

Molo Tech Limited Annual Report and Consolidated Financial Statements

Annual Report and Financial Statements

For the year ended 31 December 2022

Company Registration No. 10510180 (England and Wales)

Molo Tech Limited Annual Report and Consolidated Financial Statements

Company Information

Directors	F. Carlesi G. L. Olsen A. M Chepul	(Appointed 2 December 2022)
Company number	10510180	
Registered office	84 Thomas House Eccleston Square London SW1V 1PX	
Auditor	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB	

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Directors' Report

For the year ended 31 December 2022

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

Principal activities

The principal activity of the company and group continued to be that of mortgage intermediation and lending.

Directors

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

F. Carlesi	
G. L. Olsen	
L Grunstein	(Resigned 6 June 2022)
G Seidel	(Resigned 4 November 2022)
A. M Chepul	(Appointed 2 December 2022)
N Kornfeld	(Resigned 22 November 2022)
M Cooper	(Resigned 20 April 2022)

Results and dividends

No ordinary dividends were paid. The directors do not recommend payment of a dividend.

Qualifying third party indemnity provisions

The company 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.

Auditor

RSM UK Audit LLP were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually 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 auditor of the company is aware of that information.

Going concern

During the financial year the business continued to be affected by the capital market volatility. The impact on the business and the remedial actions taken were as follows:

- Cash resources: The group ended 2022 with bank balances of £609,503. The directors monitor trends and market developments in the mortgage sector closely and is expecting opportunities in the market throughout 2023 as the capital market volatility eases. The business has comprehensive cash management and forecasting processes in place and the directors continue to monitor and ensure funding facilities are sufficient for expected requirements.
- Subsequent to year end, the group has received a strategic investment from ColCap Financial UK Limited (see notes 27 and 23), which includes funding for the company's new origination of buy-to-let mortgages. ColCap Financial UK Limited's investment will provide support in expanding the company parent's access to mortgage funding and helping it grow in the mortgage intermediary market.

The statement headed "Going Concern" included in the accounting policies sets out certain factors relevant to the directors' consideration in reaching their assessment on going concern. The financial statements have been prepared on a going concern basis.

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Directors' Report (Continued)

For the year ended 31 December 2022

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

F. Carlesi

Director

16 June 2023

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Directors' Responsibilities Statement

For the year ended 31 December 2022

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the ;
- prepare the 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 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. They are also 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.

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Independent Auditor's Report

To the Members of Molo Tech Limited Annual Report and Consolidated Financial Statements

Opinion

We have audited the financial statements of Molo Tech (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise of the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

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Independent Auditor's Report (Continued)

To the Members of Molo Tech Limited Annual Report and Consolidated Financial Statements

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Independent Auditor's Report (Continued)

To the Members of Molo Tech Limited Annual Report and Consolidated Financial Statements

Auditor's 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 auditor's 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.

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Independent Auditor's Report (Continued)

To the Members of Molo Tech Limited Annual Report and Consolidated Financial Statements

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud having obtained an understanding of the effectiveness of the control environment.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors.

The group audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud.

Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business; testing the completeness, accuracy and existence of revenue through detailed substantive procedures.

Audit procedures performed for revenue recognition included but were not limited to testing the existence and valuation of revenue, considering the treatment of revenue in the correct reporting period and testing manually the completeness of revenue in the accounting system.

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

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Independent Auditor's Report (Continued)

To the Members of Molo Tech Limited Annual Report and Consolidated Financial Statements

Use of our report

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

NEIL GRIGGS (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

16 June 2023

Molo Tech Limited Annual Report and Consolidated Financial Statements

Group Profit and Loss Account

For the year ended 31 December 2022

		2022	2021
	Notes	£	£
Turnover	3	471,914	1,573,418
Administrative expenses		(7,976,029)	(8,486,822)
Other operating income	3	1,994	888
		<hr/>	<hr/>
Operating loss	4	(7,502,121)	(6,912,516)
Interest receivable and similar income	8	739,458	28,050
Interest payable and similar expenses	9	(963,935)	(270,203)
Amounts written off investments		-	(202)
		<hr/>	<hr/>
Loss before taxation		(7,726,598)	(7,154,871)
Tax on loss	10	(33,555)	381,226
		<hr/>	<hr/>
Loss for the financial year		(7,760,153)	(6,773,645)
		<hr/> <hr/>	<hr/> <hr/>

Loss for the financial year is all attributable to the owners of the parent company.

