

**NewCleo Ltd  
Company 13274878**

**Annual Report and Financial Statements  
for the year ended 31 December 2023**

THURSDAY



\*AD92MSHX\*

A16

08/08/2024

#265

COMPANIES HOUSE

## **NewCleo Ltd**

### **Contents to the Annual Report and Financial Statements**

	<b>Page</b>
Strategic Report	2-8
Directors' Report	9-12
Independent Auditor's Report to the Members of NewCleo Ltd	13-16
Consolidated Statement of Profit or Loss and Other Comprehensive Income	17
Consolidated Statement of Financial Position	18
Consolidated Statement of Changes in Equity	19
Consolidated Cash Flow Statement	20
Notes to the Consolidated Financial Statements	21-61
Company Statement of Financial Position	62
Company Statement of Changes in Equity	63
Notes to the Company Financial Statements	64-72

## NewCleo Ltd

### Strategic Report

The directors present their Strategic Report on the affairs of NewCleo Ltd ("NewCleo" or the "Company", "we", "us"), and its subsidiaries (together the "Group") for the financial year 1 January 2023 to 31 December 2023 (the "year").

#### Overview of the Group

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

The principal activities of the Group are conducted through the following legal entities:

- NewCleo Ltd's principal activity is to act as an investment holding company that provides management services to its subsidiaries. Overall strategic leadership of the Group is performed by the directors and senior management of NewCleo Ltd.
- The Group's Research & Development ("R&D") programme is led by its engineering and scientific team within NewCleo Srl in Italy. NewCleo Srl operates a research centre in Turin, Italy, and is developing a non-nuclear reactor prototype for testing and licensing purposes at the Italian National Agency for New Technologies, Energy and Sustainable Economic Development ("ENEA") at Brasimone, Italy. NewCleo Srl is the holding company of Servizi Ricerche e Sviluppo Srl ("SRS") and Fucina Italia Srl ("Fucina"), two entities acquired during 2023 (see note 22).
- Established in 2022, NewCleo SA in France is leading the development of the Group's LFR-30 and MOX programmes. NewCleo SA is the holding company of Pompes Rüttschi SAS ("Pompes Rüttschi"), acquired during 2023 (See note 22).
- NewCleo Generation (UK) Ltd was established in 2022 to undertake the development of a First-Of-A-Kind LFR-200 commercial deployment in the UK, subject to suitable regulatory and economic conditions.
- The Group established NewCleo SA in Switzerland in 2022, and the entity is the holding company of Rüttschi Fluid AG ("Rüttschi Fluid"), acquired during 2023 (see note 22).

#### Review of the business

During the year, the Group made the following progress:

##### *Financial performance:*

During 2023, the Group's programme to develop its low carbon electricity generation facilities progressed according to plan. In line with expectations, the Group recorded a loss of €57.5m (2022: loss of €18.1m) during the year.

The Group invested €6.0m (2022: €3.2m) in research and development activities during the year, which was charged to the consolidated statement of profit or loss and comprehensive income in accordance with the accounting policies outlined in note 2.

The Group's total asset position at 31 December 2023 was €475.8m (2022: €397.4m).

The directors do not propose a dividend in the year ended 31 December 2023 (2022: nil).

##### *Funding:*

On 20 March 2023, NewCleo launched an equity raise to fund the further development of its innovative LFRs and its plans to manufacture fuel from nuclear waste. As at 31 December 2023, the equity raise was ongoing. A first tranche of the equity raise was completed on 30 April 2024, with €87.1m raised, and the Company subsequently re-opened the equity raise in May 2024. The Company is progressing promising discussions with significant prospective investors, and expects further tranches to close over time, including a further close before Summer 2024.

## NewCleo Ltd

### Strategic Report (continued)

The Group's total cash, cash equivalents, short-term investments, less loans (together, "total funds") at 31 December 2023 was €282.1m (2022: €352.1m). The reduction in total funds during the year was in line with expectations and explained primarily by the continuing investment in the Group's development programme, the acquisitions of SRS, Fucina, Pompes Rüttschi, and Rüttschi Fluid, and the receipt from investors who subscribed during the year to the ongoing equity raise.

The Group regularly reviews its future programme of activities against the total funds available and prioritises the activities that are most critical to the stage of its development. The Group always acts responsibly and with due care and respect to its shareholders and stakeholders who support its mission. The Group will prioritise its total funds and resources to continue the progress of the R&D, scientific and engineering projects that ultimately support the licensing of its LFR and MOX fuel solution. The Group has assessed that it has sufficient total funds to progress the critical LFR and fuel programme milestones during 2024 and 2025. See the 'Going Concern' section in the Directors' Report for further information.

#### *Programme performance:*

The scope of work that the Group accomplished during 2023 built on the progress from the previous year and has established a strong foundation for the future accomplishment of our strategy. Within the key technical programmes, the following progress was achieved during 2023:

- Within the R&D programme, the civil works, office facilities, and test facilities are well-advanced at the Brasimone site, and the Capsule test rig was successfully delivered.
- Completion of the LFR-30 conceptual design, and commencement of the concept design of the LFR-200 and MOX fuel facility.
- Commencement of the development of potential locations for our LFR-30 and MOX fuel facility in France and LFR-200 in the UK.
- Commencement of Phase 1 of the nuclear licensing process with the independent nuclear safety authority in France (Autorité de Sûreté Nucléaire, "ASN") on both the LFR-30 and MOX fuel solution.

Furthermore, important progress was made within our digitalisation and organisational development programmes.

#### *Acquisitions and partnerships:*

The Group's strategy is to create a manufacturing capability through a mix of European suppliers, key partnerships, and acquisitions. The following progress was achieved during the year:

- On 25 June 2023, the Group announced a partnership with Fincantieri and RINA to work together on a feasibility study for nuclear naval propulsion. Under the terms of the agreement, the companies are combining their international expertise and innovation experience to carry out together a feasibility study for nuclear applications for the shipping industry, including NewCleo's LFR technology.
- On 15 September 2023, the Group signed a Memorandum of Understanding ("MoU") with UK-based National Nuclear Laboratory outlining a framework for future collaborative activities on advanced nuclear research and development.
- On 3 October 2023, the Group completed the acquisition of SRS and Fucina (together "SRS Fucina Group"), both worldwide leaders in the design and building of nuclear systems deploying liquid lead technology. The completion of the acquisition was an important first milestone in the Group's strategy to develop its manufacturing capability. The total consideration to acquire the two companies was €7.0m (see note 22) and added more than 110 highly skilled employees to NewCleo's workforce, enhancing the Group's strong nuclear engineering capabilities as part of its industrialisation strategy.
- On 11 October 2023, the Group signed a cooperation and investment agreement with Tosto Group to advance the industrialisation usage of NewCleo's reactors. This partnership joins the two groups into a synergetic, rolling long-term contract of collaboration that encompasses all stages of NewCleo's project: research, design, and demonstration to industrialisation of its LFRs.
- On 18 October 2023: the Group signed an MoU with UK-based Nuclear Advanced Manufacturing Research Centre, a UK government-backed Technology Innovation Centre. This MoU establishes an outline for a collaborative partnership to drive forward manufacturability, supply chain, and development studies for pioneering nuclear technologies.

## NewCleo Ltd

### Strategic Report (continued)

- On 28 November 2023, at the World Nuclear Exhibition, the Group announced the signature of three partnerships with Assystem, a major player in the energy transition and the third largest independent nuclear engineering company in the world, Ingérop, a major player in the engineering sector, and Onet Technologies, a French nuclear industry expert.
- On 20 December 2023: NewCleo completed the acquisition of Pompes Rüttschi SAS and Rüttschi Fluid AG (together, "Rüttschi Group"), leading producers of engineered pumps for nuclear applications. The total consideration to acquire the two companies was €68.1m (see note 22) and added 88 employees to the Group's workforce, bolstering the Group's significant capabilities for nuclear engineering and manufacturing.

#### *Environmental, Social, and Governance:*

NewCleo is pursuing a sustainability-led model for both our people and the planet. The Group is seeking to achieve end-to-end utility across the value chain: designing, building, and operating reactors as well as supplying MOX fuel for them, processed from existing waste. The Group aims to secure a sustained future for every stage of this journey which will manifest itself in investing in communities, environments, and structures of governance that work together to build it.

The Board of Directors (the "Board") of the Company has established an Environmental, Social and Governance ("ESG") Committee to provide guidance to the Board of the execution of its ESG strategy and responsibilities; reviewing policies, programmes, practices, and initiatives relating to ESG matters; providing guidance to the Board on relevant emerging topics or issues and overseeing the management of ESG matters and compliance with legal and regulatory requirements. The ESG Committee comprises one independent non-executive director and two non-executive directors.

To support the ESG Committee in its understanding of ESG topics and support the delivery of the Group's strategic priorities, in 2023, NewCleo introduced an ESG Ambassadors Group comprised of passionate representatives and subject matter experts from across Group locations.

#### *ESG Strategy:*

The Group's nascent ESG strategy is built around four pillars: Planet, People, Prosperity, and Principles of Governance. These pillars are derived, in part, from the voluntary sustainability framework provided by the World Economic Forum's Stakeholder Capitalism initiative. It was initially introduced to support communication in which relevant policies, processes and initiatives can be assigned. It is anticipated that the framework will adapt and evolve to meet developing standards, initiatives, stakeholder expectations and reporting regulations. Furthermore, in recognition of future reporting obligations and as a process for improved strategic decision making, the Company will be incorporating a double materiality approach to identifying important ESG topics.

#### *Planet:*

In early 2024 NewCleo will introduce an Environmental Policy, which together with the Occupational Health and Safety Policy, will form the basis of the Group's Health, Safety and Environmental ("HSE") management system, which is currently under construction, to be in accordance with ISO 14001 and ISO 45001 international standards. NewCleo's environmental approach aims to establish a culture that is visible in everything we do; from the day-to-day interactions to the design development, building, and operating of our systems. This includes the positive reinforcements of behaviours that proactively identify and mitigate environmental risks. To complement the introduction of ESG-related policies and processes, and to support the developing strategy, the Company launched and participated in several initiatives during 2023 and into 2024. This included becoming a signatory to the 24/7 Carbon Free Energy Compact, a global voluntary initiative to collectively advance progress on net-zero emissions.

#### *People:*

NewCleo is committed to the safety, health, and well-being of workers, contractors, customers, and of the communities it operates. As a part of its commitment, the Company considers the protection of mental health and psychological safety as an integral element of general health and well-being. During 2023, several employees undertook mental health first aid training to provide practical support and strengthen the Group's overall approach to employee well-being.

To develop a reinforced focus on nuclear safety, in 2023, NewCleo launched an inaugural nuclear safety culture survey. The plan is to repeat this survey at regular intervals to ascertain that high standards are met by all employees.

## NewCleo Ltd

### Strategic Report (continued)

NewCleo supports policies and actions that drive training and development, workforce engagement, and promote diversity and inclusion. In 2023, the Group launched a graduate programme in the UK and promotes internships and apprenticeships. In 2024, the Group will launch its first full employee engagement survey. Subsequently, the results will be published internally and acted upon.

