

**Company Registration No. 09910883**

**Belluscura plc**

**Interim report for the period  
to 30 June 2023**

## CHAIRMAN'S STATEMENT

### Introduction

I am pleased to present our Half Year Report, covering a period in which Belluscura has made significant progress:

- Good momentum with X-PLOR®, as we lay the foundations for international expansion
- Released DISCOV-R™ for Pre-Market Evaluation in June 2023 - significant pre-launch demand for DISCOV-R with over 125 distributors having requested access to the device which we expect to be covered by two Centers for Medicare and Medicaid Services ("CMS") codes making the device significantly more profitable for Durable Medical Equipment providers
- Further strengthened the Board with the appointment of Robert Fary as Senior VP of Sales

### Post period end

- Signed transformational exclusive License and Royalty Generating Agreement with InnoMax in a deal valued at \$55m in minimum royalties over the 10-year term of the license
- Strong demand for DISCOV-R with orders for over 6,500 already received
- Announced distribution agreement with McKesson Medical-Surgical, a division of McKesson, which delivers a third of all pharmaceuticals used in North America and operates the fourth-largest pharmacy chain in North America

### Significant pre-launch demand for DISCOV-R

In March 2023, the Company unveiled its new DISCOV-R portable oxygen concentrator ("POC") at Medtrade in Dallas, Texas, and was awarded the Silver Award in the Best New Product category. This is a considerable achievement when taking account of the fact that most of the leading respiratory device companies were exhibiting at the show which is the largest home medical equipment ("HME") trade show and conference in the US.

The Company started its premarket evaluation of the DISCOV-R POC in Q2 2023, with full commercialisation anticipated in H2 2023. DISCOV-R is the first ambulatory pulse-dose and two-litre continuous flow POC in the world. Weighing c.40% less than any comparable dual flow oxygen concentrator on the market, the DISCOV-R produces nearly three times the oxygen by weight than concentrators in its class. The DISCOV-R will also include the transformational NOMAD Biometric App.

The DISCOV-R was met with significant pre-launch demand with over 125 durable medical equipment providers and internet retailers already requesting access to this innovative device. We have now received purchase orders for over 6,500 for DISCOV-R, representing approximately \$15 million of potential revenue, with initial production expected to begin by the end of this quarter.

With two litres of continuous flow and eight levels of pulse dose delivery, the Company anticipates the product being covered by both Centres for Medicare & Medicaid Services ("CMS") codes E1390 and E1392, for stationary and portable concentrators respectively. The DISCOV-R being covered by both CMS codes makes the device significantly more profitable for Durable Medical Equipment providers.

We believe the significant technical advantages of the DISCOV-R over its competitors, combined with the anticipated dual CMS reimbursement codes, will result in the DISCOV-R accounting for 70% of the Group's production volume and 80% to 85% of revenue by 2025.

The Company has been focusing significant resources to bring the DISCOV-R to market as soon as possible and to increase production and manufacturing capacity in both the US and China where the product will be manufactured.

### Good momentum with X-PLOR, as we lay foundations for international expansion

Having fine-tuned our X-PLOR product to suit the target market, the Company is pleased with the sales momentum we are now seeing of the latest generation X-PLOR portable oxygen concentrator released in April 2023, for which initial new standing purchase orders exceeding 1,000 units were secured.

Having begun its global expansion in December 2022 with sales of the X-PLOR in South Africa, Shenzhen Belluscura Technology Company Limited was registered in April 2023 in preparation for commercial launch of the X-PLOR in China later in 2023, once China National Medical Products Administration registration is received. The Company expects further global expansion from late 2023 and early 2024 once CE and UKCA marks are approved and anticipated regulatory clearances are received in Hong Kong, Europe, UK, Canada, Singapore and Australia.

In August 2023 we signed a distribution agreement with McKesson Medical-Surgical, a division of McKesson, the 9<sup>th</sup> largest company by revenue in the US. McKesson delivers a third of all pharmaceuticals used in North America and operates the fourth-largest pharmacy chain in North America. The X-PLOR® portable oxygen concentrator is now available to McKesson's customers through their online catalogue.

### Groundbreaking Exclusive License and Royalty Generating Agreement

On 29 August 2023 we entered into an Exclusive License, Marketing and Distribution Agreement ("Exclusive Agreement") with our global manufacturing partner, InnoMax Medical Technology Ltd ("InnoMax"), which is a leading manufacturer and service provider of high-end medical devices in China. InnoMax, headquartered in Shenzhen, China, has acquired the exclusive right to manufacture and distribute Belluscura's award winning X-PLOR® portable oxygen concentrator in China, Hong Kong, Macau and Singapore ("the Territories").

Under the terms of the ten-year Agreement, effective from 1 October 2023, Belluscura is to receive annually increasing minimum cumulative royalties over the term of the Agreement. In addition to receiving royalties on licensed products (subject to annually increasing minimum amounts), Belluscura will receive a share of the net profits on sales of accessories.

The Agreement will be exclusive for a minimum of 5 years, though if minimum sales quantities are not achieved, Belluscura and InnoMax can mutually agree to grant InnoMax a non-exclusive license for the remainder of the term. Minimum cumulative royalties over the term of the Agreement will therefore range from \$27.5m if the license is converted to non-exclusive from year 6 and up to \$55m in minimum cumulative royalties if the license remains exclusive for the entire term.

Licensed products include the X-PLOR and DISCOV-R portable oxygen concentrators when registration is received in the Territories.