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Group Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 £	2021 £
Loss for the year	(7,760,153)	(6,773,645)
Other comprehensive income		
Cash flow hedges gain arising in the year	1,939,346	-
Total comprehensive income for the year	<u>(5,820,807)</u>	<u>(6,773,645)</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

Molo Tech Limited Annual Report And Consolidated Financial Statements

Company Balance Sheet

As at 31 December 2022

	Notes	2022		2021	
		£	£	£	£
Fixed assets					
Tangible assets	11		8,087		19,333
Investments	12		4		4
			<u>8,091</u>		<u>19,337</u>
Current assets					
Debtors	15	3,650,769		842,861	
Cash at bank and in hand		391,591		520,694	
		<u>4,042,360</u>		<u>1,363,555</u>	
Creditors: amounts falling due within one year	16	<u>(3,640,824)</u>		<u>(1,018,131)</u>	
Net current assets			<u>401,536</u>		<u>345,424</u>
Total assets less current liabilities			<u>409,627</u>		<u>364,761</u>
Creditors: amounts falling due after more than one year	17		<u>(6,807,120)</u>		<u>(23,000)</u>
Net (liabilities)/assets			<u><u>(6,397,493)</u></u>		<u><u>341,761</u></u>
Capital and reserves					
Called up share capital	21		27,010		26,795
Share premium account			22,839,237		22,607,987
Other reserves			646,871		582,605
Profit and loss reserves			<u>(29,910,611)</u>		<u>(22,875,626)</u>
Total equity			<u><u>(6,397,493)</u></u>		<u><u>341,761</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £7,049,405 (2021 - £7,278,548 loss).

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

The financial statements were approved by the board of directors and authorised for issue on 16 June 2023 and are signed on its behalf by:

F. Carlesi
Director

Company Registration No. 10510180

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

	Share capital	Share premium account	Hedging reserve	Other reserves/loss reserves	Profit and loss reserves	Total
Notes	£	£	£	£	£	£
Balance at 1 January 2021	21,164	13,816,057	-	392,308	(15,963,324)	(1,733,795)
Year ended 31 December 2021:						
Loss and total comprehensive income for the year	-	-	-	-	(6,773,645)	(6,773,645)
Issue of share capital	5,631	8,791,930	-	-	-	8,797,561
ESOP share reserve	-	-	-	573,016	-	573,016
Transfer	-	-	-	(382,719)	382,719	-
Balance at 31 December 2021	26,795	22,607,987	-	582,605	(22,354,250)	863,137
Year ended 31 December 2022:						
Loss for the year	-	-	-	-	(7,760,153)	(7,760,153)
Other comprehensive income:						
Cash flow hedges gains arising in the year	-	-	1,939,346	-	-	1,939,346
Total comprehensive income for the year	-	-	1,939,346	-	(7,760,153)	(5,820,807)
Issue of share capital	215	231,250	-	-	-	231,465
ESOP share reserve	-	-	-	78,686	-	78,686
Transfer	-	-	-	(14,420)	14,420	-
Balance at 31 December 2022	27,010	22,839,237	1,939,346	646,871	(30,099,983)	(4,647,519)

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Company Statement of Changes in Equity

For the year ended 31 December 2022

	Notes	Share capital £	Share premium account £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 January 2021		21,164	13,816,057	392,308	(15,979,797)	(1,750,268)
Year ended 31 December 2021:						
Loss and total comprehensive income for the year		-	-	-	(7,278,548)	(7,278,548)
Issue of share capital	21	5,631	8,791,930	-	-	8,797,561
ESOP share reserve		-	-	573,016	-	573,016
Transfer		-	-	(382,719)	382,719	-
Balance at 31 December 2021		26,795	22,607,987	582,605	(22,875,626)	341,761
Year ended 31 December 2022:						
Loss and total comprehensive income for the year		-	-	-	(7,049,405)	(7,049,405)
Issue of share capital	21	215	231,250	-	-	231,465
ESOP share reserve		-	-	78,686	-	78,686
Transfer		-	-	(14,420)	14,420	-
Balance at 31 December 2022		27,010	22,839,237	646,871	(29,910,611)	(6,397,493)

