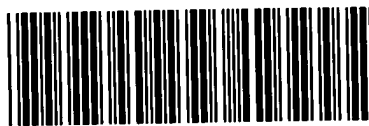

CLEO AI LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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CLEO AI LIMITED

COMPANY INFORMATION

DIRECTORS

B Hussey-Yeo
R W Moffat
T L Mendoza-Gutfreund
A Keusters

REGISTERED NUMBER

09864205

REGISTERED OFFICE

3rd Floor 1 Ashley Road
Altrincham
Cheshire
WA14 2DT

INDEPENDENT AUDITORS

Peters Elworthy & Moore
Chartered Accountants & Statutory Auditors
Salisbury House
Station Road
Cambridge
CB1 2LA

CLEO AI LIMITED

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CLEO AI LIMITED

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

INTRODUCTION

The Directors present their Strategic Report of the company and the group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the group is personal financial management software development.

BUSINESS REVIEW

"Cleo" is a conversational AI that serves people who are actively looking to improve their financial situation. It provides radically personalized coaching, data-driven insights, and tailored products to help them form beneficial money habits.

This year the company maintained strong growth and continued progressing towards our bold mission of "empowering people to build a life beyond a paycheck".

In 2022 Cleo generated a turnover of \$29.8m (2021: \$11.6m), an increase of 155% year over year. Additionally, by focusing on improving the efficiency across the entire business, we improved our Gross Profit by 397% year over year to \$10.2m (2021: \$2.1m).

This strong growth and significant improvement in profitability was driven by an increased total subscriber base through higher conversion and utilization of our paying products, improved subscriber retention, and the launch of a new subscription tier.

We continue to develop new products that leverage our conversational AI to help our users develop good money habits. We remain dedicated to exploring, developing, and launching new products to make the experience of using Cleo radically more intelligent and personalized for our users.

FINANCIAL POSITION

In 2022, Sofina Group led our Series C fundraising, and the Directors are delighted to welcome them to the group's existing shareholders. This includes Balderton, EQT, SBI, and LocalGlobe, among a strong roster of angels from founder-led businesses from around the world.

After the capital raise and a strong financial performance in 2022, the Directors believe the group is in a solid financial position with net assets of \$45.9m and cash of \$45.6m at the balance sheet date.

Management remains mindful that the group is still in the early stages of growth, and there is a strong need to maintain control over working capital and the group's financial position.

CLEO AI LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL KEY PERFORMANCE INDICATORS

The group reports on several key performance indicators (KPIs) to monitor and manage performance. During the year performance against these KPIs was as follows:

- Turnover \$29.8m (+155% year over year vs. 2021)
- Gross margin \$10.2m (+397% year over year vs. 2021)

The group also uses certain non-financial indicators, the most significant of which is the number of employees and most importantly their associated skill sets with a strong emphasis wherever possible on developing and promoting our people from within the organization.

Headcount (FTEs) across the group increased from 116 to 190 and the management team also grew from 12 to 16. The average numbers of employees increased from 109 to 142.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the group's strategic plans are subject to several risks. The group's internal control framework is aligned to the 'three lines of defense' model. Operational Management is the first line, and they are primarily responsible for the direct management of risk, ensuring that appropriate mitigating controls are in place and that they are operating effectively. The second line is formed of the Company's internal governance functions such as Legal and compliance, commercial finance, internal controls and the wider finance function. The third line includes other third-party advisors and experts as well as any other independent consultants.

The company will continue to assess its risk management processes to ensure they remain fit for purpose. The company maintains a risk register which is reviewed regularly by the senior team.

The analysis contained in the risk register forms the basis of the principal risks and uncertainties detailed below. The risk factors that have been described are not an exhaustive list or an explanation of all risks. There will be additional risks or uncertainties relevant to the group that are not currently known or that the group currently deems trivial.

Key Risk - Macroeconomic conditions

The group derives most of its material revenues from markets within the United States. The group is therefore dependent on the macroeconomic conditions in the US.

Description and impact - Changes to the US economy could have a direct impact on the group. For example, any stimulus packages or change in laws around banking fees could reduce users' need for the group's products.