Belluscura, under the terms of the Exclusive Agreement and to further promote Belluscura technology in China, will perform sales and marketing activities on behalf of InnoMax in the Territories, with both parties financially contributing to these marketing activities. The first product registration and initial sales are expected to take place in Q4 of this year. Belluscura will continue to sell and distribute its products outside the Territories.

InnoMax is a leading manufacturer and service provider of high-end medical devices in China, mainly engaged in the design, development, manufacturing and sales of in vitro diagnostic equipment, medical imaging devices, medical oxygen generating devices, respiratory AIDS, ophthalmic devices, intelligent rehabilitation devices and epidemic prevention products. Relying on the National Innovation Center For Advanced Medical Devices and Foxconn Technology Group, a global leader in electronics manufacturing, InnoMax is committed to "creating a global open high-end medical device manufacturing platform of innovation and industrial integration.

#### **Further strengthened the Board and Global Sales**

As announced in May 2023, the Board has decided to reinforce the executive team with the addition of relevant skills and expertise in global sales, by the appointment to the Board of Robert Fary as Executive Director, who joined the Company as Senior Vice President of Global Sales in January.

Robert's deep knowledge of the portable oxygen concentrator sector and its channels to market will be invaluable in driving sales of both the DISCOV-R and X-PLOR globally. He has thirty-years of experience in the respiratory industry where he has held leadership roles at major oxygen concentrator manufacturers and durable medical equipment companies. During the past two decades, Robert's industry leading team was directly responsible for or contributed to the sale of over 1 million portable oxygen concentrators, generating revenues in excess of \$1 billion. He has already had a successful impact on sales of the X-PLOR, having secured standing purchase orders exceeding 1,000 units for the next generation X-PLOR following its launch in April 2023 and for the purchase orders for over 6,500 of its next-generation DISCOV-R portable oxygen concentrator.

#### **Good progress to support future growth and market expansion**

The recent purchase orders follow the signing of several distribution agreements with medical device distributors and other home healthcare providers, including a distribution agreement with a division of McKesson (noted above) and a marketing agreement with GoodRx®, a leading digital healthcare platform, in February 2023. The Company has received multiple additional requests from leading oxygen homecare providers in the US to distribute the DISCOV-R.

The Company continues to evaluate several proposals with third parties interested in white labelling the X-PLOR product for the US market. Such proposals will require the Company to evaluate the set up and potential additional production costs with the anticipated increased sales volume.

At the same time, the Company continues to progress its CE and UKCA registration mark application for its X-PLOR portable oxygen concentrator. Since resources in the US were redirected to completing the development and launch of the DISCOV-R, production of X-PLOR by our Chinese partner, InnoMax Medical Technology Ltd (InnoMax), has now progressed, with 1,500 units recently being manufactured and shipped to the US for distribution.

The Company recently established a subsidiary and hired its first employees in Shenzhen, China as it prepares for the anticipated registration of the X-PLOR for sale and distribution in China and Hong Kong later this year. The Company and InnoMax believe there is a significant market opportunity in China, as noted above, with approximately 100 million people suffering from COPD<sup>1</sup>, approximately six times the number of patients in the US.

Additionally, the Company continues to drive innovation in telemedicine and artificial intelligence with its proprietary NOMAD biometric app. The NOMAD app will allow users of the DISCOV-R to track performance data on their concentrator and connected devices such as an Apple® or Samsung® Watch, FitBit® device or Nonin® and Masimo® pulse oximeters. The collective information can then be provided to a patient's healthcare provider in person or remotely.

The Company is already working on the next-generation NOMAD app that will alert patients when their blood oxygen saturation level has varied beyond parameters set by their doctor, which is expected to help patients better monitor their conditions, but also improve the efficiency of the device by delivering supplemental oxygen as needed.

<sup>1</sup>Source: *ScienceDaily* - <https://www.sciencedaily.com/releases/2018/04/180409185331.htm>

#### **FINANCIAL REVIEW**

Revenue for the period was \$0.4m (2022 H1: \$0.6m; FY 2022: \$1.4m) reflecting the decision to fine-tune our X-PLOR product to suit the target market, pausing production for a period of time. Production re-commenced in June.

There was a small Gross Loss in the period \$0.056m (2022 H1: \$0.053m; FY 2022 Gross Profit: \$0.068m). With the Group trying to establish its products in the market, pricing was deliberately competitive to establish early B2B sales combined with cost of goods sold reflecting the initial volume higher input costs.

Operating Loss for the period was \$6.2m (2022 H1: \$4.6m; FY2022: \$8.1m). Total Comprehensive Loss was \$4.4m (2022 H1: \$8.1m; FY 2022: \$12.0m).

Adjusted EBITDA Loss of \$2.9m (2022 H1: \$4.1m; FY 2022: \$6.2m), (See note 16). The Board considers that Adjusted EBITDA to be an important key performance indicator, reflecting underlying business performance.

The basic and diluted loss per share was \$0.052 (2022 H1: \$0.039; FY 2022: \$0.068).

The Group net assets at the end of the period were \$25.2m (2022 H1: \$23.8m; FY 2022: \$20.4m). This comprised total assets of \$27.2m (2022 H1: \$26.9m; FY 2022: \$23.6m) and total liabilities of \$2.0m (2022 H1: \$3.1m; FY 2022: \$3.2m). The total assets included intangible assets (capitalised research and development costs), property, plant and equipment and right-of-use assets of \$10.6m (2022 H1: \$6.1m; FY 2022: \$9.1m).