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Group Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022		2021	
		£	£	£	£
Cash flows from operating activities					
Cash absorbed by operations	24	(6,552,932)		(6,994,039)	
Interest paid		(795,118)		(504)	
Income taxes (paid)/refunded		-		539,471	
Net cash outflow from operating activities		(7,348,050)		(6,455,072)	
Investing activities					
Purchase of tangible fixed assets		-	(14,752)		
Purchase other investments and mortgage loans		(26,493,704)		-	
Interest received		608,653	28,050		
Net cash (used in)/generated from investing activities		(25,885,051)		13,298	
Financing activities					
Proceeds from issue of shares		231,465	2,067,114		
Issue of convertible loans		9,200,000	-		
Repayment of borrowings		(422,498)	-		
Drawdown of bank loans		24,260,889	23,000		
Net cash generated from financing activities		33,269,856		2,090,114	
Net increase/(decrease) in cash and cash equivalents		36,755		(4,351,660)	
Cash and cash equivalents at beginning of year		572,748		4,924,408	
Cash and cash equivalents at end of year		609,503		572,748	

Molo Tech Limited Annual Report and Consolidated Financial Statements

Notes to the Financial Statements

For the year ended 31 December 2022

1 Accounting policies

Company information

Molo Tech Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 84 Thomas House, Eccleston Square, London, SW1V 1PX.

The group consists of Molo Tech Limited and all of its subsidiaries. All subsidiaries are listed in note 13.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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

The financial statements have been prepared under the historical cost. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

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Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated group financial statements consist of the financial statements of the parent company Molo Tech Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The group profit and loss account and statement of cash flows also include the results and cash flows of Molo Funding No 2 Limited and Molo Funding 3 Limited for the period from 1 January 2021 to date of cessation 1 February 2022.

Molo Tech Limited Annual Report and Consolidated Financial Statements

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.3 Going concern

The directors have considered the financial position of the company and the group, as well as the group's forecast for the 12 month period following the point of signing and concluded that it is appropriate to prepare the financial statements on a going concern basis. In making this determination, management have specifically considered; the impacts of the group's new FCA responsibilities, the impacts of rising inflation and base interest rates, and the impact on the group's cash flows over the going concern period, as set out below.

During the period the group made a loss of £7,760,153 and at balance sheet date had net liabilities of £4,647,519. The UK is experiencing a period of high inflation and increasing base interest rates, which has caused volatility in interest swap rates and borrowing costs. These factors impacted the group's funding through capital markets, and as such the group temporarily paused mortgage originations in 2022. Management took precautionary measures by closely monitoring expenses, and the directors have prepared projected cash flow information for a 12-month period from the point of signing. The initial base case forecast was prepared with the following key assumptions:

- The group continues to steadily grow after relaunching mortgage origination with new funding partners,
- There are no further suspensions of property market in the United Kingdom,
- The company successfully launches new regulated mortgage products, and new mortgage funding facilities.

The group has received a strategic investment from ColCap Financial UK Limited of £16.4 million on 28 February 2023 (see notes 27 and 23), which included funding for the company's new origination of buy-to-let mortgages. ColCap Financial UK Limited's investment will provide support in expanding the company parent's access to mortgage funding and helping it grow in the mortgage intermediary market.

Based on these considerations and indications of ongoing support from the shareholders, the directors consider it appropriate to prepare the financial statements on a going concern basis.

1.4 Turnover

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

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

1.5 Research and development expenditure

Research and development expenditure is written off against profits in the year in which it is incurred.

1.6 Tangible fixed assets

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

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

Computers	3 years straight line
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Molo Tech Limited Annual Report and Consolidated Financial Statements

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.7 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.8 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Cash at bank and in hand

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

Molo Tech Limited Annual Report and Consolidated Financial Statements

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.10 Financial instruments

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

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

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

Basic financial assets

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

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Molo Tech Limited Annual Report and Consolidated Financial Statements

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

Basic financial liabilities

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

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

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

Other financial liabilities - convertible loan notes

The net proceeds received from the issue of the convertible loan notes are required to be split between the financial liability element and the equity component, representing the fair value of the embedded option to convert the financial liability into equity. In determining the appropriate accounting treatment of the loan notes, the specific contractual terms of each note issuance are also analysed to ensure the most appropriate classification as financial liability, equity or a hybrid.

Any equity component would be credited to the equity reserve. The liability component is measured at fair value in accordance with section 12 of FRS102. Where the interest rate is at a market rate, the fair value on initial recognition is deemed to be the transaction cost. Any changes to fair value on subsequent measurement are taken to the profit and loss.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

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

1.12 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Molo Tech Limited Annual Report and Consolidated Financial Statements

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.13 Employee benefits

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

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

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

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Share-based payments

The Company has adopted a share option scheme which is compliant with HMRC's Enterprise Management Incentives scheme rules. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest.

