	–	–	373,742	–	–	373,742
Total comprehensive income		–	–	373,742	–	(1,551,996)	(1,178,254)
Share based payments	19	–	–	–	–	5,886	5,886
Balance at 31 December 2019		<u>648,298</u>	<u>5,714,678</u>	<u>44,882</u>	<u>165,000</u>	<u>(2,844,929)</u>	<u>3,727,929</u>
Balance at 1 January 2020		648,298	5,714,678	44,882	165,000	(2,844,929)	3,727,929
Issue of ordinary shares	18	174,903	2,233,896	–	–	–	2,408,799
Reduction in capital		–	(7,391,891)	–	–	7,391,891	–
<i>Loss for the period</i>	19	–	–	–	–	(1,978,145)	(1,978,145)
<i>Other comprehensive income</i>	19	–	–	391,737	–	–	391,737
Total comprehensive income		–	–	391,737	–	(1,978,145)	(1,586,408)
Share based payments	19	–	–	–	–	118,544	118,544
Balance at 31 December 2020		<u>823,201</u>	<u>556,683</u>	<u>436,619</u>	<u>165,000</u>	<u>2,687,361</u>	<u>4,668,864</u>

Consolidated Statement of Cash Flows

		<i>For the year ended 31 December 2018 US\$</i>	<i>For the year ended 31 December 2019 US\$</i>	<i>For the year ended 31 December 2020 US\$</i>
Cash flows used by operating activities				
Cash generated from operations	25	(2,383,440)	(1,002,377)	(1,470,773)
Taxation paid		–	–	–
		<u>(2,383,440)</u>	<u>(1,002,377)</u>	<u>(1,470,773)</u>
Net cash used by operating activities				
Cash flows used in investing activities				
Purchases of property, plant and equipment	11	–	(2,547)	–
Intangible assets under development		(804,267)	(1,120,285)	(1,194,432)
Sale of product licence		–	44,368	–
		<u>(804,267)</u>	<u>(1,078,464)</u>	<u>(1,194,432)</u>
Net cash used in investing activities				
Cash flows from financing activities				
Proceeds from issuance of ordinary shares	18	3,549,427	2,655,751	2,251,774
Lease Payments		–	(105,348)	(118,859)
		<u>3,549,427</u>	<u>2,550,403</u>	<u>2,132,915</u>
Net cash generated from financing activities				
Net increase/(decrease) in cash and cash equivalents				
		361,720	469,562	(532,290)
Cash and cash equivalents at beginning of period		185,090	532,248	1,033,512
Exchange (loss)/gain on cash and cash equivalents		(14,562)	31,702	18,848
		<u>532,248</u>	<u>1,033,512</u>	<u>520,070</u>
Cash and cash equivalents at end of period				

Notes to the Historical Financial Information

1. General Information

Belluscura plc (“the Company”) is incorporated in England and Wales and domiciled in the UK, with company registration number 09910883. The address of the registered office is 15 Fetter Lane, Holborn, London, EC4A 1BW. The principal activity of the business 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.

This historical financial information (“Historical Financial Information”) has been prepared on a going concern basis under the historical cost convention; in accordance with International Financial Reporting Standards (IFRSs), the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Boards (“IASB”) that are effective or issued and have been adopted as at the time of preparing this Historical Financial Information.

This Historical Financial Information presents the financial track record of the company for the three years ended 31 December 2020 and is prepared for the purposes of admission to AIM, a market operated by the London Stock Exchange. This Historical Financial Information has been prepared in accordance with the requirements of the AIM Rules for Companies and in accordance with this basis of preparation summarised below.

The preparation of Historical Financial Information requires the Directors to exercise their judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

The financial information for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 does not constitute the company’s statutory financial statements for those years. Statutory financial statements for the years ended 31 December 2018 and 31 December 2019 have been delivered to the Registrar of Companies.

The auditors’ reports on the accounts for 31 December 2018, 31 December 2019 and 31 December 2020 were unqualified, and drew attention to certain matters by way of emphasis regarding the going concern status of the Group being reliant on future fundraising activity and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The Historical Financial Information is presented in US dollars and, unless otherwise stated, amounts are expressed in US dollars.

The Board is, together, considered the chief operating decision maker.

2. Accounting Policies

2.1 *Statement of compliance*

The financial information consolidates the Company and its subsidiaries (together referred to as the “Group”).

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

In preparing this financial information, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 (“Adopted IFRSs”).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods.

2.1.1 *Measurement convention*

The financial information is prepared on the historical cost basis.

2.1.2 *Going concern*

In adopting the going concern basis the directors have considered the principal activities as well as the business risks.

The Group made a loss of US \$1,978,145 in the year to 31 December 2020 (2019: loss of US \$1,551,996; 2018: loss of US \$1,478,177). At the balance sheet date the Group had net assets of US \$4,668,864 (2019: US \$3,727,929; 2018: US \$2,297,860) and utilised net operating cash outflows of US \$1,470,773 (2019: US \$1,002,377; 2018: US \$2,383,440).

The Company raises the funds required for the Group's activities and has successfully undertaken several Private Funding rounds raising over \$13,500,000 to date to support the Group. This cash has allowed the Group to continue to trade, complete FDA 510k clearance of the **X-PLO₂R** portable oxygen concentrator and continue the development of its follow-on products, the **X-PLO₂R CX** and the **X-PLO₂R DX** portable oxygen concentrators. The Company is targeting commercial launch of **X-PLO₂R** in H1 2021.

Since the period end the Group has raised \$2.6 million equity from new and existing shareholders which will allow the business to continue to trade. Further equity fundraising is planned in 2021 to support the commercial launch of **X-PLO₂R**. The Group has a number of private shareholders who have been supportive during all fundraisings to date and believe that, given FDA clearance of **X-PLO₂R**, they will continue to be supportive. As with any company placing reliance on shareholders for financial support, the directors acknowledge that there can be no certainty that this support will continue although they have no reason to believe that it will not do so.

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

The Group's forecasts and projections, including the intention to raise further funds on the public markets to commercialise the **X-PLO₂R**, 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 information. 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 have been considered in the assessment of these forecasts.

Whilst the directors expect that further equity raising will be successful, to the extent it is not, the directors believe that the most likely alternative will be to curtail its operations, halt development and delay commercialisation whilst looking for alternative source of funding. In the unlikely situation where this is also unsuccessful, the Group may cease further development of the **X-PLO₂R** range and seek potential purchasers of the company or the IP intrinsically linked to the **X-PLO₂R**, in which case the application of the going concern basis of preparation may be inappropriate.

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

2.1.3 *Changes in accounting policy*

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

2.2 **Basis of Consolidation**

Belluscura plc was incorporated on 10 December 2015. On 16 May 2016, a US incorporated company, Belluscura LLC, was formed as a 100 per cent. owned subsidiary. On 25 April 2017 the company acquired the entire share capital of Nanotether Discovery Science Limited. Nanotether Discovery Science Limited was dissolved in 2019.

The financial information comprises Belluscura plc, Belluscura LLC, and Nanotether Discovery Science Limited, prior to Nanotether Discovery Sciences Limited being dissolved.

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 performance of subsidiaries is included in the financial information from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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

2.3 **Foreign currencies**

(a) *Functional and presentation currency*

The financial information is 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.

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.

No non-controlling interests have arisen due to the fact that the group has always acquired 100 per cent. of the share capital of the businesses in its achieved acquisitions.

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.

2.5 Employee benefits

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

Share-based payment transactions

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

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

2.6 Expenses

Operating lease payments (effective for the period ending 31 December 2018)

The below accounting policy is effective for the period ending 31 December 2018 whereby the group applied IAS17 – leases. For the periods ending 31 December 2019 and 31 December 2020, the group applied IFRS16 – leases. Refer to 2.14 for further information.

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

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

2.7 Property, plant and equipment

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

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

Depreciation of assets is calculated 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
Right of use assets (land and buildings)	–	over the lease term

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

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

2.8 **Intangible assets**

Licenses and product development costs

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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;
- (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. All other development costs relate to products which are under development and amortisation will not be charged until the asset completion date.

Amortisation is recognised within Administrative Expenses in the Statement of Profit and Loss.

2.9 **Impairment of non-financial assets**

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has

decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.10 Financial assets

2.10.1 Classification

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

2.10.2 Recognition and measurement

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

2.11 Offsetting financial instruments

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

2.12 Impairment of financial assets

Assets carried at amortised cost

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

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

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

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

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

2.13 **Leases (policy applicable from 1 January 2019)**

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

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

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

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

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

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

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

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

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.14 **Inventory**

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

2.15 **Trade receivables**

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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. The Company recognises lifetime expected credit losses (ECL) for trade receivables. Expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

2.16 **Cash and cash equivalents**

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

2.17 **Share capital**

Share premium

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

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 financial information. 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 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, which is the performance obligation obtained in the relevant contract.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money. Typically, satisfaction of performance obligations matches invoice timing and payment.

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 Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The Group measures ECL based on historical data available to management in addition to current and forward-looking information utilising managements knowledge of their customers.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The ECL balance has been determined based on historical data available to management in addition to forward looking information utilising management knowledge. Based on the analyses performed, management expect that all balances will be recovered, thus there is no material impact on the transition to ECL.

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. All trade and other receivables are non-interest bearing.

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\$520,070, (2019: \$1,033,512; 2018: \$532,248).

Ageing of creditors

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

(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.

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

	<i>31 December</i> 2018	<i>31 December</i> 2019	<i>31 December</i> 2020
Cash and cash equivalents	310,990	814,424	317,606
Trade receivables	6,087,465	7,762,723	10,380,745
Trade payables	(494,560)	(84,004)	(62,908)
Net exposure	<u>5,903,895</u>	<u>8,493,143</u>	<u>10,635,443</u>

The trade receivables shown above relates to the UK entity's intercompany balance with the US entity, which will be repaid in Sterling. Due to the financial information being reported in US Dollars this creates a foreign currency exposure on the Sterling intercompany balance albeit the intercompany balances net out on consolidation.

A 10 per cent. strengthening of the pound sterling against the US Dollar at 31 December 2020 would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for 31 December 2019 and 2018.

	<i>Equity</i>			<i>Profit or loss</i>		
	2018	2019	2020	2018	2019	2020
	US\$	US\$	US\$	US\$	US\$	US\$
	(590,389)	(849,314)	(1,063,544)	(590,389)	(849,314)	(1,063,544)

A 10 per cent. weakening of the above currencies against the pound sterling for each financial year 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 from £ sterling:

	<i>Closing rate</i>	<i>Weighted average rate</i>	<i>Closing rate</i>	<i>Weighted average rate</i>	<i>Closing rate</i>	<i>Weighted average rate</i>	<i>Closing rate</i>
	<i>for 2017</i>	<i>for 2018</i>	<i>for 2018</i>	<i>for 2019</i>	<i>for 2019</i>	<i>for 2020</i>	<i>for 2020</i>
US Dollar	1.3503	1.3350	1.2769	1.2769	1.3270	1.2841	1.3652

3.2 Capital management

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

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

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

4. Critical accounting estimates and judgements

The preparation of the financial information requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Leases – estimation of discount rate (see notes 21/22)

When the interest rate implicit in the contract is not readily determinable, measures the lease liability using the incremental borrowing rate of the Group.

Significant management judgements

The following are management judgements in applying the accounting policies of the Company that have the most significant effect on the amounts recognised in the financial information.

(b) *Impairment of intangible fixed assets (see note 12)*

At each reporting date the Company assesses whether there is any indication of impairment of intangible fixed assets. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

5. Revenue

The entire revenue is generated from the sale of goods and from its geographical market in United States of America US\$ nil (2019: US\$128,701; 2018: US\$245,554). The Group therefore operates under one operating segment.

6. Other operating income and administrative expenses

6.1 (a) Other operating income

	2018 US\$	2019 US\$	2020 US\$
Net gain on disposal of Slyde™ licence	–	44,368	–
Grants	–	–	6,421
Purchase of option right	–	–	5,072
Total	<u>–</u>	<u>44,368</u>	<u>11,493</u>

6.1 (b) Expenses by nature

	2018 US\$	2019 US\$	2020 US\$
Depreciation of property, plant and equipment	9,517	107,452	106,592
Amortisation of intangible assets	11,686	–	–
Impairment of intangible assets	415,861	–	–
Costs related to fundraising activities	9,775	(2,237)	78,911
Foreign exchange movements	(344,680)	373,742	391,737
Employee benefit expense	831,805	808,524	1,022,677
Other administration expenses	536,898	285,998	356,765

7. Employees

7.1 Directors' emoluments

	2018 US\$	2019 US\$	2020 US\$
Directors emoluments	389,688	401,817	404,355
Total	<u>389,688</u>	<u>401,817</u>	<u>404,355</u>

Two Directors served during the year (2019: 2) (2018: 2), The highest paid Director received a salary of \$200,000 (2019: \$185,000) (2018: \$186,154) and benefits of \$31,105 (2019: \$33,666) (2018: \$25,739). Two Directors received share options during the year (2019: 2) (2018: nil) and no Directors exercised share options in the year (2019: nil) (2018: nil).

7.2 Employee benefit expense – key management personnel

	2018 US\$	2019 US\$	2020 US\$
Wages and salaries	714,954	679,281	765,854
Social security costs	61,271	53,767	61,396
Medical Insurance	55,580	69,813	84,077
Share based payments	–	5,663	111,350
Total	<u>831,805</u>	<u>808,524</u>	<u>1,022,677</u>

7.3 Average number of people employed

	2018	2019	2020
Average number of people (including executive directors) employed			
Management	2	2	2
Sales	3	3	4
Finance	1	–	–
Total average headcount	<u>6</u>	<u>5</u>	<u>6</u>

8. Finance income and costs

	2018 US\$	2019 US\$	2020 US\$
Finance cost:			
– Interest cost on lease liability	–	37,201	32,443
– Interest on COVID-19 Small Business Association Loan	–	–	513
Finance cost	<u>–</u>	<u>37,201</u>	<u>32,956</u>

9. Income tax expense

	2018 US\$	2019 US\$	2020 US\$
Current tax on profits for the period	–	–	–
Adjustments in respect of prior period	–	–	–
Total current tax	<u>–</u>	<u>–</u>	<u>–</u>
Income tax expense	<u>–</u>	<u>–</u>	<u>–</u>

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

	2018 US\$	2019 US\$	2020 US\$
Loss before tax	<u>(1,478,177)</u>	<u>(1,551,996)</u>	<u>(1,978,145)</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	(280,854)	(294,879)	(403,628)
Tax effects of:			
– Expenses not deductible for tax purposes	1,857	(425)	36,150
– Impairment of SNAP licence	54,274	–	–
– Capital allowances in excess of depreciation	–	(4,472)	(2,760)
– Unrelieved tax losses and other deductions	<u>224,723</u>	<u>299,776</u>	<u>370,238</u>
Total income tax charge	<u>–</u>	<u>–</u>	<u>–</u>

The tax on the 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 in 2020 was 19.0 per cent. (2019: 19.0 per cent.; 2018: 19.3 per cent.).

Unused tax losses for which no deferred tax assets have been recognised is attributable to the uncertainty over the recoverability of those losses through future profits.

10. Investment in subsidiaries

In 2019, Nanotether Discovery Science Limited was dissolved.

