

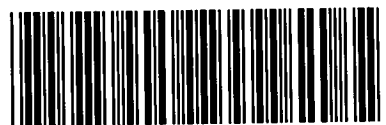
Zoe Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 August 2023

Registered Number: 10902884

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Zoe Limited

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Zoe Limited

COMPANY INFORMATION

for the year ended 31 August 2023

Directors	M A S Ekeland G Hadjigeorgiou A V I Newcombe-Ellis J T Wolf S A Downey
Company number	10902884
Registered office	164 Westminster Bridge Road London United Kingdom SE1 7RW
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Primary bankers	Barclays Bank UK PLC 1 Churchill Place London E14 5HP

Zoe Limited

STRATEGIC REPORT

for the year ended 31 August 2023

The Directors present the strategic report and the audited consolidated financial statements of Zoe Limited and its group undertakings (together referred to as “the Group”) for the year ended 31 August 2023.

Review of the business

The Group achieved significant financial and operational milestones during the year to 31 August 2023 including:

- continued delivery of our product to customers in the US and UK;
- growth of the team from 131 to 329 employees at respective year-ends;
- promotional partnerships with key ambassadors such as Steven Bartlett and Davina McCall;
- advanced our understanding of the gut microbiome, identifying 50 good and 50 bad bacteria, culminating in the launch of a gut health retesting proposition in October 2023; and
- further research and development investment into science and technology via scientific studies and product development.

The Group continued to strengthen its Executive Team, with a senior appointment for a CFO, VP Product, VP People, and VP Design during the year.

The Group achieved two major funding events during the financial year. In November 2022 the Group closed a B extension funding round with \$30,749,998 (£26,163,531) raised from existing and new investors with additional funds of \$3,517,190 (£2,729,890) raised in July 2023. In February 2023 the Group closed a crowdfunding round which was the fourth biggest in Europe of all time, with £7,169,816 raised net of fees.

The Directors are confident the Group has sufficient cash reserves to draw on as required for the continued operations of the Group, and as such, the financial statements have been prepared on a going concern basis.

Principal risks and uncertainties

The Directors place strong emphasis on a values based culture which influences the decisions and actions of the Group.

The principal risks of the Group are managed by the Executive Team and where appropriate, reported to the Board of Directors periodically. The key risks to the Group include:

- Going concern: Insufficient funds to meet operational requirements.
- Credit risk: Failure of customers to pay outstanding amounts owed.
- Treasury risk: Failure of banking institutions which hold the Group’s cash reserves.
- Foreign exchange risk: The functional currency of the Company (Zoe Limited) is pounds sterling and the functional currency of its US wholly-owned subsidiary is US dollars. The majority of the funding round investment secured to date by the Group has been in US dollars.
- Market risk: Macroeconomic environment negatively impacting consumer spending power.
- Operational risk: Supply chain risk with specific critical suppliers, operational capacity to support sales, fulfilment risk both in-house and with external partners.

The Group has mitigated these risks as follows:

- Going concern: The Directors are confident the Group has sufficient cash reserves to draw on as required and as such, the financial statements have been prepared on a going concern basis. Cash burn and runway are monitored periodically.
- Credit risk: Customers’ principal method of payment is online payment by credit card, in advance of delivery of the product. Non-payment for renewal results in cancellation of service. For the fraction of customers that choose to pay in instalments for the initial product, cancellation and refund rates are monitored by the Group. This monitoring may influence product and/or process improvements to mitigate the risk where possible.
- Treasury risk: The Group held a US dollar value roughly equivalent to the Federal Deposit Insurance Corporation (FDIC) level of \$250,000 in Silicon Valley Bank (SVB) at the time of the SVB bank collapse in 2023. There was no loss in funds to the Group as a result of this. The Group is in the process of changing its US banking partner and implementing a Treasury solution to both reduce counterparty risk and increase return on investment funds.

Zoe Limited

STRATEGIC REPORT

for the year ended 31 August 2023

Principal risks and uncertainties (*continued*)

- Foreign exchange risk: The Group hedges its foreign exchange exposures via natural hedges and translates US dollars into other functional currencies according to both operational need and timing of favourable exchange rates.
- Market risk: The Group monitors sales levels and conducts periodic pricing testing to understand market risk.
- Operational risk: The Group has ensured all critical supplies have at least dual-source purchase options, operational capacity is considered in sales planning, and fulfilment delivery performance is monitored both internally in the US and with our external provider in the UK.

Key Performance Indicators

Revenue growth

	Year ending 31 August 2023 £	Year ending 31 August 2022 £	Year ending 31 August 2021 £	% change year-on-year to 31 August 2023	% change year-on-year to 31 August 2022
Revenue recognised	28,773,737	5,880,096	1,758,253	389%	234%

Please refer to note 1 of the Accounts for information on the Group's revenue recognition policy.

Headcount

	Year ending 31 August 2023	Year ending 31 August 2022	% change year-on-year
Monthly average headcount	214	109	96%

Closing cash and cash equivalents

	Year ending 31 August 2023	Year ending 31 August 2022	% change year-on-year
Cash and cash equivalents	51,213,283	19,380,248	164%

Cash and cash equivalents have increased significantly during the year. The Group achieved two major funding events during the year and have increased operations which have significantly increased the Group's cash reserves, as detailed in the Review of the business section above.

Approved by the Directors and signed on behalf of the Board by:

J T Wolf
Director

Jonathan Wolf

Date: 15 Dec 2023

Zoe Limited

DIRECTORS' REPORT

for the year ended 31 August 2023

The Directors present their report together with the audited financial statements for Zoe Limited and its group undertakings (together referred to as 'the Group') for the year ended 31 August 2023.

Principal activities

ZOE is a personalised nutrition company that runs the world's largest nutrition-science study. Our mission is to improve the health of millions and unravel the complex relationship between food, lifestyle and health. The ZOE programme starts with an at-home test and gives our members tailored insights into how to eat for their bodies and long-term health.

Results and dividends

The results for the year are set out on page 10.

No dividends were paid to the shareholders of Zoe Limited during the year and the Directors do not recommend payment of a further dividend (2022: £nil).

Directors

The Directors who have held office during the year and up to the date of signature of the financial statements were as follows:

M A S Ekeland
G Hadjigeorgiou
A V I Newcombe-Ellis
J T Wolf
S A Downey

Qualifying third party indemnity provisions

The Group has made qualifying third party indemnity provisions for the benefit of its Directors during the year. These provisions remain in force at the reporting date and at the date of approval of these financial statements.

Future developments

The Group will continue to invest in; research and development; improving our current products and launching new complementary products; our team; and; sales growth.

Financial risk management objectives and policies

The group's main financial instruments comprise cash and trading items such as trade receivables and payables.

There are limited risks arising to the Group as a result of these instruments and the directors agree policies for the management of these risks, which are summarised below:

Liquidity risk

The Group seeks to minimise financial risk by ensuring that appropriate liquidity is available to meet foreseeable requirements. The Group closely monitors its access to bank facilities in comparison to its outstanding commitments on a regular basis to ensure that it has sufficient funds to meet the obligations of the Group as they fall due and the Board receives regular cash flow forecasts which estimate the cash inflows and outflows so that management can ensure that sufficient funding is in place as it is required.

Credit risk

Credit risk predominantly arises from trade and other receivables and cash and cash equivalents. There is no material credit risk exposure as payment by customers is largely up front and trade receivables are collected when due with no significant ageing.

Foreign currency risk

Since the Group operates internationally, it is exposed to foreign currency risk as part of its normal business as the Group carries out research activities in both Europe and the United States. The Group holds bank accounts denominated in USD and Euros to mitigate any foreign currency risk exposure.

Zoe Limited

DIRECTORS' REPORT

for the year ended 31 August 2023

Financial risk management objectives and policies (*continued*)

Cash flow risk

To date the Group has been loss making as it invests in its research and development activities. The cash position is regularly monitored and the Group raised further financing during the year through two funding rounds.

Research and development

The Group invests in research and development for the purpose of developing its business and intellectual property. The total costs incurred on research and development in the year, including an allocation of staff costs, were £9,311,602 (2022: £6,253,993).

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Statement of disclosure to auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Directors and signed on behalf of the Board by:

J T Wolf
Director
Date:



15 Dec 2023

Zoe Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS for the year ended 31 August 2023

The Directors are responsible for preparing the Annual report and financial statements and the financial statements in accordance with applicable law and regulation.

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 period. 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 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.

Report on the audit of the financial statements

Opinion

In our opinion:

- Zoe Limited'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 August 2023 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 the company statement of financial position as at 31 August 2023; the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the company statement of changes in equity and the consolidated statement of cash flows 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

Zoe Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ZOE LIMITED (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 Strategic report and 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.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 August 2023 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 Strategic report and 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 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.

Zoe Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ZOE LIMITED (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 general data protection regulation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, and relevant tax legislation. 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 posting inappropriate journals to manipulate financial results and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- identifying and testing journal entries, in particular journal entries posted with unusual account combinations;
- enquiring of management, including consideration of any known or suspected instances of non-compliance with laws and regulations and fraud;
- reading minutes of meetings of the board of directors;
- Challenging assumptions made by management in its significant accounting judgements and estimates, in particular in relation to the valuation of share based payments; and
- assessing the financial statement disclosures, and testing to supporting documentation, for compliance with applicable laws and regulations.

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. 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.