#### Prosperity:

The Group will support and partner with community and social initiatives that are strategic to its business and consequently has initially prioritised education outreach programmes. This includes sponsorship and support of a European educational programme designed to empower teachers with tools and methodologies to hone student's critical thinking and effectively discuss energy and environmental related issues. The programme reached nearly 6,000 students across schools in Italy, France, and the UK during 2023. To begin the process of embedding ESG principles into the supply chain NewCleo will be piloting a sustainable supply chain management system for managing supplier pre-qualification in the UK with wider roll out expected in 2024.

#### Principles of Governance:

To promote transparency and responsibility for its impacts, people, and communities the Company has introduced several policies and procedures to ensure appropriate business conduct. A Code of Conduct and Ethics was issued and supported by a training programme for employees across the Group. The Company has also introduced other business conduct policies, including Group-wide Whistleblower policy.

#### Principal risks and uncertainties

The Group applies the fundamental principles that everyone who works for us is responsible for the management of risk and communicates risk in a transparent way informing decision making.

#### *Enterprise Risk Management:*

The Board is responsible for ensuring that there is an appropriate system of risk management in place. To discharge this responsibility the Board established an Audit & Risk Committee which has approved an Enterprise Risk Management ("ERM") Framework and Policy in September 2023. The ERM Framework and Policy recognises COSO 2017, ISO 31000 and the Financial Reporting Councils guidance in its approach to risk management and accountability within the Group.

The Group's continuing maturity and refinement of its risk management framework in its application ensures the effective identification and mitigation of the key risks to the Group. The policy sets out clear roles and responsibilities and clear principles which guide the risk management culture within the Group. These include:

- That all employees of NewCleo are responsible for the management of risk.
- Decisions are to be made on a risk informed basis.
- The Board has ultimate responsibility for the effectiveness of the management of risk.

The Group's risk appetite can be described as "*Hungry but Cautious*". The risk appetite remains aligned to the achievement of NewCleo's strategic intent, and the nature of NewCleo's business context. However, NewCleo will only accept risks where they are consistent with its core purpose, strategy, and values; where they are well understood and can be effectively managed; and where they in line with stakeholder expectations and shareholder value enhancement.

In determining its appetite for specific risks, the Board and executive management are guided by the following principles:

1. Risk should be consistent with NewCleo's core purpose, strategy, and values.
2. Risks should only be accepted where relevant approvals have been attained.
3. Risks should be actively controlled and monitored through the appropriate implementation of the ERM Framework and Policy and allocation of resources to control risks to acceptable levels.

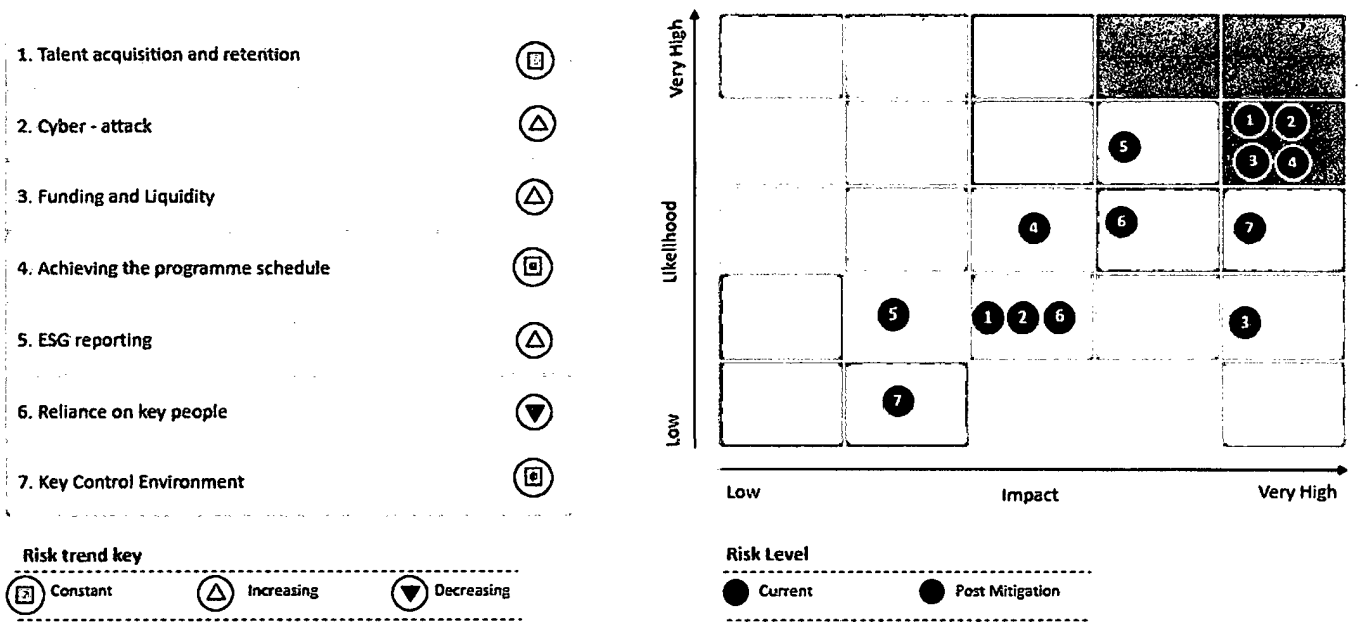
Strategic Report (continued)

Effectiveness of the systems of Internal control:

The Audit & Risk Committee has responsibility for reviewing the effectiveness and appropriateness of the System of Internal Control. This covers all material controls, in addition to financial reporting, including financial and compliance controls. To realise this responsibility, the Audit & Risk Committee approved an Integrated Assurance Strategy that evaluates the effectiveness of key controls including controls or mitigation actions to mitigate principal risks to an acceptable level of risk. The assurance outcomes are through control assessments and internal audit activities. The Audit & Risk Committee has approved an integrated assurance plan for 2024.

Principal risks – assessment:

The principal risks of the Group are described below and mapped onto a risk 'heat map' showing the current risk level (likelihood and impact) and the planned risk level following the completion of mitigation actions:



What is the risk?	Material influencing factors	Risk reduction / management actions	Trend
<p><b>1. Talent acquisition and retention (Risk Owner: Group HR Director)</b></p> <ul style="list-style-type: none"> <li>NewCleo may not be able to recruit, incentivise and retain the required suitably qualified and experienced personnel ("SQEP"), particularly research, engineering, and project development personnel to achieve the nuclear licensing and programme requirements.</li> </ul>	<ul style="list-style-type: none"> <li>The renaissance in the nuclear sector has resulted in high demand for SQEP.</li> <li>There is a limited nuclear talent pool.</li> <li>NewCleo has an ambitious programme schedule.</li> </ul>	<ul style="list-style-type: none"> <li>Implement a global resourcing strategy specifically in specialisms that have local market scarcity.</li> <li>External recruitment support capability procured.</li> <li>Enter strategic partnerships with industry organisations.</li> <li>Employee onboarding and early development in NewCleo culture and performance management.</li> <li>Position NewCleo as an employer of choice by offering an attractive remuneration package and career progression.</li> <li>Required roles and competencies for critical resource specialisms reviewed and prioritised for recruitment.</li> </ul>	Constant
<p><b>2. Cyber-attack (Risk Owner: Chief Information Officer)</b></p> <ul style="list-style-type: none"> <li>NewCleo may experience a significant cyber-attack resulting in loss of data and/or impact on business systems / activities.</li> </ul>	<ul style="list-style-type: none"> <li>Immature cyber defence controls.</li> <li>Immature cyber awareness among employees.</li> <li>Increased interest from external threat actors.</li> </ul>	<ul style="list-style-type: none"> <li>Continuous investment to improve the data infrastructure design and control strategy.</li> <li>Develop cyber-attack response plan.</li> <li>Continuous monitoring of network activity.</li> <li>Independent testing of controls to identify weaknesses / improvements.</li> <li>Continuous cyber awareness training of employees.</li> </ul>	Decreasing

Strategic Report (continued)

What is the risk?	Material influencing factors	Risk reduction / management actions	Trend
<b>3. Funding and liquidity (Risk Owner: Chief Financial Officer)</b>			
<ul style="list-style-type: none"> <li>The ability of the Group to continue its research and development programme is dependent on the continued raising of funds from external sources.</li> </ul>	<ul style="list-style-type: none"> <li>The Group does not expect to earn revenues from its LFR and MOX programmes for several years.</li> </ul>	<ul style="list-style-type: none"> <li>Manage cash funds carefully through detailed budgeting, forecasting and programme management.</li> <li>Regular review of cash requirements and forecasts.</li> <li>Strengthening of project management controls.</li> <li>Maximise opportunities to receive cash from grants and R&amp;D tax credits.</li> <li>Structure the Group to maximise options for fund raising (see 'Future developments' below).</li> </ul>	▲
<b>4. Achieving the programme schedule (Risk Owners: Chief Operating Officer, Programme Directors)</b>			
<ul style="list-style-type: none"> <li>The programme schedule may not be achievable.</li> </ul>	<ul style="list-style-type: none"> <li>Resolution of technology design challenges (and opportunities).</li> <li>Change to external dependencies.</li> <li>Timeliness and adequacy of external funding to progress the development programme.</li> </ul>	<ul style="list-style-type: none"> <li>Complete the development of the Brasimone non-nuclear reactor prototype for testing and licensing project to verify and validate the design.</li> <li>Safety &amp; Design Committee oversight of design development.</li> <li>Continual review and validation of the key strategic assumptions and address any agility required in strategy to deliver vision.</li> <li>Strengthening of programme and project management controls.</li> </ul>	□
<b>5. ESG reporting (Risk Owners: Chief Operating Officer, ESG Manager)</b>			
<ul style="list-style-type: none"> <li>The Group may not be ready to comply with ESG reporting requirements, such as SECR requirements for carbon reporting.</li> </ul>	<ul style="list-style-type: none"> <li>The EU's climate reporting regulation requirements enacted in January 2024 are not relevant to the Group on the current timeline, but the rapid growth of the Group, particularly headcount, and acquisitions, and also the Group structure, may result in earlier adoption of ESG reporting requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Confirm the ESG reporting requirements for the Group.</li> <li>Agree the key ESG metrics the Group will collect and report and implement the processes and business tools to capture the data required to meet reporting requirements.</li> <li>ESG Committee and management monitoring of the ESG reporting readiness programme.</li> </ul>	▲
<b>6. Reliance on key people (Risk Owners: Nominations Committee, Group HR Director)</b>			
<ul style="list-style-type: none"> <li>The Group is reliant on a number of key individuals.</li> </ul>	<ul style="list-style-type: none"> <li>Key founders of the Group are critical to the continued achievement of the Group's objectives.</li> </ul>	<ul style="list-style-type: none"> <li>Development of succession plans and organisational resource resilience.</li> <li>Improvements to knowledge transfer.</li> <li>Recruitment of experienced leaders to enhance the leadership team.</li> </ul>	▼
<b>7. Key Control Environment (Risk Owner: Chief Financial Officer)</b>			
<ul style="list-style-type: none"> <li>A failure of a key corporate control leading to potential loss, breach of regulations, reputational damage, or other negative impact.</li> </ul>	<ul style="list-style-type: none"> <li>Maturity of the Group's governance and control framework.</li> <li>Rapid growth and complexity of the Group, both employee numbers and legal entity structure.</li> <li>Increased external profile of the Group.</li> <li>Increasingly sophisticated methods applied by external parties to de-fraud and damage companies.</li> </ul>	<ul style="list-style-type: none"> <li>Identification, definition, and ownership of key controls to be developed and implemented.</li> <li>Implement the Integrated Management System.</li> <li>Implement a risk-based Integrated Assurance programme.</li> <li>Mandatory employee training and awareness of key corporate policies and procedures, e.g. Code of Conduct &amp; Ethics.</li> <li>Independent control assessment recommendations are implemented to enhance existing controls</li> </ul>	□

## **NewCleo Ltd**

### **Strategic Report (continued)**

#### **Key performance indicators**

The nature of the Group's business is such that activities on which the key performance indicators ("KPIs") are based are non-financial and are considered in respect of progress made on its integrated programme of projects. Progress on the development of the LFR and fuel programmes is discussed above.