<i>Principal subsidiaries name</i>	<i>Country of incorporation & place of business</i>	<i>Class of shares held</i>	<i>% of ordinary shares directly held</i>			<i>Nature of business</i>
			<i>2018</i>	<i>2019</i>	<i>2020</i>	
Belluscura LLC	USA	Ordinary	100%	100%	100%	Sale of medical devices
Nanotether Discovery Science Ltd	UK	Ordinary	100%	100%	0%	Research (Dissolved)

The registered office:

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

11. Property, plant and equipment

	<i>Land & Buildings (Right of Use Asset) US\$</i>	<i>Furniture & Equipment US\$</i>	<i>Computer Equipment US\$</i>	<i>Total US\$</i>
Cost				
At 1 January 2018	–	35,880	7,034	42,914
Additions during the period	–	–	–	–
Disposals during the period	–	–	–	–
At 31 December 2018	–	35,880	7,034	42,914
At 1 January 2019	–	35,880	7,034	42,914
Recognition of right of use asset on initial application of IFRS 16 (see note 23)	571,950	–	–	571,950
Adjusted balance as at 1 January 2019	571,950	35,880	7,034	614,864
Additions during the period	–	–	2,547	2,547
Disposals during the period	–	–	–	–
At 31 December 2019	571,950	35,880	9,581	617,411
At 1 January 2020	571,950	35,880	9,581	617,411
Additions during the period	–	–	–	–
Disposals during the period	–	–	–	–
At 31 December 2020	571,950	35,880	9,581	617,411
Accumulated depreciation				
At 1 January 2018	–	(1,872)	(2,308)	(4,180)
Depreciation charge for the period	–	(7,176)	(2,341)	(9,517)
Depreciation charge on disposals	–	–	–	–
At 31 December 2018	–	(9,048)	(4,649)	(13,697)
At 1 January 2019	–	(9,048)	(4,649)	(13,697)
Recognition of right of use asset on initial application of IFRS 16 (see note 23)	–	–	–	–
Adjusted balance as at 1 January 2019	–	(9,048)	(4,649)	(13,697)
Depreciation charge for the period	(98,049)	(7,176)	(2,227)	(107,452)
Depreciation charge on disposals	–	–	–	–
At 31 December 2019	(98,049)	(16,224)	(6,876)	(121,149)
At 1 January 2020	(98,049)	(16,224)	(6,876)	(121,149)
Depreciation charge for the period	(98,049)	(7,176)	(1,367)	(106,592)
Depreciation charge on disposals	–	–	–	–
At 31 December 2020	(196,098)	(23,400)	(8,243)	(227,741)
Net book value				
At 31 December 2018	–	26,832	2,385	29,217
At 31 December 2019	473,901	19,656	2,705	496,262
At 31 December 2020	375,852	12,480	1,338	389,670

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

12. Intangible assets

	<i>Purchased intangible assets</i>		
	<i>Licenses</i>	<i>Product Development</i>	<i>Total</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Cost			
At 1 January 2018	200,398	1,280,826	1,481,224
Additions during the period	–	804,267	804,267
Foreign currency translation differences	(10,892)	–	(10,892)
At 31 December 2018	189,506	2,085,093	2,274,599
At 1 January 2019	189,506	2,085,093	2,274,599
Additions during the period (note a)	–	1,120,285	1,120,285
Foreign currency translation differences	–	–	–
At 31 December 2019	189,506	3,205,378	3,394,884
At 1 January 2020	189,506	3,205,378	3,394,884
Additions during the period (note a)	–	1,194,432	1,194,432
At 31 December 2020	189,506	4,399,810	4,589,316
Accumulated amortisation and impairment			
At 1 January 2018	(40,484)	–	(40,484)
Amortisation charge for the period	(11,686)	–	(11,686)
Impairment of intangible asset (note b)	(145,711)	–	(145,711)
Impairment of product development (note c)	–	(270,150)	(270,150)
Foreign currency translation differences	8,375	–	8,375
At 31 December 2018	(189,506)	–	(459,656)
At 1 January 2019	(189,506)	–	(459,656)
At 31 December 2019	(189,506)	(270,150)	(459,656)
At 1 January 2020	(189,506)	(270,150)	(459,656)
At 31 December 2020	(189,506)	(270,150)	(459,656)
Net book value			
At 31 December 2018	–	1,814,943	1,814,943
At 31 December 2019	–	2,935,228	2,935,228
At 31 December 2020	–	4,129,660	4,129,660

- (a) During 2020, the Group capitalised \$1,194,005 (2019: \$1,009,617; 2018: \$791,816) of development costs related to the **X-PLO₂R** portable oxygen concentrator and capitalised \$342,093 (2019: \$110,669; 2018: \$nil) of development costs related to the DISCOVER™ portable continuous flow oxygen concentrator. These assets are still under construction and on which amortisation has not started yet.
- (b) In 2018 the Group decided to focus the Group's limited funds on completing the development and achieving FDA clearance of the **X-PLO₂R** Oxygen Concentrator. The Group subsequently sold the licences to the Slyde and Wire Caddy™ and discontinued the Passport™.
- (c) Whilst management perceive there may be potential value in the SNAP III product, no development is currently being undertaken and therefore the Directors felt it appropriate to fully impair the licence in 2018.

13. Inventory

	2018 US\$	2019 US\$	2020 US\$
Inventory	128,094	–	–

During 2019 the Group sold the licences and remaining inventory of the Slyde and Wire Caddy and discontinued the Passport and wrote off the remaining inventory \$39,675 (2018: \$nil).

14. Trade and other receivables

	2018 US\$	2019 US\$	2020 US\$
Trade receivables	36,159	12,398	–
Less provision for impairment of trade receivables	(4,108)	(6,750)	–
Trade receivables – net	32,051	5,648	–
VAT	4,085	8,809	16,146
Supplier deposits	–	40,000	–
Receivable from shareholders	–	–	171,535
Prepayments and other debtors	9,972	10,118	9,972
Total trade and other receivables	46,108	64,575	197,653

The fair value of trade and other receivables are not materially different to those disclosed above. The Groups exposure to credit risk related to trade receivables is detailed in note 3.1.

Ageing of trade receivables:

Group	0-30 days US\$	30-60 days US\$	60-90 days US\$	90+ days US\$	Total Gross US\$	ECL US\$	Total Net US\$
2018	6,496	15,370	3,851	10,442	36,159	(4,108)	32,051
2019	3,152	936	1,560	6,750	12,398	(6,750)	5,648
2020	–	–	–	–	–	–	–

15. Cash and cash equivalents

	2018 US\$	2019 US\$	2020 US\$
Cash and bank and in hand	532,248	1,033,512	520,070
Total cash and cash equivalents	532,248	1,033,512	520,070

The Group's exposure to foreign exchange risk is detailed in note 3.1.

16. Categories of financial assets and financial liabilities

	2018 US\$	2019 US\$	2020 US\$
Financial assets at amortised cost			
Trade and other receivables at amortised cost	32,051	5,648	–
Receivables from shareholders	–	–	171,535
Cash and equivalents	532,248	1,033,512	520,070
	<u>564,299</u>	<u>1,039,160</u>	<u>691,605</u>
Financial liabilities			
Trade and other payables at amortised cost	247,033	297,770	73,391
Lease liability	–	498,398	417,384
COVID-19 Small Business Association Loan	–	–	77,314
	<u>247,033</u>	<u>796,168</u>	<u>568,089</u>

There is no significant difference between the fair value and the carrying value of financial instruments

Maturity Analysis of financial liabilities

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

	<i>Carrying amount US\$</i>	<i>Contractual cashflows US\$</i>	<i>1 year or less US\$</i>	<i>1-5 years US\$</i>	<i>5 years and over US\$</i>
2018					
Trade and other payables at amortised cost	247,033	247,033	247,033	–	–
	<u>247,033</u>	<u>247,033</u>	<u>247,033</u>	<u>–</u>	<u>–</u>
2019					
Trade and other payables at amortised cost	297,770	297,770	297,770	–	–
Lease liability	498,398	588,890	114,131	474,759	–
	<u>796,168</u>	<u>886,660</u>	<u>411,901</u>	<u>474,759</u>	<u>–</u>
2020					
Trade and other payables at amortised cost	73,391	73,391	73,391	–	–
Lease liability	417,384	474,759	118,183	356,576	–
COVID-19 Small Business Association Loan	77,314	77,314	77,314	–	–
	<u>568,089</u>	<u>625,464</u>	<u>268,888</u>	<u>356,576</u>	<u>–</u>

17. Basic and diluted loss per ordinary share of £0.01 each

	2018 US\$	2019 US\$	2020 US\$
Loss before tax	1,822,857	1,178,254	1,586,408
Weighted average shares in issue	24,162,517	42,199,324	55,617,087
Weighted average share warrants in issue	5,340,653	6,367,318	9,497,125
Weighted average share options in issue	–	910,423	9,967,567
	<u>29,503,170</u>	<u>49,477,065</u>	<u>75,081,779</u>
Shares used in the calculation of diluted loss per share	24,162,517	42,199,324	55,617,087
Basic loss per share	(0.075)	(0.028)	(0.029)
Diluted loss per share	<u>(0.075)</u>	<u>(0.028)</u>	<u>(0.029)</u>

18. Share capital and premium**Share capital**

	Number of shares of £0.01 each	Ordinary Shares US\$	Total US\$
Issued and fully paid up			
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
At 31 December 2018	<u>33,782,234</u>	<u>456,107</u>	<u>456,107</u>
At 1 January 2019	33,782,234	456,107	456,107
Shares issued for cash	15,350,248	192,191	192,191
At 31 December 2019	<u>49,132,482</u>	<u>648,298</u>	<u>648,298</u>
At 1 January 2020	49,132,482	648,298	648,298
Shares issued for cash	12,889,190	163,653	163,653
Shares issued for cash received post year end	885,918	11,250	11,250
At 31 December 2020	<u>62,907,590</u>	<u>823,201</u>	<u>823,201</u>

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

	Ordinary Shares US\$	Total US\$
Allotted and fully paid up		
At 1 January 2018	10,149	10,149
Premium on shares issued	3,294,283	3,294,283
At 31 December 2018	<u>3,304,432</u>	<u>3,304,432</u>
At 1 January 2019	3,304,432	3,304,432
Premium on shares issued	2,410,246	2,410,246
At 31 December 2019	<u>5,714,678</u>	<u>5,714,678</u>
At 1 January 2020	5,714,678	5,714,678
Premium on shares issued	2,233,896	2,233,896
Reduction in capital	(7,391,891)	(7,391,891)
At 31 December 2020	<u>556,683</u>	<u>556,683</u>

The cost of issue of shares relates to commissions on funds raised of \$83,928 (2019: \$183,156), (2018: \$110,591).

At the end of the period there were 8,122,243 share warrants in issue at an average subscription price of \$0.18 (2019: 6,367,318 at \$0.18 per share), (2018: 6,367,318 at \$0.18 per share). There was no consideration paid for the warrants.

Share options

During 2019 and 2020, staff were granted share options, vesting 100 per cent. on an exit or in equal annual thirds following a stock market listing of the Company. As an exit is not predictable, the Company determined the best measurement period was a potential listing-mid 2021.

Award	2020 000's	2019 000's	2018 000's	Date of Grant	Exercise Price	Exercise Period		Average remaining contractual life
						From	To	
Unapproved EMI	–	4,380	–	31/10/2019	\$0.085	31/10/2019	31/10/2029	8.8 years
	–	1,275	–	05/11/2019	\$0.085	05/11/2019	05/11/2029	8.8 years
Unapproved EMI	4,893	–	–	07/05/2020	\$0.195	07/05/2020	07/05/2030	9.6 years
	1,882	–	–	07/05/2020	\$0.195	07/05/2020	07/05/2030	9.6 years
Total	<u>6,775</u>	<u>5,655</u>	<u>–</u>					

Movement in share options

	Number 000's	Weighted average exercise price \$	Weighted average share price \$
Outstanding at 1 January 2019	–	–	–
Granted	5,655	0.85	0.78
Outstanding at 31 December 2019	5,655	0.85	0.78
Outstanding at 1 January 2020	5,655	0.085	0.078
Granted	6,775	0.195	0.195
Outstanding at 31 December 2020	12,430	0.145	0.142

Key assumptions used in the calculation of share option fair value

<i>Date of Grant</i>	<i>Award</i>	<i>Share price on the date of grant</i> \$	<i>Exercise price</i> \$	<i>Volatility</i> %	<i>Expected Dividend Yield</i> %	<i>(%) Vesting period</i> Years	<i>Risk-free rate of interest</i> %	<i>Fair value</i> \$
31/10/2019	Unapproved	0.078	0.85	28.5	0%	2.67	2.1	0.01
05/11/2019	EMI	0.078	0.85	28.5	0%	2.67	2.1	0.01
07/05/2020	Unapproved	0.195	0.195	28.5	0%	2.50	2.1	0.03
07/05/2020	EMI	0.195	0.195	28.5	0%	2.50	2.1	0.03

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

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

Share based payments charge

	2018 US\$	2019 US\$	2020 US\$
Charge in year	–	5,886	118,544

19. Reserves

Retained earnings

	US\$
At 1 January 2018	179,358
Loss for the period	<u>(1,478,177)</u>
At 31 December 2018	<u>(1,298,819)</u>
Loss for the period	(1,551,996)
Share based payment charge	<u>5,886</u>
At 31 December 2019	<u>(2,844,929)</u>
Loss for the period	(1,978,145)
Reduction in capital	7,391,891
Share based payment charge	<u>118,544</u>
At 31 December 2020	<u>2,687,361</u>

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

Capital contribution

	US\$
At 1 January 2018	<u>165,000</u>
At 31 December 2018	<u>165,000</u>
At 31 December 2019	<u>165,000</u>
At 31 December 2020	<u>165,000</u>

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

Translation reserve

	US\$
At 1 January 2018	15,820
Foreign exchange gain	<u>(344,680)</u>
At 31 December 2018	<u>(328,860)</u>
Foreign exchange loss	<u>373,742</u>
At 31 December 2019	<u>44,882</u>
Foreign exchange loss	<u>391,737</u>
At 31 December 2020	<u>436,619</u>

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

20. Trade and other payables

<i>Current</i>	<i>2018</i> <i>US\$</i>	<i>2019</i> <i>US\$</i>	<i>2020</i> <i>US\$</i>
Trade creditors	149,497	33,968	–
Social security and other taxes	5,717	5,480	100
Lease liability	–	82,075	92,217
COVID-19 Small Business Administration Loan	–	–	64,428
Accruals and other creditors	97,536	263,802	73,391
	<u>252,750</u>	<u>385,325</u>	<u>230,136</u>
<i>Non-Current</i>	<i>2018</i> <i>US\$</i>	<i>2019</i> <i>US\$</i>	<i>2020</i> <i>US\$</i>
Lease liability	–	416,323	325,167
COVID-19 Small Business Administration Loan	–	–	12,886
	<u>–</u>	<u>416,323</u>	<u>338,053</u>

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

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.

Included within trade and other payables is \$338,053 (2019: \$416,323) (2018: nil) expected to be settled in more than 12 months.

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

21. Deferred income tax

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

	<i>2018</i> <i>US\$</i>	<i>2019</i> <i>US\$</i>	<i>2020</i> <i>US\$</i>
Accelerated capital allowances	(6,134)	(4,472)	(2,760)
Share based payments	–	1,118	23,642
Short term timing differences	54,274	425	–
Tax losses	1,002,374	1,547,630	2,035,030
	<u>1,050,514</u>	<u>1,544,701</u>	<u>2,055,911</u>
Unprovided deferred tax asset	<u>(1,050,514)</u>	<u>(1,544,701)</u>	<u>(2,055,911)</u>
Deferred Tax	<u>–</u>	<u>–</u>	<u>–</u>

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

22. Leases as a lessee (IFRS 16)

Right-of-use assets

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

	<i>Land & Buildings US\$</i>	<i>Total US\$</i>
At 1 January 2019	–	–
Addition to right of use asset	571,950	571,950
Depreciation charge for the period	(98,049)	(98,049)
At 31 December 2019	473,901	473,901
Depreciation charge for the period	(98,049)	(98,049)
At 31 December 2020	375,852	375,852

Amounts recognised in profit or loss

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

2019 – Leases under IFRS 16

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

2018 – Leases under IAS 17

	<i>2018 US\$</i>
Lease expense	105,352

Amounts recognised in statement of cash flows

	<i>2018 US\$</i>	<i>2019 US\$</i>	<i>2020 US\$</i>
Total cash outflow for leases	–	105,348	118,859

Operating lease commitments

The Group's subsidiaries have one office rental agreement.