At the end of the period the Group had net cash of \$3.8m (2022 H1: \$11.6m; FY 2022: \$2.0m). During the period, net cash inflow from funds raised in the period was \$8.8m (2022 H1: \$7.1m; FY 2022: \$7.5m). Net cash outflow from operating activities was \$4.9m (2022 H1: \$9.2m; FY 2022: \$14.9m).

Both the decision to bring our US manufacturing in-house from our contract manufacturer along with the initial support of the set-up of InnoMax manufacturing in China, resulted in significant investment in Raw Material Inventory which, at the end of the period, stood at \$8.8m (2022 H1: \$5.7m; FY 2022: \$8.4m)

Since the beginning of 2023, the Company has raised net proceeds of £7.0m (\$8.8m), through the issue of 10% Unsecured Convertible Loan Notes, via a Placing and Broker Option in January and February, to raise £4.2m (\$5.3m) net of expenses, and an equity issue, via a Placing, a Subscription by certain Directors, and a Retail Offer in May, which raised £2.8m (\$3.5m) net of expenses.

The Convertible Loan Note Instruments ("CLNs") are three-year £1.00 Convertible Unsecured Loan Notes issued at par. The CLNs are convertible into ordinary shares at a conversion price of 50 pence per share. Conversion is at the holder's election on the final business day of each quarter, commencing on 30 June 2023 and otherwise automatically at 3 years from the date of the Instrument subject to satisfaction of the conversion condition which the company is committed to satisfy upon election during the aforementioned period. The CLNs receive a Coupon of 10% per annum.

It is the Board's intention to fully convert the CLNs into shares and to capitalise the Coupon annually. Consequently, and pursuant to IAS32/IFRS9, the CLNs are treated as an equity instrument. Assuming all interest on the CLNs is capitalised, upon conversion of the CLNs, this will result in the issue, of up to 12,462,281 new ordinary shares of £0.01 each in the Company.

## Outlook

We have made considerable progress with building the foundations for significant growth in the coming years.

Trading since the period end is in line with our expectations for the full year, which is significantly second half weighted. Demand for X-PLOR®, which is predominantly a Direct-to-Consumer unit, is growing, and we expect that our affiliation with GoodRX, and our own direct sales will lead to significantly higher Gross Margins as we utilise the Company's previously high inventory levels.

The demand and orders already received for DISCOV-R are very exciting, and we believe the signing of the groundbreaking Exclusive License and Royalty Generating Agreement with InnoMax, an affiliate of the world's leading electronics manufacturing company, will be transformational for the Group.

The Company is well positioned to deliver substantial growth in the coming years, and we look forward to the future with confidence.

**Adam Reynolds**  
**Chairman**

13 September 2023

## CONSOLIDATED STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

Group	Note	Unaudited 6 months to 30/06/2023 US \$	Unaudited 6 months to 30/06/2022 US \$	Audited 12 months to 31/12/2022 US \$
<b>Continuing Operations</b>				
Revenue	5	366,221	561,745	1,398,082
Cost of sales		(421,994)	(615,235)	(1,329,977)
<b>Gross Profit/(Loss)</b>		<b>(55,773)</b>	<b>(53,490)</b>	<b>68,105</b>
Other operating income	6.1	9,864	-	8,703
Other direct costs	6.2	(66,503)	(107,418)	(136,825)
Administrative expenses	6.3	(6,080,457)	(4,398,654)	(8,068,895)
<b>Operating Loss</b>		<b>(6,192,869)</b>	<b>(4,559,562)</b>	<b>(8,128,912)</b>
Finance income and costs	7	(226,263)	(10,938)	(24,073)
<b>Finance costs - net</b>		<b>(226,263)</b>	<b>(10,938)</b>	<b>(24,073)</b>
<b>Loss before income tax</b>		<b>(6,419,132)</b>	<b>(4,570,500)</b>	<b>(8,152,985)</b>
Income tax expense	8	-	-	-
<b>Loss after tax for the period</b>		<b>(6,419,132)</b>	<b>(4,570,500)</b>	<b>(8,152,985)</b>
<b>Other comprehensive income</b>				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences – foreign operations		2,040,395	(3,534,564)	(3,827,807)
<b>Total other comprehensive income</b>		<b>2,040,395</b>	<b>(3,534,564)</b>	<b>(3,827,808)</b>
<b>Total comprehensive loss for the period attributable to the equity holders</b>		<b>(4,378,737)</b>	<b>(8,105,064)</b>	<b>(11,980,792)</b>
<b>Earnings per share</b>				
Basic: Loss per share	9	(0.052)	(0.039)	(0.068)
Diluted: Loss per share	9	(0.052)	(0.039)	(0.068)

### Adjusted EBITDA<sup>1</sup> Group

Group	Note	Unaudited 6 months to 30/06/2023 US \$	Unaudited 6 months to 30/06/2022 <sup>3</sup> US \$	Audited 12 months to 31/12/2022 US \$
<b>Total comprehensive loss for the period</b>		<b>(4,378,737)</b>	<b>(8,105,064)</b>	<b>(11,980,792)</b>
<i>Add back:</i>				
Administrative expenses Realised & unrealised FX movements in		2,185,856	(2,609,050)	(2,877,886)
Other comprehensive income FX currency translation differences		(2,040,395)	3,534,564	3,827,807
<b>Net foreign exchange movement<sup>2</sup></b>		<b>145,461</b>	<b>925,514</b>	<b>949,921</b>
Finance Costs		226,263	10,938	24,073
Product development amortisation		580,142	1,968,229	2,911,988
Costs relating to fundraising activities		13,567	-	-
Surrendered share options and share option tax		-	-	162,505
Minimum royalties in excess of sales royalties		250,211	808,054	763,430
Obsolete raw material inventory and inventory adjustments		109,185	153,181	609,848
Contract Manufacturer Capacity Costs		-	-	128,607
Share based payments		103,948	139,131	229,241
<b>Adjusted EBITDA</b>		<b>(2,949,960)</b>	<b>(4,100,017)</b>	<b>(6,201,179)</b>