The total funds held by the Group is also a management KPI and is monitored on a regular basis. The total funds utilised during the year is consistent with expectations based on the progress made on the development programmes.

#### **Future developments**

As described above, the Group will prioritise its total funds and resources to progress the R&D, scientific and engineering projects that underpin the licensing of our LFR and MOX fuel solution. Key milestones that are targeted during 2024 include:

- Brasimone laboratory operational
- Complete the basic design of the LFR-30
- Complete the concept design of the LFR-200
- Complete Phase 1 of the French nuclear licensing process with the ASN of the MOX fuel solution

The Group will complete the integration of the SRS Fucina Group and Rüttschi Group and focus on growing the external revenues and intra-Group synergies. Other acquisition targets will continue to be assessed.

Furthermore, the Group intends to make progress with its business development programme, engaging with potential end-users of its LFR and MOX fuel solution.

Regarding fundraising, the Group will continue to progress the ongoing equity raise, and it anticipates that there will be a further significant close by the end of 2024.

In January 2024, the Group announced to its shareholders and employees that it is transferring the holding company from the United Kingdom to France. The rationale for the restructure is to strengthen the Group's collaboration with the French Government and industry actors and enhance the potential in the future to attract significant funding from EU financial institutions. As a key initial step in the restructure, the Group is establishing a new legal entity in France, NewCleo Holding SA, and it intends to transfer the current assets held by NewCleo Ltd to this new entity during 2024. The Group plans to complete the restructure by the end of 2024.

This Strategic Report was approved by the Board on 30 July 2024 and signed on its behalf by:



Stefano Buono (Jul 30, 2024 20:36 GMT+8)

**Stefano Buono, Director and CEO**

Registered office: 55 South Audley Street, London, W1K 2QH

## **NewCleo Ltd**

### **Directors Report**

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report for the financial year 1 January 2023 to 31 December 2023.

#### **Principal activities**

The principal activities undertaken by the Group during the year are described in the Strategic Report.

#### **Directors**

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

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

#### **Directors' indemnities**

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

#### **Results and dividends**

The financial performance and proposed dividend of the Group during the year are described in the Strategic Report.

#### **Employees**

Equality, diversity, and inclusion are core values of the Group, and it is the Group's policy to give full and fair consideration to:

- applications for employment that disabled people make to the Group;
- training, career development and promotion of disabled people; and
- the continuing employment and training of employees who have become disabled while employed by the Group.

#### **Engagement with suppliers, customers, and others**

It is the Group's policy to agree payment terms with suppliers when agreeing the terms of each transaction, to pay all accounts payable as they fall due, and to abide by agreed terms of payment. During the year, the Group made charitable donations totalling €4.6k (2022: nil) to support charitable organisations and causes aligned with the Group's corporate social responsibility initiatives.

#### **Political contributions**

No political donations were made by the Group during the year (2022: nil).

#### **Research and development**

During 2023, the Group continued to progress its R&D programme according to plan. Details are provided in the Strategic Report.

## **NewCleo Ltd**

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

#### **Financial risk management**

Details of financial risk management are contained in note 21 to the financial statements.

#### **Existence of branches outside the UK**

The legal structure of the Group is detailed in the strategic report. The Group does not have any branches outside of the United Kingdom.

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

Details of significant events since the balance sheet date are contained in note 24 to the financial statements.

#### **Going Concern**

The consolidated and Company financial statements have been prepared on a going concern basis, which assumes that the Group and Company will have sufficient total funds to continue to trade for the foreseeable future. However, the Group is currently in the R&D phase of its strategy, and the timing of the completion of milestones is not certain, and the Group does not expect to receive revenues from the sale of its LFR or MOX solutions for several years.

Further cash will need to be raised to complete the Group's development strategy, and as described in the Strategic Report, the Company launched an equity raise in March 2023, and a first tranche of this raise was completed on 30 April 2024, with €87.1m raised. The Company subsequently re-opened the raise in May 2024, and is progressing discussions with significant prospective investors. As also described within the Strategic Report, in January 2024 the Group announced that it is transferring the holding company from the United Kingdom to France, and the rationale for the restructure is partly to improve the potential to attract funding from French and other EU financial institutions in the future. The directors expect further tranches of equity raises to close over time, including a further close before Summer 2024. However, the precise timing and financial value of the subsequent equity raises remains uncertain.

As a consequence of this uncertainty, the directors have prepared financial forecasts that do not include further equity raises and prioritises certain activities in the business plan (see details below). As a result of this, management assessed different scenarios to estimate the likely cash requirements of the Group and Company from the date of approval of the financial statements up until the end of 2025, by which time the directors expect further equity raises to be completed. These scenarios consider factors such as:

- The current level of total funds available and the average cash burn: the Group's total funds at 31 December 2023 was €282m and €221m at 30 June 2024. Average monthly cash burn from operations is approximately €13m per month for the first half of 2024, and while the level of cash burn is anticipated to increase, it is ultimately within the control and discretion of the directors.
- The financial performance of the Group during 2024: the Group's operational net cash outflow for the period to May 2024 compared to budget has been positive with €24m less cash utilised in operations.
- The priorities of the Group: the directors have approved a budget that prioritises the activities that support the R&D and engineering activities of the LFR and MOX fuel solutions and the ongoing regulatory licensing activities of the LFR-30, LFR-200, and MOX fuel solutions. Further, the operations of the SRS Fucina Group and the Rüttschi Group will be supported along with investment where it generates additional revenues and positive cashflows over the short to medium-term.
- The Group's contractual liabilities and commitments: the Group's primary financial commitments are associated with its various offices, and until further equity is secured, the Group will manage its operations within its existing office portfolio. Similarly, any significant future capital expenditure will be conditional on securing external funds.
- Opportunities to generate cash: the Group believes that it is feasible to generate additional funds, such as by re-financing with debt the recently acquired companies which have a strong financial performance and outlook.

## **NewCleo Ltd**

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

The directors approved the implementation of a revised plan, reflecting the scenarios above, effective from June 2024, until additional equity funds are secured. Based on this board approved plan, the Group and Company forecast sufficient funds until the end of December 2025, by which time the directors expect further equity raises to be completed.

Further to the factors described above, the directors have also undertaken sensitivity analysis, which considers a severe but plausible downside scenario. This includes assumptions for lower revenues than budgeted by the recently acquired SRS Fucina Group and Rüttschi Group, lower income from R&D tax credits and grants, and higher costs than estimated as a result of higher inflation and interest rate assumptions than planned, alongside additional mitigating actions available to management were these downside assumptions to materialise. This sensitivity analysis concludes that the Group and Company will continue to hold sufficient funds to operate to the end of December 2025, without requiring additional funding.

Taking these factors and conditions together, the directors do not consider that there is a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern, and consequently, the directors are comfortable that the Group and Company will have sufficient funds to continue to operate until December 2025 without impacting the core development activities of the Group and Company. Hence, these financial statements have been prepared on a going concern basis.

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

The directors are responsible for preparing the Annual Report and 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 UK 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.

## **NewCleo Ltd**

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

#### ***Directors' confirmations***

In the case of each director in office at the date the Directors' Report is approved:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board on 30 July 2024 and signed on its behalf by:



Stefano Buono (Jul 30, 2024 20:36 GMT+8)

**Stefano Buono, Director and CEO**

# Independent auditors' report to the members of NewCleo Ltd

## Report on the audit of the financial statements

### Opinion

In our opinion:

- NewCleo Ltd's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 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 Company Statement of Financial Position as at 31 December 2023; the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

### 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.

## **NewCleo Ltd**

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

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.

#### **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 December 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.

## **NewCleo Ltd**

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

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.

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

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

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

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

## **NewCleo Ltd**

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

#### **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.

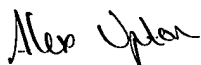
## **Other required reporting**

#### **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.



Alex Upton (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Watford  
31 July 2024

## NewCleo Ltd

### Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December 2023

	Notes	For the year ended 31 December 2023 €'000	For the year ended 31 December 2022 €'000
Revenue	4	9,146	-
Cost of sales		(4,695)	-
<b>Gross profit</b>		<b>4,451</b>	-
Other income	5	1,006	768
Administration expenses	5,6	(70,758)	(22,577)
<b>Operating loss</b>		<b>(65,301)</b>	<b>(21,809)</b>
Finance income	7	3,722	476
Net gain on fair value changes of financial assets held at fair value through profit or loss	21	5,714	3,774
Finance cost	7	(1,532)	(497)
<b>Loss before tax</b>		<b>(57,397)</b>	<b>(18,056)</b>
Income tax on loss	8	(204)	-
<b>Net loss</b>		<b>(57,601)</b>	<b>(18,056)</b>
<b>Items that may be subsequently reclassified to profit or loss</b>			
Currency translation differences		54	-
Other comprehensive income		-	-
<b>Total comprehensive loss</b>		<b>(57,547)</b>	<b>(18,056)</b>

The above results were derived from continuing operations.

The accompanying accounting policies and notes on pages 21 to 61 are an integral part of these consolidated financial statements.

