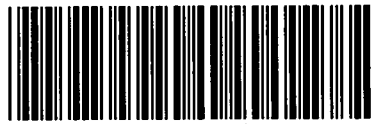


**NewCleo Ltd**  
**Company 13274878**

**Annual Report and Financial Statements**  
**for the year ended 31 December 2022**

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# NewCleo Ltd

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## **NewCleo Ltd**

### **Directors' Report**

The directors present their annual report on the affairs of NewCleo Ltd together with the financial statements and auditor's report for the financial year 1 January 2022 to 31 December 2022 (the "year"). In preparing this report, the directors have taken advantage of the small companies' exemptions provided by section 414B of Companies Act 2006 from preparing a strategic report. The directors have voluntarily disclosed certain information in the report, even though this is not specifically required under the Companies Act 2006.

#### **Principal activities**

The principal activity of NewCleo Ltd ("NewCleo" or the "Company", "we", "us"), and its subsidiaries (together the "Group"), is the development of safe, clean, economic, and practically inexhaustible energy for the world, through a radically innovative combination of existing, accessible technologies. We are designing and building the next generation ("Generation IV") of nuclear reactors: the lead-cooled fast reactors fuelled with Mixed Oxide Fuel which will contribute to climate change mitigation and global decarbonisation.

#### **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Company's website ([www.newcleo.com](http://www.newcleo.com)) and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **Review of the business**

NewCleo was incorporated and headquartered in London, England on 18 March 2021. The Group operates a research centre in Turin, Italy, where its team of 'energy innovators' work under the oversight of a Scientific Committee with extensive nuclear energy experience and is developing a non-nuclear reactor prototype for testing and licensing purposes at the Italian National Agency for New Technologies, Energy and Sustainable Economic Development ("ENEA") at Brasimone, Italy. During 2022, the Group established subsidiaries in France, and the United Kingdom, which will lead the development of its project development operations in these countries, and in Switzerland and the USA as preparation for future development.

## **NewCleo Ltd**

### **Directors' Report (continued)**

On 20 June 2022, the Group announced the closing of a €300,000,000 capital raising, which followed the initial €100,000,000 capital raising in 2021.

#### **Results and Dividends**

During 2022, the Group's programme to develop its low carbon electricity generation facilities progressed according to plan. In line with expectations, the Group recorded a loss of €18,056,000 (2021: loss of €2,710,000) during the year covered by these financial statements.

The Group invested €3,238,000 (2021: €211,000) in research and development activities during the year, which was charged to the consolidated statement of profit or loss and comprehensive income in accordance with the accounting policies outlined in note 2 to the financial statements.

The Group's total asset position at 31 December 2022 was €397,438,000 (2021: €101,385,000).

The directors do not propose a dividend in the year ended 31 December 2022 (2021: nil).

#### **Future developments**

The directors expect the level of activity to increase in the forthcoming year as the research and development programme progresses. In particular, during the forthcoming year, the following key activities are either underway or planned:

- Further fundraising to underpin the research and development programme
- Diversify commercial deployment options by establishing opportunities in alternative countries favourable to nuclear generation
- Progress the development of our non-nuclear research and development testing facility at Brasimone, Italy
- Recruit further experienced and talented employees
- Enhance our presence among key stakeholders through a targeted communications strategy
- Enhance our corporate governance arrangements

#### **Events after the balance sheet date**

Details of significant events since the balance sheet date are contained in note 18 to the financial statements.

## NewCleo Ltd

### Directors' Report (continued)

#### Principal risks and uncertainties

The following table shows the principal risks the Group is exposed to and the Group's approach to mitigating the risk.

<b>Risk</b>	<b>Impact on Group</b>	<b>Mitigation of risk</b>
<ul style="list-style-type: none"> <li>Change in government policy in target markets</li> <li>Issues with development of technology</li> </ul>	<ul style="list-style-type: none"> <li>The development, construction and operations of nuclear generation is dependent on a supportive government policy framework</li> <li>Delay to development schedule</li> </ul>	<ul style="list-style-type: none"> <li>We are engaged with government policy makers to understand the role of nuclear generation in national energy policies within target markets</li> <li>We are developing projects in different countries</li> </ul>
<ul style="list-style-type: none"> <li>Loss of Intellectual Property ("IP")</li> </ul>	<ul style="list-style-type: none"> <li>Loss of IP asset</li> <li>IP used by competing technologies</li> <li>IP leveraged by supply chain supporting other technologies</li> <li>Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>Review by the Scientific Committee of research and development</li> <li>Establishment of the Brasimone facility to allow structured programme of research and development testing</li> <li>Internal procedures and controls to capture, patent and exploit IP as well as to protect, limit and control disclosure to third parties</li> <li>Contractual provisions include non-disclosure and other provisions to protect know-how and IP</li> <li>Avoidance of markets and customers where reverse engineering may happen</li> <li>Recruit qualified resources to manage IP</li> </ul>
<ul style="list-style-type: none"> <li>Manufacturing scale-up</li> </ul>	<ul style="list-style-type: none"> <li>Technology cannot be manufactured at scale</li> </ul>	<ul style="list-style-type: none"> <li>Commercial appraisal of size of addressable market considering planned product rollout to inform supply chain capability and capacity strategy</li> <li>Partnerships with established critical supply chain and outsource partners</li> </ul>
<ul style="list-style-type: none"> <li>Competing technologies</li> </ul>	<ul style="list-style-type: none"> <li>Alternative technologies are adopted reducing the size of the addressable market or market shares</li> </ul>	<ul style="list-style-type: none"> <li>Generation IV Small Modular Reactors promise to offer a competitive through-life operating cost when compared to other low-carbon technologies</li> <li>Continual evaluation of the competitive landscape and targeted technology improvements seeks to retain competitive advantage and expand the addressable market</li> <li>Concerted effort to communicate the benefits of our technology to external stakeholders</li> </ul>
<ul style="list-style-type: none"> <li>Funding and cash burn</li> </ul>	<ul style="list-style-type: none"> <li>Requirement of funding to develop and construct its generation facilities before revenues are generated</li> </ul>	<ul style="list-style-type: none"> <li>Identification of funding requirements and access to funds underpinned by continuous business planning and cash forecasting</li> <li>Strengthening of operational/project management controls</li> </ul>
<ul style="list-style-type: none"> <li>Talent acquisition and retention</li> </ul>	<ul style="list-style-type: none"> <li>Inability to recruit, incentivise and retain suitably qualified and experienced research, development, and operations staff</li> </ul>	<ul style="list-style-type: none"> <li>Employee onboarding and early development in NewCleo culture and performance management</li> <li>Implementation of enduring resource capability and behavioural development programmes</li> <li>Partnerships with industry organisations</li> <li>Implement a global resourcing strategy specifically in specialisms that have local market scarcity</li> <li>Position NewCleo as an employer of choice by offering a holistic remuneration package and career progression</li> </ul>
<ul style="list-style-type: none"> <li>Cyber and data security</li> </ul>	<ul style="list-style-type: none"> <li>Failure or incident leading to data loss, disruption of development, loss of intellectual property or reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>Security programme established across all IT processes</li> <li>Staff training and updates on cybersecurity</li> <li>External cyber security audit process to highlight control weakness and response plans to those weaknesses identified and implemented</li> <li>Implementation of improved data infrastructure design and control strategy.</li> </ul>

## **NewCleo Ltd**

### **Directors' Report (continued)**

#### **Financial risk management**

Details of financial risk management are contained in note 16 to the financial statements.

#### **Directors**

The directors, who served throughout the year, and during the period up until the signing of these financial statements, were as follows:

- Stefano Buono
- Adrienne Kelbie
- Kathryn Kerle (term expired: 9 June 2023)
- Florence Parly (appointed: 6 April 2023)
- Andrea Ruben Levi
- Raffaele Petrone
- Julia Pyke (resigned: 6 April 2023)
- Corine Raoux-Fontanet (appointed: 9 June 2023)
- Carlo Zuccaro

#### **Directors' indemnities**

The Group has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

#### **Political contributions**

No political donations were made by the Group during the year (2021: nil).

#### **Branches**

The Group does not have any branches outside of the United Kingdom.

#### **Policy on payment of suppliers**

It is the Group's policy to agree payment terms with suppliers when agreeing the terms of each transaction, to pay all accounts payable as they fall due, and to abide by agreed terms of payment.


#### **Auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the Board on 12 July 2023 and signed on its behalf by:

 (Jul 12, 2023 18:54 GMT+10)

**Stefano Buono, Director**

# Independent auditors' report to the members of NewCleo Ltd

## Report on the audit of the financial statements

### Opinion

In our opinion:

- Newcleo Ltd's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's loss and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and Company Statement of Financial Position as at 31 December 2022; the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

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 and the 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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

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

# Independent auditors' report to the members of NewCleo Ltd (continued)

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the directors' report and the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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 Company or to cease operations, or have no realistic alternative but to do so.

