Registered number: 09884205

CLEO AI LTD.

UNAUDITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

CLEO AI LTD.
REGISTERED NUMBER: 09864205

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note		2018 £		2017 £
Fixed assets					
Intangible assets	3		753,629		-
Tangible assets	4		62,116		19,650
			815,745		19,650
Current assets					
Debtors	5	1,636,940		34,431	
Cash at bank and in hand		4,446,429		1,144,488	
		6,083,369		1,178,919	
Creditors: amounts falling due within one year	6	(377,253)		(39,052)	
Net current assets			5,706,116		1,139,867
Total assets less current liabilities			6,521,861		1,159,517
Creditors: amounts falling due after more than one year	7		-		(1,741,999)
Net assets/(liabilities)			6,521,861		(582,482)
Capital and reserves					
Called up share capital	9		194		125
Share premium account			9,310,522		570,646
Accumulated losses			(2,788,855)		(1,153,253)
Total shareholders' funds/(deficit)			6,521,861		(582,482)

CLEO AI LTD.
REGISTERED NUMBER: 09864205

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2018

The directors consider that the Company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the Company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

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

B Hussey-Yeo
Director

Date: 25/09/2019

The notes on pages 4 to 10 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Share premium account	Profit and loss account	Total shareholders' funds/(deficit)
	£	£	£	£
At 1 January 2017	125	570,646	(83,667)	487,104
Comprehensive expense for the financial year				
Loss for the financial year	-	-	(1,069,586)	(1,069,586)
Total comprehensive expense for the financial year	-	-	(1,069,586)	(1,069,586)
At 31 December 2017 and 1 January 2018	125	570,646	(1,153,253)	(582,482)
Comprehensive expense for the financial year				
Loss for the financial year	-	-	(1,635,602)	(1,635,602)
Total comprehensive expense for the financial year	-	-	(1,635,602)	(1,635,602)
Contributions by and distributions to owners				
Shares issued during the year	69	8,739,876	-	8,739,945
Total transactions with owners	69	8,739,876	-	8,739,945
At 31 December 2018	194	9,310,522	(2,788,855)	6,521,861

The notes on pages 4 to 10 form part of these financial statements.

1. General information

Cleo AI Ltd. (the "Company") is a private company limited by shares incorporated in England and Wales. The registered office is 8 Blackstock Mews, Islington, London, N4 2BT.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are recorded to the nearest £.

The following principal accounting policies have been applied consistently throughout the year:

2.2 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

2.3 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2. **Accounting policies (continued)**

2.4 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.5 Finance costs

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

2.6 Intangible assets

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

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

2.7 Tangible assets

Tangible assets are initially measured at cost and subsequently measured at cost or valuation net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives.

Depreciation is provided on the following basis:

Fixtures and fittings	- 25% straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to Statement of Comprehensive Income.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

2.10 Creditors

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

2. Accounting policies (continued)

2.11 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's Balance Sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset with the net amounts presented in the financial statement when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets
Basic financial assets which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction. Where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction where the debt instrument is measured at the present value or the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

2.12 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

2. Accounting policies (continued)

2.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax
Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2.15 Foreign exchange

Transactions in currencies other than pound sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the Statement of Comprehensive Income for the period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3. Intangible assets

	Development expenditure £
Cost	
At 1 January 2018	-
Additions	753,629
At 31 December 2018	753,629
Net book value	
At 31 December 2018	753,629
At 31 December 2017	-

4. Tangible assets

	Fixtures and fittings £
Cost	
At 1 January 2018	28,255
Additions	54,262
At 31 December 2018	82,517
Accumulated depreciation	
At 1 January 2018	8,605
Charge for the year	11,567
Disposals	229
At 31 December 2018	20,401
Net book value	
At 31 December 2018	62,116
At 31 December 2017	19,650

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. Debtors

	2018 £	2017 £
Trade debtors	336	1,023
Amounts owed by group undertakings	1,288,256	-
Other debtors	332,636	33,408
Prepayments and accrued income	15,712	-
	1,636,940	34,431

6. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	136,502	37,854
Other taxation and social security	1,069	(4,322)
Other creditors	2,126	5,520
Accruals and deferred income	237,556	-
	377,253	39,052

7. Creditors: amounts falling due after more than one year

	2018 £	2017 £
Other creditors	-	1,741,999

Convertible loan notes were issued in the prior year. Conditions for conversion were met in the current year and the loans were converted into shares.

8. Director's transactions

Interest free loans have been granted by the Company to its directors as follows:

Description	% Rate	Opening Balance £	Amounts advanced £	Amounts repaid £	Closing balance £
B Hussey-Yeo	0	9,799	868	9,799	868

The amounts were repaid within nine months of period end.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

9. Called up share capital

	2018 £	2017 £
Allotted, called up and fully paid		
7,621,122 (2017: 10,400,000) Ordinary shares of £0.00001 (2017: £0.00001) each	76	104
2,134,901 (2017: 2,100,000) Series seed preferred shares of £0.00001 (2017: £0.00001) each	21	21
6,702,765 (2017: Nil) A preferred shares of £0.00001 each	67	-
2,958,001 (2017: Nil) Deferred shares of £0.00001 each	30	-
	194	125