Management and mitigation -

- Regularly reviewing market conditions
- Building brand and consumer loyalty - increasing subscriber retention
- Diversifying with new products
- Maintaining a flexible cost base

Key Risk - Competitive environment

The group operates in a market place that is highly competitive. The actions of the group and its competitors could have an adverse impact on the group.

Description and impact - The group has several competitors offering similar products. If a new or existing competitor can provide an improved service or product then there is a risk to the group's competitiveness.

CLEO AI LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

Management and mitigation -

- By launching new products the group has diversified through multiple revenue streams
- Offering competitive subscription prices
- Ensuring constant development and iteration of current products

Key Risk - Data protection

Non-compliance with various data protection related regulations could lead to fines for the group.

Description and impact - This includes GDPR, GLBA and US state data security/privacy regulations.

Management and mitigation -

- Cleo has a number of policies and internal controls in place to manage and mitigate risk to data security, including Access Rights, Privacy and Information Security
- Training for the wider business covering data protection

Key Risk - IT Systems and security

The group relies on a large number of IT systems and software platforms. Many are interdependent and a failure in any could disrupt the operations of the group. The group also holds consumer data which could be susceptible to theft.

Description and impact - Any failure of the group's IT systems through an attack or malfunction could impair the operations of the business. If there was a theft or breach of data held this could lead to severe reputational damage for the group.

Management and mitigation -

- A dedicated team to review IT and systems security compliance
- Maintaining separate platforms for portals and the app
- Restricting access to systems and following the principle of least privilege

Key Risk - Reputational and brand damage

The group has a respected brand which could be easily damaged by poor press or customer service.

Description and impact - Any impairment to the group's brand could directly lead to a fall in consumer confidence and loss of subscribers and therefore revenue. Partners that the group rely on to operate could also terminate their relationships as a result of reputational damage.

Management and mitigation -

- Continually investing in the groups brand
- Regular user interviews to obtain feedback to drive improvements
- Ensuring employees have a clear vision of the group strategy and how to execute it

Key Risk - Foreign exchange risk

Potential foreign exchange volatility due to macroeconomic factors which affect the business.

Description and impact - The group incurs costs in both USD and GBP, therefore any fluctuations in exchange rates could be significant.

Management and mitigation -

- Close monitoring of USD v GBP currency exposure by the finance team
- Holding bank accounts in USD and GBP

CLEO AI LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

FUTURE DEVELOPMENTS

The group's strategy is to continue organic growth using the existing business model as well as exploring, developing, and launching new products.

This report was approved by the board and signed on its behalf by:

Barnaby Hussey-Yeo

B Hussey-Yeo
Director

Date: 09 June 2023

CLEO AI LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their report and the financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITY

The principal activity of the group is personal financial management software development.

DIRECTORS

The directors who served during the year were:

B Hussey-Yeo
R W Moffat
T L Mendoza-Gutfreund
A Keusters (appointed 5 April 2022)

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to \$23,188,842 (2021 - loss \$17,316,664).

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CLEO AI LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the Group's auditors are aware of that information.

AUDITORS

The auditors, Peters Elworthy & Moore, have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed.

This report was approved by the board and signed on its behalf by:

Barnaby Hussey-Yeo

B Hussey-Yeo
Director

Date: 09 June 2023

CLEO AI LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLEO AI LIMITED

OPINION

We have audited the financial statements of Cleo AI Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2022, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

CLEO AI LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLEO AI LIMITED (CONTINUED)

OTHER INFORMATION

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

CLEO AI LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLEO AI LIMITED (CONTINUED)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Audit procedures performed by the engagement team to identify and assess the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, were as follows:

- Identification of the laws and regulations which were significant in the context of the group through discussions with management, and from our commercial knowledge and experience of the sector.
- We focused on specific laws and regulations which we considered may have a direct material effect on the financial statements, including the Companies Act 2006 and the relevant tax compliance regulations in the jurisdictions in which the group operates, as well as those laws and regulations relating to the group's operations such as employee matters and registration with the FCA as a Registered Account Information Service Provider (RAISP).
- We obtained an understanding of the group's policies and procedures on compliance with laws and regulations, including documentation of any instances of non-compliance.