### 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 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.

# Independent auditors' report to the members of NewCleo Ltd (continued)

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to potential misappropriation of the Group's and Company's assets, in particular cash and cash equivalents. Audit procedures performed by the engagement team included:

- Held discussions with management and those charged with governance, including inquiries of known or suspected instances of non-compliance with laws and regulations and/or fraud;
- Evaluated the design effectiveness of management's control activities designed to prevent and detect irregularities;
- Reviewed meeting minutes of the board of directors;
- Challenged assumptions and judgments made by management in their significant accounting estimates and material judgements. We evaluated whether there was evidence of management bias that represented a risk of material misstatement due to fraud and assessed the business rationale for significant contracts and transactions entered;
- Identified and tested journal entries based on our risk assessment;
- Incorporated elements of unpredictability into our audit procedures; and
- Reviewed the disclosures in the Annual Report and Financial Statements against the specific legal requirements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

NewCleo Ltd

# Independent auditors' report to the members of NewCleo Ltd (continued)

## Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



James Cadzow (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Watford  
13 July 2023

**Consolidated Statement of Profit or Loss and Other Comprehensive Income  
For the year ended 31 December 2022**

	Notes	For the year ended 31 December 2022 €'000	For the period from 18 March 2021 to 31 December 2021 €'000
Other income	4	768	67
Staff costs	5	(8,381)	(830)
Consultancy		(5,339)	(153)
Legal and professional		(2,284)	(827)
Depreciation and amortisation		(1,325)	(330)
Other expenses	4	(5,248)	(675)
<b>Operating loss</b>		<b>(21,809)</b>	<b>(2,748)</b>
Finance income	6	476	219
Finance expenses	6	(497)	(181)
Net gain on fair value changes of financial assets held at fair value through profit or loss	16	3,774	-
<b>Loss before tax</b>		<b>(18,056)</b>	<b>(2,710)</b>
Tax on loss	7	-	-
<b>Net loss</b>		<b>(18,056)</b>	<b>(2,710)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss, net of tax</b>		<b>(18,056)</b>	<b>(2,710)</b>

The above results were derived from continuing operations.

The accompanying accounting policies and notes on pages 14 to 37 are an integral part of these consolidated financial statements.


## NewCleo Ltd

### Consolidated Statement of Financial Position As at 31 December 2022

	Notes	As at 31 December 2022 €'000	As at 31 December 2021 €'000
<b>Assets</b>			
<b>Non-current assets</b>			
Right of use asset	8	9,765	1,891
Property, plant, and equipment	9	3,056	124
Intangible assets	10	6,285	5,565
Other assets	17	20,301	15
<b>Total non-current assets</b>		<b>39,407</b>	<b>7,595</b>
<b>Current assets</b>			
Other receivables and prepayments	11	5,954	407
Short-term investments	14,16	245,185	-
Cash and cash equivalents		106,892	93,383
<b>Total current assets</b>		<b>358,031</b>	<b>93,790</b>
<b>Total assets</b>		<b>397,438</b>	<b>101,385</b>
<b>Equity and liabilities</b>			
Share capital	12	4,127	2,127
Share premium	12	396,078	98,078
Shared-based payments reserve	13	1,395	130
Accumulated deficit		(20,766)	(2,710)
<b>Total equity</b>		<b>380,834</b>	<b>97,625</b>
<b>Non-current liabilities</b>			
Lease liabilities	8	8,130	1,635
Provisions	8	348	-
Trade and other payables	15	-	533
<b>Total non-current liabilities</b>		<b>8,478</b>	<b>2,168</b>
<b>Current liabilities</b>			
Lease liabilities	8	786	279
Trade and other payables	15	7,340	1,313
<b>Total current liabilities</b>		<b>8,126</b>	<b>1,592</b>
<b>Total liabilities</b>		<b>16,604</b>	<b>3,760</b>
<b>Total equity and liabilities</b>		<b>397,438</b>	<b>101,385</b>

The accompanying accounting policies and notes on pages 14 to 37 are an integral part of these consolidated financial statements.

The consolidated financial statements of NewCleo Ltd (registered number 13274878) on pages 10 to 37 were approved and authorised for issue by the board of directors on 12 July 2023, and were signed on its behalf by:

 (Jul 12, 2023 18:54 GMT+10)

**Stefano Buono, Director**

## NewCleo Ltd

### Consolidated Statement of Changes in Equity For the year ended 31 December 2022

	Notes	Share Capital €'000	Share Premium €'000	Share- based Payments Reserve €'000	Accumulated Deficit €'000	Total €'000
<b>Equity on incorporation at 18 March 2021</b>		15	-	-	-	15
Loss for the period, being total comprehensive loss		-	-	-	(2,710)	(2,710)
Issue of share capital	12	2,112	98,078	-	-	100,190
Equity-settled share-based payments	13	-	-	130	-	130
<b>Equity at 31 December 2021</b>		<b>2,127</b>	<b>98,078</b>	<b>130</b>	<b>(2,710)</b>	<b>97,625</b>
Loss for the year, being total comprehensive loss		-	-	-	(18,056)	(18,056)
Equity-settled share-based payments	5,13	-	-	1,415	-	1,415
Issue of share capital for share-based payments	13	1	149	(150)	-	-
Issue of share capital	12	1,999	297,851	-	-	299,850
<b>Equity at 31 December 2022</b>		<b>4,127</b>	<b>396,078</b>	<b>1,395</b>	<b>(20,766)</b>	<b>380,834</b>

The accompanying accounting policies and notes on pages 14 to 37 are an integral part of these consolidated financial statements.

## NewCleo Ltd

### Consolidated Cash Flow Statement For the year ended 31 December 2022

	Notes	For the year ended 31 December 2022 €'000	For the period from 18 March 2021 to 31 December 2021 €'000
<b>Operating activities</b>			
<b>Net loss</b>		<b>(18,056)</b>	<b>(2,710)</b>
Adjustments for:			
Depreciation and amortisation	9,10	819	219
Depreciation of right-of-use assets	8	506	111
Finance income	6	(476)	(219)
Finance expenses	6	497	181
Share-based payment expense	5,13	1,415	130
Unrealised foreign currency gain		(288)	-
Net (gain) / loss on fair value changes of financial assets held at fair value through profit or loss		(3,774)	-
Changes in working capital:			
Other receivables and prepayments		(5,832)	(422)
Other payables		4,570	982
<b>Net cash flows used in operating activities</b>		<b>(20,619)</b>	<b>(1,728)</b>
<b>Investing activities</b>			
Purchase of property, plant, and equipment	9	(2,650)	(137)
Acquisition of intangible assets	10	(1,585)	(4,797)
Interest income from short-term investments		365	-
Purchase of short-term investments		(492,804)	-
Proceeds from maturities of short-term investments		251,393	-
<b>Net cash flows used in investing activities</b>		<b>(245,281)</b>	<b>(4,934)</b>
<b>Financing activities</b>			
Proceeds from issue of share capital	12	279,850	100,095
Repayment of lease liabilities	8	(294)	(88)
Interest on lease	8	(44)	(15)
Interest expense	6	(298)	-
<b>Net cash flows from financing activities</b>		<b>279,214</b>	<b>99,992</b>
<b>Net increase in cash and cash equivalents</b>		<b>13,314</b>	<b>93,330</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>93,383</b>	<b>-</b>
Effect of foreign exchange rate changes on cash and cash equivalents		195	53
<b>Cash and cash equivalents at the end of the period</b>		<b>106,892</b>	<b>93,383</b>

The accompanying accounting policies and notes on pages 14 to 37 are an integral part of these consolidated financial statements.

## **NewCleo Ltd**

### **Notes to the Consolidated Financial Statements**

#### **Note 1 - General Information**

NewCleo Ltd ("NewCleo" or "the Company", "we", "us"), and its subsidiaries (together "the Group"), is a private company incorporated in the United Kingdom on 18 March 2021 under the Companies Act 2006 and headquartered in London. The Group is working towards generating safe, clean, economic and practically inexhaustible energy for the world, through a radically innovative combination of existing, accessible technologies. The address of the Company's registered office is 2 Portman Street, London, England, W1H 6DU.

These financial statements are presented in Euro (EUR or €), which is also the currency of the primary economic environment in which the Group operates.

#### **Note 2 - Significant Accounting Policies**

##### ***Basis of Preparation***

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, except for the fair value revaluation of certain financial instruments as required under IFRS, as disclosed in the accounting policies below.

A list of the Company's subsidiaries that intend to claim an audit exemption under section 479A of the Companies Act 2006 in respect of their own financial statements for the year ended 31 December 2022 can be found in Note 7 of the Company financial statements. As a condition of the audit exemption they will claim, the Company will guarantee all outstanding liabilities of these companies as at 31 December 2022.

##### ***Going Concern***

The consolidated financial statements are prepared on a going concern basis notwithstanding an operating loss for the year then ended of €21,809,000 and operating cash outflow for the year of €20,619,000 which the directors consider to be appropriate for the following reasons.

The Group has been equity-funded since incorporation by its shareholders. In forming the going concern judgement, the directors have taken account of the current and forecast cash flow requirements of the business for the period to 31 December 2024, being a period of at least 12 months from the date of approval of the financial statements, which indicate that the Group will have sufficient funds to meet its liabilities as they fall due. The Group had net assets of €380,834,000 at 31 December 2022, and is forecasting net assets of €366,000,000 at the date of the signing of these financial statements, of which €330,000,000 will be represented by cash, cash equivalents and short-term investments. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements are prepared on a going concern basis.

##### ***Recognition and Measurement***

Assets are recognised in the consolidated statement of financial position when it is probable, as a result of a prior event, that future economic benefits will flow to us, and the value of the asset can be measured reliably.