Louise Lazarus (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 December 2023

Zoe Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 August 2023

	Note	2023 £	2022 £
Revenue	3	28,773,737	5,880,096
Cost of sales		(20,604,548)	(5,093,569)
Gross profit		8,169,189	786,527
Other operating income	4	-	1,974,336
Administrative expenses		(26,097,039)	(12,330,887)
Share based payment expense	19	(3,278,170)	(952,286)
Operating loss	5	(21,206,020)	(10,522,310)
Finance income	8	244,863	9,273
Finance costs	9	(45,030)	(16,962)
Loss before income tax		(21,006,187)	(10,529,999)
Income tax	10	2,268,948	1,434,511
Loss for the year		(18,737,239)	(9,095,488)
Other comprehensive expense net of taxes subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		1,472,200	(185,047)
Total comprehensive expense for the year		(17,265,039)	(9,280,535)

Zoe Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 August 2023

Registered number: 10902884

	Note	2023 £	2022 £
Assets			
Non-current assets			
Property, plant and equipment	12	202,672	33,243
Right-of-use assets	12	140,848	245,225
Intangible assets	13	1,159,441	356,670
		<u>1,502,961</u>	<u>635,138</u>
Current assets			
Inventories	15	2,836,761	935,915
Trade and other receivables	16	9,333,882	2,834,560
Corporation tax recoverable		2,135,778	1,435,667
Cash and cash equivalents	17	50,217,792	19,380,248
		<u>64,524,213</u>	<u>24,586,390</u>
Total assets		<u>66,027,174</u>	<u>25,221,528</u>
Equity			
Called up share capital	18	39	29
Share premium account	27	80,617,377	44,024,782
Accumulated losses	27	(39,602,537)	(24,143,468)
Translation reserve	27	1,304,347	(167,853)
		<u>42,319,226</u>	<u>19,713,490</u>
Total equity		<u>42,319,226</u>	<u>19,713,490</u>
Liabilities			
Current liabilities			
Trade and other payables	20	6,963,298	3,114,303
Corporation tax payable		18,496	21,465
Deferred revenue	23	16,682,642	2,219,147
		<u>23,664,436</u>	<u>5,354,915</u>
Non-current liabilities			
Other payables	21	43,512	153,123
		<u>43,512</u>	<u>153,123</u>
Total liabilities		<u>23,707,948</u>	<u>5,508,038</u>
Total equity and liabilities		<u>66,027,174</u>	<u>25,221,528</u>

The financial statements on pages 10 to 48 were approved by the Board of Directors and authorised for issue on 14 Dec. 2023 and signed on their behalf by:

J T Wolf
Director

Jonathan Wolf

Zoe Limited

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 August 2023

Registered number: 10902884

	Note	2023 £	2022 £
Assets			
Non-current assets			
Property, plant and equipment	12	188,809	20,896
Right-of-use assets	12	15,735	14,596
Intangible assets	13	1,151,571	345,677
Investments	14	917,932	765,878
Trade and other receivables	16	-	1,715,540
		<u>2,274,047</u>	<u>2,862,587</u>
Current assets			
Inventories	15	2,633,674	654,764
Trade and other receivables	16	9,580,903	2,928,034
Corporation tax recoverable		2,135,778	1,435,667
Cash and cash equivalents	17	50,179,359	17,962,335
		<u>64,529,714</u>	<u>22,980,800</u>
Total assets		<u>66,803,761</u>	<u>25,843,387</u>
Equity			
Called up share capital	18	39	29
Share premium account	27	80,617,377	44,024,782
Accumulated losses	27	(36,328,249)	(22,328,227)
		<u>44,289,167</u>	<u>21,696,584</u>
Total equity		<u>44,289,167</u>	<u>21,696,584</u>
Liabilities			
Current liabilities			
Trade and other payables	20	6,776,474	2,791,708
Deferred revenue	23	15,738,120	1,355,095
		<u>22,514,594</u>	<u>4,146,803</u>
Non-current liabilities			
Other payables	21	-	-
		<u>22,514,594</u>	<u>4,146,803</u>
Total liabilities		<u>22,514,594</u>	<u>4,146,803</u>
Total equity and liabilities		<u>66,803,761</u>	<u>25,843,387</u>

Zoe Limited has elected to take exemption under Section 408 of the Companies Act 2006 to not present the Company Statement of Comprehensive Income and related notes as it prepares group financial statements. The company's loss for the year was £17,278,192 (2022: £9,045,691).

The financial statements on pages 10 to 48 were approved by the Board of Directors and authorised for issue on 15 Dec 2023 and signed on their behalf by:

J T Wolf
Director

Jonathan Wolf

Zoe Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2023

	Note	Called up share capital £	Share premium account £	Accumulated losses £	Translation reserve £	Total £
Balance at 1 September 2021		29	41,632,347	(16,000,266)	17,194	25,649,304
Comprehensive expense						
Loss for the financial year		-	-	(9,095,488)	-	(9,095,488)
Currency translation difference		-	-	-	(185,047)	(185,047)
Total comprehensive expense		-	-	(9,095,488)	(185,047)	(9,280,535)
Transactions with owners						
Share based payment transactions	19	-	-	952,286	-	952,286
Shares issued	18	-	2,392,435	-	-	2,392,435
Total transactions with owners		-	2,392,435	952,286	-	3,344,721
Balance at 31 August 2022		29	44,024,782	(24,143,468)	(167,853)	19,713,490
Comprehensive expense						
Loss for the financial year		-	-	(18,737,239)	-	(18,737,239)
Currency translation difference		-	-	-	1,472,200	1,472,200
Total comprehensive expense		-	-	(18,737,239)	1,472,200	(17,265,039)
Transactions with owners						
Share based payment transactions	19	-	-	3,278,170	-	3,278,170
Shares issued	18	10	36,592,595	-	-	36,592,605
Total transactions with owners		10	36,592,595	3,278,170	-	39,870,775
Balance at 31 August 2023		39	80,617,377	(39,602,537)	1,304,347	42,319,226

Zoe Limited

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 August 2023

	Note	Called up share capital £	Share premium account £	Accumulated losses £	Total £
Balance at 1 September 2021		29	41,632,347	(14,234,822)	27,397,554
Comprehensive expense					
Loss for the financial year		-	-	(9,045,691)	(9,045,691)
Total comprehensive expense		-	-	(9,045,691)	(9,045,691)
Transactions with owners					
Share based payment transactions	19	-	-	952,286	952,286
Shares issued	18	-	2,392,435	-	2,392,435
Total transactions with owners		-	2,392,435	952,286	3,344,721
Balance at 31 August 2022		29	44,024,782	(22,328,227)	21,696,584
Comprehensive expense					
Loss for the financial year		-	-	(17,278,192)	(17,278,192)
Total comprehensive expense		-	-	(17,278,192)	(17,278,192)
Transactions with owners					
Share based payment transactions	19	-	-	3,278,170	3,278,170
Shares issued	18	10	36,592,595	-	36,592,605
Total transactions with owners		10	36,592,595	3,278,170	39,870,775
Balance at 31 August 2023		39	80,617,377	(36,328,249)	44,289,167

Zoe Limited

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 August 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
Reconciliation of loss for the year to cash flows from operating activities:			
Loss for the year after taxation		(18,737,239)	(9,095,488)
Depreciation	12	181,567	150,423
Amortisation	13	129,959	53,736
Impairment charge	13	81,625	-
Share based payment expense recognised in profit and loss	19	3,278,170	952,286
Finance income	8	(244,863)	(9,273)
Finance costs	9	45,030	16,962
(Gain)/loss on disposal of property, plant and equipment	12	(200)	2,716
Income tax	10	(2,268,948)	(1,434,511)
Operating cash flows before movements in working capital		(17,534,899)	(9,363,149)
Increase in inventories		(1,900,846)	(691,207)
Increase in trade and other receivables		(6,499,322)	(1,297,023)
Increase in trade and other payables		3,845,267	985,245
Increase in deferred revenue		14,463,495	1,526,066
Income tax received		1,565,868	725,735
Interest paid		(45,030)	(16,962)
Net cash used in operating activities		(6,105,467)	(8,131,295)
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(219,247)	(17,483)
Purchase of intangible assets	13	(1,015,085)	(129,714)
Interest received		244,863	9,273
Proceeds on disposal of property, plant and equipment		200	-
Purchase of investments		-	(160)
Net cash used in investing activities		(989,269)	(138,084)
Cash flows from financing activities			
Issue of share capital		36,592,605	2,392,435
Repayment of lease liabilities		(137,952)	(124,174)
Net cash generated from financing activities		36,454,653	2,268,261
Net increase/(decrease) in cash and cash equivalents	30	29,359,917	(6,001,118)
Cash and cash equivalents at beginning of year	17	19,380,248	25,565,588
Effect of foreign exchange rates		1,477,627	(184,222)
Cash and cash equivalents at end of year	17	50,217,792	19,380,248

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2023

1 ACCOUNTING POLICIES

Basis of preparation

Zoe Limited ('the Company') is a private company, limited by shares, incorporated and domiciled in the United Kingdom. The registered office of the Company is 164 Westminster Bridge Road, London, United Kingdom, SE1 7RW. The Group consists of Zoe Limited and its subsidiaries.

The principal activities of the Company and the Group and the nature of its operations are disclosed in the Directors' Report.

The consolidated financial statements of Zoe Limited 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 for the year ended 31 August 2023. The financial statements have been prepared using the historical cost convention.

The financial statements are presented in Pound Sterling (£) which is the functional currency of the Company, and all values are rounded to the nearest £1, except when otherwise indicated.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which circumstances change.