## NewCleo Ltd

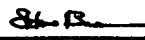
### Consolidated Statement of Financial Position As at 31 December 2023

	Notes	As at 31 December 2023 €'000	As at 31 December 2022 €'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	9	37,870	-
Intangible assets	9	40,256	6,285
Property, plant, and equipment	10	23,741	3,056
Right-of-use assets	11	19,229	9,765
Investments		82	-
Other long-term receivables	12	2,896	20,301
<b>Total non-current assets</b>		<b>124,074</b>	<b>39,407</b>
<b>Current assets</b>			
Inventories	13	10,152	-
Short-term investments	18, 21	172,129	245,185
Trade and other receivables	14	54,638	5,954
Cash and cash equivalents	15	114,797	106,892
<b>Total current assets</b>		<b>351,716</b>	<b>358,031</b>
<b>Total assets</b>		<b>475,790</b>	<b>397,438</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	16	4,127	4,127
Share premium	16	396,078	396,078
Shared-based payments reserve	17	4,562	1,395
Accumulated deficit		(78,367)	(20,766)
Foreign Currency Translation Reserve		54	-
<b>Capital and reserves attributable to owners</b>		<b>326,454</b>	<b>380,834</b>
Non-controlling interests		21	-
<b>Total equity</b>		<b>326,475</b>	<b>380,834</b>
<b>Non-current liabilities</b>			
Provisions	19	800	348
Lease liabilities	11	16,159	8,130
Borrowings	18	3,283	-
Deferred tax liabilities	8	6,537	-
<b>Total non-current liabilities</b>		<b>26,779</b>	<b>8,478</b>
<b>Current liabilities</b>			
Trade and other payables	20	118,560	7,340
Lease liabilities	11	2,434	786
Borrowings	18	1,542	-
<b>Total current liabilities</b>		<b>122,536</b>	<b>8,126</b>
<b>Total liabilities</b>		<b>149,315</b>	<b>16,604</b>
<b>Total equity and liabilities</b>		<b>475,790</b>	<b>397,438</b>

The accompanying accounting policies and notes on pages 21 to 61 are an integral part of these consolidated financial statements.

The consolidated financial statements of NewCleo Ltd (registered number 13274878) on pages 17 to 60 were approved and authorised for issue by the Board on 30 July 2024, and were signed on its behalf by:

Stefano Buono, Director and CEO

  
Stefano Buono (Jul 30, 2024 20:36 GMT+8)

## NewCleo Ltd

### Consolidated Statement of Changes in Equity For the year ended 31 December 2023

	Notes	Share Capital €'000	Share Premium €'000	Share- based Payments Reserve €'000	Foreign Currency Translation Reserve €'000	Accumulated Deficit €'000	Attributable to owners of the parent €'000	Non- controlling interests €'000	Total €'000
<b>Equity at 31 December 2021</b>		<b>2,127</b>	<b>98,078</b>	<b>130</b>	<b>-</b>	<b>(2,710)</b>	<b>97,625</b>	<b>-</b>	<b>97,625</b>
Loss for the year, being total comprehensive loss		-	-	-	-	(18,056)	(18,056)	-	(18,056)
Equity-settled share- based payments	17	-	-	1,415	-	-	1,415	-	1,415
Issue of share capital for share- based payments	16	1	149	(150)	-	-	-	-	-
Issue of share capital	16	1,999	297,851	-	-	-	299,850	-	299,850
<b>Equity at 31 December 2022</b>		<b>4,127</b>	<b>396,078</b>	<b>1,395</b>	<b>-</b>	<b>(20,766)</b>	<b>380,834</b>	<b>-</b>	<b>380,834</b>
Loss after tax		-	-	-	-	(57,601)	(57,601)	-	(57,601)
Other comprehensive income		-	-	-	54	-	54	-	54
<b>Total comprehensive loss</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>54</b>	<b>(57,601)</b>	<b>(57,547)</b>	<b>-</b>	<b>(57,547)</b>
Equity-settled share- based payments	17	-	-	3,167	-	-	3,167	-	3,167
Non-controlling interests on acquisition of subsidiary		-	-	-	-	-	-	21	21
<b>Equity at 31 December 2023</b>		<b>4,127</b>	<b>396,078</b>	<b>4,562</b>	<b>54</b>	<b>(78,367)</b>	<b>326,454</b>	<b>21</b>	<b>326,475</b>

The accompanying accounting policies and notes on pages 21 to 61 are an integral part of these consolidated financial statements.

## NewCleo Ltd

### Consolidated Cash Flow Statement For the year ended 31 December 2023

	Notes	For the year ended 31 December 2023 €'000	For the year ended 31 December 2022 €'000
<b>Operating activities</b>			
<b>Net loss before other comprehensive income</b>		<b>(57,601)</b>	<b>(18,056)</b>
Adjustments for:			
Finance income	7	(3,709)	(476)
Finance expenses	7	1,532	497
Income tax expense	8	204	-
Depreciation of PPE	10	1,432	235
Depreciation of right-of-use assets	11	1,655	506
Amortisation of intangible assets	9	778	584
Share-based payment expense	17	3,166	1,415
Net gain on fair value changes of financial assets held at fair value through profit or loss	21	(5,714)	(3,773)
Unrealised foreign currency gain		(519)	(288)
Changes in working capital:			
Inventory	13	35	-
Trade and other payables	20	3,096	(5,832)
Trade and other receivables	14	(4,511)	4,570
<b>Net cash flows used in operating activities</b>		<b>(60,156)</b>	<b>(20,618)</b>
<b>Investing activities</b>			
Interest income from short-term investments		3,709	365
Purchase of short-term investments		(281,714)	(492,805)
Proceeds from maturities of short-term investments		360,998	251,393
Purchase of property, plant and equipment	10	(14,045)	(2,650)
Acquisition of intangible assets	9	(2,129)	(1,585)
Acquisition of subsidiaries	22	(67,015)	-
<b>Net cash flows used in investing activities</b>		<b>(196)</b>	<b>(245,282)</b>
<b>Financing activities</b>			
Interest expense	7	(212)	(298)
Interest on lease	11	(868)	(44)
Repayment of lease liabilities	11	(1,066)	(294)
Advance subscriptions from shareholders	20	70,160	279,850
<b>Net cash flows from financing activities</b>		<b>68,014</b>	<b>279,214</b>
<b>Net increase in cash and cash equivalents</b>		<b>7,662</b>	<b>13,314</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>106,892</b>	<b>93,383</b>
Effect of foreign exchange rate changes on cash and cash equivalents		243	195
<b>Cash and cash equivalents at the end of the period</b>	15	<b>114,797</b>	<b>106,892</b>

The accompanying accounting policies and notes on pages 21 to 61 are an integral part of these consolidated financial statements.

## NewCleo Ltd

### Notes to the Consolidated Financial Statements

#### Note 1 - General Information

NewCleo Ltd ("NewCleo" or "the Company", "we", "us"), and its subsidiaries (together "the Group"), is a private company incorporated in the United Kingdom on 18 March 2021 under the Companies Act 2006 and headquartered in London. The Group is working towards generating safe, clean, economic, and practically inexhaustible energy for the world, through a radically innovative combination of existing, accessible technologies. The address of the Company's registered office is 55 South Audley Street, London, W1K 2QH.

These financial statements are presented in Euro (EUR or €).

#### Note 2 - Material Accounting Policies

##### 2.1 Basis of Preparation

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

##### 2.2 Going Concern

The consolidated and Company financial statements have been prepared on a going concern basis, which assumes that the Group and Company will have sufficient total funds to continue to trade for the foreseeable future. However, the Group is currently in the R&D phase of its strategy, and the timing of the completion of milestones is not certain, and the Group does not expect to receive revenues from the sale of its LFR or MOX solutions for several years.

Further cash will need to be raised to complete the Group's development strategy, and as described in the Strategic Report, the Company launched an equity raise in March 2023, and a first tranche of this raise was completed on 30 April 2024, with €87.1m raised. The Company subsequently re-opened the raise in May 2024, and is progressing discussions with significant prospective investors. As also described within the Strategic Report, in January 2024 the Group announced that it is transferring the holding company from the United Kingdom to France, and the rationale for the restructure is partly to improve the potential to attract funding from French and other EU financial institutions in the future. The directors expect further tranches of equity raises to close over time, including a further close before Summer 2024. However, the precise timing and financial value of the subsequent equity raises remains uncertain.

As a consequence of this uncertainty, the directors have prepared financial forecasts that do not include further equity raises and prioritises certain activities in the business plan (see details below). As a result of this, management assessed different scenarios to estimate the likely cash requirements of the Group and Company from the date of approval of the financial statements up until the end of 2025, by which time the directors expect further equity raises to be completed. These scenarios consider factors such as:

- The current level of total funds available and the average cash burn: the Group's total funds at 31 December 2023 was €282m and €221m at 30 June 2024. Average monthly cash burn from operations is approximately €13m per month for the first half of 2024, and while the level of cash burn is anticipated to increase, it is ultimately within the control and discretion of the directors.
- The financial performance of the Group during 2024: the Group's operational net cash outflow for the period to 31 May 2024 compared to budget has been positive with €24m less cash utilised in operations.
- The priorities of the Group: the directors have approved a budget that prioritises the activities that support the R&D and engineering activities of the LFR and MOX fuel solutions and the ongoing regulatory licensing activities of the LFR-30, LFR-200, and MOX fuel solutions. Further, the operations of the SRS Fucina Group and the Rüttschi Group will be supported along with investment where it generates additional revenues and positive cashflows over the short to medium-term.
- The Group's contractual liabilities and commitments: the Group's primary financial commitments are associated with its various offices, and until further equity is secured, the Group will manage its operations within its existing office portfolio. Similarly, any significant future capital expenditure will be conditional on securing external funds.

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

### **2.2 Going Concern (continued)**

- Opportunities to generate cash: the Group believes that it is feasible to generate additional funds, such as by re-financing with debt the recently acquired companies which have a strong financial performance and outlook.

The directors approved the implementation of a revised plan, reflecting the scenarios above, effective from June 2024, until additional equity funds are secured. Based on this board approved plan, the Group and Company forecast sufficient funds until the end of December 2025, by which time the directors expect further equity raises to be completed.

Further to the factors described above, the directors have also undertaken sensitivity analysis, which considers a severe but plausible downside scenario. This includes assumptions for lower revenues than budgeted by the recently acquired SRS Fucina Group and Rüttschi Group, lower income from R&D tax credits and grants, and higher costs than estimated as a result of higher inflation and interest rate assumptions than planned, alongside additional mitigating actions available to management were these downside assumptions to materialise. This sensitivity analysis concludes that the Group and Company will continue to hold sufficient funds to operate to the end of December 2025, without requiring additional funding.

Taking these factors and conditions together, the directors do not consider that there is a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern, and consequently, the directors are comfortable that the Group and Company will have sufficient funds to continue to operate until December 2025 without impacting the core development activities of the Group and Company. Hence, these financial statements have been prepared on a going concern basis.

### **2.3 Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value, with limited exceptions, at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree (if any), and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

### **2.4 Recognition and Measurement**

Assets are recognised in the consolidated statement of financial position when a present economic resource controlled by the entity as a result of past events has the potential to produce economic benefits, and the value of the asset can be measured reliably. Other assets include the ENEA advance, detailed in note 3.

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

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

## NewCleo Ltd

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

#### 2.5 Basis of Consolidation

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

Company	Domicile	Proportion of Ownership (%)	
		2023	31 December 2022
NewCleo Srl	Italy	100%	100%
Hydromine Nuclear Energy S.à r.l.	Luxembourg	100%	100%
NewCleo Generation (UK) Ltd	United Kingdom	100%	100%
NewCleo SA	France	100%	100%
NewCleo SA	Switzerland	100%	100%
NewCleo Americas LLC	USA	100%	100%
NewCleo Real Estate Srl	Italy	100%	-
Fucina Italia Srl	Italy	100%	-
Servizi Ricerche e Sviluppo Srl	Italy	100%	-
Proil Srl	Italy	72%	-
CCR Internazionale Scrl	Italy	90%	-
Consorzio SRS Scrl	Italy	65%	-
NewCleo Fuel Innovations	France	100%	-
NewCleo Lead Fast Reactors Innovations	France	100%	-
Pompes Rüttschi SAS	France	100%	-
Rüttschi Fluid AG	Switzerland	100%	-

#### 2.6 Consolidation Principles

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

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

#### 2.7 Revenue Recognition

The Group recognises revenue is generated from the following major sources following the acquisitions during the year:

##### *Consultancy services:*

The Group provides engineering consultancy services to private companies and public administration bodies through SRS.