Liabilities are recognised in the consolidated statement of financial position when we have a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow from us, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost or at fair value, depending on the classification of the items. Measurement subsequent to initial recognition is affected as described below for each financial statement item. Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the consolidated statement of financial position date are considered at the time of recognition and measurement.

## NewCleo Ltd

### Notes to the Consolidated Financial Statements (continued)

#### Note 2 - Significant Accounting Policies (continued)

##### **Basis of Consolidation**

The consolidated financial statements include NewCleo Ltd and all entities over which the Company has control. We control an entity when we are exposed to, or have rights to, variable returns from our involvement with the entity and have the ability to control those returns through our power over the entity. Accordingly, the consolidated financial statements include NewCleo Ltd and the following subsidiary entities:

Company	Domicile	Proportion of Ownership (%)	
		31 December 2021	2022 <sup>a</sup>
NewCleo Srl	Italy	100%	100%
Hydromine Nuclear Energy S.à r.l.	Luxembourg	100%	100%
Newcleo Generation (UK) Ltd	United Kingdom	-	100%
Newcleo SA	France	-	100%
Newcleo SA	Switzerland	-	100%
Newcleo Americas LLC	USA	-	100%

<sup>a</sup> In 2022, the Group incorporated new subsidiary entities in the United Kingdom, France, Switzerland, and the USA.

##### **Consolidation Principles**

Our subsidiaries are fully consolidated from the date upon which control is transferred to us. They are deconsolidated from the date control ceases.

When necessary, adjustments are made to the financial statements of our subsidiaries to conform their accounting policies to our accounting policies. All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between the members of our group are eliminated upon consolidation.

##### **Foreign currencies**

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in EUR which is the functional and presentation currency of Newcleo Ltd. The parent company financial statements are presented in EUR.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in the profit or loss. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The results and financial position of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

**Notes to the Consolidated Financial Statements (continued)**

**Note 2 - Significant Accounting Policies (continued)**

***Research and Development Costs***

Expenditure incurred on research and development is distinguished as relating either to a research phase or to a development phase. All research phase expenditure is charged to the consolidated statement of profit or loss and comprehensive income in the period in which it is incurred. Development expenditure is recognised as an internally generated intangible asset if, and only if all the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the consolidated statement of profit or loss and comprehensive income in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets (capitalised development costs) are reported at cost less accumulated amortisation and impairment losses, on the same basis as intangible assets that are acquired separately. Capitalised development costs are amortised on a straight-line basis over their estimated useful lives once the development is completed and the assets are available for use.

As at the end of the year, the conditions to capitalise internally-generated intangible assets have not been met. Consequently, €3,238,000 (2021: €211,000) of research activities undertaken during the year have been charged to the consolidated statement of profit or loss and comprehensive income.

***Research and Development Tax Credits***

Tax credits arising from Government incentive programmes are recognised in the income statement within Other Income, so as to match them with the related expenses that they are intended to compensate, notably a reduction in employment costs. They are recognised at fair value where there is reasonable assurance that the credit will be received. Any amounts accrued but unpaid as at the balance sheet date are recognised within Other Receivables.

***General and Administrative Expenses***

General and administrative expenses are recognised in the consolidated statement of profit or loss and comprehensive income in the period to which they relate.

***Employee benefit costs***

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employment expense in the consolidated statement of profit or loss and comprehensive income in the periods during which services are rendered by employees.

***Asset acquisition***

Groups of assets acquired and liabilities, assumed are assessed to determine if they are business or asset acquisitions. When a group of assets and liabilities do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values. The remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

**Notes to the Consolidated Financial Statements (continued)**

**Note 2 - Significant Accounting Policies (continued)**

**Leases**

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

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter of the period of the lease term and the useful life of the right-of-use asset.

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

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

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

## NewCleo Ltd

### Notes to the Consolidated Financial Statements (continued)

#### Note 2 - Significant Accounting Policies (continued)

##### *Leases (continued)*

The Group remeasures the lease liability, and makes a corresponding adjustment to the related right-of-use asset, whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate, unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used.
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the year (2021: none).

The Group presents right-of-use assets and lease liabilities as a separate line respectively in the consolidated statement of financial position.

##### *Property, Plant and Equipment*

Property, plant, and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant, and equipment. Depreciation is charged to the consolidated statement of profit or loss and comprehensive income over the estimated useful lives of each part of an item of property, plant, and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Computer equipment: 5 years (straight-line)
- Fixtures and fittings: the lesser of 7 years or the remaining useful life of the leased property (straight-line)
- Equipment: 5 years (straight-line)
- Leasehold improvements: the remaining useful life of the leased property (straight line)

Construction work in progress is not depreciated until the asset is ready for use. Depreciation methods, useful lives and residual values are reviewed at each date of the statement of financial position.

##### *Intangible Assets*

Intangible assets consist of patents, trademarks and software. The patents were initially acquired as part of a business combination, with subsequent additional acquisitions. Intangible assets are recognised at their fair value at the date of acquisition and are subsequently amortised over their estimated useful lives. The estimated useful lives are as follows:

- Patents: between 5 and 19 years (straight-line)
- Software licences: 5 years (straight-line)

Where patents have been purchased in exchange for equity in the Company, see the accounting policy note below regarding "Share-based Payment Transactions of the Group".

## NewCleo Ltd

### Notes to the Consolidated Financial Statements (continued)

#### Note 2 - Significant Accounting Policies (continued)

##### ***Impairment of non-current non-financial assets***

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. To the extent the carrying value of an asset (or CGU) exceeds its recoverable amount, the difference is recognised as an expense in the statement of profit or loss. The recoverable amount used for impairment testing is the higher of value in use and fair value less costs of disposal. Where an impairment has been recorded, at each reporting date, it is considered whether there is any indication that an impairment loss for an asset other than goodwill either no longer exists or has decreased. If there is any such indication, the entity should estimate the recoverable amount and reverse the impairment recognised.

##### ***Income Taxes***

Tax on the loss for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss and comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted for each jurisdiction that the Group operates in, at the date of the statement of financial position.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

##### ***Financial instruments***

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument and are initially measured at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI); or fair value through profit or loss (FVTPL). Financial assets that are debt instruments are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. The Company does not have financial assets that are equity instruments.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are designated at fair value through profit or loss if we manage such investments and make purchase and sale decisions based on their fair value in accordance with the associated investment strategy. Attributable transaction costs are recognised in the Statement of profit or loss and other comprehensive income as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in the Statement of profit or loss and other comprehensive income. Short-term investments include financial assets measured at fair value through profit or loss and may comprise short term bond funds that have a maturity equal or less than 12 months, and money market funds.

## **NewCleo Ltd**

### **Notes to the Consolidated Financial Statements (continued)**

#### **Note 2 - Significant Accounting Policies (continued)**

##### ***Financial instruments (continued)***

Financial assets comprise cash and cash equivalents, short-term investments, and other receivables. Deposits and investments in money market funds and corporate bonds with a maturity date greater than three months at the point of investment are classified as short-term investments.

Trade and other payables are non-derivative financial liabilities with fixed or determinable payments and relate to obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are included in current liabilities, except for maturities greater than 12 months after the date of the statement of financial position, classified as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

The Group did not have any financial assets measured at fair value through other comprehensive loss during the year.

##### ***Finance Income and Expenses***

Finance income and expenses comprise income and expenses, the interest portion related to lease contracts, the interest related to short-term investments, and realised and unrealised exchange rate gains and losses on transactions denominated in foreign currencies.

Interest income and interest expenses are stated on an accrual basis using the principal and the effective interest rate. The effective interest rate is the discount rate that is used to discount expected future payments related to the financial asset or the financial liability in order for the present value of such asset or liability to match their carrying amount.

##### ***Shareholders' Equity***

The share capital comprises the nominal amount of the Company's ordinary shares. All shares are fully paid.

##### ***Share-based Payment Transactions of the Group***

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument as determined at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of the equity-settled share-based transactions are set out in Note 17.

The fair value determined at the grant date of the equity-settled share-based payments is recognised over the vesting period using the graded method, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the Statement of profit or loss and other comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

##### ***Cash and cash equivalents***

Cash and cash equivalents include cash in hand, deposits held at call with financial institutions, and investments in term deposits with an original maturity less than 3 months.

##### ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

## NewCleo Ltd

### Notes to the Consolidated Financial Statements (continued)

#### Note 2 - Significant Accounting Policies (continued)

##### ***New International Financial Reporting Standards that are Effective for the Current Year***

In the current year the following Standards and Interpretations became effective:

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment—Proceeds before Intended Use (Amendments to IAS 16) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The adoption of the new Standards and Interpretations did not have a material impact on the result and financial position of the Group.

##### ***New International Financial Reporting Standards and Interpretations Not Yet Effective***

At the date of the approval of these financial statements, the Group has not yet applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

	<b>Effective for financial years commencing on or after</b>
Classification of Liabilities as Current or Noncurrent – Amendments to IAS 1 Presentation of Financial Statements	1 January 2023
Disclosure of Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 Income Taxes	1 January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Amendments regarding the definition of accounting estimates	1 January 2023

The directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial information of the Group in future periods. The directors expect to apply these standards from the effective date.