The fair value is measured by use of the Black-Scholes pricing model. The expected life in the model has been adjusted, based on management's best estimate for the life of the share options, exercise restrictions and expected share volatility.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to expenses on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.17 Government grants

Grants are accounted for under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in "other operating income" within profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme ('Furlough').

The group has not directly benefited from any other forms of government assistance.

1.18 Foreign exchange

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

1.19 Derivative Financial Instruments

The group has entered into variable to fixed rate interest swaps to manage its exposure to interest rate cash flow risk on its variable rate debt. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. This amount is reclassified from the cash flow hedge reserve to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss. Any ineffective portions of those movements are recognised in profit or loss for the period.

Molo Tech Limited Annual Report and Consolidated Financial Statements

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Management considers that accounting estimates relating to the following, are the most material to the financial statements;

- Going Concern (see Director's report and Going Concern Note),
- Share based payments (Note 20),
- the recognition (or not) of deferred tax assets for carried forward tax losses (Note 10), and
- the recognition of a research and development (R&D) credit (Note 10)
- the recoverability and impairment assessments on mortgage loans and debtors (Note 15)

3 Turnover and other revenue

	2022	2021
	£	£
Turnover analysed by class of business		
Physical Survey Fees	88,791	310,496
Gain on loan sales	209,532	1,262,922
Software implementation fees	100,000	-
Other income	73,591	-
	<u>471,914</u>	<u>1,573,418</u>
	2022	2021
	£	£
Other significant revenue		
Interest income	739,458	28,050
Commissions received	923	384
Grants received	71	504
	<u>739,452</u>	<u>28,938</u>

All turnover is derived in the United Kingdom.

Molo Tech Limited Annual Report and Consolidated Financial Statements

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

4 Operating loss

	2022	2021
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(3,104)	4,261
Research and development costs	370,277	732,455
Government grants	(71)	(504)
Depreciation of owned tangible fixed assets	11,246	19,725
Share-based payments	78,687	573,016
Operating lease charges	108,453	58,477
Impairment on debtors	458,564	-
	<u> </u>	<u> </u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £3,104 (2021 - £4,261).

5 Auditor's remuneration

	2022	2021
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	63,000	30,000
	<u> </u>	<u> </u>

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2022 Number	Group 2021 Number	Company 2022 Number	Company 2021 Number
Total employees	47	46	47	45
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Wages and salaries	3,266,285	3,785,098	3,266,285	3,785,098
Social security costs	386,208	382,696	386,208	382,696
Pension costs	174,018	140,628	174,018	140,628
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>3,826,511</u>	<u>4,308,422</u>	<u>3,826,511</u>	<u>4,308,422</u>

Molo Tech Limited Annual Report and Consolidated Financial Statements

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

7 Directors' remuneration

	2022 £	2021 £
Remuneration paid to directors	227,746	326,473

There was one director in the Company and Group's defined contribution pension scheme during 2022 (2021: two). The total amount payable to the highest paid director in respect of emoluments was £227,746 (2021: 226,407).

8 Interest receivable and similar income

	2022 £	2021 £
Interest income		
Interest on mortgage assets	616,123	-
Interest receivable from group companies	-	763
Other interest income	123,335	27,287
Total income	739,458	28,050

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	616,123	-
--	---------	---

9 Interest payable and similar expenses

	2022 £	2021 £
Interest on financial liabilities measured at amortised cost:		
Interest on funding facilities including early redemption costs	865,356	-
Interest on financial liabilities measured at FVTPL:		
Interest on convertible loan notes	98,579	269,699
Other finance costs:		
Other interest	-	504
Total finance costs	963,935	270,203

10 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	33,555	(381,226)

Molo Tech Limited Annual Report and Consolidated Financial Statements

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

10 Taxation (Continued)

The actual charge/(credit) for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £	2021 £
Loss before taxation	(7,726,598)	(7,154,871)
<i>Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)</i>	(1,468,054)	(1,359,425)
Add back tax losses due to uncertainty of future taxable profits	1,468,054	1,359,425
Expected R&D claim	(166,445)	(400,000)
Prior year adjustment on R&D claim	200,000	18,774
Taxation charge/(credit)	33,555	(381,226)