#### 1 Reconciliation to Adjusted EBITDA measure

Adjusted EBITDA is the Group's key adjusted profit measure. Total comprehensive loss for the period is adjusted to exclude; Foreign exchange translation differences along with unrealised and unrealised foreign exchange movements, depreciation and amortisation of product development, costs relating to fundraising activities, surrendered share options and share option taxes, minimum royalties in excess of sales royalties, share based payments, obsolete 1st generation X-PLOR inventory adjustments and contract manufacturer capacity costs.

#### 2 Net foreign exchange movements

£Sterling strengthened against US\$ by 5% during the period (1 January 2023 - \$1.21:£1.00; 30 June 2023 - \$1.27:£1.00). Due to the size of the Intercompany Loan from the PLC to the US subsidiary which is fixed in £Sterling, this creates an accounting presentational impact between Administration Expenses and Other Comprehensive Income, which to a large extent can be netted off against one another.

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

#### 3 Restated to reflect Minimum Royalties in excess of sales royalties and inventory adjustments.

## CONSOLIDATED BALANCE SHEET

Group	Note	Unaudited 30/06/2023 US \$	Unaudited 30/06/2022 <sup>1</sup> US \$	Audited 31/12/2022 US \$
<b>Assets</b>				
<b>Non-current assets</b>				
Tangible assets	10	135,593	74,316	152,717
Product development	11	10,263,039	5,830,149	8,668,732
Right of use asset	10	193,550	228,779	246,924
<b>Non-current assets</b>		<b>10,592,182</b>	<b>6,133,244</b>	<b>9,068,373</b>
<b>Current assets</b>				
Inventory	12	8,803,762	5,670,662	8,431,031
Trade and other receivables		3,957,967	3,501,379	4,054,102
Cash and cash equivalents		3,825,391	11,604,313	2,044,836
<b>Current assets</b>		<b>16,587,120</b>	<b>20,776,354</b>	<b>14,529,969</b>
<b>Total assets</b>		<b>27,179,302</b>	<b>26,909,598</b>	<b>23,598,342</b>
<b>Current liabilities</b>				
Trade and other payables		(1,866,633)	(2,946,422)	(3,045,788)
<b>Current liabilities</b>		<b>(1,866,633)</b>	<b>(2,946,422)</b>	<b>(3,045,788)</b>
<b>Non-current liabilities</b>				
Trade and other payables		(111,377)	(171,534)	(200,432)
<b>Non-current liabilities</b>		<b>(111,377)</b>	<b>(171,534)</b>	<b>(200,432)</b>
<b>Total liabilities</b>		<b>(1,978,010)</b>	<b>(3,117,956)</b>	<b>(3,246,220)</b>
<b>Net assets</b>		<b>25,201,292</b>	<b>23,791,642</b>	<b>20,352,122</b>
<b>Equity attributable to the owners of the parent</b>				
Share capital	13	1,809,806	1,642,500	1,662,185
Share premium	13	36,859,049	33,054,658	33,379,947
Other equity instruments	13	5,497,236	-	-
Capital contribution	14	165,000	165,000	165,000
Retained earnings	14	(16,625,857)	(6,819,423)	(10,310,673)
Translation reserve	14	(2,503,942)	(4,251,093)	(4,544,337)
<b>Total equity</b>		<b>25,201,292</b>	<b>23,791,642</b>	<b>20,352,122</b>

<sup>1</sup> Results are restated to reflect the consolidation of the Employee Benefit Trust into the Group Accounts

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months to 30 June 2022  
(Unaudited)

Attributable to equity holders of the parent company

Group	Note	Ordinary Shares US \$	Share Premium US \$	Other Equity Instruments US \$	Translation Reserve US \$	Capital Contribution US \$	Retained earnings US \$	Total US \$
Balance at 1 January 2022		1,548,227	26,025,760	-	(716,529)	165,000	(2,349,966)	24,672,492
Issue of ordinary shares	13	94,273	7,028,898	-	-	-	-	7,123,171
Loss for the period	14	-	-	-	-	-	(4,570,500)	(4,570,500)
Other comprehensive income	14	-	-	-	(3,534,564)	-	-	(3,534,564)
Total comprehensive income		-	-	-	(3,534,564)	-	(4,570,500)	(8,105,064)
Share based payments	14	-	-	-	-	-	101,043	101,043
<b>Balance at 30 June 2022</b>		<b>1,642,500</b>	<b>33,054,658</b>	<b>-</b>	<b>(4,251,093)</b>	<b>165,000</b>	<b>(6,819,423)</b>	<b>23,791,642</b>

Twelve months to 31 December 2021  
(Audited)

<b>Balance at 1 January 2022</b>		<b>1,548,227</b>	<b>26,025,760</b>	<b>-</b>	<b>(716,529)</b>	<b>165,000</b>	<b>(2,349,966)</b>	<b>24,672,492</b>
Issue of ordinary shares	13	113,958	7,402,187	-	-	-	-	7,516,145
Loss for the period	14	-	-	-	-	-	(8,152,985)	(8,152,985)
Other comprehensive income	14	-	-	-	(3,827,808)	-	-	(3,827,808)
Total comprehensive income		-	-	-	(3,827,808)	-	(8,152,985)	(11,980,793)
Share based payments	14	-	-	-	-	-	192,278	192,278
Purchase of share by EBT		-	(48,000)	-	-	-	-	(48,000)
<b>Balance at 31 December 2022</b>		<b>1,662,185</b>	<b>33,379,947</b>	<b>-</b>	<b>(4,544,337)</b>	<b>165,000</b>	<b>(10,310,673)</b>	<b>20,352,122</b>