#### **Note 3 - Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

In the application of our accounting policies, we are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

##### ***Critical judgements in applying the Group's accounting policies***

Critical judgments made in the process of applying our accounting policies and that have the most significant effect on the amounts recognised in our consolidated financial statements:

##### ***Research and development expenditure capitalisation***

The business incurs a significant amount of research and development cost. The point in time at which the business begins capitalisation of any project is a critical accounting judgement. Development costs are only capitalised where an intellectual property meets each of the capitalisation criteria listed in the accounting policy above in Note 2. Management has reviewed the facts and circumstances of each project in relation to the criteria for capitalisation and have determined that none of the projects met the requirements for capitalisation. Accordingly, no development costs have been capitalised for the year ended 31 December 2022 (2021: nil) and have instead been expensed as incurred.

## Notes to the Consolidated Financial Statements (continued)

### Note 3 - Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

#### ***Determining the lease term of contracts with renewal and termination options***

The Group has lease agreements with a material renewal option. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group considers all relevant factors that create an economic incentive in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. After the commencement date, management reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not exercise the option to renew or to terminate (e.g., more than insignificant penalty, construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for the lease of an office property in France as the Group determined that it was reasonably certain it would continue the lease after the initial lease term. The office is located in a modernised building which will allow the Group to take on additional space as required, which results in a higher probability in the Group extending the lease rather than terminating the lease at the first break point. There is also a less onerous reinstatement obligation if the full lease term is taken up. No changes have been made to judgements on the lease of an office in Italy existing prior to 31 December 2021 for a lease extension that will not be exercised, and potential future undiscounted cashflows in respect of a lease extension of €2,249,000 are not recognised in the financial statements as a lease liability.

#### ***Determination of the existence of an asset in the collaboration agreement with ENEA***

In March 2022 Newcleo signed a framework agreement with ENEA to develop safe and innovative Generation IV nuclear systems. The framework agreement includes the principles for the use of space and services and the collaboration of technical and scientific resources to develop a non-nuclear 'Precursor' experimental facility at Brasimone. The commercial contracts between the Group and ENEA are significantly concluded but remain unsigned as at the date of approval of these Financial Statements. Management have reviewed the contracts and concluded that costs incurred in 2022 represent an asset under IAS 16 which will contribute to the generation of future economic benefits for the Group. Consequently, the expenditure incurred of €1,307,000 in the year (2021: nil) has been recognised as an asset under construction under IAS 16 – Property, Plant and Equipment, to be depreciated over the period over which the asset is expected to be available for use by an entity. If management determined that the cost did not meet the definition of an asset, the expenditure would have been recorded as an expense in the Statement of profit and loss and other comprehensive income during the year.

#### ***Key sources of estimation uncertainty:***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### ***Determining the discount rate on lease liability***

The Group cannot readily determine the interest rate implicit in leases where it is the lessee, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group 'would have to pay' to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR requires estimation when no observable rates are available or where the applicable rates need to be adjusted to reflect the terms and conditions of the lease. An IBR rate of 8.88% has been used for the assessment of the lease for the United Kingdom office, which was signed in September 2022 for a period of 15 years and a rate of 6.56% has been used for the assessment of the lease for the French office, which was signed in September 2022 for a period 9 years. A 1% increase in the IBR for leases entered into during the reporting period would result in a €341,000 decrease in related lease liability and corresponding right-of-use asset at the inception of the lease. A 1% decrease in the IBR would result in an increase in the right-of-use asset value and related lease liability by €370,000.

## NewCleo Ltd

### Notes to the Consolidated Financial Statements (continued)

#### Note 3 - Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

While not expected to result in a material change in the carrying value of assets or liabilities in the next 12 months, the following estimates or assumptions were also used in applying the Group's accounting policies;

##### *Determining the dilapidation provision on office leases*

The Group has to provide for dilapidation obligations within any leases that have been signed. The provision will include an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset of the lease to the condition required by the terms and conditions of the lease. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during the lease term.

Management estimates the dilapidation provision based on the inputs from surveyors, costs of leasehold improvements, lease terms and dilapidation credit provided by the landlord or sub-lease tenants; on this basis, a dilapidation provision of €273,000 and €75,000 has been provided for the lease of the UK office and French office respectively at the end of the year (2021: nil).

##### *Estimating the fair value of share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the fair value of the underlying share, expected life of the share option, volatility and dividend yield, and making assumptions about them. For further disclosures relating to share-based payments and associated inputs to the valuation, see Note 17.

#### Note 4 - Other Income and Other Operating Expenses

Included within other income are the following:

	2022	2021
	€'000	€'000
R&D tax credits	536	67
Other income	232	-
<b>Total other income</b>	<b>768</b>	<b>67</b>

## NewCleo Ltd

### Notes to the Consolidated Financial Statements (continued)

#### Note 4 - Other Income and Other Operating Expenses (continued)

Included within other operating expenses are the following:

	2022	2021
	€'000	€'000
Patent administration costs	86	147
Office costs	662	146
Recruitment costs	625	33
Advertising and promotion	863	93
Travel and subsistence	1,188	64
Investment management costs	1,181	-
IT costs	539	61
Other costs	104	130
<b>Total other expenses</b>	<b>5,248</b>	<b>674</b>

The analysis of the auditor's remuneration is as follows:

	2022	2021
	€'000	€'000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	265	150
Fees payable for the audit of subsidiaries	73	-
Fees payable in respect of prior years, not previously provided for	60	-
<b>Total audit fees</b>	<b>398</b>	<b>150</b>

#### Note 5 - Staff Costs

	2022	2021
	€'000	€'000
Wages and salaries	5,536	693
Expenses related to defined contribution plans	127	70
Social security costs	1,131	67
Share-based payment expense (Note 13)	1,080	-
Other costs	507	-
<b>Total staff costs</b>	<b>8,381</b>	<b>830</b>

The monthly average number of employees (including executive directors) throughout the year were:

	2022	2021
Technical, research and development	48	4 <sup>a</sup>
Administration and support	31	7
<b>Total</b>	<b>79</b>	<b>11</b>

<sup>a</sup> 2021 comparative for Technical, research and development staff was stated as 46 in the 2021 consolidated financial statements. This has been amended to enable a correct comparison against the 2022 average number of employees.

## NewCleo Ltd

### Notes to the Consolidated Financial Statements (continued)

#### Note 5 – Staff Costs (continued)

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2022 €'000	2021 €'000
Short-term employee benefits	1,411	518
Consultancy fees	247	16
Post-employment benefits	348	50
Termination benefits	49	-
Other long-term employee benefits	21	-
Share-based payments	236	-
<b>Total compensation to key management personnel</b>	<b>2,312</b>	<b>584</b>

#### *Directors' emoluments and transactions:*

The directors' remuneration during the period was as follows:

	2022 €'000	2021 €'000
Aggregate emoluments	320	196
Social security costs	10	3
Share-based payments	351	-
<b>Total remuneration</b>	<b>681</b>	<b>199</b>

No retirement benefits were accrued to any director during the year (2021: nil), and no dividends were paid to any director in the year (2021: nil) in respect of ordinary shares held by the Company's directors.

The aggregate emoluments for the highest paid director during the year were €230,000 (2021: €173,000) and the pension contributions for that director were €nil (2021: nil).

#### Note 6 - Finance Income and Finance Expenses

	2022 €'000	2021 €'000
Interest income	365	-
Exchange rate gains	111	219
<b>Total finance income</b>	<b>476</b>	<b>219</b>
Lease interest expense	(167)	(15)
Exchange rate losses	(20)	(166)
Interest expense	(298)	-
Other finance expenses	(12)	-
<b>Total finance expenses</b>	<b>(497)</b>	<b>(181)</b>

Notes to the Consolidated Financial Statements (continued)

Note 7 - Taxation

	2022 €'000	2021 €'000
<b>Current income tax:</b>		
Current income tax charge	-	-
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	-	-
<b>Income tax expense reported in the consolidated statement of profit or loss and comprehensive income</b>	<b>-</b>	<b>-</b>

The charge for the year can be reconciled to the loss before tax as follows:

	2022 €'000	2021 €'000
<b>Loss before tax</b>	<b>(18,058)</b>	<b>(2,710)</b>
Tax at the UK corporation tax rate of 19 percent	3,431	515
Effect of tax rates of subsidiaries operating overseas	586	56
Tax effect of expenses that are not deductible in determining taxable profit	(305)	(67)
Timing differences	40	-
Effect of changes in future tax rate (see below)	-	69
Change in unrecognised deferred tax assets	(3,752)	(573)
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

**Tax expense**

From 1 April 2023, the main rate of UK corporation tax increased from 19% to 25% and a new 19% small profits rate of corporation tax was introduced for companies whose profits do not exceed GBP 50,000. As the company is not anticipating making annual taxable profits in excess of GBP 50,000 in the foreseeable future, there is consequently no impact arising due to the change in tax rates.

The Group has not recognised deferred tax balances (2021: nil). The Group has tax losses on which a potential deferred tax asset of €3,752,000 (2021: €573,000) has not been recognised as the Group does not have sufficient future taxable profits and history against which these losses could be offset in future periods.