11 Tangible fixed assets

Group & Company	Plant and machinery £
Cost	
At 1 January 2022	82,878
Disposals	(1,068)
At 31 December 2022	81,810
Depreciation and impairment	
At 1 January 2022	63,545
Depreciation charged in the year	11,246
Eliminated in respect of disposals	(1,068)
At 31 December 2022	73,723
Carrying amount	
At 31 December 2022	8,087
At 31 December 2021	19,333

Molo Tech Limited Annual Report and Consolidated Financial Statements

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

12 Fixed asset investments

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Investments	-	-	4	4

Movements in fixed asset investments

Company	Shares in group undertakings
Cost or valuation	£
At 1 January 2022 and 31 December 2022	4
Carrying amount	
At 31 December 2022	4
At 31 December 2021	4

13 Subsidiaries

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

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Molo Holdings Limited No1	84 Eccleston Square, London, SW1V 1PX	Mortgage Intermediation	Ordinary	100.00	-
Molo Holdings Limited No2	84 Eccleston Square, London, SW1V 1PX	Mortgage Intermediation	Ordinary	100.00	-
Molo Holdings Limited No3	84 Eccleston Square, London, SW1V 1PX	Mortgage Intermediation	Ordinary	100.00	-
Molo Funding Limited No1	84 Eccleston Square, London, SW1V 1PX	Mortgage Lending Services	Ordinary	100.00	-
Molo Funding Limited No4	84 Eccleston Square, London, SW1V 1PX	Mortgage Lending Services	Ordinary	-	100.00

Molo Tech Limited Annual Report and Consolidated Financial Statements

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

14 Financial instruments

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Carrying amount of financial assets				
Debt instruments measured at amortised cost	27,445,900	941,443	3,656,451	674,385
Instruments measured at fair value through profit or loss	1,939,346	-	-	-
Carrying amount of financial liabilities				
Measured at amortised cost	33,757,705	238,421	9,919,314	243,553
	33,757,705	238,421	9,919,314	243,553

During the year ended 31 December 2022, Molo Funding No. 1 Limited, a subsidiary of Molo Tech Limited purchased £26.5m of buy-to-let mortgages using £27.4m of new secured funding lines.

15 Debtors

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Amounts falling due within one year:				
Provision for doubtful debts	(458,654)	-	(135,661)	-
Mortgage loan assets	37,662	-	-	-
Trade debtors	66,202	368,694	60,207	-
Corporation tax recoverable	366,664	518,176	366,664	518,176
Amounts due from group undertakings	578	-	3,204,652	153,691
Other debtors	63,098	69,351	62,898	69,351
Prepayments and accrued income	658,042	529,616	92,009	101,643
	733,592	1,485,837	3,650,769	842,861
Amounts falling due after more than one year:				
Amounts due from group undertakings	(578)	-	-	-
Derivative financial instruments	1,939,346	-	-	-
Mortgage loan assets	26,517,599	-	-	-
	28,456,367	-	-	-
Total debtors	29,189,959	1,485,837	3,650,769	842,861

Molo Tech Limited Annual Report and Consolidated Financial Statements

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

15 Debtors

(Continued)

During the year ended 31 December 2022, Molo Funding No. 1 Limited, a subsidiary of Molo Tech Limited purchased £26.5m of buy-to-let mortgages using £23.8m of new secured funding lines.

The impairment loss recognised in the group profit and loss for the period in respect of bad and doubtful debts debtors was £458,654 (2021: £nil). The impairment loss recognised in the company profit and loss for the period in respect of bad and doubtful debts debtors was £135,661 (2021: £nil). The impairment losses have been recognised due to impacts of interest rate volatility, which has impacted the future net cash flows expected on the group's and company's deferred consideration on mortgage loan sales. The recoverability and impairment of debtors for part of the Group and Company's are considered by management to be material estimates to the financial statements.

Derivative financial instruments - Interest rate swaps

The group has entered into an interest rate swap to receive variable interest linked to SONIA and pay fixed interest. The swap is based on a the expected amortisation profile of the principal amount of the fixed rate mortgage assets.

The instrument is used to hedge the company's exposure to interest rate movements on the funding facilities. The hedging arrangement aligns the total interest payable to total principal amount of the fixed rate mortgage assets. The fair value of the interest rate swap is £1,939,346 (2021: £nil).