The total un-provided lease commitment is:

	<i>2018 US\$</i>	<i>2019 US\$</i>	<i>2020 US\$</i>
Arising:			
No later than 1 year	110,079	–	–
Later than 1 year and no later than 5 years	480,836	–	–
After 5 years	108,053	–	–

Lease liabilities

	<i>Land & Buildings US\$</i>	<i>Total US\$</i>
At 1 January 2019	571,950	571,950
Interest	37,201	37,201
Payment	(110,753)	(110,753)
At 31 December 2019	<u>498,398</u>	<u>498,398</u>
At 1 January 2020	498,398	498,398
Interest	32,443	32,443
Payment	(113,457)	(113,457)
At 31 December 2020	<u><u>417,384</u></u>	<u><u>417,384</u></u>

Maturity analysis of undiscounted cash flows due for leases

	<i>2019 US\$</i>	<i>2020 US\$</i>
Within one year	114,131	118,183
After one year but not more than five years	474,759	356,576
After five years	–	–
Total	<u><u>588,890</u></u>	<u><u>474,759</u></u>

23. Change in significant accounting policies

The Group has applied IFRS 16 using the modified retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 January 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. Additionally the disclosure requirements in IFRS 16 have not been generally applied to comparative information. The details of the significant changes and quantitative impact of the changes are set out below.

(a) Definition of a lease

Previously the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 2.14.

(b) As a lessee

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for these leases – i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019.

Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular these were:

- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

The following table summarises the quantitative impact of adopting IFRS 16 on the Group's financial statements for the year ended 31 December 2019.

	<i>Impact of adoption of IFRS 16</i>		
	<i>As reported</i>	<i>Adjustments</i>	<i>Balances without adoption of IFRS 16</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Statement of financial position			
Property, plant and equipment	473,901	(473,901)	–
Other interest-bearing loans and borrowings (current)	(82,705)	82,705	–
Other interest-bearing loans and borrowings (non-current)	(416,323)	416,323	–
Retained earnings	<u>2,850,814</u>	<u>29,902</u>	<u>2,880,716</u>

When measuring the lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 7 per cent.

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 31 December 2018 in the Group's financial statements and the lease liabilities recognised at 1 January 2019:

	<i>1 January 2020</i>
	<i>US\$</i>
Operating lease commitments at 31 December 2018 as disclosed under IAS 17	698,968
Discounted using the incremental borrowing rate at 1 January 2019	<u>(127,018)</u>
Lease liabilities recognised as at 1 January 2020	<u>571,950</u>

Had the Group adopted the Full Retrospective Approach to the adoption of IFRS 16 there would be the following changes to the financial information:

Amounts that would have been recognised in the income statement

	<i>2018</i>
	<i>US\$</i>
Rent	105,352
Interest on lease liability	(42,345)
Depreciation expense right of use asset	<u>(98,049)</u>
Net impact on loss/Statement of changes in equity	<u>(35,042)</u>

Amounts that would have been recognised in statement of financial position

<i>Property, plant and equipment</i>	2018	2019	2020
	US\$	US\$	US\$
Cost	699,999	699,999	699,999
Accumulated depreciation	(98,049)	(196,098)	(294,147)
Net book value at 31 December	<u>571,950</u>	<u>473,901</u>	<u>375,852</u>

<i>Trade and other payables</i>	2018
	US\$
Lease liability – Current	73,552
Lease liability – Non-current	498,398
Lease Liability – Total	<u>571,950</u>

Categories of financial liabilities

<i>Trade and other payables</i>	2018
	US\$
Lease liability	571,950

Amounts that would have been recognised in statement of cashflows

	2018
	US\$
Total cash outflow for leases	105,348

24. Dividends

No dividend has been declared or paid for the periods ending 31 December 2018, 31 December 2019 and 31 December 2020.

25. Cash generated from operating activities

	2018	2019	2020
	US\$	US\$	US\$
Loss before income tax	(1,478,177)	(1,551,996)	(1,978,145)
Adjustments for			
– Depreciation	9,517	9,403	8,544
– Amortisation and impairment	428,253	98,049	98,049
– Proceeds from sale of asset	–	(44,368)	–
– Interest expense	–	37,202	32,956
– Movement in foreign exchange	240,530	(385,513)	(68,056)
– Gain on bargain purchases	–	–	–
– Share based payments	–	5,663	111,350
Movement in trade and other receivables	291,977	(634,169)	81,268
Inventory movement	(48,811)	128,094	–
Movement in trade and other payables	(1,826,729)	1,335,258	243,261
Cash generated from operating activities	<u>(2,383,440)</u>	<u>(1,002,377)</u>	<u>(1,470,773)</u>

26. Related party transactions

Details of Directors' remuneration are given in Section 8 of Part V.

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. TekCapital PLC is an investor in the company and has no operational relationship with the Group.

In 2017 TekCapital PLC provided funding by way of payment for certain expenditure. On 31 January 2018 the loan was converted into equity. At the end of 2019 the balance owed to TekCapital PLC was \$nil (2018: \$nil; 2017: \$127,606).

In 2017 TekCapital LLC provided funding by way of payment for certain expenditure. On 31 January 2018 the loan was converted into equity. At the end of 2019 the balance owed to TekCapital LLC was \$nil (2018: nil; 2017: \$86,291).

In 2017 TekCapital PLC paid legal expenses of \$55,096 on behalf of the Company, which were subsequently recharged to the Group.

The Group does not have any controlling party.

27. Events after the reporting period

Following the reporting date, the Group has raised approximately \$2.6 million from new and existing shareholders.

PART IV

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The unaudited proforma statement of net assets is based on the statement of financial position for the Group as at 31 December 2020 to illustrate the effect of certain transactions that are to be completed before or at the time of Admission as if they had occurred on 31 December 2020.

The unaudited pro forma statement of net assets has been prepared in a manner consistent with the accounting policies adopted by the Group in preparing the financial information as set out in Part III. It is provided for illustrative purposes only and, by its nature, addresses a hypothetical situation and does not therefore represent the Group's actual operating position or results.

	<i>As reported</i> <i>31 December 2020</i> <i>US\$</i> <i>Note 1</i>	<i>Placing and</i> <i>Subscription</i> <i>proceeds</i> <i>US\$</i> <i>Note 2</i>	<i>Shares</i> <i>issued</i> <i>US\$</i> <i>Note 3</i>	<i>Pro forma</i> <i>Net Assets</i> <i>US\$</i> <i>Note 4</i>
ASSETS				
Non-current assets				
Tangible assets	13,818	–	–	13,818
Intangible assets	4,129,660	–	–	4,129,660
Right of use assets	375,852	–	–	375,852
	<u>4,519,330</u>	<u>–</u>	<u>–</u>	<u>4,519,330</u>
Current assets				
Trade and other receivables	197,653	–	–	197,653
Cash and cash equivalents	520,070	22,845,900	2,642,168	26,008,138
	<u>717,723</u>	<u>22,845,900</u>	<u>2,642,168</u>	<u>26,205,791</u>
Total assets	<u><u>5,237,052</u></u>	<u><u>22,845,900</u></u>	<u><u>2,642,168</u></u>	<u><u>30,725,121</u></u>
LIABILITIES				
Current liabilities				
Trade and other payables	(230,136)	–	–	(230,136)
Non-current liabilities				
Trade and other payables	(338,053)	–	–	(338,053)
Total liabilities	<u>(568,189)</u>	<u>–</u>	<u>–</u>	<u>(568,189)</u>
Net assets	<u><u>4,668,864</u></u>	<u><u>22,845,900</u></u>	<u><u>2,642,168</u></u>	<u><u>30,156,932</u></u>

Notes

1. The financial information relating to the Group has been extracted, without further adjustment, from the Group's financial information for the year ended 31 December 2020, as set out in Section B of Part III. No account has been taken of the activities of the Group subsequent to 31 December 2020.
2. As set out in paragraph 10 of Part I of the Admission Document, the net proceeds of the Placing and Subscription receivable by the Company are estimated to be approximately £16.1 million, after deduction of commissions and other estimated fees and expenses incurred by the Company in connection with Admission of approximately £1.4 million.
3. Subsequent to 31 December 2020, the Company issued 11,446,085 ordinary 1 pence shares for consideration of £1,918,592 in tranches as follows:

8 February 2021	581,500 ordinary 1 pence shares for consideration of £74,306 (\$102,096, translated to USD at a rate of 1.374)
15 March 2021	2,873,253 ordinary 1 pence shares for consideration of £359,871 (\$498,853, translated to USD at a rate of 1.386)
26 March 2021	1,645,414 ordinary 1 pence shares for consideration of £246,812 (\$340,403, translated to USD at a rate of 1.379)
10 April 2021	5,361,905 ordinary 1 pence shares for consideration of £1,090,000 (\$1,496,461, translated to USD at a rate of 1.373)
16 April 2021	776,930 ordinary 1 pence shares for consideration of £116,540 (\$161,023, translated to USD at a rate of 1.382)
20 April 2021	207,083 ordinary 1 pence shares for consideration of £31,063 (\$43,332, translated to USD at a rate of 1.395)
4. This column comprises the sum of the preceding columns and represents the proforma net assets of the Group as if the transactions had completed as at 31 December 2020.

PART V

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Directors, whose names appear on page 10 of this Document, and the Company, accept responsibility, collectively and individually, in accordance with the AIM Rules, for the information contained in this Document. The Directors and the Company, who have taken all reasonable care to ensure that such is the case, declare that the information contained in this Document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

2. THE COMPANY

- 2.1 The Company was incorporated in England and Wales on 10 December 2015 in England under the Act as Belluscura Ltd, with company number 09910883. The Company was re-registered as a public limited company, Belluscura plc, on 28 November 2017.
- 2.2 The Company is domiciled in the UK. The registered office of the Company is 15 Fetter Lane, London, EC4A 1BW and this is also its principal place of business. The Company's telephone number is +44 (0) 7814 229686.
- 2.3 The Company is a public limited company and accordingly the liability of its members is limited to the amount paid up or to be paid on their shares. The principal legislation under which the Company now operates and under which the Ordinary Shares have been created, is the Act and regulations made thereunder. The Company operates in conformity with its constitution.
- 2.4 The Company's website address is www.belluscura.com which discloses the information required by Rule 26 of the AIM Rules for Companies.
- 2.5 The Company is the holding company of the Subsidiary. The Subsidiary is wholly owned by the Company and is a limited liability company incorporated in Delaware, US on 16 May 2016.
- 2.6 Save for the Subsidiary, the Company does not have any other subsidiary companies.

3. SHARE CAPITAL OF THE COMPANY

- 3.1 As at 23 May 2021, the issued share capital of the Company, all of which is fully paid up, was as follows:

<i>Number</i>	<i>Nominal value per share</i>	<i>Aggregate nominal value</i>
74,351,847	£0.01	£743,518.47

- 3.2 As at 31 December 2017 the Company had 11,791,645 shares in issue. The following alterations to the Company's share capital have taken place since 1 January 2018:

<i>Date</i>		
30/01/2018	8,873,531	Ordinary Shares were issued in the Company
05/05/2018	3,849,984	Ordinary Shares were issued in the Company
30/06/2018	11,111	Ordinary Shares were issued in the Company
15/09/2018	3,985,000	Ordinary Shares were issued in the Company
30/10/2018	1,370,962	Ordinary Shares were issued in the Company
04/12/2018	3,900,000	Ordinary Shares were issued in the Company
01/03/2019	1,333,334	Ordinary Shares were issued in the Company
30/04/2019	1,795,040	Ordinary Shares were issued in the Company
31/05/2019	6,433,334	Ordinary Shares were issued in the Company
17/07/2019	5,249	Ordinary Shares were issued in the Company
23/07/2019	459,391	Ordinary Shares were issued in the Company
29/07/2019	4,554,504	Ordinary Shares were issued in the Company
12/08/2019	266,666	Ordinary Shares were issued in the Company
31/10/2019	502,732	Ordinary Shares were issued in the Company

<i>Date</i>		
06/05/2020	9,484,520	Ordinary Shares were issued in the Company
10/06/2020	333,333	Ordinary Shares were issued in the Company
17/11/2020		Cancelled entire amount standing to the credit of its share premium account
23/12/2020	3,955,425	Ordinary Shares were issued in the Company
08/02/2021	581,500	Ordinary Shares were issued in the Company
15/03/2021	2,873,253	Ordinary Shares were issued in the Company
26/03/2021	1,645,414	Ordinary Shares were issued in the Company
10/04/2021	5,361,905	Ordinary Shares were issued in the Company
16/04/2021	776,930	Ordinary Shares were issued in the Company
20/04/2021	207,083	Ordinary Shares were issued in the Company

3.3 By way of a general meeting of the Shareholders dated 7 May 2021, the Company has passed resolutions to:

3.3.1 adopt the Articles as the articles of association of the Company in substitution for and to the exclusion of the existing articles of association of the Company;

3.3.2 authorise the Directors, in accordance with section 551 of the Companies Act, to issue securities:

- (a) with an aggregate nominal value of up to £833,333.33 to be issued pursuant to the Placing and Subscription;
- (b) up to an aggregate nominal amount of £1,051,299.29 (such amount to be reduced by the nominal amount of any securities allotted pursuant the authority described in paragraph 3.3.2(c) below) in connection with an offer by way of a rights issue:
 - (i) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
 - (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,
- (c) in any other case, up to an aggregate nominal amount of £525,570.80 (such amount to be reduced by the nominal amount of any securities allotted pursuant to the authority described in paragraph 3.3.2(b) above in excess of £525,570.80),

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange and provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the first annual general meeting of the Company held after the date of passing of the resolution, save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired; and

3.3.3 empower Directors to allot equity securities for cash pursuant to and conditional upon the authorities described in paragraph 3.3.2 above, provided that this power shall be limited to:

- (a) the allotment of shares with an aggregate nominal value of up to £833,333.33 to be issued pursuant to the Placing and Subscription;
- (b) the allotment of equity securities in connection with a rights issue as described in paragraph 3.3.2(b) above; and
- (c) the allotment of equity securities (other than under paragraphs 3.3.3(a) and 3.3.3(b) above) up to an aggregate nominal amount of £157,687.01, being equal to 10 per cent of the Enlarged Share Capital,

provided that the authorities conferred by such resolution shall expire on the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the first annual general meeting of the Company held after the date of passing of the resolution, save that the Company may before such expiry make an offer or agreement which would or might require

shares to be allotted after such expiry and the Directors may allot shares in pursuance of such offer or agreement as if the authority had not expired.