We assessed the susceptibility of the group and parent company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud and considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of fraud through management bias and override of controls. In addressing the risk of fraud through management override of controls we:

- Tested the appropriateness of journal entries and other adjustments;
- Designed procedures to identify unexpected and unusual journal entries and performed testing to confirm the validity of such postings;
- Assessed whether the significant accounting judgements and estimates made in the financial statements, as detailed in the principal accounting policies, were indicative of potential bias; and
- Evaluated the business rationale of any significant transactions that were unusual or outside the normal course of business.

CLEO AI LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLEO AI LIMITED (CONTINUED)

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- Agreeing financial statement disclosures to underlying supporting documentation; and
- Enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

USE OF OUR REPORT

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

James Burrett (Senior Statutory Auditor)

for and on behalf of

Peters Elworthy & Moore

Chartered Accountants

Statutory Auditors

Salisbury House

Station Road

Cambridge

CB1 2LA

Date: 09 June 2023

CLEO AI LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 \$	2021 \$
Turnover	4	29,759,141	11,648,510
Cost of sales		(19,552,403)	(9,596,554)
GROSS PROFIT		10,206,738	2,051,956
Administrative expenses		(34,412,975)	(20,541,912)
OPERATING LOSS	5	(24,206,237)	(18,489,956)
Interest receivable and similar income	9	577,646	296
Interest payable and similar expenses	10	(1,202,976)	(462,611)
LOSS BEFORE TAXATION		(24,831,567)	(18,952,271)
Tax on loss	11	1,642,725	1,635,607
LOSS FOR THE FINANCIAL YEAR		(23,188,842)	(17,316,664)
Currency translation movements		(6,865,112)	(138,831)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(30,053,954)	(17,455,495)
(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent company		(23,188,842)	(17,316,664)
		(23,188,842)	(17,316,664)

The notes on pages 19 to 35 form part of these financial statements.

CLEO AI LIMITED
REGISTERED NUMBER: 09864205

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 \$	2021 \$
FIXED ASSETS			
Intangible assets	12	6,930,218	6,676,622
Tangible assets	13	408,805	297,552
		<u>7,339,023</u>	<u>6,974,174</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	15	23,722,089	12,840,011
Cash at bank and in hand	16	45,559,006	7,113,591
		<u>69,281,095</u>	<u>19,953,602</u>
Creditors: amounts falling due within one year	17	(21,344,292)	(12,561,365)
NET CURRENT ASSETS		<u>47,936,803</u>	<u>7,392,237</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>55,275,826</u>	<u>14,366,411</u>
Creditors: amounts falling due after more than one year	18	(9,345,139)	(2,705,380)
NET ASSETS		<u><u>45,930,687</u></u>	<u><u>11,661,031</u></u>
CAPITAL AND RESERVES			
Called up share capital	19	63,838	63,770
Share premium account		111,602,964	49,092,223
Foreign exchange reserve		(3,653,894)	3,211,218
Share option reserve		3,835,728	2,022,927
Profit and loss account		(65,917,949)	(42,729,107)
		<u><u>45,930,687</u></u>	<u><u>11,661,031</u></u>

CLEO AI LIMITED
REGISTERED NUMBER: 09864205

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Barnaby Hussey-Yeo

B Hussey-Yeo
Director

Date: 09 June 2023

The notes on pages 19 to 35 form part of these financial statements.

CLEO AI LIMITED
REGISTERED NUMBER: 09864205

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 \$	2021 \$
FIXED ASSETS			
Intangible assets	12	6,930,218	6,676,622
Tangible assets	13	397,876	297,552
Investments	14	11	11
		<u>7,328,105</u>	<u>6,974,185</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	15	30,279,819	17,996,374
Cash at bank and in hand	16	40,688,128	5,770,494
		<u>70,967,947</u>	<u>23,766,868</u>
Creditors: amounts falling due within one year	17	(5,138,073)	(4,280,006)
NET CURRENT ASSETS		<u>65,829,874</u>	<u>19,486,862</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>73,157,979</u>	<u>26,461,047</u>
Creditors: amounts falling due after more than one year	18	(9,345,139)	(2,705,380)
NET ASSETS		<u><u>63,812,840</u></u>	<u><u>23,755,667</u></u>
CAPITAL AND RESERVES			
Called up share capital	19	63,838	63,770
Share premium account		111,602,964	49,092,223
Foreign exchange reserve		(3,653,894)	3,211,218
Share option reserve		3,835,728	2,022,927
Profit and loss account		(48,035,796)	(30,634,471)
		<u><u>63,812,840</u></u>	<u><u>23,755,667</u></u>