The financial statements of Zoe Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The following exemptions from the requirements of IFRS have been applied in the preparation of the individual financial statements of the Company and, where relevant, equivalent disclosures have been made in the Group financial statements, in accordance with FRS 101:

- Presentation of a Statement of Cash Flows and related notes;
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- Revenue disclosures, including:-
 - Disaggregated and total revenue from contracts with customers;
 - Description of when performance obligations are satisfied, significant payment terms, and the nature of goods and services to be transferred;
 - Significant judgements in determining the amount and timing of revenue recognition and the amount of capitalised costs to obtain or fulfil a contract;
 - Methods used to recognise revenue over time, determine transaction price and amounts allocated to performance obligations and determine amortisation of capitalised cost to obtain or fulfil a contract;
 - Explanation of significant changes in contract assets and liabilities;
 - Aggregate transaction price allocated to unsatisfied performance obligations and when revenue is expected to be recognised;
- Financial instrument disclosures, including:-
 - Carrying amounts and fair values of financial instruments by category and information about the nature and extent of risks arising on financial instruments;
 - Income, expenses, gains and losses on financial instruments;
 - Details of credit losses, collateral, loan defaults or breaches;
 - Information about financial instruments that have been reclassified, derecognised, transferred or offset;

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

1 ACCOUNTING POLICIES *(continued)*

Basis of preparation *(continued)*

- Comparative narrative information that continues to be relevant to the current period;
- Comparative period reconciliations for the number of shares outstanding, the carrying amounts of property, plant and equipment, intangible assets and investments;
- Disclosure of key management personnel compensation;
- Related party disclosures for transactions with the parent or wholly owned members of the group; and
- Disclosure of the objectives, policies and processes for managing capital.

New or amended Accounting Standards and Interpretations

New or amended standards in issue but not yet effective

The following standards, amendments and interpretations to existing standards have been published but are not effective and have not been early adopted by the Group:

- Amendments to IFRS 17 Insurance contracts (effective 1 January 2023);
- Amendments to IAS 1, Practice statement 2 and IAS 8 (effective 1 January 2023);
- Amendments to IAS 12 Income taxes (effective 1 January 2023);
- Amendments to IFRS 16 Leases (effective 1 January 2023);
- Amendments to IAS 1 Non-current liabilities (effective 1 January 2024);
- Amendments to IAS 7 Statement of cash flows (effective 1 January 2024);
- Amendments to IFRS 7 Financial instruments (effective 1 January 2024); and
- Amendments to IAS 21 Effects of Changes in Foreign Exchange rates (effective 1 January 2024).

It is not anticipated that the adoption of the above standards, amendments and interpretations of existing standards will have a material impact on the Group financial statements in the period of initial application.

Going concern

In order to assess the going concern assumption, the Directors have considered detailed trading and cashflow projections for a period of at least twelve months from the date of approval of these financial statements. The Group has generated revenue of £28,773,737 (2022: £5,880,096) and made a loss after tax of £18,737,239 (2022: £9,095,488) which is in line with the business plan. At the year-end, the Group had £50,217,792 of cash balances, which represents c2.0 times the administrative expenditure incurred in the current year, a significant element of which is discretionary spend on research and development. The Group has sufficient cash reserves to draw on as required and meet its obligations as they fall due for a period of at least twelve months from the date of approval of these financial statements. As such, the financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of Zoe Limited and entities controlled by Zoe Limited (its subsidiaries) made up to the year ending 31 August 2023. The consolidated financial statements of the Group have been prepared under the accounting principles of IFRS 10 Consolidated Financial Statements.

A subsidiary is an entity controlled by the Group, i.e. the Group is exposed, or has rights, to variable returns from its involvement with the entity and can affect those returns through its current ability to direct the entity's relevant activities (power over the investee).

The existence and effect of potential voting rights that the Group has the practical ability to exercise (i.e. substantive rights) are considered when assessing whether the Group controls another entity.

The Group's financial statements incorporate the results, cash flows, assets and liabilities of the Company and all its directly and indirectly controlled subsidiaries. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

1 ACCOUNTING POLICIES *(continued)*

Foreign currency

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction.

All translation differences are taken to profit or loss.

Assets and liabilities of overseas subsidiaries are translated into the Group's presentation currency at the rate ruling at the reporting date. Income and expenses of overseas subsidiaries are translated at the average rate for the year as the Directors consider this to be a reasonable approximation to the rate at the date of the transaction. Translation differences are recognised in other comprehensive income and accumulated in a separate reserve in equity.

Revenue recognition

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration which the Group is expected to be entitled to, in exchange for transferring goods or services to a customer.

The Group provides advice to its customers on their diet, through the provision of an integrated service including individual testing, provision of results in the form of an insights report, and an action plan and access to the Group's nutrition app.

For each arrangement with a customer, the Group applies the 5-step model in IFRS 15 when recognising revenue:

1. Identify the contract with the customer

A contract exists between the Group and its customer when the customer signs up to the terms of service which identify each party's rights in relation to the services to be transferred. The Group assesses the contract term as the period in which the parties to the contract have presently enforceable rights and obligations. Revenue is only recognised if it is probable that the consideration to which the Group is entitled under the contract will be collected.

2. Identify the distinct performance obligations in the contract

The goods and services promised to customers in the contract are assessed to identify the 'distinct performance obligations'. Under IFRS 15, a good or service that is promised to a customer is distinct if both the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the good or service is distinct within the context of the contract).

The Group's nutrition product has two core elements, the first is the insights report, which is a digital report that contains the output of the Group's application of machine learning to communicate the customer's personalised blood sugar, blood fat and microbiome scores. The insights report is derived from the data compiled from use of the physical testing kit in which the customer conducts at home tests. The second core element is access to the Group's nutrition app in which customers receive personalised ZOE scores for thousands of foods they can enjoy freely, based on their personal results, discover 1000s of foods and meal suggestions that support their metabolic responses and improve their gut health.

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

1 ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

These core elements are two distinct performance obligations under IFRS 15:

- a) Provision of a testing kit and insight report; and
- b) Program access

3. Determine the transaction price

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for the transfer of the services defined above.

4. Allocate the transaction price to the distinct performance obligations in the contract

The total transaction price in the contract is allocated to each of the distinct performance obligations, using the relative fair value approach, which is based on each performance obligation's stand-alone selling price.

5. Recognise revenue as performance obligations are completed

Revenue for the provision of testing kit and insights report performance obligation is recognised at a point in time, on the date when control has transferred to the customer. This is the date on which the insights report is released to the customer, and the customer has access to the insights report on the Zoe app. At this point the customer can direct the use of and obtain substantially all the remaining benefits from their insights report.

Revenue for the program access performance obligation is recognised over time, because the customer simultaneously receives and consumes the benefits over the period of the program as the Group performs. Revenue is recognised based on time elapsed, an 'output' method under IFRS 15, because the customer benefits evenly over the period of the program access. As such, the Group considers that this method most faithfully measures progress towards complete satisfaction of the performance obligation over time.

The Group makes an estimate in respect of amounts invoiced for the testing kit and insights report, which will never be completed and for which the amounts invoiced will not be refunded, and releases these amounts to revenue, at the point management assess it is highly unlikely there will be a material reversal of revenue.

Obligations for returns and refunds

The Group does not have a contractual obligation to provide refunds per the Terms and Conditions of sale. However, the Group may provide refunds on a case-by-case basis at management's discretion. At the reporting date the potential value of refunds is estimated, based on the historic refund rate, and revenue is adjusted with a corresponding entry to a refund liability.

Contract costs

Cost incurred in fulfilling a contract with a customer, which are not in scope of another standard, including costs associated with testing kit inventories and assay testing costs, are recognised as an asset only if they meet all the following criteria:

- they relate directly to an existing contract or specific anticipated contract;
- they generate or enhance resources of the entity that will be used to satisfy performance obligations in the future, and;
- they are expected to be recovered.

These costs are subsequently amortised to profit or loss on a systematic basis consistent with the manner of revenue recognition for the performance obligation to which they relate.

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

1 ACCOUNTING POLICIES *(continued)*

Deferred revenue

Deferred revenue is recognised if a payment is receivable from a customer before the Group transfers the related goods or services. Deferred revenue is released to revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

The fee for the testing kit and insights report is receivable from the customer either in full at the inception of the contract, or in 6 equal monthly instalments commencing at the inception of the contract. The Group recognises the full amount of the fee as a trade receivable when the fee has been invoiced to the customer, with a corresponding entry to deferred revenue. Subsequently, the deferred revenue is released to revenue on the date when the insights report is released to the customer, and the customer has access to the insights report on the Zoe app.

The fee for the program access is invoiced to the customer at the point at which the insights report is delivered to the customer and the membership period begins, with a corresponding entry to deferred revenue. Subsequently, the deferred revenue is released to revenue over time as the performance obligation is satisfied.

Taxes

The tax expense represents the sum of the current tax expense and deferred tax expense.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the consolidated 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 by using tax rates that apply at the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the consolidated statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell on a first in first out basis. This has been updated from the prior reporting period. Management performed an analysis on the weighted average method and first in first out method, noting that a restatement would be highly immaterial thus no restatement is considered necessary.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

1 ACCOUNTING POLICIES *(continued)*

Intangible assets other than goodwill

Separately acquired trademarks, data licenses, intellectual property and internally developed intangible assets have a finite useful life and are stated at cost less accumulated amortisation and impairment losses.

Amortisation is provided to write off the cost, less residual value, on a straight line basis over the estimated useful life, as follows:

Trademarks	10 years
Intellectual property	5 years
Data licenses	10 years
Internally developed assets	3 years

Research expenditure is recognised as an expense as incurred and costs under construction are not amortised.

Development expenditure incurred on internally generated intangible assets is recognised as an intangible asset if all the following criteria are met:

- It is probable that the asset created will generate future economic benefits;
- The development cost of the asset can be measured reliably;
- Technical feasibility of completing the intangible asset can be demonstrated;
- There is the ability to use or sell the asset;
- Adequate technical, financial and other resources to complete the development and to use or sell the asset are available; and
- There is intention to complete, use or sell the intangible asset.