- 3.4 As at 23 May 2021, being the latest practicable date prior to the date of this Document, the Company held no treasury shares. No Ordinary Shares have been issued other than fully paid.
- 3.5 The Ordinary Shares will carry the right to receive dividends and distributions paid by the Company following Admission. The Shareholders will have the right to receive notice of and to attend and vote at all general meetings of the Company. The Placing Shares and Subscription Shares will be issued pursuant to the authorities set out in this paragraph 3 of this Part V. No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.6 The ISIN of the Ordinary Shares is GB00BD3B8Z11.
- 3.7 Further information on the rights attached to the Ordinary Shares is set out in paragraphs 4 and 5 of this Part V and further information on dealing arrangements and CREST is set out in Part I of this Document.
- 3.8 As at the date of this Document, and save as otherwise disclosed in this Part V:
- (i) no share or loan capital of the Company has, since the incorporation of the Company, been issued or agreed to be issued, or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash, to any person;
 - (ii) no person has any preferential subscription rights for any share capital of the Company;
 - (iii) there are no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company;
 - (iv) there are no Ordinary Shares in the Company not representing capital;
 - (v) there are no Ordinary Shares in the Company held by the Company itself or by its subsidiaries;
 - (vi) there are no acquisition rights and/or obligations over authorised but unissued share capital of the Company or undertakings to increase the share capital of the Company;
 - (vii) no commission, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital; and
 - (viii) no share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.
- 3.9 The Company has the contractual capacity of a natural person and is empowered to borrow, guarantee and give security.

As at the date of this Document, there were 74,351,847 Ordinary Shares in issue. As at Admission, it is expected there will be 113,240,735 Ordinary Shares in issue. On Admission, Existing Shareholders who do not participate in the Placing and Subscription will suffer an immediate dilution of 34.34 per cent. of their interests in the Company.

As at the date of this Document there are 448,042 2018 Warrants (with an exercise price of 13 pence per share) outstanding. The 2018 Warrants have an exercise period ending on 31 May 2023.

As at the date of this Document there are 813,332 2020 Warrants (with an exercise price of 15 pence per share) outstanding. The 2020 Warrants have an exercise period ending on 6 May 2023.

As at the date of this Document there are 1,000,000 SDG Warrants (with an exercise price of the Issue Price per share) outstanding. The SDG Warrants have an exercise period which commences on the first anniversary of Admission and ends on 4 May 2025.

4. INFORMATION ABOUT THE ORDINARY SHARES

4.1 Description of the type and class of securities being offered

The Ordinary Shares being offered pursuant to the Placing and Subscription have a nominal value of £0.01 each. Upon Admission the Company will have one class of issued shares (Ordinary Shares), the rights of which will be set out in the Articles, a summary of which is set out in paragraph 5 of this Part V.

Each of the Ordinary Shares offered pursuant to the Placing and Subscription will be credited as fully paid and free from all liens, equities, charges, encumbrances and other interests.

4.2 Legislation under which the Ordinary Shares are created

The Ordinary Shares have been created under the Act and they conform with the law of England and Wales. The Ordinary Shares have been duly authorised according to the requirements of the Company's constitution and have and will have all necessary statutory and other consents.

4.3 Admission of the Ordinary Shares

Application has been made for all of the Ordinary Shares to be admitted to AIM. No application has been made for admission of the Ordinary Shares to trading on any other stock exchange, and the Company does not currently intend to make any such application in the future.

It is expected that Admission will become effective, and that dealings in the Ordinary Shares will commence on the London Stock Exchange, at 8.00 a.m. on 28 May 2021.

Other than pursuant to the Placing and Subscription, the Ordinary Shares are not being marketed or being made available to the public in whole or in part in conjunction with the application for Admission.

The Ordinary Shares have not been admitted to dealing on any recognised investment exchange or other trading facility, nor has any application for such admission been made and it is not intended to make any arrangements for dealings in the Ordinary Shares on any such exchange other than the application to be made in connection with Admission

4.4 Form and currency of the Ordinary Shares

The Ordinary Shares are in registered form and capable of being held in certificated and uncertificated form upon Admission. The Registrar is Link Market Services Limited.

Title to certificated Ordinary Shares will be evidenced by entry in the register of members of the Company and title to uncertificated Ordinary Shares will be evidenced by entry in the operator register maintained by Euroclear (which will form part of the register of members of the Company).

No share certificates will be issued in respect of Ordinary Shares held in uncertificated form. If any such Ordinary Shares are converted to be held in certificated form, share certificates will be issued in respect of those Ordinary Shares in accordance with applicable legislation. No temporary documents of title have been or will be issued in respect of the Ordinary Shares.

It is currently anticipated that the Ordinary Shares will be eligible to join CREST with effect immediately upon Admission and the commencement of dealings on the London Stock Exchange.

The Ordinary Shares are denominated in pounds and the Issue Price is payable in pounds.

4.5 Rights attaching to the Ordinary Shares

Subject to the provisions of the Act, any equity securities issued by the Company for cash must first be offered to Shareholders in proportion to their holdings of Ordinary Shares. The Act allows for the disapplication of pre-emption rights which may be waived by a special resolution of the Shareholders, either generally or specifically, for a maximum period not exceeding five years. Please see Paragraph 5 of this Part V for details of the waivers of pre-emption rights that apply to the Company.

Except in relation to dividends which have been declared and rights on a liquidation of the Company, the Shareholders have no rights to share in the profits of the Company.

The Ordinary Shares are not redeemable. However, the Company may purchase or contract to purchase any of the Ordinary Shares on or off-market, subject to the Act. The Company may purchase Ordinary Shares only out of distributable reserves or the proceeds of a new issue of shares made for the purpose of funding the repurchase.

Further details of the rights attaching to the Ordinary Shares in relation to attendance and voting at general meetings, dividend rights, entitlements on a winding-up of the Company and transferability of shares are set out in paragraph 5 of this Part V.

5. SUMMARY OF THE ARTICLES

The Articles, which were adopted on 7 May 2021, contain provisions (among others) to the following effect.

5.1 Objects

Pursuant to section 31 of the Act, the objects for which the Company is established are unrestricted and the Company has full power and authority to carry out any object not prohibited by law.

5.2 Voting rights

Subject to any special terms as to voting upon which any shares may be issued, or may for the time being be held and any restriction on voting referred to below, every Shareholder present in person, by proxy (regardless of the number of members for whom he is a proxy) or by a duly authorised corporate representative at a general meeting of the Company shall have one vote on a show of hands and, on a poll, every Shareholder present in person, by proxy, or by a duly authorised corporate representative shall have one vote for every Ordinary Share of which he is the holder.

The duly authorised representative of a corporate shareholder may exercise the same powers on behalf of that corporation as it could exercise as if it were an individual shareholder.

A Shareholder is not entitled to vote unless all calls or other sums due from him have been paid.

Unless the Board determines otherwise, a Shareholder is also not entitled to attend or vote at meetings of the Company in respect of any shares held by him in relation to which he or any other person appearing to be interested in such shares has been duly served with a notice under section 793 of the Act and, having failed to comply with such notice within the period specified in such notice (being not less than 28 days from the date of service of such notice (or, where the shares represent at least 0.25 per cent. of their class, 14 days), is served with a disenfranchisement notice. Such disenfranchisement will apply only for so long as the notice from the Company has not been complied with or until the Company has withdrawn the disenfranchisement notice, whichever is the earlier.

5.3 General meetings

The Company must hold an annual general meeting each year in addition to any other general meetings held in the year. The Directors can call a general meeting at any time.

At least 21 clear days' written notice must be given for every annual general meeting. For all other general meetings not less than 14 clear days' written notice must be given. The notice for any general meeting must state: (i) whether the meeting is an annual general meeting or general meeting; (ii) the date, time and place of the meeting and if the meeting shall be held partly by means of electronic facility or facilities; (iii) the general nature of the business of the meeting; (iv) any intention to propose a resolution as a special resolution; and (v) that a member entitled to attend and vote is entitled to appoint one or more proxies to attend, to speak and to vote instead of him and that a proxy need not also be a member. All members who are entitled to receive notice under the Articles must be given notice.

Before a general meeting starts, there must be a quorum, being two members present in person or by proxy.

Each Director may attend and speak at any general meeting.

Where the Company has given an electronic address in any notice of meeting, any document or information relating to proceedings at the meeting may be sent by electronic means to that address, subject to any conditions or limitations specified in the relevant notice of meeting.

5.4 **Dividends and other distributions**

Subject to the Act, the Company may, by ordinary resolution, declare dividends to be paid to members of the Company according to their rights and priorities, but no dividend shall be declared in excess of the amount recommended by the Board.

Subject to the Act, the Board may from time to time pay to the Shareholders of the Company such interim dividends as appear to the Board to be justified by the profits available for distribution and the position of the Company, on such dates and in respect of such periods as it thinks fit.

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide (no such shares presently being in issue), all dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid up (other than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Any dividend unclaimed after a period of 12 years from the date of declaration shall be forfeited and shall revert to the Company.

The Board may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive additional Ordinary Shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.

The Board may withhold dividends payable on shares representing not less than 0.25 per cent. by number of the issued shares of any class (calculated exclusive of treasury shares) after there has been a failure to comply with any notice under section 793 of the Act requiring the disclosure of information relating to interests in the shares concerned as referred to in paragraph 5.10 below.

5.5 **Return of capital**

On a voluntary winding-up of the Company, the liquidator may, with the sanction of a special resolution of the Company and subject to the Act and the Insolvency Act 1986 (as amended), divide amongst the Shareholders of the Company in specie the whole or any part of the assets of the Company, or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator, with the like sanction, shall determine.

5.6 **Transfer of Shares**

The Articles provide for shares to be held in a system for holding shares in uncertificated form (for example CREST), such shares being referred to as "**Participating Securities**". The Ordinary Shares are freely transferable, save as set out in this paragraph 5.6.

In the case of shares represented by a certificate ("**Certificated Shares**"), the transfer shall be made by an instrument of transfer in the usual form or in any other form which the Board may approve. A transfer of a Participating Security need not be in writing, but shall comply with such rules as the Board may make in relation to the transfer of such shares, a CREST transfer being acceptable under the current rules.

The instrument of transfer of a Certificated Share shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee, and the transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members.

The Board may refuse to register a transfer unless:

- (i) in the case of a Certificated Share, the instrument of transfer, duly stamped (if required) is lodged at the registered office of the Company or at some other place as the Board may appoint accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;

- (ii) in the case of a Certificated Share, the instrument of transfer is in respect of only one class of share; and
- (iii) in the case of a transfer to joint holders of a Certificated Share, the transfer is in favour of not more than four such transferees.

In the case of Participating Securities, the Board may refuse to register a transfer if the CREST Regulations allow it to do so, and must do so where such regulations so require.

The Board may also decline to register a transfer of shares if they represent not less than 0.25 per cent. by number of their class and there has been a failure to comply with a notice requiring disclosure of interests in the shares (as referred to in paragraph 5.10 below) unless the Shareholder has not, and proves that no other person has, failed to supply the required information. Such refusal may continue until the failure has been remedied, but the Board shall not decline to register:

- (i) a transfer in connection with a *bona fide* sale of the beneficial interest in any shares to any person who is unconnected with the Shareholder and with any other person appearing to be interested in the share;
- (ii) a transfer pursuant to the acceptance of an offer made to all the Shareholders or all the Shareholders of a particular class to acquire all or a proportion of the shares or the shares of a particular class; or
- (iii) a transfer in consequence of a sale made through a recognised investment exchange or any stock exchange outside the United Kingdom on which the Company's shares are normally traded.

5.7 **Transfer restrictions under the Act**

The Company may, under the Act, send out statutory notices to those it knows or has reasonable cause to believe have an interest in its shares, asking for details of those who have an interest and the extent of their interest in a particular holding of shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, the Company can order directing, among other things, that any transfer of shares which are the subject of the statutory notice is void.

5.8 **Variation of rights**

Subject to the Act, all or any of the rights attached to any class of share may (unless otherwise provided by the terms of issue of shares of that class) be varied or abrogated (whether or not the Company is being wound up) either with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of such holders. The quorum at any such general meeting is two persons together holding or representing by proxy at least one-third in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) and at an adjourned meeting the quorum is one holder present in person or by proxy, whatever the amount of his shareholding. Any holder of shares of the class in question present in person or by proxy may demand a poll. Every holder of shares of the class shall be entitled, on a poll, to one vote for every share of the class held by him. Except as mentioned above, such rights shall not be varied.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the Articles or the conditions of issue of such shares, be deemed to be varied by the creation or issue of new shares ranking *pari passu* therewith or subsequent thereto.

5.9 **Share capital and changes in capital**

Subject to and in accordance with the provisions of the Act, the Company may issue redeemable shares. Without prejudice to any special rights previously conferred on the holders of any existing shares, any share may be issued with such rights or such restrictions as the Company shall from time to time determine by ordinary resolution.

Subject to the provisions of the Articles and the Act, the power of the Company to offer, allot and issue any shares lawfully held by the Company or on its behalf (such as shares held in treasury) shall be exercised by the Board at such time and for such consideration and upon such terms and conditions as the Board shall determine.

The Company may by ordinary resolution alter its share capital, in accordance with the Act. The resolution may determine that, as between holders of shares resulting from a sub-division any of the shares may have any preference or advantage or be subject to any restriction as compared with the others.

Subject to the Act and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its own shares of any class (including any redeemable shares). The Company may only purchase Ordinary Shares out of distributable reserves or the proceeds of a new issue of shares made for the purpose of funding the repurchase.

5.10 **Disclosure of interests in shares**

Section 793 of the Act provides a public company with the statutory means to ascertain the persons who are, or have within the last three years been, interested in its relevant share capital and the nature of such interests. When a Shareholder receives a statutory notice of this nature, he or she has 28 days (or 14 days where the shares represent at least 0.25 per cent. of their class) to comply with it, failing which the Company may decide to restrict the rights relating to the relevant shares and send out a further notice to the holder (known as a “**disenfranchisement notice**”). The disenfranchisement notice will state that the identified shares no longer give the Shareholder any right to attend or vote at a Shareholders’ meeting or to exercise any other right in relation to Shareholders’ meetings.

Once the disenfranchisement notice has been given, if the Directors are satisfied that all the information required by any statutory notice has been supplied, the Company shall, within not more than seven days, withdraw the disenfranchisement notice. The Articles do not restrict in any way the provisions of section 793 of the Act.

5.11 **Non-UK Shareholders**

Shareholders with addresses outside the United Kingdom are not entitled to receive notices from the Company unless they have given the Company an address within the United Kingdom at which such notices shall be served.

5.12 **Untraced Shareholders**

Subject to various notice requirements, the Company may sell any of a Shareholder’s shares in the Company if, during a period of 12 years, at least three dividends (either interim or final) on such shares have become payable and no cheque or warrant or other method of payment for amounts payable in respect of such shares sent and payable in a manner authorised by the Articles has been cashed or effected and no communication has been received by the Company from the member or person concerned.

5.13 **Borrowing powers**

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertaking, property and assets (present and future) and uncalled capital and, subject to any relevant statutes, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or any third party provided that the Board shall restrict the borrowings of the Company and exercise all powers of control exercisable by the Company, so as to secure (so far as the Board is able) that the aggregate amount for the time being of all borrowings by the Group (excluding any money owed between members of the Group) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to twenty times the consolidated earnings before interest, tax, depreciation and amortisation of the group.

These borrowing powers may be varied by an alteration to the Articles which would require a special resolution of the Shareholders.

5.14 **Directors**

Subject to the Act, and provided he has made the necessary disclosures, a Director may be a party to or otherwise directly or indirectly interested in any transaction or arrangement with the Company or in which the Company is otherwise interested or a proposed transaction or arrangement with the Company.

The Board has the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director under section 175 of the Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with, the interests of the Company. Any such authorisation will only be effective if the matter is proposed in writing for consideration in accordance with the Board's normal procedures, any requirement about the quorum of the meeting is met without including the Director in question and any other interested director and the matter was agreed to without such directors voting (or would have been agreed to if the votes of such directors had not been counted). The Board may impose terms or conditions in respect of its authorisation.