CLEO AI LIMITED
REGISTERED NUMBER: 09864205

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Barnaby Hussey-Yeo

B Hussey-Yeo
Director

Date: 09 June 2023

The notes on pages 19 to 35 form part of these financial statements.

CLEO AI LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Share premium account	Foreign exchange reserve	Share option reserve	Profit and loss account	Total equity
	\$	\$	\$	\$	\$	\$
AT 1 JANUARY 2020	63,763	48,948,912	3,350,049	602,036	(25,412,443)	27,552,317
Loss for the year	-	-	-	-	(17,316,664)	(17,316,664)
Currency translation movements	-	-	(138,831)	-	-	(138,831)
Shares issued during the year	7	143,311	-	-	-	143,318
Share based payment credit	-	-	-	1,420,891	-	1,420,891
AT 1 JANUARY 2021	63,770	49,092,223	3,211,218	2,022,927	(42,729,107)	11,661,031
Loss for the year	-	-	-	-	(23,188,842)	(23,188,842)
Currency translation movements	-	-	(6,865,112)	-	-	(6,865,112)
Shares issued during the year	68	62,510,741	-	-	-	62,510,809
Share based payment credit	-	-	-	1,812,801	-	1,812,801
AT 31 DECEMBER 2022	63,838	111,602,964	(3,653,894)	3,835,728	(65,917,949)	45,930,687

The notes on pages 19 to 35 form part of these financial statements.

CLEO AI LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Share premium account	Foreign exchange reserve	Share option reserve	Profit and loss account	Total equity
	\$	\$	\$	\$	\$	\$
AT 1 JANUARY 2020	63,763	48,948,912	3,350,049	602,036	(17,973,570)	34,991,190
Loss for the year	-	-	-	-	(12,660,901)	(12,660,901)
Currency translation movements	-	-	(138,831)	-	-	(138,831)
Shares issued during the year	7	143,311	-	-	-	143,318
Share based payment credit	-	-	-	1,420,891	-	1,420,891
AT 1 JANUARY 2021	63,770	49,092,223	3,211,218	2,022,927	(30,634,471)	23,755,667
Loss for the year	-	-	-	-	(17,401,325)	(17,401,325)
Currency translation movements	-	-	(6,865,112)	-	-	(6,865,112)
Shares issued during the year	68	62,510,741	-	-	-	62,510,809
Share based payment credit	-	-	-	1,812,801	-	1,812,801
AT 31 DECEMBER 2022	63,838	111,602,964	(3,653,894)	3,835,728	(48,035,796)	63,812,840

The notes on pages 19 to 35 form part of these financial statements.

CLEO AI LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 \$	2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the financial year		(23,188,842)	(17,316,664)
ADJUSTMENTS FOR:			
Amortisation of intangible assets		4,020,526	3,120,712
Depreciation of tangible assets		130,542	92,091
Foreign exchange		(6,110,293)	(56,016)
Interest paid		1,202,976	462,611
Interest received		(577,646)	(296)
Taxation charge		(1,642,725)	(1,635,607)
(Increase) in debtors		(10,882,078)	(5,635,618)
Increase in creditors		2,308,874	1,481,296
Share options reserve		1,812,801	1,420,891
Corporation tax received		1,642,725	1,635,607
NET CASH GENERATED FROM OPERATING ACTIVITIES		(31,283,140)	(16,430,993)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible fixed assets	12	(4,995,157)	(4,799,615)
Purchase of tangible fixed assets	13	(275,511)	(215,119)
Interest received	9	577,646	296
NET CASH FROM INVESTING ACTIVITIES		(4,693,022)	(5,014,438)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary shares		62,510,741	143,311
Other new loans		13,113,812	9,903,511
Interest paid	10	(1,202,976)	(462,611)
NET CASH USED IN FINANCING ACTIVITIES		74,421,577	9,584,211
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		38,445,415	(11,861,220)
Cash and cash equivalents at beginning of year		7,113,591	18,974,811
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		45,559,006	7,113,591
CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:			
Cash at bank and in hand	16	45,559,006	7,113,591
		45,559,006	7,113,591