Prior to 1 July 2022, the Directors did not consider that all these criteria had been met for any of the Group's development activities and as such all development expenditure incurred since the Group was incorporated and up to this date has been expensed as incurred. From 1 July 2022, the Directors consider that all the above criteria had begun to be met, and the costs that are directly attributable to the development activities have been capitalised as intangible assets for appropriate projects.

Costs related to the registration of patents and trademarks are considered part of the Group's development activities and, as such, are also considered against the criteria above.

Capitalised development costs are initially measured at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit.

Amortisation is recognised so as to reduce balance the of the intangible assets over their useful lives .

Residual values, remaining useful lives and amortisation methods are reviewed annually and adjusted if appropriate.

The Group assesses at each reporting date whether there are indicators that an asset may be impaired. If any such indicator exists, the Group tests for impairment by estimating the recoverable amount. If the recoverable amount is less than the carrying value of an asset, an impairment loss is required.

Property, plant and equipment

All plant and equipment assets are stated at cost less accumulated depreciation and impairment losses.

Depreciation of plant and equipment is provided to write off the cost, less residual value, on a straight line basis over the estimated useful life, as follows:

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

1 ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Fixtures and fittings	5 years
Computer equipment	3 years

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

Gains or losses on disposal are included in the consolidated statement of comprehensive income.

The Group assesses at each reporting date whether an asset may be impaired. If any such indicator exists, the Group tests for impairment by estimating the recoverable amount. If the recoverable amount is less than the carrying value of an asset, an impairment loss is required.

Right-of-use assets

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Group.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation method applied is as follows:

Leasehold property	- Over the lease term
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The right-of-use asset is adjusted for any re-measurement of the lease liability and lease modifications, as set out below in the lease accounting policy.

Leases

On commencement of a contract (or part of a contract) which gives the Group the right to use an asset for a period of time in exchange for consideration, the Group recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease or a 'low-value' lease.

Leases of low-value assets

Where the underlying asset in a lease is 'low-value' (below \$5,000), lease payments are recognised as an expense on a straight-line basis over the lease term.

Initial measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the incremental borrowing rate because the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that the Group is reasonably certain to exercise and termination periods that the Group is reasonably certain not to exercise.

Lease payments include fixed payments, less any lease incentives receivable, variable lease payments dependent on an index or a rate (such as those linked to SONIA) and any residual value guarantees.

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

1 ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Variable lease payments are initially measured using the index or rate when the leased asset is available for use.

Subsequent measurement of the lease liability

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments. Interest on the lease liability is recognised in profit or loss.

Re-measurement of the lease liability

The lease liability is adjusted for changes arising from the original terms and conditions of the lease that change the lease term, the Group's assessment of its option to purchase the leased asset, the amount expected to be payable under a residual value guarantee and/or changes in lease payments due to a change in an index or rate. The adjustment to the lease liability is recognised when the change takes effect and is adjusted against the right-of-use asset, unless the carrying amount of the right-of-use asset is reduced to nil, when any further adjustment is recognised in profit or loss.

Adjustments to the lease payments arising from a change in the lease term or the Group's assessment of its option to purchase the leased asset are discounted using a revised discount rate. The revised discount rate is calculated as the Group's incremental borrowing rate at the date of the reassessment because the interest rate implicit in the lease cannot be readily determined.

Lease modifications

A lease modification is a change that was not part of the original terms and conditions of the lease and is accounted for as a separate lease if it increases the scope of the lease by adding the right to use one or more additional assets with a commensurate adjustment to the payments under the lease.

For a lease modification not accounted for as a separate lease, the lease liability is adjusted for the revised lease payments, discounted using a revised discount rate. Where the lease modification decreases the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease. Any difference between the adjustment to the lease liability and the adjustment to the right-of-use asset is recognised in profit or loss.

For all other lease modifications, the adjustment to the lease liability is recognised as an adjustment to the right-of-use asset.

Investments and other financial assets

Investments and other financial assets, are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost.

The Group have classified all investments in subsidiaries to be subsequently measured at amortised cost.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

1 ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Trade and other receivables

Trade and other receivables are recognised initially at their fair value, net of direct transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance.

Cash and cash equivalents

For the purpose of presentation of statement of cash flows, cash and cash equivalents comprise cash on hand, short term deposits, other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Financial liabilities and equity

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 Group after deducting all of its liabilities.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value, net of direct transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

Equity instruments

Equity instruments issued by the Group are recorded at fair value on initial recognition net of transaction costs.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution pension expense

Contributions to defined contribution pension plans are expensed in the period in which they are incurred.

Share based payments

Share based payments of the Group include equity-settled share options granted to employees, advisors and brand partners, for which an option pricing model is used to estimate the fair value at grant date. That fair value is charged on a graded vesting basis, with the expense for each tranche of options recognised as an expense in the consolidated statement of comprehensive income over the period that the employee, advisor or brand partner becomes unconditionally entitled to the options (vesting period), with a corresponding increase in equity.

The number of such options is adjusted annually to reflect best estimates of those expected to vest (ignoring purely market-based conditions) with consequent changes to the expense. Equity is also increased by the proceeds received, as and when employees choose to exercise their options. Advisor and partner options are only exercisable in the event of an exit.

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

1 ACCOUNTING POLICIES *(continued)*

Share based payments *(continued)*

The Group also operates an equity-settled share based compensation plan under which it receives services from employees in return for growth shares. The fair value is determined at grant date and charged on a graded vesting basis, with the expense for each tranche of shares recognised in the consolidated statement of comprehensive income over the period that the employee becomes unconditionally entitled to the shares (vesting period), with a corresponding increase in equity.

Government grants

Income from government grants is presented within other operating income.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Research and development credit

Where research and development expenditure meets the required criteria specified by the local taxation authority to qualify as “qualifying research and development” expenditure, and therefore entitles the company to a credit (‘RDEC’), then this amount is credited to other operating income in the Consolidated Statement of Comprehensive Income.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the group’s normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the group’s normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

2 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Directors consider the critical accounting judgements and key sources of estimation uncertainty used in the financial statements to be:

ESTIMATES

Share based payments

The fair value and subsequent charge recognised of share options and growth shares are measured using the Black-Scholes model and the Monte Carlo model respectively which inherently make use of significant estimates and assumptions concerning the future. Such estimates and assumptions include the expected life of the options and the number of employees that will achieve the vesting conditions. Further details of the share option and growth share schemes are given in note 19.

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 August 2023

2 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT (continued)

JUDGEMENTS

Development expenditure

The Group incurs a significant amount of expenditure on development activities related to its core intellectual property. Under IAS 38- 'Intangible assets', development costs incurred on internally generated intangible assets are required to be capitalised if certain criteria are met. Since 1 July 2022, the Directors consider that all these criteria have been met for the Group's development activities and as such all development expenditure incurred since this date has been capitalised. Prior to 1 July 2022, the Directors did not consider that all these criteria had been met and as such all development expenditure incurred since the Group was incorporated up 1 July 2022 was expensed as incurred.

Revenue recognition

The Directors have exercised a critical judgement in determining the distinct performance obligations in its contracts with customers under IFRS 15. The Group's nutrition product has two core elements- the first is the insights report, which is a digital report that contains the output of the Group's application of machine learning to communicate the customer's personalised blood sugar, blood fat and microbiome scores. The insights report is derived from the data compiled from use of the physical testing kit in which the customer conducts at home tests. The second core element is access to the Group's nutrition app in which customers receive personalised ZOE scores for thousands of foods they can enjoy freely, based on their personal results, discover thousands of foods and meal suggestions that support their metabolic responses and improve their gut health. Program membership also provides access to a team of nutritionists who provide individual coaching and support to customers.

The Directors have determined that these two core elements are two distinct performance obligations under IFRS 15. This is on the basis that the customers are able to benefit from the insights report on its own, without ongoing access to the Group's nutrition app, and customers can renew their subscription to the program without a new insights report.

The Directors have exercised a critical judgement in allocating the total transaction price in the contract to these two distinct performance obligations under IFRS 15. IFRS 15 requires the transaction price to be allocated using the relative fair value approach, which is based on each performance obligation's stand-alone selling price. Management have assessed that the stand-alone selling price of each performance obligation is equal to the amounts specified in the contract and billed in respect of the testing kit and insights report, and program access respectively (refer to Deferred revenue accounting policy).

3 REVENUE

An analysis of the Group's revenue from contracts with customers is as follows:

	Group	
	2023	2022
	£	£
<i>Revenue from contracts with customers</i>		
Provision of insights report	20,650,052	4,020,608
Program revenue	8,123,685	1,859,488
	<u>28,773,737</u>	<u>5,880,096</u>
<i>Disaggregation of revenue by geographical region:</i>		
United Kingdom	23,408,362	928,717
United States of America	5,365,375	4,951,379
	<u>28,773,737</u>	<u>5,880,096</u>

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 August 2023

3 REVENUE (continued)

Timing of revenue recognition

Over time	20,650,052	4,020,608
At a point in time	8,123,685	1,859,488
	<u>28,773,737</u>	<u>5,880,096</u>

Customers pay consideration up-front and in advance of the satisfaction of the performance obligation by the Group. Deferred revenue is recognised if a payment is received from a customer before the Group transfers the related goods or services. See note 23.