Save as mentioned below, a Director shall not vote in respect of any matter in which he has, directly or indirectly, any material interest (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company) or a duty which conflicts or may conflict with the interests of the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A Director shall (in the absence of material interests other than those indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

- (i) the giving of any guarantee, security or indemnity to him or any other person in respect of money lent to, or an obligation incurred by him or any other person at the request of or for the benefit of, the Company or any of its subsidiaries;
- (ii) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company or any of its subsidiaries for which he himself has assumed any responsibility in whole or in part alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning his being a participant in the underwriting or sub-underwriting of an offer of shares, debentures or other securities by the Company or any of its subsidiaries;
- (iv) any proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or Shareholder or otherwise, provided that he is not the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of such company (or of any corporate third party through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest in all circumstances);
- (v) any arrangement for the benefit of employees of the Company (and/or the members of their families (including a spouse or civil partner or a former spouse or former civil partner) or any person who is or was dependent on such persons including but without being limited to a retirement benefits scheme and an employees' share plan) which does not accord to any Director any privilege or advantage not generally accorded to the employees to which such arrangement relates; and
- (vi) any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for the benefit of any of the Directors or for persons who include Directors, provided that for that purpose "insurance" means only insurance against liability incurred by a Director in respect of any act or omission by him in the execution of the duties of his office or otherwise in relation thereto or any other insurance which the Company is empowered to purchase and/or maintain for, or for the benefit of any groups of persons consisting of or including, Directors.

The Directors shall be paid such remuneration (by way of salary, commission, participation in profits or otherwise) as any committee authorised by the Board may determine and either in addition to or in

lieu of his remuneration as Director. The Directors shall also be entitled to be repaid by the Company all hotel expenses and other expenses of travelling to and from board meetings, committee meetings, general meetings or otherwise incurred while engaged in the business of the Company or his duties as Director, including the attendance of any spouse or civil partner where such spouse or civil partner accompanies a Director for the purpose of advancing the business of the Company. Any Director who by request of the Board performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine.

The Company may provide benefits, whether by the payment of gratuities or pensions or by insurance or death, sickness or disability benefits or otherwise, to or for the benefit of past directors who held executive office or employment with the Company or a predecessor in business of any of them or to or for the benefit of persons who are or were related to or dependents of any such Directors.

The Directors and officers of the Company are entitled to be indemnified against all losses and liabilities which they may sustain in the execution of the duties of their office, except to the extent that such an indemnity is not permitted by sections 232 or 234 of the Act. Subject to sections 205(2) to (4) of the Act, the Company may provide a Director with funds to meet his expenditure in defending any civil or criminal proceedings brought or threatened against him in relation to the Company. The Company may also provide a Director with funds to meet expenditure incurred in connection with proceedings brought by a regulatory authority.

The Directors are obliged to retire by rotation and are eligible for re-election at the third annual general meeting after the annual general meeting at which they were elected. Any non-executive Director who has held office for nine years or more is subject to re-election annually. Any Director appointed by the Board holds office only until the next annual general meeting, when he is eligible for re-election. There is no age limit for Directors. Unless and until otherwise determined by ordinary resolution of the Company, the Directors (other than alternate Directors) shall not be less than two in number but shall not be subject to a maximum.

5.15 **Redemption**

The Ordinary Shares are not redeemable.

5.16 **Electronic communication**

The Company may communicate electronically with its members in accordance with the provisions of the Electronic Communications Act 2000.

6. MANDATORY BIDS AND COMPULSORY ACQUISITION RULES RELATING TO THE ORDINARY SHARES

Other than as provided by the Takeover Code and Chapter 28 of the Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules that apply to the Ordinary Shares or the Company.

6.1 **Mandatory bids**

The Takeover Code governs, *inter alia*, transactions which may result in a change of control of a company to which the Takeover Code applies. Under Rule 9 of the Takeover Code any person who acquires, whether by a series of transactions over a period of time or not, an interest in shares (as defined in the Takeover Code) which, taken together with shares in which he is already interested or in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, that person will normally be required to make a general offer to all the remaining shareholders to acquire their shares. Similarly, Rule 9 of the Takeover Code also provides that when any person, together with persons acting in concert with him, is interested in shares which, in aggregate, carry more than 30 per cent. of the voting rights of such company, but does not hold shares carrying 50 per cent. or more of such voting rights, a general offer will normally be required if any further interest in shares is acquired by any such person.

An offer under Rule 9 must be in cash and must be at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company in question during the 12 months prior to the announcement of the offer.

“**Interests in shares**” is defined broadly in the Takeover Code. A person who has long economic exposure, whether absolute or conditional, to changes in the price of shares will be treated as interested in those shares. A person who only has a short position in shares will not be treated as interested in those shares.

“**Voting rights**” for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting.

Persons acting in concert (and concert parties) comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. Certain categories of people are deemed under the Takeover Code to be acting in concert with each other unless the contrary is established.

6.2 **Squeeze-out rules**

Under the Act, if a “**takeover offer**” (as defined in section 974 of the Act) is made by an offeror to acquire all of the shares in the Company not already owned by it and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which such offer relates, the offeror could then compulsorily acquire the remaining shares. The offeror would do so by sending a notice to the outstanding members informing them that it will compulsorily acquire their shares and, six weeks later, it would deliver a transfer of the outstanding shares in its favour to the Company which would execute the transfers on behalf of the relevant members, and pay the consideration for the outstanding shares to the Company which would hold the consideration on trust for the relevant members. The consideration offered to the members whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the original offer unless a member can show that the offer value is unfair.

6.3 **Sell-out rules**

The Act also gives minority members a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares in the Company and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. in value of the shares and not less than 90 per cent. of the voting rights carried by the shares in the Company, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any member notice of his or her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority members to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three-months from the date on which notice is served on members notifying them of their sell-out rights. If a member exercises his or her rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

7. INTERESTS OF MAJOR SHAREHOLDERS

7.1 Major shareholders

In so far as was known to the Company as at 23 May 2021 (being the latest practicable date prior to the publication of this Document) and following Admission each of the persons set out in the table below will be directly or indirectly interested in 3 per cent. or more of the Enlarged Share Capital.

Name	As at the date of this Document		Interests following Admission	
	Number of Ordinary Shares	Percentage Share Capital and voting power	Number of Ordinary Shares	Percentage Share Capital and voting power
TekCapital plc	17,138,767	23.05%	17,138,767	15.13%
David Poutney ⁽²⁾	11,383,509	15.31%	11,605,731	10.25%
Nigel Wray ⁽¹⁾	11,342,191	15.25%	13,564,413	11.98%
Stephen Hemsley	3,070,664	4.13%	3,070,664	2.71%

(1) Of Nigel Wray's current beneficial holding of 11,342,191 Ordinary Shares, 1,993,333 Ordinary Shares are held through Minori Investments Limited, an entity owned by RBC Trustees (Jersey) Limited as trustee of The Priory Accumulation & Maintenance Trust. The Priory Accumulation & Maintenance Trust is a family trust settled by Nigel Wray whose beneficiaries are his children. In addition, 5,448,858 Ordinary Shares (and 266,666 Warrants) are held through Brendon Retirements Benefit Scheme, Nigel Wray's self-administered pension scheme. In addition, 3,900,000 Ordinary Shares are held through Euroblue Investments Limited.

Of Nigel Wray's beneficial holding of 13,564,413 Ordinary Shares following Admission, in addition to those shares set out above, 2,222,222 Ordinary Shares will be held through Edana Investments Limited, an entity owned by RBC Trustees (Jersey) Limited as trustee of The Edna Wray Accumulation & Maintenance Trust, a trust settled by Mr Wray's mother and the beneficiaries are his children.

(2) Includes 2,625,961 Ordinary Shares held by Vivienne Poutney, Mr Poutney's spouse.

7.2 The shareholders of the Company are presumed to be acting in concert by presumption (9) of the definition of acting in concert in the Takeover Code which states that shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies, or who, following the re-registration of that company as a public company in connection with an initial public offering or otherwise, become shareholders in a company to which the Takeover Code applies.

Based on information provided by the Company, the Takeover Panel has agreed that David Poutney, Nigel Wray and certain other connected parties (the '**Concert Party**') are acting in concert. Immediately following Admission, the Concert Party will comprise the following Shareholders:

Name	Ordinary Shares held Following Admission	Warrants held Following Admission	Percentage of Enlarged Share Capital following Admission (%)
Nigel Wray ⁽¹⁾	13,564,413	266,666	11.98%
David Poutney ⁽²⁾	11,605,731	–	10.25%
Lorna Tilbian ⁽³⁾	1,112,500	–	0.98%
Stephen Hemsley	3,070,664	–	2.71%
James Serjeant ⁽³⁾	299,999	–	0.26%
Julia Choudhury	86,400	–	0.08%
Madeleine Poutney	186,274	–	0.16%
Alice Poutney Wall	119,607	–	0.11%
Neil Badger	46,933	–	0.04%
Jonathan Serjeant	164,442	–	0.15%
Dowgate Capital Limited	842,006	–	0.74%
Richard Hall	385,000	–	0.34%
Nambod Business Inc	333,333	–	0.29%
Stuart Parkinson ⁽³⁾	291,109	–	0.26%
Russell Dobbs	122,886	–	0.11%
Simon Carter ⁽³⁾	88,224	–	0.08%
Sandra Carter	68,220	–	0.06%
Stephen Norcross	99,999	–	0.09%
David Lis ⁽³⁾	80,177	–	0.07%
Paul Richards ⁽³⁾	36,444	–	0.03%
Total	32,604,361	266,666	28.79%

- (1) Of Nigel Wray's current beneficial holding of 11,342,191 Ordinary Shares, 1,993,333 Ordinary Shares are held through Minori Investments Limited, an entity owned by RBC Trustees (Jersey) Limited as trustee of The Priory Accumulation & Maintenance Trust. The Priory Accumulation & Maintenance Trust is a family trust settled by Nigel Wray whose beneficiaries are his children. In addition, 5,448,858 Ordinary Shares (and 266,666 Warrants) are held through Brendon Retirements Benefit Scheme, Nigel Wray's self-administered pension scheme. In addition, 3,900,000 Ordinary Shares are held through Euroblue Investments Limited.

Of Nigel Wray's beneficial holding of 13,564,413 Ordinary Shares following Admission, in addition to those shares set out above, 2,222,222 Ordinary Shares will be held by The Edna Wray Accumulation & Maintenance Trust, a trust settled by Mr Wray's mother and the beneficiaries are his children.

- (2) Includes 2,625,961 Ordinary Shares held by Vivienne Poutney, Mr Poutney's spouse.
 (3) Ms Tilbian, Mr Serjeant, Mr Carter, Mr Parkinson and Mr Lis are also directors of Dowgate Capital.
 (4) Mr Dobbs' holding includes 18,222 Ordinary Shares held by his wife Susan Dobbs.

On Admission, the Concert Party will have an interest in 32,604,361 Ordinary Shares, in aggregate, representing 28.79 per cent. of the Enlarged Share Capital (on an undiluted basis). The Concert Party could (based on a number of assumptions) come to have an interest in aggregate up to 32,871,027 Ordinary Shares, representing a maximum potential interest of up to 28.96 per cent. of the Enlarged Share Capital (as enlarged by such exercise).

Other disclosures relating to Shareholders

- (a) Other than as described in paragraphs 7.1 and 7.2 of this Part V the Company is not aware of any persons who, following Admission, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company.
 (b) As of Admission the Ordinary Shares will be the only class of share capital in the Company. All Shareholders will have equal voting rights and none of the Shareholders will have different voting rights.

8. DIRECTORS

8.1 Directorships and partnerships of the Directors

Other than their directorship of the Company or the Subsidiary, details of those companies and partnerships of which the Directors are currently directors or partners, or have been directors or partners at any time during the five years prior to the date of this Document, are as follows:

<i>Name</i>	<i>Current</i>	<i>Past</i>
Robert Rauker	MedicinusIP LLC	None
	MalGab Holdings LLC	

<i>Name</i>	<i>Current</i>	<i>Past</i>
Anthony Stephen Dyer	Pure Moon Limited 3R Holdings Limited	Gattaca plc Matchtech Group (UK) Limited Gattaca Solutions Limited Barclay Meade Ltd Alderwood Education Ltd Networkers International Limited The Comms Group Limited Networkers International (UK) Limited Commsresources Limited Cappo Group Limited Cappo International Limited Networkers Recruitment Services Limited Resourcing Solutions Limited Matchtech Group (Holdings) Limited Connectus Technology Limited Matchtech Limited Gattaca Recruitment Limited Provanis Limited Matchtech Engineering Limited Application Services Limited Matchtech Group Management Company Limited Gattaca Information Technology Services SLU Gattaca Malaysia Sdn Bhd

<i>Name</i>	<i>Current</i>	<i>Past</i>
Adam Reynolds	Yourgene Health plc MyHealthChecked plc Sosandar plc Reyco Limited Autoclenz Holdings Limited Autoclenz Group Limited New Image Valeting Limited New Image Smart Repair Limited New Image Holdings Limited New Image Car Care Limited Probiotix Health Limited	Optibiotix Health plc Big Sofa Technologies Group Limited Boldwood Limited Emotion Fitness Limited Medavinci Gold Limited Orogen Gold (Armenia) Limited Orogen Gold (Serbia) Limited RNR Holdings Limited FirstAfrica Oil Limited UKFH Ltd New World Oil & Gas plc EKF Diagnostics Holdings Plc

<i>Name</i>	<i>Current</i>	<i>Past</i>
David Poutney	3B Capital Limited Franchise Brands plc Dowgate Capital Limited Dowgate Wealth Limited	Be Heard Group Limited Numis Securities Limited Numis Corporation plc

<i>Name</i>	<i>Current</i>	<i>Past</i>
Patrick Strollo	International Sleep Science Technology Association (ISSTA)	American Academy of Sleep Medicine (formerly known as American Sleep Disorders Association).

<i>Name</i>	<i>Current</i>	<i>Past</i>
Richard Piper	GRC International Group plc Restoration Partners Limited (Partner)	Checkit plc Gattaca plc Sureserve Group plc Turbo Power Systems, inc. Turbo Power Systems Limited Waterman Group plc Waterman Trustees Limited Waterman Group plc

8.2 Conflicts of Interest

There are no actual or potential conflicts of interest between the duties of the Directors and private interests and/or other duties that they may also have.

8.3 Director Information

Adam Reynolds was appointed as a director of Wilton International Marketing Limited on 10 June 2005. The company entered a members' voluntary liquidation on 1 May 2014. The liquidator's receipt and payments accounts approved in general meeting on 22 April 2014 declared a surplus of £404,805.17.

Marlwood PLC was put into voluntary creditors' liquidation on 7 February 2012. On 10 July 2009 Adam Reynolds resigned from the company.

Adam Reynolds was appointed as a director of Greenhills plc on 22 December 1994. He resigned on 24 January 1996. Greenhills plc was put into receivership on 8 August 1996, and an order to wind up was made on 19 February 1997. The receiver's abstract of receipts and payments to 6 July 1998 showed a creditor shortfall of £216,877.32. Greenhills plc was subsequently dissolved on 2 January 2001.

Adam Reynolds was appointed as a director of Wallgate Group plc on 3 July 2008. Wallgate Group plc was put into administration on 12 December 2008 and became subject to creditors' voluntary liquidation on 15 December 2009. The liquidator's statement of receipts and payments to 25 February 2011 showed a creditor shortfall of £419,782.12. Wallgate Group plc was subsequently dissolved on 1 June 2011.

Richard Piper was appointed as a director of SubSea Resources plc on 21 December 2006 until it was dissolved on 15 June 2011. On 11 April 2008 the company went into administrative receivership and went into voluntary creditors liquidation on 2 April 2009. The deficiency as regards creditors was £155,558. SubSea Resources plc was subject to a public censure by the London Stock Exchange for a period prior to Mr Piper's involvement with the company.