CLEO AI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. GENERAL INFORMATION

Cleo AI Limited is a private company limited by shares and incorporated in England and Wales. Its registered office is 3rd Floor 1 Ashley Road, Altrincham, Cheshire, WA14 2DT.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The presentational currency of the company was determined from 1 January 2022 to be USD. This is now aligned with the functional currency being USD, being the primary economic environment in which the company operates and generates cash. The comparative financial information has been restated to USD for the purposes of these financial statements. This has been based on the year end exchange rate at 31 December 2021 for Balance Sheet items and based on the average exchange rate from 1 January 2021 to 31 December 2021 for the Statement of Comprehensive Income.

The following principal accounting policies have been applied:

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements present the results of the company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

CLEO AI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. ACCOUNTING POLICIES (CONTINUED)

2.3 GOING CONCERN

The group incurred a loss of \$23,189k for the year ended 31 December 2022 (2021 - \$17,317k).

As at the balance sheet date the group had cumulative losses of \$65,918k (2021 - \$42,729k) and net assets of \$45,931k (2021 - \$11,661k).

In line with its business plan, the group expects to continue to be loss making and in a net cash outflow position in the near future, however is expected to have sufficient cash for the following 12 months from the date of approval of the financial statements.

Notwithstanding the loss reported by the group and company, the financial statements have been prepared on a going concern basis which assumes that the group and company will be able to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of the financial statements.

2.4 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The company's functional and presentational currency is USD.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

On consolidation, the results of overseas operations are translated into Dollars at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

CLEO AI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. ACCOUNTING POLICIES (CONTINUED)

2.5 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, the significant risks and rewards of ownership have been transferred to the customer and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

The specific criteria relating to each of the Group's sales channels that must be met before revenue is recognised are described below.

Subscription revenue

Subscription revenue is revenue earned from customers for the provision of Cleo+ and credit builder card services. The risks and rewards are transferred to the customer over the monthly subscription period with revenue recognised on a straight-line basis accordingly.

Express payment fees revenue

Express payment fees are recognised at the point cash advances are paid to the subscriber as the risk and reward has passed to the customer.

2.6 OPERATING LEASES

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 RESEARCH AND DEVELOPMENT

Expenditure on research activities is charged to the Profit & Loss Account in the period in which it is incurred. In the event that an internally generated intangible asset arises from the company's development activities then it will be recognised only if all of the following conditions are met:

- a) Completion of the asset is technically feasible;
- b) The company intends to complete the intangible asset and use or sell it;
- c) The company has the ability to use the asset or sell it;
- d) The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset, or, if it is to be used internally, the asset will be used in generating such benefits;
- e) There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The expenditure attributable to the intangible asset during its development can be measured reliably.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

CLEO AI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. ACCOUNTING POLICIES (CONTINUED)

2.8 INTEREST INCOME

Interest income is recognised in profit or loss using the effective interest method.

2.9 FINANCE COSTS

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 BORROWING COSTS

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.11 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.12 SHARE-BASED PAYMENTS

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

CLEO AI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. ACCOUNTING POLICIES (CONTINUED)**2.13 TAXATION**

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company and the Group operate and generate income.

2.14 INTANGIBLE ASSETS

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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Development expenditure	-	33 %
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2.15 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	-	25%
Office equipment	-	25%
Computer equipment	-	25%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.16 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

CLEO AI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. ACCOUNTING POLICIES (CONTINUED)

2.17 DEBTORS

Short term debtors are measured at transaction price, less any impairment.

2.18 CASH AND CASH EQUIVALENTS

The Group only includes cash within this classification.

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.19 CREDITORS

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.20 FINANCIAL INSTRUMENTS

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The directors do not consider there to be any significant judgements in applying accounting policies, as such there are not considered to be any key sources of estimation uncertainty.