##### *Construction and installation services:*

The Group performs the construction of engineering facilities and equipment relating to the development of safe and clean energy, which includes manufacturing of storage facilities for nuclear waste, decommissioning plants, and activities of steelwork nature through Fucina.

## **NewCleo Ltd**

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

#### **2.7 Revenue Recognition (continued)**

In addition, the Group also performs nuclear installations on operational reactors and engages in the supplies of spare parts and maintenance activities on pumps manufactured as part the Rüttschi Group of companies which have been acquired during the year.

In accordance with IFRS 15, the Group recognises revenue when it transfers control of a product or service to a customer, in an amount that reflects the consideration which the Group expects to receive in exchange for those goods and services. To determine revenue recognition for contracts that are determined to be within the scope of IFRS 15, the Group performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when or as the Group satisfies a performance obligation.

Contract assets are measured at the amount of consideration to which the Group has a right, which is typically the amount of performance obligation satisfied to date less any amounts already invoiced. A contract liability is recognised when payments are received in advance of work performed. Contract liabilities are recognised as revenue when the performance obligation is satisfied.

Revenue in respect of these services is recognised as the corresponding performance obligation is satisfied over time, based on the stage of completion of the contract. The stage of completion is determined by the proportion of total external and/or labour costs incurred at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations.

For the services described above, payment is in line with agreed milestones with the customer, and therefore a contract asset is recognised over the period in which the services are performed representing the entity's right to consideration for the services performed to date. The agreed milestones do not constitute separate performance obligations under IFRS 15, as these relate to invoicing payments onto the customer only.

#### **2.8 Foreign Currencies**

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

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

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

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

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

**2.9 Research and Development Costs**

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

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

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

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

As at the end of the year, the conditions to capitalise internally-generated intangible assets have not been met on a number of projects. Consequently, €6.0m (2022: €3.2m) of research activities undertaken during the year have been charged to the consolidated statement of profit or loss and comprehensive income.

**2.10 Research and Development Tax Credits**

Tax credits arising from government incentive programmes for R&D are recognised in the consolidated statement of profit or loss and comprehensive income within Other Income. They are recognised at fair value where there is reasonable assurance that the credit will be received. Any amounts accrued but unpaid as at the balance sheet date are recognised within Other Receivables.

**2.11 Administrative Expenses**

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

**2.12 Employee Benefit Costs**

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

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

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

## **NewCleo Ltd**

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

#### **2.13 Leases (continued)**

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

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

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

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

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

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

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

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

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

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

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

**2.14 Property, Plant and Equipment**

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

The estimated useful lives are as follows:

- Buildings: 30 years
- Leasehold improvements: the remaining useful life of the leased property
- Computer equipment: 3 years
- Fixtures and fittings: the lesser of 7 years or the remaining useful life of the leased property
- Other Equipment: 5 years
- Assets under Construction: upon completion, over 10 years
- Motor vehicles: 5 years

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

**2.14 Property, Plant and Equipment (continued)**

In the current reporting period, the Group has made a change in its depreciation method for computer equipment. Previously, computer equipment was depreciated on a straight-line basis over 5 years, and as of December 2023, the Group has adopted a new depreciation method, depreciating on a straight-line basis over 3 years. The change in useful economic lives represents a change in accounting estimate per IAS 8 and has therefore been applied prospectively, resulting in an adjustment to the carrying amount of computer equipment as of the current and future periods, with no restatement of prior periods. The change in useful economic life has been made to better align the depreciation charges with the expected pattern of consumption of the computer equipment's future economic benefits. The new depreciation method reflects a more accurate estimation of the useful life and residual value.

As a result of the change in depreciation method, the depreciation expense for the current reporting period has been adjusted accordingly. The impact of the change in depreciation policy is an increase of €7,500 relating to December 2023.

**2.15 Intangible Assets**

Intangible assets consist of patents, trademarks, software, capitalised development costs, customer relationships, order backlogs and unpatented technology. Where intangible assets are acquired as part of a business combination, the identification, separability, and fair value of the intangible asset at the acquisition date is determined through internal and external studies which will include the determination of the expected useful life. The fair value may be determined on a provisional basis if the accounting for the business combination is incomplete by the end of the reporting period that the combination takes place. Intangible assets are recognised at their fair value at the date of acquisition and are subsequently amortised over their estimated useful lives. The estimated useful lives are as follows:

- Patents: between 5 and 19 years
- Software licences: 5 years
- Capitalised development costs: 5 years
- Customer relationships: 15 years
- Order backlog: 2 years
- Unpatented technology: 20 years

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

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

**2.16 Goodwill**

Goodwill is initially recognised and measured as set out above in note 2.3.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) (or groups of CGUs) being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. If the recoverable amount, determined by the higher of its value in use (discounted cash flow) or fair value less cost of disposal of the CGU is less than the carrying amount of the CGU, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The value in use of each CGU is determined using a discounted cash flow analysis – the estimation of the recoverable value requires significant judgement and involves the use of assumptions and estimates, including future cash flows, discount rates and growth rates. The estimation of the recoverable value is inherently uncertain and may be affected by changes in economic and market conditions, as well as changes in the Group's business operations.

Refer to note 9 for further information regarding the impairment assessment of goodwill – no impairment has been recognised in the current year.

On disposal of a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**2.17 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion.

Inventory acquired in the year through a business combination has been valued at fair value. Subsequent measurement will be at the lower of cost, including fair value on acquisition, and net realisable value.

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

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any.

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. To the extent the carrying value of an asset (or CGU) exceeds its recoverable amount, the difference is recognised as an expense in the statement of profit or loss. The recoverable amount used for impairment testing is the higher of value in use and fair value less costs of disposal.

Where an impairment has been recorded, at each reporting date, it is considered whether there is any indication that an impairment loss for an asset other than goodwill either no longer exists or has decreased. If there is any such indication, the entity should estimate the recoverable amount and reverse the impairment recognised.

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

**2.19 Income Taxes**

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

**2.20 Financial Instruments**

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

*Financial assets*

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

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

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

Financial assets are designated at fair value through profit or loss if we manage such investments and make purchase and sale decisions based on their fair value in accordance with the associated investment strategy. Attributable transaction costs are recognised in the statement of profit or loss and other comprehensive income as incurred.

Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in the Statement of profit or loss and other comprehensive income. Short-term investments include financial assets measured at fair value through profit or loss and may comprise short term bond funds that have a maturity equal or less than 12 months, and money market funds.

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

**2.20 Financial Instruments (continued)**

Financial assets comprise cash and cash equivalents, short-term investments, and certain elements of trade and other receivables, and other long-term receivables" and then just referring to note 18 for the breakdown. Deposits and investments in money market funds and corporate bonds with a maturity date greater than three months at the point of investment are classified as short-term investments.

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

*Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost, lease receivables, trade receivables and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12-months after the reporting date.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

*Financial liabilities*

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial liabilities comprise lease liabilities, bank loans, contract liabilities, and certain elements of trade and other payables, and other long-term payables. Further details can be seen in note 18.

*Trade and other payables*

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

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

**2.21 Finance Income and Finance Costs**

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

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

**2.22 Shareholders' Equity**

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

Where the Group has received funds from shareholders in anticipation of future share issuance, the total amount will be classified as a liability. The funds received represent consideration for shares that will be issued at a later date in accordance with the terms and conditions of the agreement with shareholders.

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

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

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

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

**2.24 Cash and cash equivalents**

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

Cash that is subject to restrictions or limitations on its use is classified as restricted cash. Restricted cash represents funds that are set aside for specific purposes and cannot be used for other purposes without meeting certain conditions or obtaining necessary approvals.

**2.25 Provisions**

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

## Notes to the Consolidated Financial Statements (continued)

### ***New and amended IFRS Accounting Standards that are effective for the current year***

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023.

- IFRS 17: *Insurance Contracts*, effective from 1 January 2023;
- Amendments to IAS 1: *Presentation of Financial Statements*, effective from 1 January 2023;
- Amendments to IFRS Practice Statement 2: *Disclosure of Accounting Policies*, effective from 1 January 2023;
- Amendments to IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors*, effective from 1 January 2023; and
- Amendments to IAS 12: *Income Taxes*, effective from 1 January 2023

The adoption of these new Standards has not had a significant impact on the accounting policies, methods of computation or presentation applied by the Group, except for the adoption of the amendments to IAS 12 Income Taxes. The amendment to IAS 12 Income Taxes was published in May 2021 and became effective for the Group from 1 January 2023. The amendment narrowed the scope of the deferred tax recognition exemption, so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Group has considered the impact of this amendment, most notably in relation to the accounting for deferred taxes on leases. There was no material impact to retained earnings as at both 1 January 2022 and 31 December 2022 as a result of transitioning to the revised standard. See note 8 for details of the impact on the Group's recognised deferred tax assets and liabilities as at 31 December 2023. The new Standard did not impact deferred tax assets and liabilities relating to the Parent Company.

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

	<b>Effective for financial years commencing on or after</b>
Amendments to IFRS 10 and IAS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2024
Amendments to IAS 1: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to IAS 1: <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to IAS 7 and IFRS 7: <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to IFRS 16: <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024

The directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial information of the Group in future periods.

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

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

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

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

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

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

***Research and development expenditure capitalisation***

The business incurs a significant amount of R&D cost. The point in time at which the business begins capitalisation of any project is a critical accounting judgement. Development costs are only capitalised where an intellectual property meets each of the capitalisation criteria listed in the accounting policy in note 2. Management has reviewed the facts and circumstances of each project in relation to the criteria for capitalisation and have determined that none of the projects met the requirements for capitalisation. Accordingly, no development costs have been capitalised for the year ended 31 December 2023 (2022: nil) and have instead been expensed as incurred.

As part of the acquisition of Pompes Rüttschi, the Group acquired €1.5m of capitalised development costs related to the development of a range of pumps, as shown in note 9. All other development costs for companies acquired in 2023 have been fully impaired on acquisition.

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

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

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

In 2022, the Group included the renewal period as part of the lease term for the lease of an office property in France as the Group determined that it was reasonably certain it would continue the lease after the initial lease term. This judgement remains in the 2023 financial statements. The office is in a modernised building which will allow the Group to take on additional space as required, which results in a higher probability in the Group extending the lease rather than terminating the lease at the first break point. There is also a less onerous reinstatement obligation if the full lease term is taken up. The undiscounted cashflows of €0.7m for the three-year extension are included in lease liability in the financial statements.