Confirmations by the Directors

Save as disclosed above, none of the Directors has:

- (a) any unspent convictions in relation to indictable offences; or
- (b) been bankrupt or entered into an individual voluntary arrangement; or
- (c) been a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or

- (d) been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- (e) had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or
- (f) been subject to any public criticism by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

There are no family relationships between any of the Directors.

There are no outstanding loans or guarantees granted or provided by any member of the Group for the benefit of any of the Directors.

Interests of the Directors

The following table sets out the interests of the Directors and their families (within the meaning set out in the AIM Rules for Companies) (including any interest known to that Director which could with reasonable diligence be ascertained by him or her) in the issued share capital of the Company as at the date of this Document, immediately prior to Admission and, assuming that the Placing and Subscription is fully subscribed, immediately following Admission:

<i>Name</i>	<i>As at the date of this Document</i>		<i>Interests following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Share Capital and voting power (%)</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Share Capital and voting power (%)</i>
Anthony Dyer	636,941	0.86%	636,941	0.56
David Poutney ¹	11,383,509	15.31%	11,605,731	10.25
Adam Reynolds	1,087,916	1.46%	1,087,916	0.96
Robert Rauker	776,147	1.04%	776,147	0.69
Patrick Strollo	–	–	–	–
Richard Piper	–	–	–	–

(1) Includes 2,625,961 Ordinary Shares held by Vivienne Poutney, Mr Poutney's spouse.

Save as otherwise disclosed in this Document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or under-performed.

Save as disclosed in this paragraph 8, none of the Directors or any person connected with a Director (within the meaning of section 252 to 255 of the Act) has any interest, whether beneficial or non-beneficial, in the share capital of the Company or any of its subsidiaries or is interested in any related financial product referenced to the Ordinary Shares (being a financial product whose value is, in whole or in part, determined directly or indirectly by reference to the price of the Ordinary Shares, including a contract for difference or a fixed odds bet).

In addition, Anthony Dyer and Bob Rauker have options as set out in paragraph 8 of Part I and paragraph 9 of Part V of this Document. Mr Dyer has 141,404 2018 Warrants. Mr Rauker has 139,536 2018 Warrants and 40,000 2020 Warrants.

Robert Rauker was originally granted an unapproved share option over 2,636,240 ordinary shares of £0.01 each in the capital of the Company on 29 October 2019 and 4,892,976 ordinary shares of £0.01 each in the capital of the Company on 7 May 2020.

Robert Rauker agreed to surrender part of the options over 439,373 ordinary shares granted on 29 October 2019 and over 815,496 ordinary shares granted on 7 May 2020 in exchange for a cash payment.

The consideration payable by the Company to Mr Rauker in relation to the surrender of the respective parts of Mr Rauker's options shall be calculated based on the difference between the Issue Share and the exercise price per Share payable by the Option Holder for the respective option multiplied by the number of Shares that are being surrendered.

Significant Shareholders

Save as disclosed in paragraph 7 of this Part V, the Company is only aware of the following persons who, as at the date of this Document and immediately following Admission, are or will be immediately following Admission interested (within the meaning used in Chapter 5 of the Disclosure Guidance and Transparency Rules) directly or indirectly, jointly or severally, in 3 per cent. or more of the Company's issued share capital or could exercise control over the Company:

	<i>As at the date of this Document</i>		<i>Immediately following Admission</i>	
	<i>No. of Ordinary Shares</i>	<i>Percentage of voting shares %</i>	<i>No. of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital %</i>
TekCapital plc	17,138,767	23.05%	17,138,767	15.13%
David Poutney ¹	11,383,509	15.31%	11,605,731	10.25%
Nigel Wray	11,342,191	15.25%	13,564,413	11.98%
Stephen Hemsley	3,070,664	4.13%	3,070,664	2.71%

(1) Includes 2,625,961 Ordinary Shares held by Vivienne Poutney, Mr Poutney's spouse.

Save as disclosed in paragraph 7 above, the Company is not aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over the Company and none of the Company or any of the Directors is aware of any arrangement the operation of which may at a subsequent date result in a change of control of the Company.

None of the Directors nor any persons named in paragraph 7 above has voting rights which are different to those of other Shareholders.

Transactions with Directors

Prior to Robert Rauker joining the Company, he undertook independent patent work for Separation Design Group IP Holdings LLC ("**SDG**").

Pursuant to a Patent Broker Agreement dated 22 October 2015 Separation Design Group IP Holdings LLC entered into an agreement with Medicinus IP LLC ("**Medicinus**"), of which Robert Rauker is the sole shareholder, under which Medicinus has agreed to facilitate the sale and/or license of intellectual property owned by SDG which includes soliciting potential buyers and licensees of such intellectual property. In consideration for the provision of these services, Medicinus receives a fee of 12.5 per cent. of the license fees, sales price and/or royalties received by SDG which will include 12.5 per cent. of the royalties the Company will pay to SDG in relation to sales of the **X-PLO₂R**, pursuant to the agreement entered into between SDG and the Company, further details of which are set out in paragraph 11.4 of this Part V. The agreement can be terminated by either party by written notice.

Save as set out in this Part V, none of the Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business which was effected by any member of the Group or any of its subsidiary undertakings during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

Save as set out in this Part V, none of the Directors has or had a beneficial interest in any contract to which any member of the Group or any of its subsidiary undertakings was a party during the current or immediately preceding financial year.

Executive Directors' service contracts, remuneration and emoluments

The Company entered into service contracts with the executive Directors of the Company on 7 May 2021.

The principal terms of these contracts, which are effective and conditional upon Admission, are set out below.

(a) *General terms*

The basic annual salary payable to Robert Rauker is \$325,000. Robert Rauker is also entitled to certain benefits including a discretionary annual bonus. The service agreement contains restrictive covenants for a period of 6 months following termination of his employment.

The basic annual salary payable to Anthony Dyer is £190,000. Anthony Dyer is also entitled to certain benefits including a discretionary annual bonus. The service agreement contains restrictive covenants for a period of 6 months following termination of his employment.

Under the terms of the service agreements, any previous service agreements entered into between each of the executive Directors will automatically terminate on Admission.

(b) *Termination provisions*

Robert Rauker's and Anthony Dyer's service contracts shall continue for a period of 24 months from 7 May 2021 and may be terminated by either Robert Rauker or Anthony Dyer serving six months' written notice on the Company; or the Company serving 12 months' written notice on Robert Rauker or Anthony Dyer. The service agreements contain provisions for early termination in the event, *inter alia*, of any breach of statutory duties as a director; any act of gross misconduct or serious/gross incompetence; bankruptcy; being found guilty of a serious breach of the rules and regulations relevant to the Company or any code of practice issued by the Company; is charged with any criminal offence other than an offence which does not in the reasonable opinion of the Board affect his position under his Service Agreement or he becomes prohibited by law from being a director of a company.

8.4 Non-Executive Directors' letters of appointment and fees

On Admission, the Company will have four non-executive Directors, Adam Reynolds, David Poutney, Patrick Strollo and Ric Piper.

The non-executive Directors are appointed by letters of appointment and do not have service contracts. The principal terms of these letters of appointment are set out below.

- Adam Reynolds was appointed as Non-Executive Chairman with effect from 21 April 2021 pursuant to a letter of appointment entered into with the Company dated 7 April 2021. Adam is appointed for a term of 3 years. He is entitled to annual fees of £30,000 which shall increase to £50,000 with effect from Admission,. The appointment is terminable on 3 months' written notice by either party.
- Patrick Strollo was appointed as a non-executive director of the Company with effect from 12 April 2021 pursuant to a letter of appointment entered into with the Company dated 7 April 2021. Patrick is appointed for a term of 3 years. He is entitled to annual fees of \$40,000. The appointment is terminable on 3 months' written notice by either party.
- David Poutney will be appointed as a non-executive director of the Company with effect from Admission pursuant to a letter of appointment to be entered into with the Company. David will be appointed for a term of 3 years. He is entitled to annual fees of £30,000. The appointment is terminable on 3 months' written notice by either party.
- Ric Piper will be appointed as a non-executive director of the Company with effect from Admission pursuant to a letter of appointment to be entered into with the Company. David will be appointed for a term of 3 years. He is entitled to annual fees of £35,000. The appointment is terminable on 3 months' written notice by either party.

Each non-executive Director will be entitled to be reimbursed for all reasonable expenses incurred by him in the course of his duties to the Company and has the benefit of indemnity insurance maintained by the Group on his behalf indemnifying him against liabilities he may potentially incur to third parties as a result of his office as a Director.

Save as set out in paragraphs 8.3 and 8.4 above, there are no existing or proposed service agreements between any of the Directors and the Company or any of its subsidiaries that provide for benefits on termination of employment.

Employees

As at 23 May 2021 the Group had a total of 8 permanent employees across all locations.

9. SHARE INCENTIVE SCHEME

The following section summarises the terms of options granted to Directors and senior executives over Ordinary Shares (the “Share Schemes”).

9.1 Share Schemes

The Company operates an Enterprise Management Incentive and unapproved scheme which was adopted on 29 October 2019. In addition to this, the Company also set up a Restricted Share Scheme in relation to the award of Shares in the Company subject to certain restrictions to be included in the restricted share agreements further details of which are included in paragraph 9.2 of this Part V.

The Company shall establish an employee benefit trust (“**EBT**”) with Zedra Trust Company (Guernsey) Limited (“**Zedra**”) as the corporate offshore trustee. The EBT will be used to hold shares on trust for optionholders and shareholders that are resident in the US and also as part of the Share Schemes. In order to fund Zedra in relation to the acquisition of any shares in the Company to be held under the terms of the EBT trust deed the Company will enter in to a loan agreement with Zedra to provide an interest free loan to Zedra.

Share Option Scheme

Share Plan

The purpose of the Share Option Scheme is to assist in the recruitment or retention of employees and directors by enabling the Company to grant Enterprise Management Incentive (“**EMI**”) share options and unapproved share options (together the “**Options**”) to such persons (the “**Option Holders**”) pursuant to the rules of the Share Option Scheme (the “**Rules**”). The Options can be granted as UK tax advantaged EMI share options if the recipient met the relevant criteria for those options, otherwise the Options would subsist as non-tax advantaged unapproved share options in the UK.

Grant of Options

The Options are granted by the Board who has absolute discretion as to the selection of the persons to whom an Option is granted. Where an EMI Option is to be granted to an employee, that employee must meet additional working time requirements. These working time requirements are that the employee commits at least 25 hours or 75 per cent. of their total working time (if less than 25 hours) to the Company (or as may otherwise be required under the relevant legislation).

Exercise of Options

Under the Rules the Options may be exercised on the earlier of:

- a company re-organisation where a person (other than any person who is an existing shareholder of the Company or where that person is owned substantially by the shareholders of the Company) obtains control of the Company (a “**Company Reorganisation**”);
- a disposal of the whole or substantial part of the business and assets of the Group or a disposal of 50 per cent. or more of the issued share capital in the Subsidiary (except where the disposal is to a person that is owned substantially by the shareholders of the Company) (a “**Disposal**”);

- the listing of any company within the Group's securities on a Stock Exchange (being the London Stock Exchange plc and including the AIM operated by the London Stock Exchange plc) or the granting of permission for any such securities to be traded on a Stock Exchange (a "**Listing**"); or
- any sale or disposal of a controlling interest or 50 per cent. or more of the issued share capital of the Company to a person (except to a person that is owned substantially by the shareholders of the Company and excluding change of the controlling interest between the existing shareholders of the Company) (a "**Sale**").

(each of these an "**Exercise Event**").

The Options may also be exercised at such time as set out in the respective Option Holder's Option Agreement.

Exercise Price

The price per Ordinary Share payable on the exercise of an Option (the "**Exercise Price**") is determined by the Board when the Options are granted. The Exercise Price may be of any amount and is not required to be at least equal to the market value of an Ordinary Share at the time of grant. For Options in relation to the subscription of Ordinary Shares, the Exercise Price must be at least the nominal value of the Ordinary Shares for company law purposes.

Individual Limits on Participation

Unless the Board determines otherwise the aggregate market value of Ordinary Shares over which EMI Options may be granted to any employee will not exceed £250,000, or such other limit as may be imposed by the legislation governing EMI Options from time to time. To the extent that the £250,000 threshold is exceeded the Option shall be an EMI Option up to £250,000 threshold and an unapproved option in relation to the excess.

The aggregate market value of Ordinary Shares over which a Company may grant unexercised EMI Options shall not exceed £3.0 million.

Performance Conditions

The Board may, but is not obliged to, specify one or more appropriate performance condition for an Option at the time it is granted, which determines whether and to what extent the Option may be exercised. Any performance condition may be varied or waived at the Board's discretion provided that it is a fairer measure of performance and not more difficult to satisfy than the original performance condition.

Cessation of Employment

Where an Option Holder ceases to be an employee of the Group (other than as a result of death), the unvested portion of their Option shall lapse immediately unless the Board exercises its discretion to allow the Option to be retained.

Where an Exercise Event has occurred and following which, notice of the termination of the Option Holder's employment is given or received, or the Option Holder ceases to hold employment within the Group (excluding death) the Board can require the Option Holder to exercise the Option over the vested portion of their Option within 90 days of the cessation of the Option Holder's employment. The failure to exercise in that time will result in the Option lapsing unless the Board exercises its discretion to allow the vested portion of the Option to be retained.

Death of Option Holder

Upon the death of an Option Holder in service, the personal representative of the Option Holder shall be entitled to retain the vested portion of the Option (provided it has not already lapsed) and be entitled to exercise the Option upon the occurrence of an Exercise Event within one year of the date of death, thereafter it will lapse.

Exchange of Options

Subject to the satisfaction of certain conditions, each Option Holder may, by agreement with the acquiring company within a specified period, exchange the Option for a replacement option. Any replacement option granted shall be treated as if it was acquired at the same time as the Option that it replaces.

Payment of Tax and National Insurance contributions (“NICs”)

The Option Holder is responsible for the payment of all relevant income tax and employee and employer’s NICs relating to its Option. The Company may withhold an amount equal to such liabilities from any amounts due to the Option Holder (to the extent such withholding is lawful) and/or withhold and sell sufficient Ordinary Shares subject to the Option, in satisfaction of these liabilities. The Option Holder will enter in to a joint election with the Company or its employer to transfer any employer’s NICs liability to the Option Holder.

Lapse of Options

The Options shall lapse if:

- they are not exercised by the tenth anniversary of the date of grant;
- the Options are to be transferred, assigned, mortgaged or otherwise disposed of by the Option Holder;
- the Option Holder is adjudged bankrupt or if the Option Holder makes or proposes a voluntary arrangement under the Insolvency Act 1986 in relation to his debts;
- if the Option Holder ceases for any other reason (other than death) to be the sole legal or beneficial owner of the Option free from encumbrances or would not, upon exercise of the Option, be the sole beneficial owner of the Shares; or
- subject to the provisions noted above, the Option Holder’s employment with any member of the Group ceases.

Amendment

The Board may amend the Rules from time to time. No amendment may apply to Options granted before the amendment was made without the prior approval in writing of the Option Holder if as a result the Option would cease to be a qualifying EMI Option.

Provisions within the Option agreements

Four Options have been granted under the Share Option Scheme. The Options are subject to the following vesting conditions:

- Where the Exercise Event is a Company Reorganisation, Disposal or a Sale, then the whole Option becomes exercisable.
- Where the Exercise Event is a Listing, the Option will vest in three equal instalments. The first vesting on the listing date; second vesting on the first anniversary of the listing date; and the third vesting on the second anniversary of the listing date.

9.2 **Restricted Share Agreement**

The Company has established a restricted share scheme under which it grants awards of shares (“**Awards**” and “**Award Shares**”) subject to terms of a restriction share agreement (a “**Restricted Share Agreement**”).