## NewCleo Ltd

### Notes to the Consolidated Financial Statements (continued)

#### Note 8 - Leasing

##### *Right-of-use assets*

	Office €'000	Total €'000
<b>Cost:</b>		
At 18 March 2021	-	-
Additions	2,002	2,002
<b>At 31 December 2021</b>	<b>2,002</b>	<b>2,002</b>
Additions	8,197	8,197
Translation differences	183	183
<b>At 31 December 2022</b>	<b>10,382</b>	<b>10,382</b>
<b>Accumulated depreciation:</b>		
At 18 March 2021	-	-
Depreciation charge	(111)	(111)
<b>At 31 December 2021</b>	<b>(111)</b>	<b>(111)</b>
Depreciation charge	(506)	(506)
<b>At 31 December 2022</b>	<b>(617)</b>	<b>(617)</b>
<b>Carrying amount:</b>		
At 31 December 2021	1,891	1,891
<b>At 31 December 2022</b>	<b>9,765</b>	<b>9,765</b>

The Group entered into leases during the year in the United Kingdom and France, each for general office facilities. The lease term for leases has been determined to be 15 years and 9 years respectively. In 2021, the Group entered one lease for a building in Italy, for which the lease term has been determined to be 6 years.

##### *Short term leases, included in other operating expenses*

	2022 €'000	2021 €'000
Office leases	71	38

**NewCleo Ltd**

**Notes to the Consolidated Financial Statements (continued)**

**Note 8 - Leasing (continued)**

**Lease liabilities**

	<b>Office €'000</b>	<b>Total €'000</b>
<b>Cost:</b>		
<b>At 18 March 2021</b>	-	-
Additions	(2,002)	(2,002)
Interest expense related to lease liabilities	(15)	(15)
Repayment of lease liabilities (including interest)	103	103
<b>At 31 December 2021</b>	<b>(1,914)</b>	<b>(1,914)</b>
Additions	(7,173)	(7,173)
Interest expense related to lease liabilities	(167)	(167)
Repayment of lease liabilities (including interest)	338	338
<b>At 31 December 2022</b>	<b>(8,916)</b>	<b>(8,916)</b>
<b>Carrying amount:</b>		
At 31 December 2021	(1,914)	(1,914)
At 31 December 2022	<b>(8,916)</b>	<b>(8,916)</b>

The lease liabilities amount to €8,916,000 (2021: €1,914,000), of which €786,000 (2021: €279,000) is classified as current.

The table below represents undiscounted cash flow maturity analysis:

	<b>2022 €'000</b>
<b>Maturity analysis:</b>	
2023	1,107
2024	1,311
2025	1,311
2026	1,311
2027	1,172
Onwards	7,623
<b>Total</b>	<b>13,835</b>

## NewCleo Ltd

### Notes to the Consolidated Financial Statements (continued)

#### Note 9 - Property, Plant and Equipment

	Computer Equipment €'000	Other Equipment €'000	Leasehold Improvements €'000	Furniture and Fixtures €'000	Construction Work in Progress €'000	Total €'000
<b>Cost:</b>						
At 18 March 2021	-	-	-	-	-	-
Additions	102	35	-	-	-	137
At 31 December 2021	102	35	-	-	-	137
Additions	938	89	453	385	1,302	3,167
At 31 December 2022	1,040	124	453	385	1,302	3,304
<b>Accumulated depreciation:</b>						
At 18 March 2021	-	-	-	-	-	-
Depreciation charge	(10)	(3)	-	-	-	(13)
At 31 December 2021	(10)	(3)	-	-	-	(13)
Depreciation charge	(195)	(11)	(7)	(22)	-	(235)
At 31 December 2022	(205)	(14)	(7)	(22)	-	(248)
<b>Carrying amount:</b>						
At 31 December 2021	92	32	-	-	-	124
At 31 December 2022	835	110	446	363	1,302	3,056

Construction Work in Progress assets are improvements for the facility to be leased from ENEA, as detailed in note 3.

#### Note 10 - Intangible Assets

	Software licences €'000	Patent and trademarks €'000	Total €'000
<b>Cost:</b>			
At 18 March 2021	-	-	-
Additions	357	5,414	5,771
At 31 December 2021	357	5,414	5,771
Additions	1,292	12	1,304
At 31 December 2022	1,649	5,426	7,075
<b>Accumulated amortisation:</b>			
At 18 March 2021	-	-	-
Amortisation charge	(72)	(134)	(206)
At 31 December 2021	(72)	(134)	(206)
Amortisation charge	(230)	(354)	(584)
At 31 December 2022	(302)	(488)	(790)
<b>Carrying amount:</b>			
At 31 December 2021	285	5,280	5,565
At 31 December 2022	1,347	4,938	6,285

## NewCleo Ltd

### Notes to the Consolidated Financial Statements (continued)

#### Note 10 - Intangible Assets (continued)

Patents and trademarks are amortised over their estimated useful lives, which is on average 12 years. Software licences are amortised over 5 years.

In December 2021, the Group purchased from the Chief Scientific Officer of the Group a group of patents for €800,000 in cash to be paid at certain milestones outlined within the purchase agreement. The Group determined that it has control of the patents as it has obtained the legal rights to the patents and the power to obtain the future economic benefits. The patents have been recorded in the Consolidated Statement of Financial Position as Intangible Assets at the cost per the agreement. As of 31 December 2022, one milestone was achieved, and the Group made a payment equal to one-third of the total consideration to the Chief Scientific Officer. The second milestone payment was made in April 2023 and the remaining milestone is expected to be met during 2023, with the result that there is no revaluation of the liability.

#### Note 11 - Other Receivables and Prepayments

	2022 €'000	2021 €'000
<b>Current:</b>		
VAT	1,922	213
Tax credit	952	-
Accrued grant income	160	98
Prepaid software licences	205	85
Advances to suppliers	1,371	-
Other prepaids	977	-
Other receivables	367	11
<b>Total other receivables and prepayments</b>	<b>5,954</b>	<b>407</b>

#### Note 12 - Share Capital

The share capital of NewCleo Ltd consists of 412,659,000 (2021: 212,659,000) shares at a nominal value of Euro 0.01.

	Number of Shares	Nominal Value €'000
<b>Authorised</b>		
At 18 March 2021	1,500,000	15
At 31 December 2021	212,659,000	2,127
At 31 December 2022	412,659,000	4,127
<b>Issued, and fully paid:</b>		
<b>At 18 March 2021</b>	<b>1,500,000</b>	<b>15</b>
Issued during the period	211,159,000	2,112
<b>At 31 December 2021</b>	<b>212,659,000</b>	<b>2,127</b>
Issued during the year	200,000,000	2,000
<b>At 31 December 2022</b>	<b>412,659,000</b>	<b>4,127</b>

On 21 March 2022, the Group effected a hundred-for-one subdivision of shares to shareholders, which increased the total number of authorised and issued ordinary shares of 2,126,590 to 212,659,000 and decreased the nominal value of ordinary shares from €1.00 to €0.01. The Group has retrospectively reflected the stock subdivision in all periods presented in these financial statements.

## NewCleo Ltd

### Notes to the Consolidated Financial Statements (continued)

#### Note 12 - Share Capital (continued)

In June 2022, the Group completed a private fund raise, issuing 200,000,000 of ordinary shares for a total value of €300,000,000.

The Company has one class of ordinary shares which carry no right to fixed income.

#### Note 13 - Share-based Payments

The Group operates a share option scheme for employees of the Group and non-employees. In accordance with the terms of the plan, as approved by the Board of Directors in June 2022, employees may be granted options to purchase ordinary shares in the Company.

Each share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Options are exercisable at a price set and approved by the Board of Directors. The vesting period is determined based on the phasing of vesting periods and the Company's assessment of the likelihood of an exit occurring during the vesting period. Vesting of the options is accelerated in the event of a qualifying exit event which ascribes a total value to the Group which has been determined by the Board of Directors and subject to approval by the Board of Directors. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	2022	Weighted
	Number of share	average exercise
	options	price (in €)
Outstanding at the beginning of year	-	-
Granted during the year	3,417,261	0.01
Forfeited during the year	-	-
Exercised during the year	-	-
<b>Outstanding at the end of the year</b>	<b>3,417,261</b>	<b>0.01</b>
<b>Vested and exercisable at the end of the year</b>	<b>33,333</b>	<b>0.01</b>

The options outstanding at 31 December 2022 had a weighted average exercise price of €0.01, and a weighted average remaining contractual life of 9.67 years. In 2022, options were granted on 1 September. The aggregate of the estimated fair values of the options granted on those dates is €4,308,000. No options were granted in 2021. The inputs into the Black-Scholes-Merton model are as follows:

Weighted average share price	2022 €1.50
Weighted average exercise price	€0.01
Expected volatility	45% - 47.5%
Expected life	1 – 4 Years
Risk-free rate	2.83% - 3.06%
Expected dividend yields	0.0%

Expected volatility was determined by using the historical volatility of a peer group of publicly traded entities over a period which reflects the expected vesting period for the option. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of the graded vesting scheme, non-transferability, exercise restrictions, and behavioural considerations, as well as management's best estimate of the time to a qualifying exit event.

## NewCleo Ltd

### Notes to the Consolidated Financial Statements (continued)

#### Note 13 - Share-based Payments (continued)

During the year, the Group granted options to non-employees for which the Group determined it was not able to measure the fair value of the services received as the options did not relate to any specifically identifiable goods or services. As such, the Group measured the fair value of the services indirectly, by reference to the fair value of the options granted. The options were measured using a Black-Scholes-Merton model, using the inputs listed above. The weighted average fair value of options granted during year for which the fair value was measured indirectly was €279,000.