Cash flows on both the loan and the interest rate swaps are paid monthly until December 2027. During 2022, a hedging gain of £1,939,346 (2021: £nil) was recognised in other comprehensive income for changes in the fair value of the interest rate swap and £nil (2021: £nil) was reclassified from the hedge reserve to profit and loss.

16 Creditors: amounts falling due within one year

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Convertible loans	28	2,510,114	-	2,510,114	-
Trade creditors		602,080	215,092	602,080	215,092
Amounts due to group undertakings		-	-	1	5,133
Corporation tax payable		-	118,176	-	-
Other taxation and social security		94,362	106,949	94,362	106,949
Other creditors		603,091	751,564	434,267	690,957
Funding facilities		23,838,391	-	-	-
		<u>27,648,038</u>	<u>1,191,781</u>	<u>3,640,824</u>	<u>1,018,131</u>

Molo Tech Limited Annual Report and Consolidated Financial Statements

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

17 Creditors: amounts falling due after more than one year

		Group		Company	
		2022	2021	2022	2021
		£	£	£	£
Bank loans and overdrafts	18	19,127	23,000	19,127	23,000
Convertible loans	28	6,787,993	-	6,787,993	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

Amounts included above which fall due after five years are as follows:

Payable by instalments	19,127	23,000	19,127	23,000
Payable other than by instalments	6,787,993	-	6,787,993	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>6,807,120</u>	<u>23,000</u>	<u>6,807,120</u>	<u>23,000</u>

18 Loans and overdrafts

		Group		Company	
		2022	2021	2022	2021
		£	£	£	£
Bank loans		19,127	23,000	19,127	23,000
Funding facilities		23,838,391	-	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		<u>23,857,518</u>	<u>23,000</u>	<u>19,127</u>	<u>23,000</u>
Payable within one year		23,838,391	-	-	-
Payable after one year		19,127	23,000	19,127	23,000
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

19 Retirement benefit schemes

		2022	2021
		£	£
Defined contribution schemes			
Charge to profit or loss in respect of defined contribution schemes		174,018	140,628
		<u> </u>	<u> </u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

Molo Tech Limited Annual Report and Consolidated Financial Statements

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

20 Share-based payment transactions

Group	Number of share options		Weighted average exercise price	
	2022 Number	2021 Number	2022 £	2021 £
Outstanding at 1 January 2022	211,700	234,200	0.01	0.01
Granted	-	61,400	0.01	0.01
Forfeited	(66,525)	(56,175)	0.01	0.01
Exercised	(975)	(27,725)	0.01	0.01
	<u>144,200</u>	<u>211,700</u>	<u>0.01</u>	<u>0.01</u>
Outstanding at 31 December 2022	<u>144,200</u>	<u>211,700</u>	<u>0.01</u>	<u>0.01</u>
Exercisable at 31 December 2022	<u>52,875</u>	<u>36,350</u>	<u>0.01</u>	<u>0.01</u>

The options outstanding at 31 December 2022 had an exercise price ranging from 0.01 to 0.01, and a remaining contractual life of 1.6 years (2021: 2.4 years).

Company	Number of share options		Weighted average exercise price	
	2022 Number	2021 Number	2022 £	2021 £
Outstanding at 1 January 2022	211,700	234,200	0.01	0.01
Granted	-	61,400	0.01	0.01
Forfeited	(66,525)	(56,175)	0.01	0.01
Exercised	(975)	(27,725)	0.01	0.01
	<u>144,200</u>	<u>211,700</u>	<u>0.01</u>	<u>0.01</u>
Outstanding at 31 December 2022	<u>144,200</u>	<u>211,700</u>	<u>0.01</u>	<u>0.01</u>
Exercisable at 31 December 2022	<u>52,875</u>	<u>36,350</u>	<u>0.01</u>	<u>0.01</u>

The Black-Scholes option pricing model was used to value equity-settled share based payment awards. This valuation model was used as there was a lack of market trading as, and it was considered that this approach would result in a materially accurate estimate of the fair value of options granted. The following information was used in this valuation for the options outstanding at 31 December 2022:

- all shares had an exercise price of £0.01 (2021: £0.01),
- the weighted average remaining contractual life of 1.6 years (2021: 2.4 years),
- expected volatility was based on observable data in respect to peers in the market,
- staff retention rates are based on historical HR records, and
- share price value is referenced to the latest fund raise.