Grant of Award

The board of directors or the remuneration committee of the Company (the “**Board**”) shall have an absolute discretion as to the selection of persons to whom an Award is granted provided that they are an employee or director of one or more Group Companies (the “**Participant**”).

An Award may, with the approval of the Board, be granted by a person other than the Company including but not limited to a trustee or trustees of an employee benefit trust of which the employees or directors of the Company are beneficiaries provided that at the date of the Award such other person beneficially owns the Award Shares or has the right to acquire such Shares on or before such Award is granted.

Restricted Share Agreement

Under the terms of the Restricted Share Agreement the Participants agree:

- not to transfer, assign, charge or otherwise dispose of the Award Shares (or any interest in those Shares) in any way and where the Award Shares are held by a nominee, not to instruct such nominee to transfer the legal ownership of the Shares to the Participant or any other person (including a company or trustee) at any time prior to the Vesting except in specific circumstances or with the prior written consent of the Board;
- to enter into any tax elections required by the Board at any time;
- to transfer for nil cost the legal and beneficial ownership of the Award Shares as directed by the Board if the Award lapses in accordance with the Rules (which may include, granting the Company an option to acquire the Award Shares for nil consideration).

If the Participant fails to comply with the above provisions the Award will lapse.

Unless the Board determines otherwise on or prior to the date of grant of the Award, the Participant will be entitled to vote and to receive dividends and have all other rights of a shareholder in respect of the Shares comprised in the Award (subject to the articles of association of the Company) from the date the Participant becomes the beneficial owner of the Award Shares.

The Restricted Share Agreement will state:

- the date on which the Award is granted;
- the number of Shares acquired under the Award;
- the price per Share payable upon the grant of the Award (if any);
- when and how the Award may be Vested; and
- the Performance Target (if any) to which the Award is subject.

Performance Targets

The Board may, but is not obliged to, specify one or more appropriate performance targets for an Award at the time it is granted, which determines whether and to what extent the Award may Vest. Any performance target may be varied or waived at the Board's discretion provided that it is a fairer measure of performance and not more difficult to satisfy than the original performance target.

Vesting of Awards

The Award shall vest and the Participant will no longer be subject to the specific restrictions in the Restricted Share Agreement and the Rules and the Participant shall be entitled to sell all of the Award Shares (subject to any other restrictions on the Participant or the Award Shares outside of the Restricted Share Agreement) ("**Vest**").

An Award may Vest immediately before (or on or after in limited circumstances) the occurrence of an Exercise Event (excluding a Listing on AIM).

An Award may not Vest:

- after the Participant gives or receives notices to terminate their employment;
- if the Participant is subject to any disciplinary process or procedure in relation to their employment with any Group Company until such process or procedure has been resolved as determined by the Board;

- if any restrictions imposed by the Company's share dealing code, the AIM Rules, the Market Abuse Regulations or any other laws or regulations that impose restrictions on share dealing applies to the Participant, in which case an Award will Vest on the date on which such dealing restrictions are lifted; or
- the action or conduct of any Participant, Group Company or relevant business unit is under investigation and such investigation has not yet been concluded by that date, in which case an Award will Vest on such later date as the Board considers appropriate to allow such investigation to be concluded.

Cessation of Employment

If before the Award has Vested a Participant ceases to be an employee of the Group (other than as a result of death), the Award shall lapse immediately unless the Board exercises its discretion to allow the Award to be retained.

Death of the Participant

Upon the death of a Participant in service, the personal representative of the Participant shall be entitled to retain the Participant's Vested portion of the Award (provided it has not already lapsed) subject to the Rules and the terms of the respective Restricted Share Agreement.

Exchange of Awards

Subject to the satisfaction of certain conditions, each Participant may, by agreement with the acquiring company within a specified period, exchange the Award for a replacement award. Any replacement award granted is treated as if it was acquired at the same time as the Award that it replaces.

Payment of Tax and National Insurance contributions ("NICs")

The Participant is responsible for the payment of all relevant income tax and employee and employer's NICs relating to its Award. The Company may withhold an amount equal to such liabilities from any amounts due to the Participant (to the extent such withholding is lawful) and/or withhold and sell sufficient Award Shares, in satisfaction of these liabilities. To the extent permitted the Participant will enter in to a joint election with the Company or its employer to transfer any employer's NICs liability to the Participant.

Lapse of Awards

The Awards shall lapse and cease to be capable of Vesting:

- at the end of the day before tenth anniversary of the date of grant;
- If the Awards are to be transferred, assigned, mortgaged or otherwise disposed of by the Participant;
- if the Participant ceases for any other reason (other than death) to be the sole legal or beneficial owner of the Award free from encumbrances or would not, upon exercise of the Award, be the sole beneficial owner of the Shares; or
- subject to the provisions noted above, if the Participant's employment with any Group Company ceases;
- if the Award is not released as part of the exchange of the Award; or
- if the Participant does not comply with the specific restrictions in the Restricted Share Agreement

Amendment

The Board may amend the Rules from time to time provided that no such alterations or additions may materially adversely affect the rights of any Participant under an existing Restricted Share Agreement.

10. RELATED PARTY TRANSACTIONS

Other than as set out in paragraph 26 of Section B of Part III of this Document there were no arrangements entered into between 1 January 2018 and the date of this Document which constitute related party transactions:

11. MATERIAL CONTRACTS AND ARRANGEMENTS

Set out below is a summary of (i) each material contract (other than contracts entered into in the ordinary course of business) to which the Company or any member of the Group is a party which has been entered into within the two years immediately preceding the date of this Document; and (ii) any other contract (other than contracts entered into in the ordinary course of business) entered into by any member of the Group which contains obligations or entitlements which are or may be material to the Group as at the date of this Document:

- 11.1.1 A Relationship Agreement dated 24 May 2021 which governs the relationship between each of the parties to it to ensure that the Company is able to carry on its business independently. Under the terms of the Relationship Agreements, each of David Poutney (and connected parties) and Nigel Wray (and connected parties) has agreed that, so long as they hold (directly or indirectly) an aggregate shareholding of at least 15 per cent. in the Company, the Company will be capable of carrying on its business independently of David Poutney (and connected parties) and Nigel Wray (and connected parties) and that all future transactions and relationships between them and the Company shall be on an arms' length basis.
- 11.1.2 A Relationship Agreement dated 24 May 2021 which governs the relationship between TekCapital plc and the Company to ensure that the Company is able to carry on its business independently. Under the terms of the Relationship Agreement, TekCapital plc has agreed that the Company will be capable of carrying on its business independently of TekCapital and that all future transactions and relationships between it and the Company shall be on an arms' length basis. The Relationship Agreement will remain in place so long as TekCapital holds (directly or indirectly) an aggregate shareholding of at least 15 per cent. in the Company.
- 11.2 The Placing Agreement dated 24 May 2021, further details of which are set out in paragraph 17 of this Part V.
- 11.3 The nominated adviser agreement dated 24 May 2021 and made between the Company, the Directors and SPARK pursuant to which the Company has appointed SPARK to act as nominated adviser to the Company commencing on Admission. The Company has agreed to pay to SPARK an annual fee. The appointment of SPARK is for an initial term of 12 months, after which time either party may terminate the appointment on three months' written notice. SPARK has reserved the right to terminate the agreement forthwith in certain circumstances. Under the agreement, the Company has given certain customary indemnities to SPARK in connection with its engagement as the Company's nominated adviser. The agreement is governed by English law.
- 11.4 On 24 February 2017, the Company entered into a co-exclusive license and development agreement with Separation Design Group, LLC and SDG (together the "**SDG Parties**") ("**SDG Licence**") which was subsequently amended by an amendment agreement dated 19 March 2021. Pursuant to the SDG Licence:
 - (a) the Company shall pay royalties on the net selling price of the products (which are oxygen concentrators utilising or incorporating the OC IP (being the patents, patent applications, technology licences, trade secrets and know how relating to oxygen concentrators));
 - (b) the Company shall pay minimum royalties to SDG 48 months after the first royalty payment and pays a monthly fee for 36 months commencing on 1 April 2021, for development, testing and post-consumer evaluation work performed by the SDG Parties on the **X-PLO₂R**, **X-PLO₂R CX** and **X-PLO₂R DX**. At the end of the 36 months the payments continue on a month to month basis until terminated by either party on 90 days' notice. In aggregate these payments will amount to c\$3.5 million, broadly spread over the three year period from 1 April 2021;
 - (c) the SDG Parties agree to exclusively license to the Company the licensed rights to patents, patent applications, technology licenses, trade secrets, and know-how relating to oxygen

concentrators (“OC IP”) and to jointly develop an oxygen concentrator with the Company using the OC IP (subject to SDG retaining the right to prosecute, enforce and collect damages or royalties for past, present and further infringements); and

- (d) the SDG Licence shall not be terminated by the SDG Parties unless:
- (i) the Company fails to timely pay the agreed upon funding and does not remedy the failure to pay within 60 days of receiving written notice from the SDG Parties; and

after 48 months from the initial commercial launch of the **X-PLO₂R**, cumulative sales of products have not exceeded twenty (20) million dollars unless Belluscura makes a one-time payment of \$3,000,000 to the SDG Parties.

- 11.5 On 22 March 2021, the Company entered into an engagement letter with Dowgate Capital pursuant to which the Company appointed Dowgate Capital to act as the Company’s broker in connection with Admission. The Company has agreed to pay Dowgate Capital a fee of £25,000 and a commission of 5 per cent. on the amount subscribed in the Placing by placees procured by Dowgate Capital, and the reasonable legal fees and expenses agreed with the Company and incurred by Dowgate Capital in connection with the Placing. Upon Admission, the Company is obliged to appoint Dowgate Capital as sole broker.
- 11.6 The broker agreement dated 24 May 2021 and made between the Company and Dowgate Capital pursuant to which the Company appointed Dowgate Capital to act as sole broker to the Company with effect from the date of the agreement for an initial term of one year, and shall continue thereafter until terminated by either Dowgate Capital or the Company giving not less than three months’ notice in writing to the other party. The Company shall pay an annual retainer fee for services provided by Dowgate Capital.
- 11.7 The Lock-in and Orderly Market Agreements, dated 24 May 2021, further details of which are set out in paragraph 16 of Part V of this Document.
- 11.8 The Subsidiary is party to a Master Manufacturing Services Agreement (the “**MSA**”) with an ISO 13485 and 9001 manufacturer based in the United States (“**Product Manufacturer**”) dated 6 July 2020 pursuant to which the Subsidiary has engaged the Product Manufacturer to manufacture products as set forth in statements of work and/or purchase orders executed by the parties from time to time in accordance with the MSA. The fees payable by the Subsidiary are as specified in each statement of work or purchase order (as applicable). The MSA has an initial term of three years, which thereafter automatically renews for additional one-year terms unless either party gives 90-days’ prior written notice that it does not wish to renew the agreement. The MSA is terminable by either party for convenience by giving six months’ prior written notice.

Under the MSA, the Subsidiary is under an obligation to provide on a monthly basis a rolling twelve month written forecast indicating the quantity of products the Subsidiary requires in each month. Such forecasts constitute a binding obligation on the Subsidiary to issue purchase orders in accordance with those forecasts.

The Subsidiary is party to a purchase order with an ISO 13485 and 9001 manufacturer based in the United States (“**Battery Manufacturer**”) dated 9 September 2019 (“**Battery Manufacturer PO**”) pursuant to which the Subsidiary engaged the Battery Manufacturer to develop and manufacture a Li-Ion battery back for use in the Group’s portable oxygen concentrator. The Battery Manufacturer PO is comprised of three phases of work, as follows:

1. Phase 1 – the scope of work for Phase 1 is the design and development of the battery.
2. Phase 2 – the scope of work for Phase 2 is the adjustment of battery design and layout, ordering battery components, assembling boards and assembling batteries.
3. Phase 3 – the scope of work for Phase 3 is the development of production tooling and production test equipment.

The lead time for production of batteries is between 14 and 16 weeks.

The Subsidiary is responsible for all costs of regulatory testing of the batteries manufactured by Battery Manufacturer pursuant to the Battery Manufacturer PO.

11.9 The Subsidiary has in place an arrangement with an ISO 13485 and 9001 manufacturer based in the United States (“**Large Scale Battery Manufacturer**”) pursuant to which the Subsidiary has engaged the Large Scale Battery Manufacturer to design and manufacture batteries for use within the Group’s products. The batteries manufactured by the Large Scale Battery Manufacturer will be used for the large scale production of the Group’s products. The Large Scale Battery Manufacturer is currently in the process of designing and testing the batteries prior to manufacturing commencing. The Subsidiary has not yet entered into a formal manufacturing agreement with the Large Scale Battery Manufacturer.

11.10 On 4 May 2021 the Company created and issued warrants to subscribe for up to 1,000,000 Ordinary Shares pursuant to a warrant instrument (the “**Warrant Instrument**”). On 4 May 2021, the Company granted to Separation Design Group LLC (“**SDG**”) warrants to subscribe for up to 1,000,000 Ordinary Shares (“**SDG Warrants**”) prior to Admission on the terms of the Warrant Instrument as follows:

- (a) the subscription price to be paid per SDG Warrant shall be the amount equal to the Issue Price;
- (b) the SDG Warrants shall be exercisable:
 - (i) during the Exercise Period, being the period beginning on the first anniversary of the date of Admission and ending on 4 May 2025; and/or
 - (ii) conditionally on the occurrence of a “Takeover Offer” or “Scheme” (each as defined in the Warrant Instrument);
- (c) the SDG Warrants shall automatically lapse:
 - (i) if SDG does not exercise the SDG Warrants within the Exercise Period; and/or
 - (ii) upon a Takeover Offer becoming unconditional in all respects or a Scheme becoming effective, if SDG has not exercised the SDG Warrants.

11.11 The Subscription Agreements dated 24 May 2021 and made between (i) the Company and Jon Novak and (ii) the Company and Dr Chia-Han Chan, pursuant to which the Subscribers have agreed to subscribe for the Subscription Shares at the Issue Price. The Subscription Agreements are conditional on Admission becoming effective. The Subscription Agreements will lapse if Admission has not become effective on or by 11 June 2021.

12. SIGNIFICANT CHANGE

Save as disclosed in paragraph 6 of Part I of this Document (the receipt of \$2.5 million of warrant and option exercise monies, and the receipt of 510(k) clearance from the FDA), there has been no significant change in the financial or trading position of the Group since 31 December 2020, being the latest date to which the historical financial information in Part III of this Document was prepared.

13. WORKING CAPITAL STATEMENT

In the opinion of the Directors, having made due and careful enquiry and taking into account the expected net proceeds of the Placing and Subscription, the working capital available to the Company and the Group is sufficient for its present requirements, that is for at least 12 months from the date of Admission.

14. LITIGATION AND DISPUTES

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Document, a significant effect on the Company and/or the Group’s financial position or profitability.

15. UNITED KINGDOM TAXATION

The following statements are intended only as a general guide to certain UK tax considerations relevant to prospective investors in the Shares. They do not purport to be a complete analysis of all potential UK tax

consequences of acquiring, holding or disposing of Shares. They are based on current UK tax law and what is understood to be the current published practice (which may not be binding) of HMRC as at the date of this Document, both of which are subject to change, possibly with retrospective effect. The following statements relate only to Shareholders who are resident (and, in the case of individuals, resident and domiciled or deemed domiciled) for tax purposes in (and only in) the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment (other than in an individual savings account or pension arrangement) and who are the absolute beneficial owners of both the Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules, such as persons who acquire (or are deemed to acquire) their Shares in connection with their (or another person's) office or employment, traders, brokers, dealers in securities, insurance companies, banks, financial institutions, investment companies, tax-exempt organisations, persons connected with the Company or the Group, persons holding Shares as part of hedging or conversion transactions, Shareholders who are not domiciled or not resident in the UK, collective investments schemes, trusts and those who hold 5 per cent. or more of the Shares, is not considered.