The fee for the testing kit and insights report is receivable from the customer either in full at the inception of the contract, or in 6 equal monthly instalments commencing at the inception of the contract. The Group recognises the full amount of the fee as a trade receivable when the fee has been invoiced to the customer, with a corresponding entry to deferred revenue. Subsequently, the deferred revenue is released to revenue on the date when the insights report is released to the customer, and the customer has access to the insights report on the Zoe app.

The fee for the program access is invoiced to the customer at the point at which the insights report is delivered to the customer and the membership period begins, with a corresponding entry to deferred revenue. Subsequently, the deferred revenue is released to revenue over time as the performance obligation is satisfied.

At the reporting date the Group had approximately £16,682,642 (2022: £2,219,147) of revenue expected to be recognised from remaining performance obligations. The Group expects to recognise revenue on these remaining performance obligations within one year of the reporting date. The estimated revenues from the remaining performance obligations do not include uncommitted contract amounts, such as (i) amounts which are cancellable by the customer without any significant penalty; and (ii) amounts associated with optional renewal periods. Revenue recognised in the year that was included in the deferred revenue balance at the beginning of the period amounted to £1,352,722 (2022: £513,905).

4 OTHER OPERATING INCOME

	Group	
	2023	2022
	£	£
Grants received— DHSC	-	1,822,743
RDEC	-	151,593
	<u>-</u>	<u>1,974,336</u>

The DHSC grant income was in respect of a grant received from the Department of Health and Social Care (DHSC) in relation to the ZOE COVID Study (later renamed the ZOE Health Study). The grant was claimed against expenditure incurred by the Group over the full grant period which ended in March 2022.

Included in other operating income is £nil (2022: £151,593) in respect of Research and Development Credits. The Group is entitled to claim these credits under the UK Government's policy to encourage investment in Research and Development. Of the total amount claimed, 81% is received as a cash payment, and 19% is received against current or future corporation tax charges.

There are no unfulfilled conditions or other contingencies attaching to these grants. The group did not benefit directly from any other forms of government assistance.

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 August 2023

5 ANALYSIS OF EXPENSES BY NATURE

	Group	
	2023	2022
	£	£
Employee benefits expenses (note 6)	16,821,741	9,562,463
Depreciation – owned assets (note 11)	44,276	21,187
Depreciation – right-of-use-asset (note 11)	137,291	129,236
Amortisation (note 12)	129,959	53,736
Lease expense for ‘low value’ assets	146,233	67,016
Foreign exchange losses/(gain)	2,644,797	(2,577,832)
Other operating expenses	9,308,398	6,045,953
Impairment of inventories	215,744	301,524
Cost of inventories recognised as an expense	17,253,150	3,821,173
Total administrative and cost of sales expenses	46,701,589	17,424,456

The Group invests in research and development for the purpose of developing its business and intellectual property. The total costs incurred on research and development in the year, including an allocation of staff costs, were £9,311,602 (2022: £6,253,993).

6 STAFF

The average monthly number of persons (including Directors) employed during the year was:

	Group		Company	
	2023	2022	2023	2022
	Number	Number	Number	Number
Research and development	54	51	52	49
Management	2	2	2	2
Administrative	9	4	9	4
Operations	127	40	105	21
Sales & Marketing	22	12	20	9
	214	109	188	85

The aggregate payroll costs for employees, including Directors, for the year were as follows:

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Wages and salaries	15,123,451	8,742,737	12,961,223	7,262,243
Social security costs	1,176,406	735,684	1,145,517	615,039
Other pension costs	521,884	84,042	521,884	84,042
	16,821,741	9,562,463	14,628,624	7,961,324
Share based payments	3,278,170	952,286	3,126,117	610,464
	20,099,911	10,514,749	17,754,741	8,571,788

Included in staff costs above are £890,444 (2022: £118,570) of staff costs capitalised in intangible assets as internally developed additions in the year.

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

6 STAFF *(continued)*

DIRECTORS' REMUNERATION

	Group 2023	2022
	£	£
Emoluments	384,787	335,785
Pension contributions	14,743	2,642
	<u>399,530</u>	<u>338,427</u>

HIGHEST PAID DIRECTOR

Attributable to the highest paid Director:

	Group 2023	2022
	£	£
Emoluments	195,851	179,299
Pension contributions	3,522	1,321
	<u>199,373</u>	<u>180,620</u>

Two Directors are remunerated by the Group. The remaining Directors do not receive any remuneration. The number of Directors to whom retirement benefits are accruing under money purchase scheme was 2 (2022: 2). The number of Directors who exercised share options during the year was nil (2022: nil).

Two Directors (2022: nil) are accruing benefits under a share based long term incentive scheme.

7 AUDITORS' REMUNERATION

Fees payable to the company's auditors and associates:

	Group 2023	2022
	£	£
Audit of the financial statements of the group and company	263,800	100,000
Other services	-	22,800
	<u>263,800</u>	<u>122,800</u>

Included in current year audit fees is £86,500 relating to the prior year.

8 FINANCE INCOME

	Group 2023	2022
	£	£
Interest on bank deposits	244,863	9,273
	<u>244,863</u>	<u>9,273</u>

9 FINANCE COSTS

	Group 2023	2022
	£	£
Interest on lease liabilities	14,752	16,681
Other interest	30,278	281
	<u>45,030</u>	<u>16,962</u>

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

10 INCOME TAX

	Group 2023 £	2022 £
(a) Current tax		
UK Taxation credit on profits for the current period	(2,135,778)	(1,455,976)
Adjustments in respect of prior periods	(151,666)	-
Foreign tax	18,496	21,465
	<u>(2,268,948)</u>	<u>(1,434,511)</u>

(b) Tax reconciliation

The tax credit assessed for the current and prior year differs from the applicable standard company rate of corporation tax in the UK. The differences are explained below:

	Group 2023 £	2022 £
Loss on ordinary activities before tax	(21,006,187)	(10,529,999)
Corporation tax thereon UK at 21.5% (2022: 19.0%); US at 21.0% (2022 : 21.0%)	(4,519,646)	(2,000,700)
Effects of:		
Fixed asset differences	(4,444)	(709)
Expenses not deductible for tax purposes	711,911	198,348
Other permanent differences	290,258	-
Additional deduction for R&D expenditure	(1,920,558)	(972,355)
Surrender of tax losses for research and development tax credit refund	3,722,293	1,720,319
Research and development expenditure credit	-	28,803
Effect of changes in tax rate	(285,498)	(354,156)
Deferred tax not recognised	2,048,094	1,391,689
R&D tax credit receivable	(2,135,777)	(1,484,778)
Increase in taxable temporary differences	9,056	38,152
Increase in deductible temporary differences	21,644	-
Net operating losses used in current year	(54,615)	-
Adjustments in respect of prior years	(151,666)	-
Other	-	876
Tax credit for the year	<u>(2,268,948)</u>	<u>(1,434,511)</u>
(c) Tax Losses		
Unused tax losses for which no deferred tax asset has been recognised	6,730,818	15,949,884
Potential tax benefit at 25.0%	<u>1,682,705</u>	<u>3,987,471</u>

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

12 PROPERTY, PLANT AND EQUIPMENT

Group	Property Right-of- use assets £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 September 2021	463,817	22,196	83,486	569,499
Additions	-	-	-	-
Remeasurement	-	-	17,483	17,483
Disposal	-	(438)	(23,850)	(24,288)
Exchange difference	58,602	1,509	2,270	62,381
At 31 August 2022	522,419	23,267	79,389	625,075
Additions	-	30,928	188,319	219,247
Remeasurement	47,202	-	-	47,202
Disposal	-	-	(791)	(791)
Exchange difference	(28,470)	(1,096)	(6,213)	(35,779)
At 31 August 2023	541,151	53,099	260,704	854,954
Accumulated depreciation				
At 1 September 2021	129,430	7,398	60,647	197,475
Charge for the year	129,236	4,447	16,740	150,423
Disposal	-	(102)	(21,630)	(21,732)
Exchange difference	18,528	473	1,440	20,441
At 31 August 2022	277,194	12,216	57,197	346,607
Charge for the year	137,291	4,837	39,439	181,567
Disposal	-	-	(791)	(791)
Exchange difference	(14,182)	(87)	(1,680)	(15,949)
At 31 August 2023	400,303	16,966	94,165	511,434
Net book value				
At 31 August 2023	140,848	36,133	166,539	343,520
At 31 August 2022	245,225	11,051	22,192	278,468

The depreciation charge is included within administrative expenses in the consolidated statement of comprehensive income.