Molo Tech Limited Annual Report and Consolidated Financial Statements

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

20 Share-based payment transactions (Continued)

	Group 2022	2021	Company 2022	2021
Expenses recognised in the year				
Arising from equity settled share based payment transactions	78,687	573,016	78,687	573,016

21 Share capital

	Group and company	
	2022	2021
	£	£
Ordinary share capital		
Issued and fully paid		
2,701,026 Ordinary shares of 1p each	27,010	26,795
Share premium	22,839,237	22,607,987

During the period, the company issued 5,833 £0.01 ordinary shares at £0.01 on 7th September 2022. The company also issued 15,646 £0.01 ordinary shares at £14.79 on 7th September 2022.

22 Operating lease commitments

Lessee

The group and company had minimum lease payments under non-cancellable operating leases as set out below:

	Group 2022	2021	Company 2022	2021
	£	£	£	£
Not later than one year	22,469	8,327	22,469	8,327
Later than one year	7,388	7,540	7,388	7,540
Total	29,857	15,867	29,857	15,867

23 Controlling party

As at 31 December, there was no ultimate controlling parent.

Subsequent to the reporting date (see note 27) ColCap Financial UK Limited acquired an 80% shareholding in Molo Tech Ltd. ColCap Financial UK Limited's ultimate parent is ColCap Financial Limited. ColCap Financial Limited is a company registered in Australia, and has a registered office at Level 12, 77 Castlereagh Street, Sydney NSW 2000.

Molo Tech Limited Annual Report and Consolidated Financial Statements

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

24 Cash absorbed by group operations

	2022 £	2021 £
Loss for the year after tax	(7,760,153)	(6,773,645)
Adjustments for:		
Taxation charged/(credited)	33,555	(381,226)
Finance costs	963,935	270,203
Investment income	(739,458)	(28,050)
Depreciation and impairment of tangible fixed assets (note 11)	11,246	19,725
Equity settled share based payment expense	78,687	573,016
Movements in working capital:		
Decrease/(increase) in debtors	1,034,352	(889,595)
(Decrease)/increase in creditors	(175,074)	215,533
Cash absorbed by operations	<u>(6,552,910)</u>	<u>(6,994,039)</u>

25 Analysis of changes in net funds/(debt) - group

	1 January 2022 £	Cash flows £	Accrued interest £	31 December 2022 £
Cash at bank and in hand	572,748	36,755	-	609,503
Borrowings	(23,000)	(30,528,277)	(94,234)	(30,645,511)
	<u>549,748</u>	<u>(30,491,522)</u>	<u>(94,234)</u>	<u>(30,036,008)</u>

26 Related party transactions

Key management personnel include all directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management for services provided to the group was £1,240,548 (2021: £1,218,159).

During the year ended 31 December 2021, the company and group issued convertible loan notes (CLNs), as disclosed in note 17, of which £1,500,000 was issued to existing shareholders. As stated in note 17, the terms of the CLNs were not off-market and so no further disclosure is required by FRS102. In February 2022 (note 27), the company and group converted the loan notes to equity at the price of £0.79 per share, which is deemed to be a market price.

During the year, in pursuit of its growth strategy and in the ordinary course of business, the Company and Group continued to operate a commercial arrangement with Patron Capital whereby mortgages are originated and sold under a forward flow agreement to Patron Retiro SARL. Patron Molo Limited is a shareholder of Molo Tech Limited and retains a director on the Board. Patron Retiro SARL and Patron Molo Limited are entities indirectly controlled by Patron Capital. The arrangement is agreed on standard commercial terms on an arms-length basis.

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Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

27 Events after the reporting date

In February 2023 ColCap Financial UK Limited received permission from the FCA to acquire 80% of the ordinary share capital of the company. On 28 February 2023, the company received £16.4m of new equity investment in a combination of; cash receipts (£6.4m) and conversion of convertible loans (£10m).

28 Convertible loan notes

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Liability component of convertible loan notes	6,787,993	-	6,787,993	-

In the year no component of the loan note was deemed to be equity and therefore the entire balance was recorded as a liability.

The terms of the note result in its classification as a financial liability and as such it is measured at fair value in accordance with section 12 of FRS102. The convertible loan was issued to private investor who had the right, depending on future uncertain events, to convert the liability into a controlling shareholding of the company (see note 27). The notes nominal interest combined with the premium rights associated with the notes, the directors consider the interest rate to be market rate. Accordingly, the fair value on initial recognition is the transaction cost and amortised cost at 31 December 2022 is considered to be equivalent to the fair value.

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