CLEO AI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. TURNOVER

An analysis of turnover by class of business is as follows:

	2022 \$	2021 \$
Subscription revenue	20,314,420	7,917,628
Transaction fees	9,444,721	3,730,882
	<u>29,759,141</u>	<u>11,648,510</u>

Analysis of turnover by country of destination:

	2022 \$	2021 \$
United Kingdom	7,913	21,043
United States of America	29,751,228	11,627,467
	<u>29,759,141</u>	<u>11,648,510</u>

5. OPERATING LOSS

The operating loss is stated after charging:

	2022 \$	2021 \$
Amortisation of intangible fixed assets	4,020,526	3,120,712
Depreciation of tangible fixed assets	130,542	92,091
Exchange differences	(1,818,582)	(152,855)
Other operating lease rentals	393,558	289,651
	<u>2,706,044</u>	<u>2,349,609</u>

6. AUDITORS' REMUNERATION

During the year, the Group obtained the following services from the company's auditors:

	2022 \$	2021 \$
Fees payable to the company's auditors for the audit of the consolidated and parent company's financial statements	18,575	17,350

CLEO AI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. EMPLOYEES

Staff costs were as follows:

	2022 \$	2021 \$
Wages and salaries	13,469,303	11,020,200
Social security costs	1,487,339	1,261,540
Cost of defined contribution scheme	453,227	182,507
	<u>15,409,869</u>	<u>12,464,247</u>

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2022 No.	Group 2021 No.	Company 2022 No.	Company 2021 No.
Employees	<u>142</u>	<u>109</u>	<u>120</u>	<u>102</u>

8. DIRECTORS' REMUNERATION

	2022 \$	2021 \$
Directors' emoluments	167,798	168,416
Pension contributions	9,298	2,670
	<u>177,096</u>	<u>171,086</u>

Key management personnel are identified as the Directors and their remuneration cost is shown above.

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022 \$	2021 \$
Other interest receivable	577,646	296
	<u>577,646</u>	<u>296</u>

CLEO AI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022 \$	2021 \$
Other loan interest payable	1,202,976	462,611
	<u>1,202,976</u>	<u>462,611</u>

11. TAXATION

	2022 \$	2021 \$
CORPORATION TAX		
Current tax on profits for the year	(1,642,725)	(1,635,607)
TOTAL CURRENT TAX	<u>(1,642,725)</u>	<u>(1,635,607)</u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 \$	2021 \$
Loss on ordinary activities before tax	<u>(24,831,567)</u>	<u>(18,952,271)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(4,717,998)	(3,601,245)
EFFECTS OF:		
Expenses not deductible for tax purposes	360,461	306,130
Capital allowances for year in excess of depreciation	(50,380)	(36,669)
Other fixed asset differences	(177,589)	(315,898)
Short-term timing difference	10,356	(2,600)
Additional deduction for R&D expenditure	(1,223,332)	(1,212,150)
Surrender of losses for R&D tax credit refund	512,611	507,925
Non-trade loan relationship debits	-	87,897
Non-trade loan relationship credits	(106,070)	(56)
Share scheme deduction	(222,443)	(74,098)
Unrelieved tax losses carried forward	3,971,659	2,705,157
TOTAL TAX CHARGE FOR THE YEAR	<u>(1,642,725)</u>	<u>(1,635,607)</u>

CLEO AI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. TAXATION (CONTINUED)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There were no factors that may affect future tax charges.

12. INTANGIBLE ASSETS

Group and Company

	Development expenditure \$
COST	
At 1 January 2022	11,782,526
Additions	4,995,157
Foreign exchange movement	(1,329,590)
At 31 December 2022	<u>15,448,093</u>
AMORTISATION	
At 1 January 2022	5,105,904
Charge for the year on owned assets	4,020,526
Foreign exchange movement	(608,555)
At 31 December 2022	<u>8,517,875</u>
NET BOOK VALUE	
At 31 December 2022	<u><u>6,930,218</u></u>
At 31 December 2021	<u><u>6,676,622</u></u>

CLEO AI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. TANGIBLE FIXED ASSETS**Group**