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

12 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company	Property Right-of- use assets £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 September 2021	140,688	13,880	74,217	228,785
Additions	-	-	12,447	12,447
Disposal	-	(438)	(23,850)	(24,288)
At 31 August 2022	140,688	13,442	62,814	216,944
Additions	-	29,873	176,125	205,998
Remeasurement	47,202	-	-	47,202
Disposal	-	-	(791)	(791)
At 31 August 2023	187,890	43,315	238,148	469,353
Accumulated depreciation				
At 1 September 2021	82,307	5,924	54,472	142,703
Charge for the year	43,785	2,688	14,008	60,481
Disposal	-	(102)	(21,630)	(21,732)
At 31 August 2022	126,092	8,510	46,850	181,452
Charge for the year	46,063	3,138	34,947	84,148
Disposal	-	-	(791)	(791)
At 31 August 2023	172,155	11,648	81,006	264,809
Net book value				
At 31 August 2023	15,735	31,667	157,142	204,544
At 31 August 2022	14,596	4,932	15,964	35,492

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

13 INTANGIBLE ASSETS

Group	Data Licenses £	Trademarks £	Intellectual property £	Internally developed assets £	Capital under construction £	Total £
Cost						
At 1 September 2021	365,158	8,031	75,000	-	-	448,189
Additions – Internally developed	-	-	-	-	118,570	118,570
Additions – Separately acquired	11,144	-	-	-	-	11,144
Exchange difference	1,301	-	-	-	-	1,301
At 31 August 2022	377,603	8,031	75,000	-	118,570	579,204
Additions – Internally developed	-	-	-	635,632	254,812	890,444
Additions – Separately acquired	124,641	-	-	-	-	124,641
Transfers	-	-	-	36,945	(36,945)	-
Exchange difference	339	-	-	-	-	339
At 31 August 2023	502,583	8,031	75,000	672,577	336,437	1,594,628
Accumulated amortisation and impairment						
At 1 September 2021	107,247	3,577	57,822	-	-	168,646
Charge for the year	37,933	803	15,000	-	-	53,736
Exchange difference	152	-	-	-	-	152
At 31 August 2022	145,332	4,380	72,822	-	-	222,534
Charge for the year	64,195	803	2,178	62,783	-	129,959
Impairment charge	-	-	-	-	81,625	81,625
Exchange differences	1,069	-	-	-	-	1,069
At 31 August 2023	210,596	5,183	75,000	62,783	81,625	435,187
Net book value						
At 31 August 2023	291,987	2,848	-	609,794	254,812	1,159,441
At 31 August 2022	232,271	3,651	2,178	-	118,570	356,670

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 August 2023

13 INTANGIBLE ASSETS (continued)

The intellectual property relates to the acquisition of the assets of MapMyGut, an application which provides a personalised analysis and interpretation of a patient's gut bacteria, for a cost of £75,000, which has been amortised over a period of 5 years.

Trademarks relate to the acquisition of a recognisable sign, design or expression which identifies products or services of a particular source from those of others. Trademarks are capitalised and amortised over a period of 10 years.

The data licence relates to a licence acquired to access data in relation to the development of the product and is amortised over a period of 10 years which is equal to the license period in the agreement.

The amortisation charge is included within administrative expenses in the consolidated statement of comprehensive income.

Company	Data Licenses	Trademarks	Intellectual property	Internally developed assets	Capital under construction	Total
	£	£	£	£	£	£
Cost						
At 1 September 2021	365,158	8,031	75,000	-	-	448,189
Additions – Internally developed	-	-	-	-	118,570	118,570
At 31 August 2022	365,158	8,031	75,000	-	118,570	566,759
Additions – Internally developed	124,641	-	-	635,632	254,812	1,015,085
Transfers	-	-	-	36,945	(36,945)	-
At 31 August 2023	489,799	8,031	75,000	672,577	336,437	1,581,844
Accumulated amortisation and impairment						
At 1 September 2021	107,247	3,577	57,822	-	-	168,646
Charge for the year	36,633	803	15,000	-	-	52,436
At 31 August 2022	143,880	4,380	72,822	-	-	221,082
Charge for the year	61,802	803	2,178	62,783	-	127,566
Impairment	-	-	-	-	81,625	81,625
At 31 August 2023	205,682	5,183	75,000	62,783	81,625	430,273
Net book value						
At 31 August 2023	284,117	2,848	-	609,794	254,812	1,151,571
At 31 August 2022	221,278	3,651	2,178	-	118,570	345,677

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

14 INVESTMENTS

Company	Investment in subsidiary £
Cost	
At 1 September 2022	765,878
Additions	152,054
	<hr/>
At 31 August 2023	917,932
	<hr/>
Carrying amount	
At 31 August 2023	917,932
	<hr/>
At 31 August 2022	765,878
	<hr/>

The Company has one subsidiary undertaking, Zoe US Inc, which was incorporated in September 2018. The registered office is 1209 Orange Street, Wilmington, New Castle, DE 19801. The Company owns 100% of the subsidiary's share capital which comprises ordinary shares.

Additions reflect the allocation of the share based payment charge in relation to the employees of the subsidiary undertaking.

15 INVENTORIES

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Raw materials	1,071,878	517,447	953,605	319,321
Finished goods	1,764,883	418,468	1,680,069	335,443
	<hr/>	<hr/>	<hr/>	<hr/>
	2,836,761	935,915	2,633,674	654,764
	<hr/>	<hr/>	<hr/>	<hr/>

The difference between the carrying value of inventory and its replacement cost is not material.

The total write-down of inventories during the year amounted to £215,744 (2022: £301,524), relating to food product inventories which have a short shelf life.

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 August 2023

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Current				
Trade receivables	1,229,457	1,051,275	1,086,655	1,017,383
Contract costs	2,434,171	1,323,103	2,201,861	1,095,441
Amounts owed by group undertakings	-	-	1,432,160	476,185
Prepayments and accrued income	4,126,419	238,788	4,038,470	204,380
Other receivables	1,543,835	221,394	821,757	134,645
	<u>9,333,882</u>	<u>2,834,560</u>	<u>9,580,903</u>	<u>2,928,034</u>
Non-current				
Amounts owed by group undertakings	-	-	-	1,715,540
	<u>9,333,882</u>	<u>2,834,560</u>	<u>9,580,903</u>	<u>4,643,574</u>

There is no material difference between the fair value of receivables and their carrying amount.

The Group recognised a loss in respect of impairment adjustments on its trade receivables of £264,482 (2022: £21,827) in the year.

At 31 August 2023 the Group and Company recognised an allowance for expected credit losses against trade receivables of £319,251 (2022: £61,534) and £191,765 (2022: £18,818) respectively.

Amounts owed by group undertakings falling due within one year are unsecured, non-interest bearing and are repayable within 90 days of invoice.

Amounts owed by group undertakings in relation to the intercompany loan has interest charged using the Applicable Federal Rate published by the United States Internal Revenue Service (IRS) on a monthly basis published by the IRS on a monthly basis.

17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and short term deposits held with banks.

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Cash on hand and balances with banks	50,217,792	19,380,248	50,179,359	17,962,335
	<u>50,217,792</u>	<u>19,380,248</u>	<u>50,179,359</u>	<u>17,962,335</u>

The carrying amount of these assets approximates to their fair value.

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

18 CALLED UP SHARE CAPITAL

	Group and Company	
	2023	2022
	£	£
Issued and fully paid		
20,839,128 (2022: 5,570,893) Ordinary shares of £0.0000001 each	2	-
56,793,911 (2022: 56,793,911) Seed shares of £0.0000001 each	6	6
88,970,587 (2022: 100,000,000) Founder shares of £0.0000001 each	9	10
89,095,417 (2022: 89,095,417) Series A shares of £0.0000001 each	9	9
45,465,613 (2022: 45,465,613) Series B shares of £0.0000001 each	4	4
69,329,365 (2022: Nil) Series B2 shares of £0.0000001 each	7	-
15,095,092 (2022: Nil) Growth shares of £0.0000001 each	2	-
	<u>39</u>	<u>29</u>

88,663,279 (2022: 6,740,496) shares were issued during the year. All shares issued in the current and prior year were issued for cash.

On 31 July 2023 11,029,413 Founder shares of £0.0000001 each were redesignated as Series B2 shares of £0.0000001 each.

The Company's Ordinary, Seed, Series A, Series B, Series B2 and Founder shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company. The Company's Growth shares carry no right to fixed income and no right to attend, speak or vote at any general meeting of the company. In the event of liquidation, the holders of Seed, Series A shares and Series B shares shall rank first in order of preference of the distribution of the surplus assets of the Company after paying off all liabilities followed by Series A and Seed shares and finally Founder and Ordinary Shares, and Vested Growth shares only to the extent that the applicable hurdle is met.

The Founder shares have rights specific to them. The Company will not, without the prior written approval of the Founder shareholders holding not less than 75% in nominal value of the Founder shares, undertake a change in the Company structure, nature of business, appoint and remove Directors or dismiss any of the Founder shareholders as employees.

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

19 SHARE BASED PAYMENTS

Share options

The following options have been granted over £0.0000001 Ordinary shares in the Group:

Grant date	As at 1 September 2022 Number	Granted Number	Forfeited Number	Exercised Number	As at 31 August 2023 Number	Exercise price
Employee scheme:						
From 1 September 2017 – 31 March 2018	9,323,530	-	-	(170,133)	9,153,397	0.0000001p
From 1 April 2018 – 31 August 2018	30,000	-	-	(10,000)	20,000	3.4p
From 11 September 2018 – 5 November 2018	650,000	-	-	(112,500)	537,500	3.4p
From 1 April 2019 – 12 July 2019	470,000	-	-	-	470,000	6.0p
On 1 April 2019	25,000	-	-	-	25,000	7.0p
From 3 October 2019 – 9 March 2020	3,468,974	-	(53,650)	(171,350)	3,243,974	6.0p
On 3 October 2019	45,000	-	(3,125)	(6,875)	35,000	7.0p
From 23 July 2020 – 25 August 2020	550,000	-	(87,510)	(111,240)	351,250	6.8p
From 3 July 2020 – 10 August 2020	3,688,616	-	-	-	3,688,616	8.0p
From 1 September 2020 – 9 December 2020	675,000	-	-	(13,750)	661,250	6.8p
On 15 September 2020	10,000	-	-	-	10,000	8.0p
On 11 January 2021	300,000	-	-	-	300,000	6.8p
From 12 February 2021 – 7 June 2021	2,964,702	-	(5,000)	-	2,959,702	13.0p
From 8 June 2021 – 16 August 2021	2,017,782	-	(78,439)	(709,450)	1,229,893	11.05p
From 12 July 2021 – 13 July 2021	60,000	-	-	-	60,000	13.0p
From 17 September 2021 – 28 March 2022	2,414,681	-	(60,000)	(12,500)	2,342,181	11.05p
From 11 August 2022 – 15 August 2022	1,287,300	-	(264,000)	-	1,023,300	8.5p
From 1 November 2022 to 17 November 2022	-	6,353,925	(900,961)	-	5,452,964	13.6p