The Group recognised total expenses for employees of €1,080,000 (2021: nil) related to equity-settled share-based payment transactions in 2022, and €315,000 for non-employees (2021: nil)

During the year, a fee payable to a consultancy, LIFTT, for €150,000 was settled through the issue of 100,000 shares.

#### Note 14 - Financial Assets and Financial Liabilities

Financial assets and financial liabilities comprise the following:

	Notes	2022 €'000	2021 €'000
<b>Financial assets:</b>			
<i>Financial assets measured at amortised cost</i>			
Short term investments		117,000	-
Other receivables	11	527	109
Cash and cash equivalents		106,892	93,383
<i>Financial assets measured at fair value through profit or loss</i>			
Short-term investments		128,185	-
<b>Total Financial assets</b>		<b>352,604</b>	<b>93,492</b>
<b>Financial liabilities:</b>			
<i>Financial liabilities measured at amortised cost</i>			
Lease liabilities	8	8,916	1,914
Trade and other payables	15	6,855	1,808
<b>Total Financial liabilities</b>		<b>15,771</b>	<b>3,722</b>

Financial assets measured at amortised cost comprise fixed term deposits with major banks and fixed term government debt instruments where the deposit term is greater than three months and less than one year at the commencement of the investment. Financial assets measured at fair value through profit or loss comprise of money market fund investments with underlying investments in high-quality, short-term money market instruments.

## NewCleo Ltd

### Notes to the Consolidated Financial Statements (continued)

#### Note 15 - Trade and other Payables

	2022 €'000	2021 €'000
<b>Current:</b>		
Trade payables	2,834	298
Social security and other taxes	485	37
Other accrued expenses	3,276	947
Other payables	745	31
<b>Total current</b>	<b>7,340</b>	<b>1,313</b>
<b>Non-current:</b>		
Accrued patent acquisition costs	-	533
<b>Total trade and other payables</b>	<b>7,340</b>	<b>1,846</b>

#### Note 16 - Financial Risk Management

##### **Capital Management**

We manage our capital to ensure that all Group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of our debt and equity balance. Our overall strategy in this regard has remained unchanged since incorporation.

Our capital structure consists of short-term investments, cash and cash equivalents, and equity comprising issued capital, reserves and accumulated deficit. We do not hold any debt.

We are not subject to any externally imposed capital requirements. We review our capital structure on an ongoing basis. As we do not have external debt, such review currently comprises a review of the adequacy of our capital compared to the resources required for carrying out our activities.

##### **Financial Risk Management Objectives**

We regularly monitor the access to domestic and international financial markets, manage the financial risks relating to our operations, and analyse exposures to risk, including market risk, such as currency risk and interest rate risk, credit risk and liquidity risk.

We seek to minimise the effects of these risks by managing transactions and holding positions in the various currencies used in our operations. We do not enter into or trade financial instruments for speculative purposes.

##### **Foreign exchange risk**

The Group makes purchases in foreign currencies. In order to mitigate significant exposure to foreign currencies, the Group holds cash balances in the appropriate currencies to meet obligations as they fall due and also to service a proportion of future obligations. The Group held approximately 94.1% (2021: 98.6%) of its cash and cash equivalents in Euros at 31 December 2022.

The bank accounts in currencies other than the functional currency will expose the Group to a foreign currency risk. Changes in the Euro exchange rate would have the following effect on the profit and loss of the Group;

	2022 €'000	2021 €'000
+5% Increase in British Pounds (GBP)	212	4
+5% increase in US Dollars (USD)	44	71
-5% Decrease in British Pounds (GBP)	(212)	(4)
-5% Decrease in US Dollars (USD)	(44)	(71)

## NewCleo Ltd

### Notes to the Consolidated Financial Statements (continued)

#### Note 16 – Financial Risk Management (continued)

##### *Interest Rate Risk Management*

The only variable interest-bearing financial instruments are short-term investments and investments with original maturities less than three months classified as cash and cash equivalents.

Changes in interest rates may cause variations in interest income and expenses (when rates are negative) resulting from short term interest-bearing assets. Management does not expect the short-term interest rates to decrease significantly in the immediate foreseeable future, which limits the interest exposure on our short-term investments.

##### *Effect of interest rate fluctuation*

Money Market Fund investments that are classified as at FVTPL and have a carrying value of €128,185,000 on 31 December 2022 are exposed to changes in interest rates. A 1% increase in the Euro interest rate will have a 1% increase in the value of the funds, which would have increased our results and equity by approximately €142,000 (2021: nil).

##### *Credit Risk Management*

Credit risk refers to the risk that a counterparty will default on its contractual obligations under a financial instrument, resulting in financial loss. We consider all of our material counterparties to be creditworthy. Our exposure to credit risk is continuously monitored, in particular, if agreed payments are delayed.

The Group's cash and cash equivalents as at 31 December 2022 are held with major regulated financial institutions. The Group held approximately 85.6% of its cash and cash equivalents at five of the largest global financial institutions (2021: 95.6% at two of the largest global financial institutions). The credit risk on short-term investments is limited because the counterparties are high-rated funds (AAA rated), banks with high credit ratings assigned by international credit-rating agencies or banks that have been financed by their government.

##### *Liquidity Risk Management*

Ultimate responsibility for liquidity risk management rests with our board of directors. We manage liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Further information regarding liquidity risk is contained in the going concern disclosure included in the Director's Report.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at 31 December to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. For the lease liability it is for the lease term determined by management and excludes any early lease terminations options where management consider they will not be exercised:

	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	Over 5 years €'000	Total €'000
<b>31 December 2022</b>					
Trade and other payables	7,340	-	-	-	7,340
Lease liability	1,107	1,311	3,794	7,623	13,835
<b>Total</b>	<b>8,447</b>	<b>1,311</b>	<b>3,794</b>	<b>7,623</b>	<b>21,175</b>
<b>31 December 2021</b>					
Trade and other payables	1,313	533	-	-	1,846
Lease liability	328	369	1,124	250	2,071
<b>Total</b>	<b>1,641</b>	<b>902</b>	<b>1,124</b>	<b>250</b>	<b>3,917</b>

## NewCleo Ltd

### Notes to the Consolidated Financial Statements (continued)

#### Note 16 – Financial Risk Management (continued)

##### *Fair value measurement*

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table analyses within the fair value hierarchy the Group's financial instruments (by class) measured at fair value as of 31 December 2022:

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
<i>Financial assets at fair value through profit or loss</i>				
Short-term investments	128,185	-	-	128,185

There were no transfers among Levels 1, 2 and 3 in the current and prior year.

Financial assets held at fair value through profit or loss consisted of short-term investments. Short-term investments include money market funds in EUR, which all classify for level 1 fair value measurement. The ending value of the short-term investments of €128,185,000 comprised of the original investments of €175,805,000, disposals of €20,363,000, the redemption of one investment, €31,031,000, subsequently recorded as a cash equivalent at the year end, and the fair value gains resulting from investment income of €3,774,000. Our money market funds portfolio consists of AAA short-term money market funds with a diversified and highly rated underlying portfolio managed by established fund management companies with a proven track record leading to an insignificant risk of changes in value. The funds have an important daily liquidity and can be easily converted to cash if required.

As at 31 December 2021, the Group did not hold financial assets at fair value through profit or loss.

The carrying value of cash and cash equivalents and trade and other payables are assumed to approximate their fair values, due to their respective short-term nature.

#### Note 17 - Related Party Transactions

Our major shareholders, the board of directors, the executive management, and other key employees are considered to be related parties as they can exercise a significant influence on our operations. Related parties also include undertakings in which such persons have significant interests. Additionally, all our Group enterprises are considered related parties.

## NewCleo Ltd

### Notes to the Consolidated Financial Statements (continued)

#### Note 17 – Related Party Transactions (continued)

Apart from remuneration to the Group's board of directors and key management personnel as specified in Note 5, the following transactions took place between the Group and its related parties during the financial period:

	For the year ended 31 December 2022 €'000	For the period from 18 March 2021 to 31 December 2021 €'000
<b>Depreciation and amortisation:</b>		
Isola Srl	334	103
<b>Other expenses:</b>		
Elysia Capital Ltd	328	-
Elysia Capital Srl	-	36
LIFTT	20	130
Reimbursement of travel expenses incurred by the CEO	153	-
<b>Total other expenses</b>	<b>501</b>	<b>166</b>
<b>Total transactions with related parties</b>	<b>835</b>	<b>269</b>

The following table provides the total amount of balances with related parties for the relevant period:

	As of 31 December 2022 €'000	As of 31 December 2021 €'000
<b>Amounts due from related parties:</b>		
Amounts due from shareholders	20,000	-
<b>Amounts owed to related parties for lease liabilities:</b>		
Isola Srl	1,635	1,914
<b>Other liabilities:</b>		
Elysia Capital Srl	-	9
<b>Total</b>	<b>21,635</b>	<b>1,923</b>

NewCleo Srl, the Italian subsidiary of NewCleo Ltd, has signed a lease in 2021 with Isola Srl for the provision of an Italian head office in Turin. Isola Srl is controlled by Stefano Buono as beneficial owner (through BuonoLopera Srl), together with his wife, and with Carlo Zuccaro as Company Director ("Presidente Consoglio"). Newcleo Srl incurred costs of €334,000 (2021: €103,000) in relation to the lease in 2022.