Six months to 30 June 2023  
(Unaudited)

<b>Balance at 1 January 2023</b>		<b>1,662,185</b>	<b>33,379,947</b>	<b>-</b>	<b>(4,544,337)</b>	<b>165,000</b>	<b>(10,310,673)</b>	<b>20,352,122</b>
Issue of ordinary shares	13	147,621	3,479,102	-	-	-	-	3,626,723
Convertible Loan Note	13	-	-	5,497,236	-	-	-	5,497,236
Loss for the period	14	-	-	-	-	-	(6,419,132)	(6,419,132)
Other comprehensive income	14	-	-	-	2,040,395	-	-	2,040,395
Total comprehensive income		-	-	-	2,040,395	-	(6,419,132)	(4,378,737)
Share based payments	14	-	-	-	-	-	103,948	103,948
<b>Balance at 30 June 2023</b>		<b>1,809,806</b>	<b>36,859,049</b>	<b>5,497,236</b>	<b>(2,503,942)</b>	<b>165,000</b>	<b>(16,625,857)</b>	<b>25,201,292</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS<sup>1</sup>

Group	Note	Unaudited 6 months to 30/06/2023 US \$	Unaudited 6 months to 30/06/2022 <sup>2</sup> US \$	Audited 12 months to 31/12/2022 US \$
<b>Cash flows from operating activities</b>				
Cash generated from operations	15	(4,889,949)	(9,243,635)	(14,906,368)
<b>Net cash used in operating activities</b>		<b>(4,889,949)</b>	<b>(9,243,635)</b>	<b>(14,906,368)</b>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment	10	(6,841)	(39,702)	(144,776)
Intangible assets under development	11	(2,174,449)	(951,615)	(4,856,846)
Purchase of ROU asset	10			(75,509)
<b>Net cash used in investing activities</b>		<b>(2,181,290)</b>	<b>(991,317)</b>	<b>(5,077,131)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of ordinary shares (net)	13	3,536,649	7,123,171	7,467,030
Proceeds from issuance of other equity instruments (net)	13	5,265,184		
Purchase of share by EBT	13	-	-	(48,000)
Lease Payments		(73,481)	(60,780)	(130,780)
<b>Net cash generated from financing activities</b>		<b>8,728,351</b>	<b>7,062,392</b>	<b>7,288,250</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>1,657,112</b>	<b>(3,172,560)</b>	<b>(12,695,249)</b>
Cash and cash equivalents at beginning of period		2,044,836	15,889,552	15,889,552
Exchange loss on cash and cash equivalents		123,443	(1,112,679)	(1,149,467)
<b>Cash and cash equivalents at end of period</b>		<b>3,825,391</b>	<b>11,604,313</b>	<b>2,044,836</b>

<sup>1</sup> Cashflows amounts are converted at average FX rate for the period and differ from the balance sheet movements which are converted at closing FX rate

<sup>2</sup> Results are restated to reflect the consolidation of the Employee Benefit Trust into the Group Accounts



## NOTES TO THE ACCOUNTS

For the period ended 30 June 2023.

### 1. General Information

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

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

### 2. Electronic communications

The Company is not proposing to bulk print and distribute hard copies of this Interim Report for the six months ended 30 June 2022 unless specifically requested by individual shareholders. The Board believes that by utilising electronic communication it delivers savings to the Company in terms of administration, printing and postage, and environmental benefits through reduced consumption of paper and inks, as well as speeding up the provision of information to shareholders. News updates, Regulatory News and Financial statements can be viewed and downloaded from the Group's website, [www.belluscura.com](http://www.belluscura.com). Copies can also be requested from; Company Secretary, Belluscura plc, 15 Fetter Lane, London EC4A 1BW or by email: [tony.dyer@belluscura.com](mailto:tony.dyer@belluscura.com).

### 3. Accounting Policies

This financial information has been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"). The preparation of this financial information in conformity with IFRS requires the use of certain critical accounting estimates and consistent with the accounting policies used in the Financial Statements for the year ended 31 December 2022.

The Board has considered and updated certain critical accounting estimates in connection with the amortisation of Intangible Assets. Further information is provided in Note 11 Intangible Assets below.

The condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard No. 34, 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended 31 December 2022. These condensed interim financial statements for the six months ended 30 June 2023 and 30 June 2022 are unaudited and do not constitute full accounts. The comparative figures for the period ended 31 December 2022 are extracted from the 2022 audited financial statements. The independent auditor's report on the 2022 financial statements was not qualified.

### 4. Going concern

The Group meets its day to day working capital requirements through sales of its products and funds raised historically, and the Group continues to utilise its high inventory levels to manufacture its products.

To support expansion plans for future development, the Group regularly reviews its financing arrangements and cash flows to ensure there is sufficient funding in place.

The Directors have a reasonable expectation that the Group will have access to adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing this financial information.