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

19 SHARE BASED PAYMENTS <i>(continued)</i>						
Grant date	As at 1 September 2022 Number	Granted Number	Forfeited Number	Exercised Number	As at 31 August 2023 Number	Exercise price
Advisor Scheme:						
From 1 September 2017 – 31 March 2018	1,015,000	-	-	-	1,015,000	0.0000001p
From 1 September 2017 – 31 March 2018	220,000	-	-	-	220,000	4.0p
From 1 April 2018 – 31 August 2018	210,000	-	-	-	210,000	0.0000001p
From 10 October 2018 – 5 November 2018	213,807	-	-	-	213,807	4.0p
From 9 May 2019 – 9 June 2019	138,000	-	-	-	138,000	7.0p
From 3 October 2019 – 28 January 2020	374,802	-	-	-	374,802	7.0p
From 15 September 2020 – 12 October 2020	300,000	-	-	-	300,000	8.0p
From 4 March 2021 – 13 August 2021	443,250	-	-	-	443,250	13.0p
From 17 September 2021 – 21 December 2021	201,250	-	-	-	201,250	13.0p
From 2 August 2022 – 2 August 2022	1,256,005	-	-	-	1,256,005	10.0p
On 1 November 2022	-	137,500	-	-	137,500	16.0p
MMS Scheme:						
From 1 September 2017 – 13 August 2018	767,135	-	-	-	767,135	£1
US-Sub plan:						
From 17 September 2021 – 2 February 2022	50,000	-	(8,750)	(1,250)	40,000	13.0p
From 2 August 2022 – 2 August 2022	1,947,009	-	-	-	1,947,009	10.0p
On 1 November 2022	-	32,500	(5,000)	-	27,500	16.0p
Partner option plan:						
On 3 March 2023	-	1,587,426	-	-	1,587,426	34.8p
On 28 June 2023	-	196,240	-	-	196,240	50.7p
	<u>35,116,843</u>	<u>8,307,591</u>	<u>(1,466,435)</u>	<u>(1,319,048)</u>	<u>40,638,951</u>	

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

19 SHARE BASED PAYMENTS *(continued)*

The total expense recognised by the Group in profit and loss in the year in respect of growth shares and share options was £3,278,170 (2022: £952,286). Options which are granted after the reporting period but have a constructive obligation in the period are adjusted for in the total expense recognised but are excluded from the disclosure of options granted.

Equity-settled share option plans

The total expense recognised by the Group in profit and loss in the year in respect of share options was £1,463,405 (2022: £952,286).

The Company has the following share option schemes:

Under the Enterprise Management Incentive Plan, Universal Plan and CSOP Scheme, the participants are granted options which only vest if the employee remains in employment with the Company at the vesting date. 25% of the options vest after the first anniversary of the grant date and a subsequent 6.25% vest quarterly thereafter until the option is fully vested. (The options lapse 10 years at the end of the day before the tenth anniversary of the grant date). There were 2,733,600 (2022: nil) CSOP options and 4,449,572 (2022: nil) Universal Plan options granted after the reporting period end which had a constructive obligation in the year.

Under the Advisory Option Plan, participants are granted options which only vest if certain service conditions are met. The options vest in equal instalments after each subsequent month during which the participant serves as an advisor to the Company after the vesting start date until the options are fully vested. The total vesting period varies and is between 1 month and 48 months. The options may only be exercised by the option holder following notification of an impending exit event, including business sale or reorganisation. The options lapse 10 years at the end of the day before the tenth anniversary of the grant date. There were 65,520 (2022: nil) Advisor options granted after the reporting period end which had a constructive obligation in the year.

Under the MMS plan, participants are granted options which vest over a period of 4 years. The option may only be exercised by the option holder following notification of an impending exit event, including business sale or reorganisation. The options lapse 15 years at the end of the day before the fifteenth anniversary of the grant date.

Under the US-Sub plan, participants are granted options which vest over a period of 4 years. The option may only be exercised by the option holder following notification of an impending exit event, including business sale or reorganisation. The options lapse 10 years at the end of the day before the 10th anniversary of the grant date. There were 95,000 (2022: nil) US-Sub plan options granted after the reporting period end which had a constructive obligation in the year.

Under the Partner Option plan, the participants are granted options which vest over the period of their respective partnership agreement. For one year partnership agreements, the options vest subject to the completion of the full one year of service. For two year partnership agreements, 50% of the options vest at the end of one year, subject to completion of one year of service for that period, and the remaining 50% vest at the end of the second year, subject to completion of one year of service for that period. The options may only be exercised by the option holder following notification of an impending exit event, including an asset sale, a share sale or IPO. The options lapse at the end of the day before the tenth anniversary of grant date.

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 August 2023

19 SHARE BASED PAYMENTS (continued)

	2023	Weighted average exercise price	2022	Weighted average exercise price
	Options		Options	
Outstanding at 1 September	35,116,843	10.24p	29,850,348	9.95p
Granted during the year	8,307,591	18.58p	7,491,245	10.27p
Exercised	(1,319,048)	(7.84p)	(838,125)	(4.63p)
Forfeited during the year	(1,466,435)	(11.75p)	(1,386,625)	(10.03p)
Outstanding at 31 August	40,638,951	11.98p	35,116,843	10.24p
Exercisable at 31 August	23,021,289	5.49p	16,909,138	3.42p

The options outstanding at 31 August 2023 had an exercise price between £0.0000001 and £1 (2022: between £0.0000001 and £1) and a weighted average remaining contractual life of 2.00 years (2022: 1.76 years). The weighted average fair value of each option granted during the year was 14.2p (2022: 18.0p).

The estimate of the grant date fair value of each option is based on the Black Scholes model. The inputs into the Black Scholes model are as follows:

	2023	2023	2023	2023	2023	2023
	EMI	Advisor	US Sub	CSOP	Universal Plan	Partner Option Plan
Weighted average share price	22.4p	23.9p	20.4p	22.5p	19.8p	24.2p
Weighted average exercise price	13.6p	15.4p	14.5p	25.0p	14.0p	36.6p
Expected volatility	80.8%	70.3% - 78.8%	73.1% - 80.8%	73.1%	73.1%	75.6% - 77.3%
Expected life	3 years	5 years	3 years	3 years	3 years	5 years
Risk free rate	3.1% - 3.3%	3.5% - 4.7%	3.2% - 4.8%	4.8%	4.8%	4.0% - 4.4%
Expected dividends	£Nil	£Nil	£Nil	£Nil	£Nil	£Nil
			2022	2022	2022	
			EMI	Advisor	US Sub	
Weighted average share price			24.9p	24.9p	24.9p	
Weighted average exercise price			£0.09	£0.09	£0.09	
Expected volatility			71.7% - 77.5%	6.4% - 77.5%	71.7% - 77.5%	
Expected life			3 years	5 years	3 years	
Risk free rate			0.4% - 1.8%	0.5% - 1.6%	0.4% - 1.6%	
Expected dividends			£Nil	£Nil	£Nil	

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

19 SHARE BASED PAYMENTS *(continued)*

Expected volatility was determined by calculating the historical volatility of similar companies' share prices over the previous years based on the expected life of each type of option. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Growth shares

During the year 15,095,092 growth shares were issued to various employees of the Group at nominal value of £0.0000001 per share. The growth shares are initially unvested, and vest on a graded vesting basis over a period of 4 years. 25% vest on 31 December 2022, and 6.25% vest per quarter thereafter.

Unvested growth shares do not have any material rights in any event, for example, to dividends, on liquidation, or on an exit event. Holders of vested growth shares are not entitled to any dividends, but receive a pro-rata share of the proceeds, with ordinary and founder shareholders, after payment to priority shareholders, on an exit; a share sale, an asset sale, or an IPO. The right to a pro-rata share of the proceeds on an exit is contingent on the price in the exit meeting a certain hurdle.

The fair value of the 15,095,092 shares issued in the year was determined using the Monte Carlo model using the following inputs at grant date:

Consideration per share	£0.0000001
Hurdle	£133,600,000
Expected volatility	42%
Time to maturity	3.16 years
Risk free rate	4.2%
Expected dividends	nil

The fair value of the growth shares issued during the year, as at the grant date was estimated to be £2,690,326.

The total expense recognised by the Group in profit and loss in the year in respect of growth shares was £1,814,765 (2022: £nil).

20 TRADE AND OTHER PAYABLES

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Trade payables	3,008,114	664,200	2,986,736	594,746
Other tax and social security	2,150,004	370,774	2,104,461	304,454
Other payables	134,384	81,757	154,090	81,341
Lease liabilities (note 22)	110,187	106,459	11,996	10,629
Accrued liabilities	1,560,609	1,891,113	1,519,191	1,800,538
	<u>6,963,298</u>	<u>3,114,303</u>	<u>6,776,474</u>	<u>2,791,708</u>
Other payables comprise:				
Pension payable	76,953	34,873	69,810	34,730
Miscellaneous minor items	57,429	46,884	84,280	46,611
	<u>134,382</u>	<u>81,757</u>	<u>154,090</u>	<u>81,341</u>

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

20 TRADE AND OTHER PAYABLES *(continued)*

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short term nature.