Elysia Capital Ltd, a company beneficially owned by a director, Carlo Zuccaro, provided investment management services to NewCleo Ltd for monitoring and provision of advice related to its risk strategy on its investments totalling €30,000,000 in an investment vehicle in US short term options. NewCleo Ltd recorded a gross gain on the investment of €3,588,000 in 2022, and incurred management fees of €328,000 payable to Elysia Capital Ltd. NewCleo Srl incurred costs from Elysia Capital Srl of €36,000 during the 2021 financial period for services relating to IT and administration support.

## **NewCleo Ltd**

### **Notes to the Consolidated Financial Statements (continued)**

#### **Note 17 – Related Party Transactions (continued)**

NewCleo has commissioned a report with a consultancy, LIFTT, to provide a report on the European energy sector, opportunities for nuclear energy, and the competitive landscape for NewCleo Ltd. The cost of the report was €150,000 payable in the form of 100,000 ordinary shares of capital in the Company. For the year ended 31 December 2022, the Group recorded an expense of €20,000 (2021: €130,000) in Legal and professional fees for services incurred during the financial period with the corresponding increase in Share-based Payments Reserve. The Chairman of LIFTT is Stefano Buono.

During 2022, NewCleo made reimbursements totalling €153,000 to Stefano Buono towards a private aircraft rental facility, at a rate commercially agreed with NewCleo Ltd of between €500 and €1,000 per employee per hour whilst travelling on company business. This arrangement ceased in December 2022.

Elysia Capital 1 SCSp, a company beneficially owned by the CEO, Stefano Buono, acquired a total of 20,265,900 ordinary shares of €0.01 each in NewCleo Ltd for cash at €1.50 per share. This consisted of a receipt of €10,398,850 and an undertaking to pay NewCleo Ltd €20,000,000 before or within 31 December 2023.

Except for the information disclosed above, we have not undertaken any significant transactions with members of the board of directors, the executive management or the major shareholders, or undertakings in which the identified related parties have significant interests.

#### **Note 18 - Events After the Reporting Period**

On 20 March 2023, NewCleo launched a further equity raise of up to €1 billion to fund the further development of its lead-cooled fast nuclear reactors and its plants to manufacture fuel from nuclear waste. The equity raise programme is ongoing at the time of the signing of these financial statements.

On 13 April 2023, NewCleo entered a Sponsorship and Sale of Interest agreement, with an investment of €1,200,000, to support the theatrical release in the US and worldwide of the distribution of the documentary *Nuclear Now*. The documentary is a feature length documentary motion picture about nuclear energy.

NewCleo SA has commenced a process to establish two 100%-owned subsidiary entities in France, with the incorporation activities expected to be completed by Summer 2023.

In June 2023, NewCleo entered into an agreement to acquire an Italian nuclear waste management and disposal company for a total acquisition price of approximately €15,000,000. All requisite approvals have been obtained except for the receipt of clearance from the Italian Council of Ministers. The Group continues to work toward closing this acquisition during 2023, which is subject to the terms of the merger agreement and subject to receiving regulatory approval.

Two 10-year agreements between Newcleo SRL and ENEA for the development of the non-nuclear precursor facility ("collaborative agreement") and the contract granting the use of space and services ("services agreement"), as referred to in the Directors' Report and in Note 3, were signed in June 2023. Under the collaborative agreement, Newcleo Srl will pay ENEA 5 milestone payments, totalling €1,000,000. The service agreement also includes the cost sharing for the electrical infrastructure, with an estimated cost of €14,973,200, of which €9,900,500 will be borne by Newcleo Srl and €5,072,700 by ENEA, and the civil infrastructure cost, estimated at €2,420,000, to be borne by Newcleo Srl. The services agreement covers the lease of certain premises for €125,000 per year, and contribution towards costs, including electricity supply, estimated at €103,000 per year. The service agreement confirms that the financing of the construction of the precursor will be undertaken by newcleo SRL, which is estimated at €31,800,000, and Newcleo Srl will have exclusive use of the precursor over the period of the agreement. Any intellectual property generated from the agreements will be jointly owned, and Newcleo Srl will be granted or assigned worldwide licences to the intellectual property on terms to be agreed in a subsequent agreement.

# NewCleo Ltd

## Company Statement of Financial Position

As at 31 December 2022


	Notes	As at 31 December 2022 €'000	As at 31 December 2021 €'000
<b>Assets</b>			
<b>Non-current assets</b>			
Right of use asset	5	6,693	-
Property, plant and equipment	6	96	5
Intangible Assets		1,430	1,102
Investments in subsidiaries	7	31,823	8,532
Other assets	8	20,312	15
<b>Total non-current assets</b>		<b>60,354</b>	<b>9,654</b>
<b>Current assets</b>			
Short-term investments	9	245,185	-
Other receivables	10	3,456	12
Cash and cash equivalents		90,562	89,354
<b>Total current assets</b>		<b>339,203</b>	<b>89,366</b>
<b>Total assets</b>		<b>399,557</b>	<b>99,020</b>
<b>Equity and liabilities</b>			
Share capital	11	4,127	2,127
Share premium	11	396,078	98,078
Share-based payments reserve		1,395	130
Accumulated Deficit		(21,993)	(2,596)
<b>Total equity</b>		<b>379,607</b>	<b>97,739</b>
<b>Non-current liabilities</b>			
Long term lease liability	5	5,649	-
Provisions		273	-
Patent acquisition costs	12	-	533
<b>Total non-current liabilities</b>		<b>5,922</b>	<b>533</b>
<b>Current liabilities</b>			
Current portion of lease liability	5	166	-
Trade and other payables	12	4,276	748
Intercompany loans	13	9,586	-
<b>Total current liabilities</b>		<b>14,028</b>	<b>748</b>
<b>Total liabilities</b>		<b>19,950</b>	<b>1,281</b>
<b>Total equity and liabilities</b>		<b>399,557</b>	<b>99,020</b>

The accompanying accounting policies and notes on pages 40 to 46 are an integral part of these financial statements.

The Company reported a loss for the financial year ended 31 December 2022 of €19,397,000 (2021: loss of €2,596,000).

The financial statements of NewCleo Ltd (registered number 13274878) on pages 38 to 46 were approved and authorised for issue by the board of directors on 12 July 2023, and were signed on its behalf by:

Stefano Buono, Director

 (signed) 12, 2023 18:54 GMT+10)

## NewCleo Ltd

### Company Statement of Changes in Equity For the year ended 31 December 2022

	Share Capital €'000	Share Premium €'000	Share- based Payments Reserve €'000	Accumulated Deficit €'000	Total €'000
<b>Equity on incorporation at 18 March 2021</b>	<b>15</b>	-	-	-	<b>15</b>
Loss for the period, being total comprehensive loss	-	-	-	(2,596)	(2,596)
Issue of share capital	2,112	98,078	-	-	100,190
Equity-settled share-based payments	-	-	130	-	130
<b>Equity at 31 December 2021</b>	<b>2,127</b>	<b>98,078</b>	<b>130</b>	<b>(2,596)</b>	<b>97,739</b>
Loss for the year, being total comprehensive loss	-	-	-	(19,397)	(19,397)
Equity-settled share-based payments	-	-	1,415	-	1,415
Issue of share capital for share-based payments	1	149	(150)	-	-
Issue of share capital	1,999	297,851	-	-	299,850
<b>Equity at 31 December 2022</b>	<b>4,127</b>	<b>396,078</b>	<b>1,395</b>	<b>(21,993)</b>	<b>379,607</b>

The accompanying accounting policies and notes on pages 40 to 46 are an integral part of these financial statements.

## **NewCleo Ltd**

### **Notes to the Company Financial Statements**

#### **Note 1 - Significant accounting policies**

The separate financial statements of NewCleo Ltd (the "Company") are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 *Application of Financial Reporting Requirements* issued by the FRC. Accordingly, these financial statements are prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework*.

The Company is a private company incorporated in the United Kingdom on 18 March 2021 under the Companies Act 2006 and headquartered in London. The Company is the ultimate holding company of the newcleo Group that is working towards generating safe, clean, economic, and practically inexhaustible energy for the world, through a radically innovative combination of existing, accessible technologies. The address of the Company's registered office is 2 Portman Street, London, England W1H 6DU.

The Company's principal activity is to act as an investment holding company that provides management services to its subsidiaries.

As a qualifying entity, the Company has taken advantage of the following disclosure exemptions permitted by FRS 101, with the equivalent disclosures, including the Company, presented in the Group financial statements:

- The requirements of paragraphs 10(d), 16, 79(a)(iv), 111 and 134 to 136 of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures
- The requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment
- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in Note 2 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less any provisions for impairment. At each reporting date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss. These reviews comprise a comparison between the carrying value of investments in subsidiaries and the net asset value of the subsidiary.

Amounts due from and due to group companies are unsecured, non-interest bearing and are repayable on demand and are included in other receivables (note 10) and trade and other payables respectively (note 8). Balances are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the receivables due from each subsidiary.

The Company's income during this financial year is generated by amounts due from other UK group undertakings €1,159,000 (2021: nil). The major transactions are the recharge of general and administrative expenses.