No changes have been made to judgements on the lease of an office in Italy existing prior to 31 December 2022 for a lease extension that will not be exercised, and potential future undiscounted cashflows in respect of a lease extension of €2.2m are not recognised in the financial statements as a lease liability.

## NewCleo Ltd

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

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

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

In March 2022 NewCleo Srl signed a framework agreement with ENEA to develop safe and innovative Generation IV nuclear systems. The framework agreement includes the principles for the use of space and services and the collaboration of technical and scientific resources to develop a non-nuclear 'precursor' experimental facility at Brasimone, Italy. Formal agreements were signed in 2023. Management have reviewed the contracts and concluded that costs incurred in 2023 relating to the precursor represent an asset under IAS 16 which will contribute to the generation of future economic benefits for the Group. Consequently, the expenditure incurred of €5.0m cumulative to 31 December 2023 (2022: €1.3m) has been recognised as an asset under construction under IAS16: *Property, Plant and Equipment*, to be depreciated over the period over which the asset is expected to be available for use by the entity. The precursor is designed to be used to allow the Group to assess properties of lead flow around components and component coatings in a reactor of similar design, and as such, is aligned to equipment or complex tools used to create tests, rather than a test facility in its own right.

As such, management determined that the physical characteristics of the precursor were more appropriate to assessing the accounting treatment than the intangible benefit arising through the generation of additional knowledge. If the facility were determined to be an intangible asset, the asset would be assessed under IAS38, and if the facility did not meet the criteria for an intangible asset, costs would be expensed when incurred.

##### *Identification of Cash-Generation Units on business combinations*

The Group has made significant business acquisitions in the year as detailed within the Strategic Report and Directors' Report. The Group accounts for business acquisitions using the acquisition method, which requires the identification and measurement of the assets acquired, liabilities assumed and any non-controlling interests in the acquiree at fair value as of the acquisition date. Any goodwill arising on an acquisition is allocated to a CGU. The Group has judged that there are two CGUs arising, one from the Rüttschi Group combination and one the SRS Fucina Group combination. The judgement has been made based on the level of similarity in operations across the Rüttschi Group, and the level of interdependency on the fulfilment of contracts. Similarly, for the companies acquired through the SRS Fucina Group business combination, the Group has judged there to be one CGU arising due to the high level of interaction between the two companies in fulfilling client contracts.

##### *Identification of assets acquired in business combinations*

The determination of fair value for tangible assets and liabilities, the identification and valuation of intangible assets, and the assessment and impairment reviews on resultant goodwill, involves significant judgement and assumptions, including specifically the identification of intangible assets. As there has been insufficient information available at the reporting date to complete the determination of the fair value of assets acquired, the Group has assessed the business combination on a provisional basis in line with *IFRS 3: Business Combinations*, with any change in the value of assets retrospectively adjusted for. The identification of most categories of intangible assets acquired is not complex, as these are standard in nature. These include patents, licences and trademarks, order backlog, and customer relationships.

As part of the acquisition of SRS Fucina Group, management has identified an asset in the form of unpatented technology. The unpatented technology is attributable to SRS's expertise in the design of equipment, systems and structures relating to decommissioning activities and the development of new generation nuclear power plants. The technology developed by Fucina provides the Group with a competitive advantage and a prerequisite to access to tenders with clients. Management assessed whether the unpatented technology acquired as part of the business combination meets the criteria of an intangible asset under IAS 38: *Intangible Assets*. The unpatented technology is identifiable, whilst the Group has control over the asset as it has the ability to obtain future economic benefits from the technology. It is expected that the technology will generate future revenue and costs savings. Given these criteria have been satisfied, management has made a judgement that the unpatented technology represents an intangible asset acquired. Management have provisionally estimated the fair value at €6.2m, but is not anticipating this will materially change.

## NewCleo Ltd

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

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

##### *Critical estimates and key sources of estimation uncertainty*

###### *Estimates used for goodwill impairment review*

Goodwill arising on acquisitions of subsidiaries is tested for impairment at least annually, or where there are indications of impairment. Determining whether goodwill is impaired requires an estimation of the value-in-use to which goodwill has been allocated. The value-in-use assessment requires management to estimate future cashflows expected to arise from the CGU, and a suitable discount rate. Management have used the following assumptions for assessing each CGU:

###### *For Rüttschi Group (incorporating Pompes Rüttschi SAS and Rüttschi Fluid AG):*

The recoverable amount is determined based on a value in use calculation which uses cash flow projections based on financial budgets and plans approved by the directors covering a five-year period, and an estimate of terminal value. Using this method, management have estimated future discounted cashflows of €62.7m, an excess of €25.9m against the carrying value of Rüttschi as at 31 December 2023. The following estimates were used in arriving at this estimate.

- A pre-tax discount rate of 10% per cent per annum was applied to future cashflows, applying the discounted cashflow method. A 1% increase in discount rate would reduce the discounted cashflows by €6.6m.
- Forecast sales growth rates are based on experience adjusted for factors such as sales/market trends, contracts in progress, and the strategic decisions made in respect of the Rüttschi business plan, with an initial CAGR of 5.5% for 5 years followed by subsequent growth of 2% per annum. A reduction to 2% growth in the 5 year period would reduce the discounted cashflows by €14.4m.
- Profits are forecast based on historical experience of operating margins, adjusted for the impact of factors such as changes to product costs. Projections assume an EBIT margin of 24%, in line with historic margins. A reduction in EBIT during the assessment period to 20% would reduce discounted cashflows by €9.5m.
- Cash conversion is the ratio of operating cash flow to operating profit. Management forecasts cash conversion rates based on historical experience. Cash flows beyond that five-year period have been extrapolated using a steady 2% per annum growth rate; and management estimate that a decrease in growth rate by 2% to nil would reduce the headroom in Rüttschi by €8.1m.

None of these sensitivities would result in an impairment in the carrying value of goodwill individually, however in combination, as demonstrated by the amount above, could have a material impact.

Although not a material estimate, for SRS Fucina Group, management have conducted a similar exercise, and estimate that a decrease in growth rate to zero% would not result in an impairment of the CGU, and an increase in WACC by 12% to 13.8% would reduce the headroom in the CGU of SRS Fucina Group to nil but would not result in an impairment charge.

###### *Estimating the fair value of intangible assets on acquisition*

As part of the acquisition of the Rüttschi Group, management has identified customer relationships as a significant intangible asset. Management has attributed customer relationships with a value of €6.5m in Pompes Rüttschi SAS and €9.2m in Rüttschi Fluid AG on acquisition. Management have determined that the key estimation uncertainty relates to client retention, where it determined a rate of between 70% and 90% for Pompes Rüttschi SAS and a probability of renewal of 60% and 90% for Rüttschi Fluid AG. The current rate is based on an assessment of historic client turnover, renewal of contracts which considers ongoing projects, customer satisfaction and future tenders to estimate future revenues from clients. Management believes there is a high level of visibility of revenues as typically products are installed for a period of use in excess of 40 years and require periodic servicing.

Both valuations have been made on a provisional basis, and no impairment indication has been identified as at 31 December 2023.

## NewCleo Ltd

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

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

##### *Estimating the fair value of intangible assets on acquisition (continued)*

The impact to the customer relationship value by increasing or decreasing the client retention rate by 5% is as follows;

	5% increase in customer retention €'000	5% decrease in customer retention €'000
Pompes Rüttschi SAS	3,274	(2,287)
Rüttschi Fluid AG	1,406	(1,145)
<b>Total impact on customer relationship value</b>	<b>4,680</b>	<b>(3,432)</b>

Management notes that the above sensitivity results in a material movement in the customer relationship intangible asset. The assumptions used in the provisional purchase price allocation are considered appropriate by management as at 31 December 2023, and management believes that reasonably possible changes to the inputs would be lower than the extent quoted above. The provisional value has considered all significant clients and revenue streams from those clients although further assessment is being undertaken and is not complete. The measurement period will end no later than 12 December 2024.

Other sources of estimation uncertainty for the customer relationship intangible relates to the EBIT margin, long term growth rate and discount rate.

##### *Revenue and profit recognition*

The Group accounts for revenue in accordance with IFRS 15: *Revenue from Contracts with Customers*. For all the Group's contracts, revenue is recognised over time based on stage of completion, determined as costs incurred, or the proportion of the total cost expected to fulfil the consultancy contract that has elapsed at year-end.

The determination of the percentage of completion requires judgement and involves estimation of the progress of the contract, the costs to complete. Management evaluates the percentage of completion considering all available information, including project schedules, cost reports, and forecasts of costs to complete. The transaction price is set within the contract, however there is significant judgement over the costs to complete.

No changes to the estimated total projected costs were noted during the year ended 31 December 2023 and any subsequent events that had a significant impact during the period.

The table below illustrates the sensitivity analysis of the Group's reported profit to a 10% increase or decrease in the estimated future costs to be incurred in the delivery of partially unsatisfied performance obligations relating to the Group's revenue contracts as at 31 December 2023.

	Change in estimated future costs	Effect on profit before tax €'000
Impact on change in the estimated future costs to be incurred in delivering partially unsatisfied performance obligations	+10%	(2,641)
	-10%	2,454

## Notes to the Consolidated Financial Statements (continued)

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

#### *Recoverability of deferred tax assets*

The Group recognises deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The recognition of deferred tax assets requires significant judgement and involves the use of estimates and assumptions, including the likelihood of future taxable income and the availability of tax planning strategies.

The Group evaluates the recoverability of its deferred tax assets on a regular basis and considers all available positive and negative evidence, including historic operating results, projected future taxable income, and tax planning strategies. The Group's management also considers the impact of changes in tax laws and regulations on the recoverability of its deferred tax assets. Management have estimated future cashflows from subsidiaries where material deferred tax assets are generated. The 2023 Financial Statements include a deferred tax asset of €1.6m recognised on the acquisition of Fucina, as disclosed in note 22. Apart from this, Management have concluded that future inflows are not sufficiently likely to recognise a deferred tax asset. Further details are disclosed in note 8.

#### **Other key sources of estimation uncertainty:**

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

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

The Group cannot readily determine the interest rate implicit in leases where it is the lessee, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group 'would have to pay' to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR requires estimation when no observable rates are available or where the applicable rates need to be adjusted to reflect the terms and conditions of the lease.

The Group has assessed the IBR on each contract acquired or amended in the current year, based on location, lease duration and commencement date, and has applied a range between 2.76% and 8.9%, with a weighted average based on the right of use asset at commencement date of 6.94%. A 1% increase in the IBR compared would result in the decrease in the value of the right-of-use asset and related lease liability of €0.3m. A 1% decrease in the IBR would result in an increase in the right-of-use asset value and related lease liability by €0.4m.

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

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. Movements in the share-based payment reserve in 2023 were estimated using an underlying share price of €4/share, based on the offer price for the fund raise announced in March 2023. On 18 April 2024, the Board agreed to reduce the offer price to €2.80/share. Management do not consider this to be an adjusting event, as the underlying economic conditions for the change in the share price were not present at the year end. The change in share price was based on a third-party valuation that was carried out early in 2024. For further disclosures relating to share-based payments and associated inputs to the valuation, see note 17.