21 OTHER PAYABLES

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Lease liabilities (note 22)	43,512	153,123	-	-
	<u>43,512</u>	<u>153,123</u>	<u>-</u>	<u>-</u>

22 LEASE LIABILITIES

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
At 1 September	259,582	339,842	10,629	56,106
Interest expense	14,752	16,681	1,579	223
Additions	-	-	-	-
Remeasurement	47,202	-	47,202	-
Lease payments	(152,704)	(140,856)	(47,414)	(45,700)
Exchange differences	(15,133)	43,915	-	-
At 31 August	<u>153,699</u>	<u>259,582</u>	<u>11,996</u>	<u>10,629</u>

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Total cash outflow for leases	<u>257,626</u>	<u>190,885</u>	<u>152,336</u>	<u>95,729</u>

The total cash outflow for leases disclosed above includes lease payments on low-value leases, which are not recognised on the statement of financial position under IFRS 16, and are not included in the reconciliation of lease liabilities above.

Maturity analysis of lease liabilities

The maturity of the gross contractual undiscounted cash flows due on the Group's lease liability is set out below based on the period between 31 August 2023 and the end of the lease term as determined for IFRS 16.

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Due in 1 year or less	116,378	120,161	11,996	10,628
Due after 1 year but not more than 5 years	44,016	160,358	-	-
Due after 5 years	-	-	-	-
	<u>160,394</u>	<u>280,519</u>	<u>11,996</u>	<u>10,628</u>

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

22 LEASE LIABILITIES *(continued)* *Lease terms*

The Group has two leases that are not “low value”. One of the leases relates to the ground floor of a property, used as its head office. During the year the contractual end date of the lease was extended for a year to 5 January 2024. The second lease relates to the property, used by the subsidiary. The contractual end date of the lease is 31 January 2025.

23 DEFERRED REVENUE	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Deferred revenue	16,682,642	2,219,147	15,738,120	1,355,095
	<u>16,682,642</u>	<u>2,219,147</u>	<u>15,738,120</u>	<u>1,355,095</u>
	<u><u>16,682,642</u></u>	<u><u>2,219,147</u></u>	<u><u>15,738,120</u></u>	<u><u>1,355,095</u></u>
	Group	2022	Company	2022
	2023	£	2023	£
	£	£	£	£
Current liabilities	16,682,642	2,219,147	15,738,120	1,355,095
	<u>16,682,642</u>	<u>2,219,147</u>	<u>15,738,120</u>	<u>1,355,095</u>
	<u><u>16,682,642</u></u>	<u><u>2,219,147</u></u>	<u><u>15,738,120</u></u>	<u><u>1,355,095</u></u>

24 RETIREMENT BENEFIT OBLIGATIONS

The Group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The charge to the consolidated statement of comprehensive income in respect of defined contribution schemes was £521,884 (2022: £84,042).

At 31 August 2023 the amount of unpaid pension costs in the Group statement of financial position was £76,953 (2022: £34,873). In the Company statement of financial position, the amount unpaid was £69,810 (2022: £34,730).

25 FINANCIAL RISK MANAGEMENT

The Group’s operations expose it to a number of financial risks including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group manages these risks through an effective risk management programme.

Liquidity risk

The Group closely monitors its access to bank and other credit facilities in comparison to its outstanding commitments on a regular basis to ensure that it has sufficient funds to meet the obligations of the Group as they fall due.

The Board receives regular cash flow forecasts which estimate the cash inflows and outflows so that management can ensure that sufficient funding is in place as it is required. The Group has cash deposits of £50,217,792 (2022: £19,380,248) at the year end. During the year the Group closed a B extension funding round with \$30,749,998 (£26,163,531) raised and a crowdfunding round with £7,169,816 raised net of fees. The Group therefore has sufficient cash reserves to draw on as required and meet its obligation as they fall due.

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 August 2023

25 FINANCIAL RISK MANAGEMENT (continued)

The maturity of trade receivables and trade payable is for a period of time equal to less than 6 months.

Borrowing facilities and interest rate profile

The Group had no un-drawn committed borrowing facilities in the current or prior year.

The Group does not have external, interest bearing debt and therefore there is no impact in relation to the interest rate benchmark reform.

Credit risk exposure

Credit risk predominantly arises from trade and other receivables and cash and cash equivalents.

Trade receivables at the year end totalled £1,229,457 (2022: £821,814) and other receivables is principally comprised of cash in transit due to a delay between the Group's payment platform processing and receipt of funds into the Group's bank accounts and a deposit for employer of record employees.

There is no material credit risk exposure as payment by customers is made at the point of sale and trade receivables are collected when due with no significant ageing.

The Group's maximum exposure to credit risk relating to its financial assets is equivalent to their carrying value, as disclosed in note 29. There is no material difference between the fair value of receivables and their carrying amount.

Foreign currency exposure

Since the Group operates internationally, it is exposed to foreign currency risk as part of its normal business as the Group carries out research activities in both Europe and the United States.

The Group is comprised of a UK parent company with functional currency Pound Sterling (£) and a US subsidiary company with functional currency US Dollars (\$).

The Group holds bank accounts denominated in USD and Euros to mitigate any foreign currency risk exposure.

The carrying amount of the Company's financial assets (including cash) and financial liabilities at the reporting date, held in a currency other than the functional currency, were as follows:

	Assets		Liabilities	
	2023	2022	2023	2022
	£	£	£	£
US Dollars	22,944,052	3,735,506	747,502	148,962
Euros	327,185	61,881	1,316,165	49,681
New Zealand Dollars	-	-	-	2,281
	<u>23,271,237</u>	<u>3,797,387</u>	<u>2,063,667</u>	<u>200,924</u>

The US subsidiary did not have any financial assets or financial liabilities held in a currency other than the functional currency at the reporting date in the current or prior year.

The Group had net assets denominated in foreign currencies of £21,207,570 (2022: net assets of £3,596,462). Based on this exposure, had the Pound Sterling strengthened by 10%/weakened by 10% against these foreign currencies with all other variables held constant the Group's loss before tax for the year would have been £1,927,961 higher/£2,356,397 lower and equity would have been £1,927,761 lower/£2,356,397 higher (2022: loss before tax for the year would have been £326,951 higher/£399,607 lower and equity would have been £326,951 lower/£399,607 higher).

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

26 CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and;
- maintain an optimal capital structure to reduce the cost of capital.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

There is no external debt in the Group.

27 RESERVES

Share premium account

Represents amounts subscribed for share capital in excess of nominal value, net of directly attributable share issue costs.

Retained earnings

Retained earnings represent the accumulated retained profits and losses less payment of dividends.

Translation reserves

Translation reserves relates to translation differences arising from the translation of financial statements of the group's foreign subsidiaries into Sterling (£).

28 KEY MANAGEMENT PERSONNEL COMPENSATION

The total remuneration of the Directors and senior management, who are considered to be the key management personnel of the group, was as follows:

	Group	
	2023	2022
	£	£
Short-term employee benefits	1,637,781	1,638,659
Post-employment benefits	67,428	10,126
Share based payments	2,488,982	504,419
	<u>4,194,191</u>	<u>2,153,204</u>

29 FINANCIAL INSTRUMENTS

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Financial assets at amortised cost				
Trade receivables	1,229,457	1,051,275	1,086,655	1,017,383
Other receivables	1,543,835	221,394	523,476	134,645
Cash and cash equivalents	50,217,792	19,380,248	50,477,641	17,962,335
Amounts owed by group undertakings	-	-	1,432,160	1,715,540
	<u>52,991,084</u>	<u>20,652,917</u>	<u>53,519,932</u>	<u>20,829,903</u>

Other receivables excludes VAT recoverable as these are non-financial assets.

Zoe Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 August 2023

29 FINANCIAL INSTRUMENTS *(continued)*

Financial liabilities at amortised cost	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Trade payables	3,008,114	664,200	2,986,736	594,746
Other payables	134,382	81,757	154,090	81,341
Accrued liabilities	1,560,609	1,891,113	1,519,191	1,800,538
	<u>4,703,105</u>	<u>2,637,070</u>	<u>4,660,017</u>	<u>2,476,625</u>

Other payables excludes pension payable, other tax and social security payable, and others advances as these are non-financial liabilities.

30 ANALYSIS OF CHANGES IN NET DEBT – GROUP

	1 September 2022	Cash flows	Other movements	Exchange rate Movements	31 August 2023
	£	£	£	£	£
Cash at bank and in hand	19,380,248	29,359,917	-	1,477,627	50,217,792
Lease liabilities obligation	(259,582)	152,704	(61,954)	15,133	(153,699)
	<u>19,120,666</u>	<u>29,512,621</u>	<u>(61,954)</u>	<u>1,492,760</u>	<u>50,064,093</u>

	1 September 2021	Cash flows	Other movements	Exchange rate Movements	31 August 2022
	£	£	£	£	£
Cash at bank and in hand	25,565,588	(6,001,118)	-	(184,222)	19,380,248
Lease liabilities obligation	(339,842)	140,856	(16,681)	(43,915)	(259,582)
	<u>25,225,746</u>	<u>(5,860,262)</u>	<u>(16,681)</u>	<u>(228,137)</u>	<u>19,120,666</u>

Other movements relates to interest charged on lease liabilities of £14,752 and remeasurement of lease liabilities due to lease modifications of £47,202. In the year ended 31 August 2022, other movements were comprised of interest charged on lease liabilities of £16,681.

31 RELATED PARTY TRANSACTIONS

The company has taken the exemption available under the FRS 101 Reduced Disclosure Framework not to disclose related party transactions with its wholly owned subsidiary Zoe US Inc.

32 CONTROLLING PARTY

The company is the ultimate parent undertaking in the group. The group financial statements can be obtained from Companies House or the registered office of Zoe Limited at: 164 Westminster Bridge Road, London, SE1 7RW, United Kingdom.