### 5. Segmental reporting

The chief operating decision makers consider that in the period to 30 June 2023 there is only one operating segment, being the sale of oxygen concentrators in the United States. The Group generated gross revenue of \$0.4m in the period (2022 H1: \$0.6m; 2022 \$1.4m). The Group generated gross revenue of \$0.4m in the period (2022 H1: \$0.6m; FY 2022 \$1.4m). In the period two customers made up 43% of sales (2022 H1: two customers 66%; FY 2022: one customer 54%)

### 6. Other operating income and administrative expenses

#### 6.1 Other operating income

Group	Unaudited 6 months to 30/06/2023 US \$	Unaudited 6 months to 30/06/2022 US \$	Audited 12 months to 31/12/2022 US \$
Freight Charged	9,758	-	6,805
Other Direct Income	106	-	1,898
<b>Total</b>	<b>9,864</b>	<b>-</b>	<b>8,703</b>

## 6.2 Other direct costs

Group	Unaudited 6 months to 30/06/2023 US \$	Unaudited 6 months to 30/06/2022 US \$	Audited 12 months to 31/12/2022 US \$
Sales Royalties	27,690	28,087	69,904
Freight Costs	38,813	79,331	66,921
<b>Total</b>	<b>66,503</b>	<b>107,418</b>	<b>136,825</b>

## 6.3 Expenses by nature

Group	Unaudited 6 months to 30/06/2023 US \$	Unaudited 6 months to 30/06/2022 US \$	Audited 12 months to 31/12/2022 US \$
Depreciation of property plant and equipment	24,281	12,033	38,619
Depreciation of right of use asset	56,552	49,024	104,869
Amortisation of product development	580,142	1,968,229	2,911,998
Costs related to fundraising activities	13,567	-	-
Realised and Unrealised foreign exchange movements	2,185,856	(2,609,050)	(2,877,886)
Employee benefit expense	1,624,637	2,229,921	2,999,299
IFRS2 Share Based Payment Charge	103,948	139,131	229,241
Surrendered Share Options and Share Option Tax	-	-	162,505
Sales & Marketing	274,871	567,489	1,420,134
Obsolete raw material inventory and inventory adjustments	109,185	153,181	609,848
Minimum Royalties in excess of Sales Royalties	250,211	808,054	763,430
Contract Manufacturer Capacity Costs	-	-	128,607
Other administration expenses	857,207	1,080,642	1,578,231
<b>Administration expenses</b>	<b>6,080,457</b>	<b>4,398,654</b>	<b>8,068,895</b>

## 7. Finance income and costs

Group	Unaudited 6 months to 30/06/2023 US \$	Unaudited 6 months to 30/06/2022 US \$	Audited 12 months to 31/12/2022 US \$
Finance Income:			
- Interest Income	(28)	-	-
Finance Cost			
- Interest cost on Right of Use Asset	10,668	10,938	23,617
- Accrued Coupon on Other Equity Instruments	214,493	-	-
- Other Interest Income and Costs	1,130	-	456
<b>Finance Cost</b>	<b>226,263</b>	<b>10,938</b>	<b>24,073</b>

## 8. Income tax expense

Due to the Group still being loss making there is no tax charge in the period or previous periods.

## 9 Earnings/(Loss) per share

Group	Unaudited 6 months to 30/06/2023 US \$	Unaudited 6 months to 30/06/2022 US \$	Audited 12 months to 31/12/2022 US \$
Profit/(Loss) for the period US\$	(6,419,132)	(4,570,500)	(8,152,985)
Weighted Average Shares in Issue	124,216,681	115,776,189	119,398,219
Basic Loss per Share US\$	(0.052)	(0.039)	(0.068)
Weighted Average Shares, Warrants and Options in Issue	136,357,669	128,723,060	131,797,259
Diluted Loss per Share US\$	(0.052)	(0.039)	(0.068)

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

## 10. Property, plant and equipment

Group	Land & buildings (Right of Use Asset) US\$	Furniture and Equipment US \$	Computer Equipment US \$	Production Equipment US \$	Vehicles US \$	Total US \$
At 1 January 2022	571,950	52,042	34,253	-	-	658,245
Additions during the period	-	-	25,675	13,387	-	39,062
Disposals during the period	-	-	-	-	-	-
<b>At 30 June 2022</b>	<b>571,950</b>	<b>52,042</b>	<b>59,928</b>	<b>13,387</b>	<b>-</b>	<b>697,307</b>
Additions during the period	73,838	1,664	18,495	51,638	33,173	178,808
<b>At 31 December 2022</b>	<b>645,788</b>	<b>53,706</b>	<b>78,423</b>	<b>65,025</b>	<b>33,173</b>	<b>876,115</b>
Additions during the period	-	-	6,841	-	-	6,841
<b>At 30 June 2023</b>	<b>645,788</b>	<b>53,706</b>	<b>85,264</b>	<b>65,025</b>	<b>33,173</b>	<b>882,956</b>
<b>Accumulated depreciation</b>						
At 1 January 2022	(294,147)	(32,029)	(7,110)	-	-	(333,286)
Depreciation charge for the period	(49,024)	(3,732)	(7,270)	(900)	-	(60,926)
Depreciation charge on disposals	-	-	-	-	-	-
<b>At 30 June 2022</b>	<b>(343,171)</b>	<b>(35,761)</b>	<b>(14,380)</b>	<b>(900)</b>	<b>-</b>	<b>(394,212)</b>
Depreciation charge for the period	(55,693)	(3,624)	(12,191)	(9,372)	(1,382)	(82,262)
<b>At 31 December 2022</b>	<b>(398,864)</b>	<b>(39,385)</b>	<b>(26,571)</b>	<b>(10,272)</b>	<b>(1,382)</b>	<b>(476,474)</b>
Depreciation charge for the period	(53,374)	(1,073)	(13,468)	(6,659)	(2,765)	(77,339)
<b>At 30 June 2023</b>	<b>(452,238)</b>	<b>(40,458)</b>	<b>(40,039)</b>	<b>(16,931)</b>	<b>(4,147)</b>	<b>(553,813)</b>
<b>Net book value</b>						
At 30 June 2022	228,779	16,281	45,548	12,487	-	303,095
At 31 December 2022	246,924	14,321	51,852	54,753	31,791	399,641
<b>At 30 June 2023</b>	<b>193,550</b>	<b>13,248</b>	<b>45,225</b>	<b>48,094</b>	<b>29,026</b>	<b>329,143</b>