	Fixtures and fittings \$	Office equipment \$	Computer equipment \$	Total \$
COST OR VALUATION				
At 1 January 2022	26,045	3,347	475,471	504,863
Additions	47,946	3,486	224,079	275,511
Exchange adjustments	(3,381)	(414)	(54,048)	(57,843)
At 31 December 2022	<u>70,610</u>	<u>6,419</u>	<u>645,502</u>	<u>722,531</u>
DEPRECIATION				
At 1 January 2022	21,262	2,372	183,677	207,311
Charge for the year on owned assets	7,694	582	122,266	130,542
Exchange adjustments	(2,366)	(259)	(21,502)	(24,127)
At 31 December 2022	<u>26,590</u>	<u>2,695</u>	<u>284,441</u>	<u>313,726</u>
NET BOOK VALUE				
At 31 December 2022	<u>44,020</u>	<u>3,724</u>	<u>361,061</u>	<u>408,805</u>
At 31 December 2021	<u>4,783</u>	<u>975</u>	<u>291,794</u>	<u>297,552</u>

CLEO AI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Company

	Fixtures and fittings \$	Office equipment \$	Computer equipment \$	Total \$
COST OR VALUATION				
At 1 January 2022	26,045	3,347	475,471	504,863
Additions	36,360	3,486	224,079	263,925
Exchange adjustments	(3,381)	(414)	(54,048)	(57,843)
At 31 December 2022	<u>59,024</u>	<u>6,419</u>	<u>645,502</u>	<u>710,945</u>
DEPRECIATION				
At 1 January 2022	21,262	2,372	183,677	207,311
Charge for the year on owned assets	7,037	582	122,266	129,885
Exchange adjustments	(2,366)	(259)	(21,502)	(24,127)
At 31 December 2022	<u>25,933</u>	<u>2,695</u>	<u>284,441</u>	<u>313,069</u>
NET BOOK VALUE				
At 31 December 2022	<u>33,091</u>	<u>3,724</u>	<u>361,061</u>	<u>397,876</u>
At 31 December 2021	<u>4,783</u>	<u>975</u>	<u>291,794</u>	<u>297,552</u>

The net book value of land and buildings may be further analysed as follows:

CLEO AI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. FIXED ASSET INVESTMENTS

Company

	Investments in subsidiary companies \$
COST OR VALUATION	
At 1 January 2022	11
At 31 December 2022	<u>11</u>

SUBSIDIARY UNDERTAKING

The following was a subsidiary undertaking of the company:

Name	Registered office	Class of shares	Holding
Cleo AI Inc	(a)	Equity	100%
(a) 1209 Orange Street, Wilmington, DE 19801			

15. DEBTORS

	Group 2022 \$	Group 2021 \$	Company 2022 \$	Company 2021 \$
Amounts owed by group undertakings	-	-	27,353,908	15,347,379
Other debtors	18,666,362	10,594,024	2,535,530	2,165,801
Unpaid share capital	-	112,691	-	112,691
Prepayments and accrued income	559,691	400,791	390,381	370,503
Advances to customers	4,496,036	1,732,505	-	-
	<u>23,722,089</u>	<u>12,840,011</u>	<u>30,279,819</u>	<u>17,996,374</u>

CLEO AI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. CASH AND CASH EQUIVALENTS

	Group 2022 \$	Group 2021 \$	Company 2022 \$	Company 2021 \$
Cash at bank and in hand	45,559,006	7,113,591	40,688,128	5,770,494
	<u>45,559,006</u>	<u>7,113,591</u>	<u>40,688,128</u>	<u>5,770,494</u>

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2022 \$	Group 2021 \$	Company 2022 \$	Company 2021 \$
Other loans	16,598,340	10,124,287	2,725,141	2,705,380
Trade creditors	656,379	149,711	528,113	149,211
Other taxation and social security	415,922	349,691	415,922	349,691
Other creditors	284,415	3,375	113,672	3,375
Accruals and deferred income	3,389,236	1,934,301	1,355,225	1,072,349
	<u>21,344,292</u>	<u>12,561,365</u>	<u>5,138,073</u>	<u>4,280,006</u>