## NewCleo Ltd

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

#### Note 4 - Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time in the following major product lines. All revenue has been generated by the trading subsidiaries acquired during the year (see note 22).

##### *Disaggregation of revenue*

	<b>2023</b>	<b>2022</b>
	<b>€'000</b>	<b>€'000</b>
<b>External revenue by type:</b>		
Consultancy	2,127	-
Installation of equipment and sale parts	7,019	-
<b>Total revenue</b>	<b>9,146</b>	<b>-</b>
<b>External revenue by country of sale:</b>		
Italy	8,516	-
France	400	-
Switzerland	230	-
<b>Total revenue</b>	<b>9,146</b>	<b>-</b>
<b>External revenue by timing of revenue</b>		
Goods transferred over time	7,019	-
Services transferred over time	2,127	-
<b>Total revenue</b>	<b>9,146</b>	<b>-</b>

The transaction price allocated to partially unsatisfied obligations at 31 December 2023 are as set out below:

	<b>2023</b>	<b>2022</b>
	<b>€'000</b>	<b>€'000</b>
Consultancy services	1,218	-
Construction of equipment and sale of parts	43,285	-
	<b>44,503</b>	<b>-</b>

##### **Contract balances**

Receivables, contract assets and contract liabilities from contracts with customers are included within 'Trade and other receivables' and 'Trade and other payables' respectively (notes 14 and 20).

Management estimates €29.4m of the transaction price allocated to the partially unsatisfied contracts as of the year ended 31 December 2023 will be recognised as revenue during the 2024 financial year. Of the remaining 33.9%, €8.9m will be recognised in the 2025 financial year.

## NewCleo Ltd

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

#### Note 5 - Other Income and Administrative Expenses

Included within other income are the following:

	2023	2022
	€'000	€'000
R&D tax credits	891	536
Other income	115	232
<b>Total other income</b>	<b>1,006</b>	<b>768</b>

Included within administrative expenses are the following:

	Notes	2023	2022
		€'000	€'000
Staff costs	6	28,325	8,381
Consultancy		17,912	5,339
Legal and professional		7,500	2,284
Depreciation and amortisation	10	3,933	1,325
Patent administration costs		87	86
Office costs		3,117	662
Recruitment costs		1,040	625
Advertising and promotion		2,345	863
Travel and subsistence		3,083	1,188
Investment management costs		(25)	1,181
IT costs		3,424	539
Other costs		17	104
<b>Total Administrative expenses</b>		<b>70,758</b>	<b>22,577</b>

#### Total audit fees

<b>1,065</b>	<b>398</b>
--------------	------------

The directors have agreed with the Group's auditors that the auditor's liability to damages for breach of duty in relation to the audit of the group's financial statements for the year to 31 December 2023 will be limited to the greater of £5.0 million or 5 times the auditor's fees, and that in any event the auditor's liability for damages should be limited to that part of any loss suffered by the Group is just and equitable having regard to the extent to which the auditor, the Group and any third parties are responsible for the loss in question. The shareholders approved this limited liability agreement, as required by the Companies Act 2006, by a resolution dated 17 April 2024

During the year, the Group made charitable donations totalling €4.6k (2022: nil) to support charitable organisations and causes aligned with the Group's corporate social responsibility initiatives.

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

	2023	2022
	€'000	€'000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	925	265
Fees payable for the audit of subsidiaries	62	73
Fees payable in respect of prior years, not previously provided for	68	60
Fees payable in respect of other assurance services	10	-

## NewCleo Ltd

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

#### Note 6 - Staff Costs

	2023 €'000	2022 €'000
Wages and salaries	18,252	5,536
Expenses related to defined contribution plans	1,159	127
Social security costs	4,101	1,131
Share-based payment expense (note 17)	3,171	1,080
Other costs	1,642	507
<b>Total staff costs</b>	<b>28,325</b>	<b>8,381</b>

	2023	2022
The monthly average number of employees (including executive directors) throughout the year were:		
Technical, research and development	157	48
Administration and support	117	31
Manufacturing	14	-
<b>Total</b>	<b>288</b>	<b>79</b>

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

The comparative figures have been updated to reflect the directors emoluments as per IAS24 requirements.

	2023 €'000	2022 €'000
Short-term employee benefits	2,031	1,741
Consultancy fees	259	247
Post-employment benefits	131	348
Termination benefits	-	49
Other long-term employee benefits	-	21
Share-based payments	1,549	587
<b>Total compensation to key management personnel</b>	<b>3,970</b>	<b>2,993</b>

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

The directors' remuneration during the year was as follows:

	2023 €'000	2022 €'000
Aggregate emoluments	382	320
Other benefits	15	0
Social security costs	26	10
Share-based payments	710	351
<b>Total remuneration</b>	<b>1,133</b>	<b>681</b>

No retirement benefits were accrued to any director during the year (2022: nil), and no dividends were paid to any director in the year (2022: nil) in respect of ordinary shares held by the Company's directors.

The aggregate emoluments for the highest paid director during the year were €0.27m (2022: €0.23m) and the pension contributions for that director were €nil (2022: nil). The director was awarded 125,000 share options during the year, which vest over four years (2022 816,667 options). No options were exercised at the end of the year (2022: nil). The cost to the company of the share based payment charge was €0.57m during the year (2022 share based payment charge €0.18m). Further details on the Company's share option scheme are disclosed in Note 17.

## NewCleo Ltd

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

#### Note 7 - Finance Income and Finance Expenses

	2023	2022
	€'000	€'000
Interest income	3,722	365
Exchange rate gains	-	111
<b>Total finance income</b>	<b>3,722</b>	<b>476</b>
Lease interest expense	868	167
Exchange rate losses	440	20
Interest expense	212	298
Other finance expenses	12	12
<b>Total finance costs</b>	<b>1,532</b>	<b>497</b>

#### Note 8 - Taxation

	2023	2022
	€'000	€'000
<b>Current income tax:</b>		
Current income tax charge	204	-
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	-	-
<b>Income tax expense reported in the consolidated statement of profit or loss and comprehensive income</b>	<b>204</b>	<b>-</b>

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

	2023	2022
	€'000	€'000
<b>Loss before tax</b>	<b>57,397</b>	<b>18,058</b>
Tax credit at the UK corporation tax rate of 23.52% (2022: 19%)	(13,500)	(3,431)
Effect of tax rates of subsidiaries operating overseas	(48)	(586)
Non-taxable grants and other income	(156)	-
Tax effect of expenses that are not deductible in determining taxable profit	699	305
Timing differences	838	(40)
Adjustments to brought forward values	(57)	-
Effect of changes in remeasurement of tax rate (see below)	(284)	-
Change in unrecognised deferred tax assets	12,712	3,752
<b>Income tax expense</b>	<b>204</b>	<b>-</b>

#### **Tax expense**

From 1 April 2023, the main rate of UK corporation tax increased from 19% to 25% and a new 19% small profits rate of corporation tax was introduced for companies whose profits do not exceed GBP 50,000. The impact of the revaluation of closing balances is disclosed as a change in remeasurement of the tax rate.

## NewCleo Ltd

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

#### Note 8 - Taxation (continued)

##### **Deferred tax assets**

As part of the acquisitions of SRS Fucina and Rutschi groups, the Group has recognised deferred tax assets related to brought forward losses and timing differences. In addition, the Group has recognised deferred tax assets at 31 December 2023 and 2022 relating to the timing differences arising on leases, following the adoption of IAS 12. Outside of these recognised deferred tax assets, in light of the Group's history of losses, recovery of the deferred tax asset arising on cumulative losses is not sufficiently certain, and therefore a deferred tax asset has been recognised only to the extent that it is recoverable against future profits, or where there is a deferred tax liability in the form of fixed asset temporary differences. The Group has tax losses on which a deferred tax asset of €12.7m (2022: €3.8m) has not been recognised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Deferred tax assets that have been recognised are;

	<b>2023</b>	<b>2022</b>
	<b>€'000</b>	<b>€'000</b>
<b>Deferred tax assets</b>		
Deferred tax assets arising on business combinations	1,409	-
Temporary differences arising on long term leases	3,083	752
Offset against deferred tax liabilities	(4,492)	(752)
<b>Total deferred tax assets</b>	<b>-</b>	<b>-</b>

##### **Deferred tax liabilities**

Deferred tax liabilities have been recognised following the acquisition of SRS Fucina and Rutschi groups, and arise through timing differences on intangible assets that will be amortised in future periods, with the amortisation not allowable for tax deductions.

Deferred tax liabilities that have been recognised are;

	<b>2023</b>	<b>2022</b>
	<b>€'000</b>	<b>€'000</b>
<b>Deferred tax liabilities</b>		
Deferred tax liabilities arising on business combinations	7,946	-
Temporary differences arising on long term leases	3,083	752
Offset against deferred tax assets	(4,492)	(752)
<b>Total deferred tax liabilities</b>	<b>6,537</b>	<b>-</b>

## NewCleo Ltd

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

#### Note 9 - Intangible Assets

	Goodwill €'000	Capitalised develop- ment costs €'000	Software licences €'000	Patent and trademarks €'000	Unpatented technology €'000	Order backlog €'000	Customer relationships €'000	Total €'000
<b>Cost:</b>								
<b>At 1 January 2022</b>	-	-	357	5,414	-	-	-	5,771
Additions	-	-	1,292	12	-	-	-	1,304
<b>At 31 December 2022</b>	-	-	1,649	5,426	-	-	-	7,075
Additions	-	-	1,773	27	-	-	-	1,800
Additions from business combinations	37,870	1,460	156	1,971	8,597	4,197	16,568	70,819
<b>At 31 December 2023</b>	37,870	1,460	3,578	7,424	8,597	4,197	16,568	79,694
<b>Accumulated amortisation:</b>								
<b>At 1 January 2022</b>	-	-	(72)	(134)	-	-	-	(206)
Amortisation charge	-	-	(230)	(354)	-	-	-	(584)
<b>At 31 December 2022</b>	-	-	(302)	(488)	-	-	-	(790)
Amortisation charge	-	-	(421)	(357)	-	-	-	(778)
<b>At 31 December 2023</b>	-	-	(723)	(845)	-	-	-	(1,568)
<b>Carrying amount:</b>								
<b>At 31 December 2022</b>	-	-	1,347	4,938	-	-	-	6,285
<b>At 31 December 2023</b>	37,870	1,460	2,855	6,579	8,597	4,197	16,568	78,126

Patents and trademarks are amortised over their estimated useful lives, which is on average 12 years. Capitalised development costs relate to research and development costs in respect of the pump range development and design. No amortisation has been charged as the intangible asset is still under construction.

The goodwill amounts have been measured on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

The carrying amount of goodwill has been allocated to CGUs as follows:

	2023 €'000	2022 €'000
SRS & Fucina	1,046	-
Rütschi Fluid & Pompes Rütschi	36,824	-
<b>Total Goodwill</b>	<b>37,870</b>	<b>-</b>

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. A summary of the goodwill assessment, management estimates and sensitivities is included in Note 3.