## 11. Intangible assets

Group	Purchased intangible assets	
	Product Development US\$	Total US\$
At 1 January 2022	7,150,807	7,150,807
Additions during the period	986,615	986,615
<b>At 30 June 2022</b>	<b>8,137,422</b>	<b>8,137,422</b>
Additions during the period	3,870,231	3,870,231
Disposal during the period	(270,150)	(270,150)
<b>At 31 December 2022</b>	<b>11,737,503</b>	<b>11,737,503</b>
Additions during the period	2,174,449	2,174,449
<b>At 30 June 2023</b>	<b>13,911,952</b>	<b>13,911,952</b>
<b>Accumulated amortisation and impairment</b>		
At 1 January 2022	(426,924)	(426,924)
Amortisation during the period	(1,968,229)	(1,968,229)
<b>At 30 June 2022</b>	<b>(2,395,153)</b>	<b>(2,395,153)</b>
Amortisation during the period	(943,768)	(943,768)
Amortisation on disposal	270,150	270,150
<b>At 31 December 2022</b>	<b>(3,068,771)</b>	<b>(3,068,771)</b>
Amortisation during the period	(580,142)	(580,142)
<b>At 30 June 2023</b>	<b>(3,648,913)</b>	<b>(3,648,913)</b>
<b>Net book value</b>		
At 30 June 2022	5,742,269	5,742,269
At 31 December 2022	8,668,732	8,668,732
<b>At 30 June 2023</b>	<b>10,263,039</b>	<b>10,263,039</b>

## 12. Inventory

Group	Unaudited 6 months to 30/06/2023 US \$	Unaudited 6 months to 30/06/2022 US \$	Audited 12 months to 31/12/2022 US \$
Raw Materials and Finished goods	8,803,762	5,670,662	8,431,031
<b>Total inventory</b>	<b>8,803,762</b>	<b>5,670,662</b>	<b>8,431,031</b>

## 13. Share capital and premium

Share capital Group	No of shares of £0.01 each	Total US \$
<b>Issued and fully paid up</b>		
At 1 January 2022	113,835,444	1,548,227
Shares issued for cash	7,392,157	94,273
<b>At 30 June 2022</b>	<b>121,227,601</b>	<b>1,642,500</b>
Shares issued for cash	1,789,560	19,685
<b>At 31 December 2022</b>	<b>123,017,161</b>	<b>1,662,185</b>
Shares issued for cash	12,652,906	147,621
<b>At 30 June 2023</b>	<b>135,670,067</b>	<b>1,809,806</b>

### Share premium

Group	Ordinary Shares US \$	Total US \$
<b>Allotted and fully paid up</b>		
At 1 January 2022	26,025,760	26,025,760
Premium on shares issued	7,461,616	7,461,616
Cost of issue of shares	(432,718)	(432,718)
Purchase of shares by EBT	-	-
<b>At 30 June 2022</b>	<b>33,054,658</b>	<b>33,054,658</b>
Premium on shares issued	385,241	385,241
Cost of issue of shares	(11,952)	(11,952)
Purchase of shares by EBT	(48,000)	(48,000)
<b>At 31 December 2022</b>	<b>33,379,947</b>	<b>33,379,947</b>
Premium on shares issued	3,819,878	3,819,878
Cost of issue of shares	(340,776)	(340,776)
<b>At 30 June 2023</b>	<b>36,859,049</b>	<b>36,859,049</b>

### Other equity instruments

Group	Total US \$
At 1 January 2022	-
At 30 June 2022	-
At 31 December 2022	-
At 1 January 2023	-
Convertible loan notes issued	5,861,272
Costs related to issuance	(579,217)
10% coupon accrual	215,181
<b>At 30 June 2023</b>	<b>5,497,236</b>

In February 2023 the Group raised approximately £4.7m (\$5.8m) through the issue of Convertible Loan Notes. The issue was approved at the General Meeting held on 16 February 2023.

The Convertible Loan Note Instruments are three-year £1.00 Convertible Unsecured Loan Notes issued at par. The notes are convertible into ordinary shares at a conversion price of 50 pence per share. Conversion is at the holder's election on the final business day of each quarter, commencing on 30 June 2023 and otherwise automatically at 3 years from the date of the Instrument subject to satisfaction of the conversion condition which the company is committed to satisfy upon election during the aforementioned period. The notes receive a Coupon of 10% per annum.

It is the Boards intention to fully convert the loan notes into shares and to capitalise the Coupon annually. Pursuant to IAS32/IFRS9, the loan notes are consequently treated as an equity instrument. Assuming all interest on the Loan Notes is capitalised, upon conversion of the Loan Notes, this will result in the issue, of up to 12,462,281 new ordinary shares of £0.01 each in the Company.