## NewCleo Ltd

### Notes to the Company Financial Statements (continued)

#### Note 2 - Critical Accounting Judgements or Key Sources of Estimation Uncertainty

In the application of our accounting policies, we are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments made in the process of applying our accounting policies and that have the most significant effect on the amounts recognised in our consolidated financial statements:

#### *Impairment of investments*

At each reporting date, the Company assesses its investments in subsidiaries for indications of impairment by comparing its carrying value of the investment with the net asset value of the subsidiary. Future events could cause the assumptions used in these impairment tests to change with a consequent adverse effect on the future results of the Company. Refer to Note 7, "Investments in subsidiaries" for further information.

#### Note 3 - Loss Before Tax

As permitted by s.408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive incomes is presented in respect of the Company. The loss attributable to the Company is disclosed in the footnote to the Company's statement of financial position.

The auditor's remuneration for audit and other services is disclosed in Note 4 to the consolidated financial statements.

The Company has not recognised deferred tax balances. The Company has tax losses in the year on which a deferred tax asset of €911,000 (2021: €287,000) has not been recognised as the Company does not have sufficient taxable profits and history against which these losses could be offset in future periods.

#### Note 4 - Staff Costs

	2022	2021
	€'000	€'000
Wages and salaries	1,809	310
Expenses related to defined contribution plans	67	7
Social security costs	240	18
Share-based payments	548	-
Other staff costs	4	-
<b>Total salary expenses</b>	<b>2,668</b>	<b>335</b>
	2022	2021
<b>Monthly average number of employees (including executive directors), being administration and support</b>	<b>16</b>	<b>3</b>

**NewCleo Ltd**

**Notes to the Company Financial Statements (continued)**

**Note 5 - Leasing**

**Right-of-use assets**

	<b>Building</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>
<b>Cost:</b>		
At 1 January 2022	-	-
Additions	6,807	6,807
<b>At 31 December 2022</b>	<b>6,807</b>	<b>6,807</b>
<b>Accumulated depreciation:</b>		
At 1 January 2022	-	-
Depreciation charge	(114)	(114)
<b>At 31 December 2022</b>	<b>(114)</b>	<b>(114)</b>
<b>Carrying amount:</b>		
At 31 December 2022	6,693	6,693

**Lease liabilities**

	<b>Office</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>
<b>Cost:</b>		
At 1 January 2022	-	-
Additions	(5,701)	(5,701)
Interest expense related to lease liabilities	(126)	(126)
Repayment of lease liabilities (including interest)	12	12
<b>At 31 December 2022</b>	<b>(5,815)</b>	<b>(5,815)</b>
<b>Carrying amount:</b>		
At 31 December 2022	(5,815)	(5,815)

The lease liabilities amount to €5,815,000, of which €166,000 is classified as current.

The table below represents undiscounted cash flow maturity analysis:

	<b>2022</b>
	<b>€'000</b>
<b>Maturity analysis:</b>	
2023	651
2024	689
2025	689
2026	689
2027	675
Onwards	6,716
<b>Total</b>	<b>10,107</b>

## NewCleo Ltd

### Notes to the Company Financial Statements (continued)

#### Note 6 - Property, Plant and Equipment

	Computer Equipment €'000	Other Equipment €'000	Leasehold Improvements €'000	Total €'000
<b>Cost:</b>				
At 18 March 2021	-	-	-	-
Additions	5	-	-	5
<b>At 31 December 2021</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>5</b>
Additions	71	7	21	99
<b>At 31 December 2022</b>	<b>76</b>	<b>7</b>	<b>21</b>	<b>104</b>
<b>Accumulated depreciation:</b>				
At 18 March 2021	-	-	-	-
Depreciation charge	-	-	-	-
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation charge	(8)	-	-	(8)
<b>At 31 December 2022</b>	<b>(8)</b>	<b>-</b>	<b>-</b>	<b>(8)</b>
<b>Carrying amount:</b>				
At 31 December 2021	5	-	-	5
<b>At 31 December 2022</b>	<b>68</b>	<b>7</b>	<b>21</b>	<b>96</b>

#### Note 7 – Investments in Subsidiaries

	Shares in group undertaking €'000	Loans to group undertaking €'000	Total €'000
<b>Cost:</b>			
At 18 March 2021	-	-	-
Additions	9,743	-	9,743
Impairment	(1,211)	-	(1,211)
<b>At 31 December 2021</b>	<b>8,532</b>	<b>-</b>	<b>8,532</b>
Additions	37,409	58	37,467
Impairment	(14,118)	-	(14,118)
<b>At 31 December 2022</b>	<b>31,823</b>	<b>58</b>	<b>31,881</b>
<b>Net book value:</b>			
At 31 December 2021	8,532	-	8,532
<b>At 31 December 2022</b>	<b>31,823</b>	<b>58</b>	<b>31,881</b>

## NewCleo Ltd

### Notes to the Company Financial Statements (continued)

#### Note 7 – Investments in Subsidiaries (continued)

##### Subsidiaries

Details of the Company's subsidiaries at 31 December 2022 are as follows:

Name	Place of business and registered office address	Principal activity	Holding	Proportion of ownership interest (%)		Proportion of voting power held (%)	
				31 December 2021	31 December 2022	31 December 2021	31 December 2022
Newcleo Srl	Via Galliano 27, 10129 Turin, Italy	Developing intellectual property to be licensed to group companies.	Ordinary shares	100	100	100	100
Hydromine Nuclear Energy S.à r.l.	7, rue Robert Stumper L-2557 Luxembourg	Owner of Patents related to reactor design	Ordinary shares	100	100	100	100
Newcleo SA	9 Rue des Cuirassiers 69003 Lyon France	Construction and operation of SMRs	Ordinary shares	-	100	-	100
Newcleo SA	Switzerland	Non-trading	Ordinary shares	-	100	-	100
Newcleo Generation (UK) Ltd <sup>a</sup>	2 Portman Street London W1H 6DU	Construction and operation of SMRs	Ordinary shares	-	100	-	100
Newcleo Americas LLC	1211 35th St.NW, Washington, DC	Non-trading	Ordinary shares	-	100	-	100

##### Additions

Name	2022 €'000	2021 €'000
Newcleo Generation (UK) Ltd	5,650	-
Newcleo Srl	20,629	5,500
Newcleo SA	10,094	-
Newcleo SA (Switzerland)	1,036	-
Hydromine Nuclear Energy S.a r. l.	-	4,243
Newcleo Americas LLC	-	-
<b>Total Additions</b>	<b>37,409</b>	<b>9,743</b>

The principal activity of Newcleo Srl is to undertake research and development activities on behalf of the Group, with the ultimate aim to develop intellectual property to be licensed to Group companies in support of the Group's principal activity. During the year Newcleo Srl incurred operating losses in carrying out its research activities, and as detailed in the Group financial statements Newcleo Srl has not yet met the criteria for capitalisation for development cost capitalisation. At the current stage of development, Newcleo Srl is forecasting operating losses and net cash outflows, which was considered to be an indicator for impairment. This resulted in an impairment charge of €9,030,000 (2021: €1,211,000) being recorded to Company profit and loss in the year.

## NewCleo Ltd

### Notes to the Company Financial Statements (continued)

#### Note 7 – Investments in Subsidiaries (continued)

Newcleo SA and Newcleo Generation (UK) Ltd were established in 2022 with the objective of developing the SMR reactor fleet and Mox fuel supply lines in France and the U.K. Neither company had sufficiently developed operations by 31 December 2022, with the result that the carrying value of investments has been impaired by €3,452,000 and €1,160,000 respectively. Newcleo SA and Newcleo Americas LLC have not commenced trading as at 31 December 2022.

<sup>a</sup> Newcleo Generation (UK) Ltd has taken an audit exemption under section 479A of the Companies Act 2006 in respect of their own financial statements for the year ended 31 December 2022. As a condition of the audit exemption, the Company will guarantee all outstanding liabilities of this subsidiary as at 31 December 2022.

#### Note 8 - Other Assets

For information on other assets, see note 17 to the consolidated financial statements.

#### Note 9 – Short-term Investments

For information on short-term investments, see notes 14 and 16 to the consolidated financial statements.

#### Note 10 - Other Receivables

	2022 €'000	2021 €'000
<b>Current:</b>		
VAT receivable	342	-
Amounts owed by group undertakings	1,172	-
Prepaid software licenses	205	-
Advances to suppliers	1,371	-
Other prepayments	198	-
Other receivables	168	12
<b>Total</b>	<b>3,456</b>	<b>12</b>

#### Note 11 - Share Capital and Share Premium Account

The movements on these items are disclosed in Note 12 to the consolidated financial statements.

#### Note 12 - Trade and Other Payables

	2022 €'000	2021 €'000
<b>Current:</b>		
Trade payables	1,168	80
Social security and other taxes	135	30
Other accrued expenses	2,113	702
Amounts owed to group undertakings	882	-
Other payables	(22)	-
<b>Total current</b>	<b>4,276</b>	<b>812</b>
<b>Non-current:</b>		
Accrued patent acquisition costs	-	533
<b>Total</b>	<b>4,276</b>	<b>1,345</b>

## NewCleo Ltd

### Notes to the Company Financial Statements (continued)

#### Note 13 - Intercompany loans

	<b>2022</b>	<b>2021</b>
	<b>€'000</b>	<b>€'000</b>
<b>Unsecured borrowing at amortised cost:</b>		
Loans from group undertakings	9,586	-
<b>Total borrowings</b>	<b>9,586</b>	<b>-</b>
<b>Amounts due for settlement within 12 months:</b>		
Loans from group undertakings	9,586	-