Nor do the following statements consider the tax position of any person holding investments in any HMRC-approved arrangements or schemes, including the enterprise investment scheme or venture capital scheme, able to claim any inheritance tax relief or any non-UK resident Shareholder holding Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate Shareholder, a permanent establishment or otherwise).

Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

15.1. **UK taxation of dividends**

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

UK resident individual shareholders

Under current UK tax rules, specific rates of tax apply to dividend income. As of 1 April 2016, the notional dividend tax credit system was abolished. Instead, there is a nil rate of tax (the "**Nil Rate Amount**") which from 6 April 2018, applies to the first £2,000 of dividend income received by an individual Shareholder who is resident for tax purposes in the UK for 2020/2021. Dividend income in excess of the Nil Rate Amount (taking account of any other dividend income received by the Shareholder in the same tax year) will be taxed at the following rates for 2020/2021: 7.5 per cent. (to the extent that it falls below the threshold for higher rate income tax); 32.5 per cent. (to the extent that it falls above the threshold for higher rate income tax and is within the higher rate band); and 38.1 per cent. (to the extent that it is within the additional rate). For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder's income. In addition, dividends within the Nil Rate Amount which would (if there was no Nil Rate Amount) have fallen within the basic or higher rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

UK resident corporate shareholders

Shareholders within the charge to UK corporation tax which are "small companies" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will generally not be subject to UK corporation tax on any dividend received provided certain conditions are met (including an anti-avoidance condition).

A UK resident corporate Shareholder (which is not a "small company" for the purposes of the UK taxation of dividends legislation in Part 9A of the Corporation Tax Act 2009) will be liable to UK corporation tax (currently at a rate of 19 per cent. from 1 April 2017) unless the dividend falls within one of the exempt classes set out in Part 9A. Examples of exempt classes (as defined in Chapter 3 of Part 9A of the Corporation Tax Act 2009) include dividends paid on shares that are "ordinary shares" (that is shares that do not carry any present or future preferential right to dividends or to the Company's assets on its winding up) and which are not "redeemable", and dividends paid

to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital in respect of which the distribution is made). However, the exemptions are not comprehensive and are subject to anti-avoidance rules.

Non-UK resident Shareholders

A non-UK resident Shareholder is not generally subject to UK tax on dividend receipts. A non-UK resident Individual Shareholder may also be subject to taxation on dividend income under local law, in their country or jurisdiction of residence and/or citizenship. A shareholder who is not solely resident in the UK for tax purposes should consult his own tax advisers concerning his tax liabilities (in the UK and any other country) on dividends received from the Company in respect of liability to both UK taxation and taxation of any other country of residence or citizenship.

15.2. Taxation of chargeable gains

Individual and corporate Shareholders who are resident in the United Kingdom may, depending on their circumstances (including the availability of allowances, exemptions or reliefs), realise a chargeable gain or an allowable loss for the purposes of taxation of capital gains on a sale or other disposal (or deemed disposal) of Shares.

UK resident individual Shareholders

For an individual Shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax. The rate of capital gains tax on disposal of shares is 10 per cent. (2021/2022) for individuals who are subject to income tax at the basic rate and 20 per cent. (2021/2022) for individuals who are subject to income tax at the higher or additional rates. An individual Shareholder is entitled to realise an annual exempt amount of gains (£12,300 for the year to 5 April 2021) without being liable to UK capital gains tax.

UK resident corporate Shareholders

For a corporate Shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain at the rate of corporation tax applicable to that Shareholder (currently 19 per cent.) or an allowable loss for the purposes of UK corporation tax.

Non-UK tax resident Shareholders

An individual Shareholder who is only temporarily resident outside the United Kingdom may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised when they resume UK tax residence (subject to available allowances, exemptions or reliefs) upon a sale or other disposal (or deemed disposal) of Shares.

Shareholders who are not tax resident in the United Kingdom and, in the case of an individual Shareholder, not temporarily non-resident, will not generally be subject to UK taxation of capital gains on a sale or other disposal (or deemed disposal) of Shares unless such Shares are used, held or acquired for the purposes of a trade, profession or vocation carried on in the UK through a branch or agency or, in the case of a corporate Shareholder, through a permanent establishment or in a property rich company. Shareholders who are not resident in the United Kingdom may be subject to non-UK taxation on any gain under local law, and should consult their own tax advisors concerning their tax liabilities upon a sale or other disposal (or deemed disposal) of shares.

15.3. Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

No UK stamp duty or SDRT will be generally payable on the issue of Shares. AIM qualifies as a recognised growth market for the purposes of the UK stamp duty and SDRT legislation. Accordingly, for so long as the Shares are admitted to trading on AIM and are not listed on that or any other market no charge to UK stamp duty or SDRT should arise on their subsequent transfer. If the Shares cease to qualify for this exemption their transfer on sale will be subject to stamp duty and/or SDRT (generally at the rate of 0.5 per cent. of the consideration subject to a de minimis threshold), although special rules apply in respect of certain transfers including transfers to connected companies, market

intermediaries and transfers into clearance services or depositary receipt arrangements. The statements in this paragraph apply to any holders of Shares irrespective of their residence, and are a summary of the current position and are intended to be a general guide to the current stamp duty and SDRT position. Shareholders in any doubt about their position should seek appropriate tax advice.

15.4. Inheritance tax

The Shares will be assets situated in the United Kingdom for the purposes of UK inheritance tax. A gift of such assets during lifetime or on the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax, even if the holder is or was neither domiciled in the United Kingdom nor deemed to be domiciled there, under certain rules relating to long residence or previous domicile. Generally, UK inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to the death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit following a gift of an asset. Special rules also apply to close companies and to trustees of settlements who hold Shares bringing them within the charge to inheritance tax. A charge to inheritance tax may also arise if the shares are transferred to a trust during their lifetime or on death.

Holders of Shares should consult an appropriate professional adviser if they make a gift of any kind or a transfer at less than market value, or if they intend to hold any Shares through a trust or similar indirect arrangements. They should also seek professional advice in a situation where there is potential for a double charge to UK inheritance tax and an equivalent tax in another country or if they are in any doubt about their UK inheritance tax position.

THIS SUMMARY OF UK TAXATION ISSUES CAN ONLY PROVIDE A GENERAL OVERVIEW OF THESE AREAS AND IT IS NOT A DESCRIPTION OF ALL THE TAX CONSIDERATIONS THAT MAY BE RELEVANT TO A DECISION TO INVEST IN THE COMPANY. THE SUMMARY OF CERTAIN UK TAX ISSUES IS BASED ON THE LAWS AND REGULATIONS IN FORCE AS OF THE DATE OF THIS DOCUMENT AND MAY BE SUBJECT TO ANY CHANGES IN UK LAWS OCCURRING AFTER SUCH DATE. LEGAL ADVICE SHOULD BE TAKEN WITH REGARD TO INDIVIDUAL CIRCUMSTANCES. ANY PERSON WHO IS IN ANY DOUBT AS TO HIS TAX POSITION OR WHERE HE IS RESIDENT, OR OTHERWISE SUBJECT TO TAXATION, IN A JURISDICTION OTHER THAN THE UK, SHOULD CONSULT HIS PROFESSIONAL ADVISER.

16. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

In accordance with Rule 7 of the AIM Rules the Locked-in and Orderly Market Parties have entered into the Lock-in and Orderly Market Agreements dated 24 May 2021, representing in aggregate 44,809,915 Ordinary Shares and 39.57 per cent. of the Enlarged Share Capital, pursuant to which each of the Locked-in and Orderly Market Parties have undertaken to the Company, SPARK and Dowgate Capital that they shall not, except in certain specified circumstances, sell, transfer, grant any option over or otherwise dispose of the legal, beneficial or any other interest in any Ordinary Shares (“**Interest**”) held by them at the date of Admission (or rights arising from any such shares or other securities or attached to any such shares) (together “**Lock-In Shares**”) prior to the first anniversary of Admission (“**Lock-In Period**”). In order to maintain an orderly market in the Ordinary Shares, the Locked-in and Orderly Market Parties have also undertaken to the Company, SPARK and Dowgate Capital that for a period of 12 months following the Lock-In Period only to dispose of any Interest in the Lock-In Shares through the Company’s broker (from time to time), to ensure an orderly market.

Pursuant to the Lock-in and Orderly Market Agreements, each of the Locked-in and Orderly Market Parties (such Shareholders together holding 44,809,915 Ordinary Shares at Admission representing 39.57 per cent. of the Enlarged Share Capital) has undertaken to each of the Company, SPARK and Dowgate Capital that, save in specified and customary circumstances summarised below, they will not dispose of the Lock-In Shares held by them (or enter into a transaction with the same economic effect) during the Lock-In Period.

In addition, the Locked-in and Orderly Market Parties have agreed, for a further period of 12 months following the expiry of the Lock-In Period, not to dispose of any Ordinary Shares except through Dowgate Capital with a view to maintaining an orderly market in the Ordinary Shares.

There are certain market standard exceptions to the restrictions on disposal set out in Lock-in and Orderly Market Agreements, including among others, disposals in acceptance of a general offer made to all Shareholders, disposals pursuant to any compromise or arrangement under Part 26 of the Companies Act 2006, disposals by court order, disposals pursuant to a scheme of reconstruction under section 110 of the Insolvency Act 1986, and disposals with the prior written consent of SPARK and Dowgate Capital.

17. PLACING AGREEMENT

On 24 May 2021, the Company, the Directors, the Proposed Directors, SPARK and Dowgate Capital entered into the Placing Agreement.

Dowgate Capital has agreed to act as agent for the Company to use its reasonable endeavours to procure placees for the Placing Shares at the Placing Price. The Placing Agreement is conditional, *inter alia*, on Admission taking place not later than 28 May 2021 (or such later date as SPARK and Dowgate Capital and the Company may agree, but in any event no later than 11 June 2021).

- (a) Under the Placing Agreement:
 - (i) the Company has agreed to pay Dowgate Capital a commission of 5 per cent. of the gross aggregate value of the Placing Shares at the Placing Price in respect of placees introduced by (plus any applicable Value Added Tax);
 - (ii) the Company has agreed to pay all other costs and expenses of the Placing and the related arrangements together with value added tax on such costs; and
 - (iii) the Company and the Directors have given certain warranties to SPARK and Dowgate Capital as to the accuracy of the information in this Document and as to other matters relating to the Group and its business and the Company has granted an indemnity to SPARK and Dowgate Capital in respect of certain liabilities arising out of or in connection with the Placing.
- (b) The Placing Agreement may be terminated by SPARK and Dowgate Capital if certain customary circumstances occur prior to Admission including a breach of the warranties referred to above.

18. CONSENTS

- 18.1 The nominated adviser to the Company is SPARK, which is authorised and regulated in the UK by the Financial Conduct Authority. SPARK has given and not withdrawn its written consent to the issue of this Document with inclusion herein of references to its name in the form and the context in which it appears.
- 18.2 The broker to the Company is Dowgate Capital, which is authorised in the UK by the Financial Conduct Authority. Dowgate has given and not withdrawn its written consent to the inclusion in this Document of reference to its name in the form and context in which it appears.
- 18.3 Mazars LLP has given and not withdrawn its written consent to the inclusion in Part III of this Document of its Accountant's Report on the Historical Financial Information on Belluscuro plc and the references to such report in the form and context in which it is included.
- 18.4 The Intellectual Property lawyers of the Company are Panitch Schwarze Belisario & Nadel LLP. Panitch Schwarze Belisario & Nadel LLP has given and not withdrawn its written consent to the issue of this Document with inclusion herein of references of its name in the form and the context in which it appears.

19. EXPENSES OF THE PLACING, THE SUBSCRIPTION AND ADMISSION

The total costs and expenses of, and incidental to, the Placing, the Subscription and Admission (including placing commissions, the application fees, printer's fees, advisers' fees, professional fees and expenses, the costs of printing and distribution of documents) to be borne by the Company are estimated to be approximately £1.4 million.

20. GENERAL

- 20.1 Apart from the application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings in the Ordinary Shares.
- 20.2 The accounting reference date of the Company is 31 December. The current accounting period will end on 31 December 2021.
- 20.3 The Issue Price of 45 pence represents a premium of 44 pence above the nominal value of 1 pence per Ordinary Share. The Issue Price is payable in full on application.
- 20.4 The auditors of the Company are KPMG LLP, chartered accountants and registered auditors of Gateway House, Tollgate, Chandler's Ford, Eastleigh, Southampton, SO53 3TG, who have audited the accounts for the Group for the period from incorporation to 31 December 2020. KPMG LLP are members of the Institute of Chartered Accountants in England and Wales.
- 20.5 Other than as set out in this Document, there are no patents or other intellectual property rights, licenses or particular contracts which are of fundamental importance to the Group's business.
- 20.6 There are no arrangements under which future dividends are waived or agreed to be waived.
- 20.7 The Company currently has no significant investments in progress and the Company has made no firm commitments concerning future investments.
- 20.8 There are no environmental issues that the Directors have determined may affect the Company's utilisation of tangible fixed assets and the Directors have not identified any events that have occurred since the end of the last financial year and which are considered to be likely to have a material effect on the Company's prospects for the current financial year.
- 20.9 Where information has been sourced from a third party, this information has been accurately reproduced. So far as the Company and the Directors are aware, and are able to ascertain from information provided by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 20.10 It is expected that definitive share certificates will be despatched by hand or first class post within 10 business days of Admission. In respect of uncertificated shares, it is expected that Shareholders' CREST stock accounts will be credited as soon as reasonably practical on 28 May 2021.
- 20.11 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding and transfer of shares under CREST. The Company has applied for the issued and to be issued Ordinary Shares to be admitted to CREST and it is expected that the issued and to be issued Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST.
- 20.12 Pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules a person must notify the Company of the percentage of its voting rights he holds as shareholder or through his direct or indirect holding of certain financial instruments (or a combination of such holdings) if the percentage of those voting rights: (a) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. as a result of an acquisition or disposal of shares or such financial instruments; or (b) reaches, exceeds or falls below an applicable threshold in (a) as a result of events changing the breakdown of voting rights and on the basis of information disclosed by the Company in accordance with the Disclosure Guidance and Transparency Rules. Certain voting rights held by investment managers, unit trusts, open-ended investment companies and market makers can be disregarded except at the thresholds of 5 per cent. and 10 per cent. and above.

20.13 No person (excluding professional advisers otherwise disclosed in this Document and trade suppliers) has:

- (a) received, directly or indirectly from the Group within the twelve months prior to the date of this Document; or
- (b) entered into contractual arrangements (not otherwise disclosed in this Document) to receive, directly or indirectly, from the Group, on or after Admission any of the following:
 - (i) fees totalling £10,000 or more;
 - (ii) securities in the Company where these have a value of £10,000 or more calculated by reference to the issue price or, in the case of an introduction, the opening price of Ordinary Shares upon Admission; or
 - (iii) any other benefit with the value of £10,000 or more at the date of Admission.

20.14 The Directors are not aware of (i) any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects in the period between 1 January 2018 and the date of this Document or (ii) any trends in production, sales and inventory, and costs and selling prices between 1 January 2018 and the date of this Document.

21. AVAILABILITY OF THIS DOCUMENT

21.1 Copies of this Document will be available free of charge from Admission during usual business hours from the Company's registered office and at the offices of SPARK, 5 St John's Lane, London EC1M 4BH. This Document is also available on the Company's website at www.belluscura.com.

Dated: 24 May 2021