## 14. Reserves

<b>Retained earnings</b>		<b>Group US \$</b>
At 1 January 2022		(2,349,666)
Loss for the period		(4,570,500)
Share based payments charge		101,043
<b>At 30 June 2022</b>		<b>(6,819,423)</b>
Loss for the period		(3,582,485)
Share based payments charge		91,235
<b>At 31 December 2022</b>		<b>(10,310,673)</b>
Loss for the period		(6,419,132)
Share based payments charge		103,948
<b>At 30 June 2023</b>		<b>(16,625,857)</b>
<b>Capital Contribution</b>		<b>Group US \$</b>
At 1 January 2022		165,000
Capital contribution received		-
<b>At 30 June 2022</b>		<b>165,000</b>
Capital contribution received		-
<b>At 31 December 2022</b>		<b>165,000</b>
Capital contribution received		-
<b>At 30 June 2023</b>		<b>165,000</b>

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

<b>Translation reserve</b>		<b>Company US \$</b>
At 1 January 2022		(716,529)
Foreign exchange (loss)/gain		(3,534,564)
<b>At 30 June 2022</b>		<b>(4,251,093)</b>
Foreign exchange (loss)/gain		(293,244)
<b>At 31 December 2022</b>		<b>(4,544,337)</b>
Foreign exchange (loss)/gain		2,040,395
<b>At 30 June 2023</b>		<b>(2,503,942)</b>

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, primarily relating to the statement of financial position at the reporting dates.

## 15. Cash generated from operating activities

<b>Group</b>	<b>Unaudited 6 months to 30/06/2023 US \$</b>	<b>Unaudited 6 months to 30/06/2022<sup>1</sup> US \$</b>	<b>Audited 12 months to 31/12/2022 US \$</b>
Loss before income tax	(6,419,132)	(4,547,800)	(8,152,985)
Adjustments for			
- Depreciation	24,282	12,067	38,619
- ROU Depreciation	56,552	40,854	104,869
- Amortisation and impairment	580,142	1,968,225	2,911,999
- No cash interest expense	222,941	10,938	20,279
- Movement in foreign exchange	602,454	(2,077,833)	(914,871)
- Share based payments	103,948	139,131	229,241
Movement in trade and other receivables	48,079	(1,991,393)	(3,502,980)
Inventory movement	(372,731)	(4,473,644)	(8,121,778)
Movement in trade and other payables	263,516	1,675,820	2,481,239
<b>Cash generated from operating activities</b>	<b>(4,889,949)</b>	<b>(9,243,635)</b>	<b>(14,906,368)</b>

<sup>1</sup> Results are restated to reflect the consolidation of the Employee Benefit Trust into the Group Accounts

## 16. Alternative Performance Measures

### Adjusted EBITDA<sup>1</sup>

Group	Unaudited 6 months to 30/06/2023 US \$	Unaudited 6 months to 30/06/2022 <sup>3</sup> US \$	Audited 12 months to 31/12/2022 US \$
<b>Total comprehensive loss for the period</b>	<b>(4,378,737)</b>	(8,108,064)	(11,980,792)
<i>Add back:</i>			
Administrative expenses Realised & unrealised FX movements in Other comprehensive income FX currency translation differences	2,185,856	(2,609,050)	(2,877,886)
<b>Net foreign exchange movement<sup>2</sup></b>	<b>145,461</b>	925,514	949,922
Finance Costs	226,263	10,938	24,073
Product development amortisation	580,142	1,968,229	2,911,988
Costs relating to fundraising activities	13,567	-	-
Surrendered share options and share option tax	-	-	162,505
Minimum royalties in excess of sales royalties	250,211	808,054	763,430
Obsolete raw material inventory and inventory adjustments	109,185	153,181	609,848
Contract Manufacturer Capacity Costs	-	-	128,607
Share based payments	103,948	139,131	229,241
<b>Adjusted EBITDA</b>	<b>(2,949,960)</b>	(4,103,017)	(6,201,178)

#### 1 Reconciliation to Adjusted EBITDA measure

Adjusted EBITDA is the Group's key adjusted profit measure. Total comprehensive loss for the period is adjusted to exclude; Foreign exchange translation differences along with unrealised and unrealised foreign exchange movements, depreciation and amortisation of product development, costs relating to fundraising activities, surrendered share options and share option taxes, minimum royalties in excess of sales royalties, share based payments, obsolete 1st generation X-PLOR inventory adjustments and contract manufacturer capacity costs.

#### 2 Net foreign exchange movements

£Sterling strengthened against US\$ by 5% during the period (1 January 2023 - \$1.21:£1.00; 30 June 2023 - \$1.27:£1.00). Due to the size of the Intercompany Loan from the PLC to the US subsidiary which is fixed in £Sterling, this creates an accounting presentational impact between Administration Expenses and Other Comprehensive Income, which to a large extent can be netted off against one another.

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

#### 3 Restated to reflect Minimum Royalties in excess of sales royalties and inventory adjustments

## 17. Related party transactions

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

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

In the period the Company paid \$0.58m (2022 H1: \$0.41m; FY 2022: \$0.43m) to Dowgate Capital Limited in relation to brokerage fees, research and fundraising activities. David Poutney is the Chief Executive Officer of Dowgate Capital Limited.

## 18. Contingent Liability

On 24 February 2017, the Company entered into a co-exclusive licence and development agreement with Separation Design Group, LLC and SDG (together the "SDG Parties") ("SDG Licence") which was subsequently amended by an amendment agreement dated 19 March 2022. Pursuant to the SDG Licence: if by 3 September 2025, cumulative sales of the X-PLOR and DISCOV-R have not exceeded \$20 million dollars, Belluscura must make a one-time payment of \$3 million to the SDG Parties to maintain the exclusive SDG licence.