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2022 \$	Group 2021 \$	Company 2022 \$	Company 2021 \$
Other loans	9,345,139	2,705,380	9,345,139	2,705,380
	<u>9,345,139</u>	<u>2,705,380</u>	<u>9,345,139</u>	<u>2,705,380</u>

CLEO AI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

19. SHARE CAPITAL

	2022 \$	2021 \$
ALLOTTED, CALLED UP AND FULLY PAID		
7,938,739 (2021 - 8,016,905) Ordinary shares of £0.00001 each	63,477	63,478
2,134,901 (2021 - 2,134,901) Series seed preferred shares of £0.00001 each	27	27
6,702,765 (2021 - 6,702,765) A preferred shares of £0.00001 each	87	87
2,958,001 (2021 - 2,958,001) Deferred shares of £0.00001 each	40	40
2,055,417 (2021 - 2,055,417) B1 preferred shares of £0.00001 each	25	25
9,084,769 (2021 - 9,084,769) B2 preferred shares of £0.00001 each	113	113
5,259,250 (2021 - 0) C preferred shares of £0.00001 each	69	-
	<u>63,838</u>	<u>63,770</u>

During the year, 5,259,250 C preferred shares of £0.00001 were allotted. 5,057,465 C preferred shares were allotted for £9.47033 per share and 201,785 C preferred shares were allotted for £0.00001 per share. An amount of £47,895,812 being the difference between the total consideration and the total nominal value of the shares issued has been included in the share premium account.

During the year, 201,785 Ordinary shares of £0.00001 were transferred to C preferred shares. Additionally, £108,471 Ordinary shares of £0.00001 each were allotted for £0.20000 per share and 15,148 Ordinary shares of £0.00001 each were allotted for £1.16000 per share. An amount of £39,265 being the difference between the total consideration and the total nominal value of the shares issued has been included in the share premium account.

20. ANALYSIS OF NET DEBT

	At 1 January 2022 \$	Cash flows \$	At 31 December 2022 \$
Cash at bank and in hand	7,113,591	38,445,415	45,559,006
Debt due after 1 year	(2,705,380)	(9,364,900)	(12,070,280)
Debt due within 1 year	(10,124,287)	(3,748,912)	(13,873,199)
	<u>(5,716,076)</u>	<u>25,331,603</u>	<u>19,615,527</u>

CLEO AI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

21. SHARE-BASED PAYMENTS

The Company operates an equity-settled share based remuneration scheme for employees. Equity-settled share based payments are measured at fair value at the date of grant. The vesting period for all options is five years.

The Black-Scholes option pricing model was used to calculate the fair value of options at grant date. The inputs into the pricing model were:

	Weighted average exercise price (pence) 2022	Number 2022	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the beginning of the year	30	3,505,773	27	1,776,793
Granted during the year	42	791,622	30	2,355,156
Forfeited during the year	42	(689,514)	30	(626,176)
OUTSTANDING AT THE END OF THE YEAR	42	3,607,881	30	3,505,773

	2022	2021
Weighted average share price (cent)	947	290
Exercise price (cent)	42	30
Weighted average contractual life (years)	5	5
Expected volatility	50.00%	50.00%
Expected dividend growth rate	0.00%	0.00%
Risk-free interest rate	3.67%	0.30%

As the Company's shares are not traded, the expected volatility has been estimated with reference to comparable companies.

At 31 December 2022 no options were exercisable (2021 - none).

The Group recognised total expenses in the year of \$1,845,241 (2020 - \$1,445,061) in respect of equity-settled share based payment transactions.

CLEO AI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

22. PENSION COMMITMENTS

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to \$453,227 (2021 - \$182,507). Contributions totalling \$113,672 (2021 - \$3,375) were payable to the fund at the balance sheet date and are included in creditors.

23. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2022 the Group and the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2022 \$	Group 2021 \$	Company 2022 \$	Company 2021 \$
Not later than 1 year	407,384	4,660	407,384	4,660
Later than 1 year and not later than 5 years	274,956	-	274,956	-
	<u>682,340</u>	<u>4,660</u>	<u>682,340</u>	<u>4,660</u>

24. CONTROLLING PARTY

There is no ultimate controlling party, as there are no shareholders who own more than 25% of Cleo AI Limited.