## NewCleo Ltd

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

#### Note 10 - Property, plant and equipment

	Land and buildings	Computer equipment	Other equipment	Leasehold improvements	Furniture and fixtures	Construction work in progress	Motor vehicles	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
<b>Cost:</b>								
At 1 January 2022	-	102	35	-	-	-	-	137
Additions	-	938	89	453	385	1,302	-	3,167
<b>At 31 December 2022</b>	-	<b>1,040</b>	<b>124</b>	<b>453</b>	<b>385</b>	<b>1,302</b>	-	<b>3,304</b>
Additions	493	3,063	2,578	4,707	804	3,638	2	15,285
Additions from business combinations	3,793	129	2,092	652	71	21	74	6,832
<b>At 31 December 2023</b>	<b>4,286</b>	<b>4,232</b>	<b>4,794</b>	<b>5,812</b>	<b>1,260</b>	<b>4,961</b>	<b>76</b>	<b>25,421</b>
<b>Accumulated depreciation:</b>								
At 1 January 2022	-	(10)	(3)	-	-	-	-	(13)
Depreciation charge	-	(195)	(11)	(7)	(22)	-	-	(235)
<b>At 31 December 2022</b>	-	<b>(205)</b>	<b>(14)</b>	<b>(7)</b>	<b>(22)</b>	-	-	<b>(248)</b>
Depreciation charge	(11)	(652)	(308)	(295)	(159)	-	(7)	(1,432)
<b>At 31 December 2023</b>	<b>(11)</b>	<b>(857)</b>	<b>(322)</b>	<b>(302)</b>	<b>(181)</b>	-	<b>(7)</b>	<b>(1,680)</b>
<b>Carrying amount:</b>								
At 31 December 2022	-	835	110	446	363	1,302	-	3,056
<b>At 31 December 2023</b>	<b>4,275</b>	<b>3,375</b>	<b>4,472</b>	<b>5,510</b>	<b>1,079</b>	<b>4,961</b>	<b>69</b>	<b>23,741</b>

The cost and carrying value of land, within land and buildings, is €1.0m

Construction work in progress assets are the construction of the precursor experimental facility to be leased from ENEA, as detailed in note 3. Additions in the year include assets acquired as part of the business combinations, as detailed in note 22.

The total amount of capital commitments as of 31 December 2023 is €12.0m (2022: €0.5m), primarily relating to the construction of the precursor experimental facility at Brasimone, as detailed in note 3.

## NewCleo Ltd

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

#### Note 11 - Leasing

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

	Buildings €'000	Equipment €'000	Motor vehicles €'000	Total €'000
<b>Cost:</b>				
At 1 January 2022	2,002	-	-	2,002
Additions	8,197	-	-	8,197
Translation differences	183	-	-	183
At 31 December 2022	10,382	-	-	10,382
Additions	8,719	0	10	8,729
Additions from business combinations	1,905	216	269	2,390
At 31 December 2023	<b>21,006</b>	<b>216</b>	<b>279</b>	<b>21,501</b>
<b>Accumulated depreciation:</b>				
At 1 January 2022	(111)	-	-	(111)
Depreciation charge	(506)	-	-	(506)
At 31 December 2022	(617)	-	-	(617)
Depreciation charge	(1,628)	(4)	(23)	(1,655)
At 31 December 2023	<b>(2,245)</b>	<b>(4)</b>	<b>(23)</b>	<b>(2,272)</b>
<b>Carrying amount:</b>				
At 31 December 2022	9,765	-	-	9,765
At 31 December 2023	<b>18,761</b>	<b>212</b>	<b>256</b>	<b>19,229</b>

The Group entered into leases during the year in the United Kingdom, France and Italy, each for general office facilities. The lease term is based on a contractual agreement and has been determined to range from 3 years to 15 years.

As part of the business acquisitions detailed in note 22, the Group has acquired leases in respect of office facilities, equipment, and motor vehicles.

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

	2023 €'000	2022 €'000
Office leases	743	71

For short-term leases (defined as leases with a lease term of 12-months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones), the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

## NewCleo Ltd

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

#### Note 11 - Leasing (continued)

##### Lease liabilities

	Building €'000	Equipment €'000	Motor Vehicles €'000	Total €'000
<b>Cost:</b>				
At 1 January 2022	(1,914)	-	-	(1,914)
Additions	(7,173)	-	-	(7,173)
Interest expense related to lease liabilities	(167)	-	-	(167)
Repayment of lease liabilities (including interest)	338	-	-	338
<b>At 31 December 2022</b>	<b>(8,916)</b>	<b>-</b>	<b>-</b>	<b>(8,916)</b>
Additions	(8,213)	-	(15)	(8,228)
Additions from business combinations	(1,905)	(216)	(269)	(2,390)
Translation differences	(125)	-	-	(125)
Interest expense related to lease liabilities	(862)	(1)	(5)	(868)
Repayment of lease liabilities (including interest)	1,899	8	27	1,934
<b>At 31 December 2023</b>	<b>(18,122)</b>	<b>(209)</b>	<b>(262)</b>	<b>(18,593)</b>
<b>Carrying amount:</b>				
At 31 December 2022	(8,916)	-	-	(8,916)
At 31 December 2023	(18,122)	(209)	(262)	(18,593)

The total lease liabilities amount to €18.6m (2022: €8.9m), of which €2.4m (2022: €0.3m) is classified as current.

The table below represents the undiscounted cash flow maturity analysis:

	2023 €'000	2022 €'000
<b>Maturity analysis:</b>		
0-1 year	3,523	1,107
2-5 years	11,268	5,105
More than 5 years	10,967	7,623
<b>Total</b>	<b>25,758</b>	<b>13,835</b>

#### Note 12 - Other long-term receivables

	2023 €'000	2022 €'000
Purchases on behalf of ENEA	1,369	-
Lease deposits	510	301
Security deposits	268	-
Other long-term assets	749	-
Shareholder loan	-	20,000
<b>Total other long-term receivables</b>	<b>2,896</b>	<b>20,301</b>

The purchases on behalf of ENEA represent costs paid by NewCleo Srl relating to the Brasimone precursor facility, which are expected to be recovered after 2025 from ENEA, as detailed in note 3. The shareholder loan was reclassified from long-term to short term during 2023, as shown in note 14.

## NewCleo Ltd

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

#### Note 13 - Inventories

	2023	2022
	€'000	€'000
Raw materials	897	-
Work-in-progress	2,591	-
Finished goods	6,664	-
<b>Total inventories</b>	<b>10,152</b>	<b>-</b>

The cost of inventories recognised as an expense during the year in respect of continuing operations was €0.3m (2022: nil).

The cost of inventories recognised as an expense includes €0.6m (2022: nil) in respect of write-downs of inventory to net realisable value.

As part of the business acquisitions detailed in note 22, the Group has acquired inventories recognised at fair value.

#### Note 14 - Trade and other receivables

	2023	2022
	€'000	€'000
<b>Current:</b>		
Trade receivables	17,450	-
Loss allowance	(408)	-
	<b>17,042</b>	<b>-</b>
Shareholder loan	10,400	-
Other receivables	1,733	367
Contract assets	9,613	-
Prepayments	3,123	1,182
Advances	1,247	1,371
Accrued income	1,456	160
Social security and other taxes	8,510	1,922
R&D tax credit	1,514	952
<b>Total trade and other receivables</b>	<b>54,638</b>	<b>5,954</b>

The shareholder loan has been transferred from a long-term receivable to a short-term receivable. The loan was originally for €20.0m and was classified as long-term due to its expected repayment beyond one year. However, based on the expected timing of cash collection, it has been determined that the loan should be reclassified as a short-term receivable. The loan carries interest at 5% and is payable 30 days on demand.

The average credit period on sales of goods is 60 days. No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime Expected Credit Loss ("ECL"). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

## NewCleo Ltd

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

#### Note 14 - Trade and other receivables (continued)

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. No write offs have been made in 2023, primarily as receivables were recorded at fair value following the acquisitions of SRS, Fucina and Rutschi.

The ageing profile of the trade receivables as at 31 December 2023 and at 31 December 2022 is as follows:

	2023 €'000	2022 €'000
Not due	9,625	-
0 to 30 days	51	-
30 to 60 days	329	-
60 to 90 days	(374)	-
90 to 180 days	1,218	-
180 to 360 days	1,507	-
360+ days	5,094	-
<b>Total trade receivables</b>	<b>17,450</b>	<b>-</b>

		Trade receivables – days past due						
At 31 December 2023	Not past due	<30	31-60	61-90	91-180	180-360	>360	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
ECL rate	2.13%	2.97%	1.07%	0%	0.83%	1.02%	3.37%	
Estimated total gross carrying amount at default	9,625	51	329	(374)	1,218	1,507	5,094	17,450
Lifetime ECL	205	1	4	1	10	15	172	408
		Trade receivables – days past due						
At 31 December 2022	Not past due	<30	31-60	61-90	91-180	180-360	>360	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
ECL rate	0%	0%	0%	0%	0%	0%	0%	
Estimated total gross carrying amount at default	275	-	-	-	-	-	-	275
Lifetime ECL	-	-	-	-	-	-	-	-

#### Note 15 - Cash and cash equivalents

	2023 €'000	2022 €'000
Unrestricted cash	114,638	106,892
Restricted cash	159	-
<b>Total cash and cash equivalents</b>	<b>114,797</b>	<b>106,892</b>

€0.2m of restricted cash arises due to a guarantee issued by HSBC on behalf of the Group in respect of the office lease in Lyon.

## NewCleo Ltd

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

#### Note 16 - Share Capital

The share capital of NewCleo Ltd consists of 412,659,000 (2022: 412,659,000) shares at a nominal value of Euro 0.01.

	Number of Shares	Nominal Value €'000
<b>Authorised</b>		
At 1 January 2022	212,659,000	2,127
At 31 December 2022	412,659,000	4,127
At 31 December 2023	412,659,000	4,127
<b>Issued, and fully paid:</b>		
<b>At 1 January 2022</b>	<b>212,659,000</b>	<b>2,127</b>
Issued during the period	200,000,000	2,000
<b>At 31 December 2022</b>	<b>412,659,000</b>	<b>4,127</b>
Issued during the year	-	-
<b>At 31 December 2023</b>	<b>412,659,000</b>	<b>4,127</b>

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

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

In June 2022, the Company completed a private fund raise, issuing 200,000,000 of ordinary shares for a total value of €300.0m.

In March 2023, the Company launched a further equity raise, and in April 2024, the Company closed a first tranche of the raise and subsequently issued 31,119,972 ordinary shares for a total value of €87.1m.

#### Note 17 - Share-based payments

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

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

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

## NewCleo Ltd

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

#### Note 17 - Share-based payments (continued)

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

	2023	Weighted
	Number of share	average exercise
	options	price (in €)
Outstanding at the beginning of year	3,417,261	0.01
Granted during the year	1,733,739	0.01
Forfeited during the year	(202,155)	0.01
Exercised during the year	-	-
<b>Outstanding at the end of the year</b>	<b>4,948,845</b>	<b>0.01</b>
<b>Vested and exercisable at the end of the year</b>	<b>1,139,286</b>	<b>0.01</b>

The options outstanding at 31 December 2023 had a weighted average exercise price of €0.01, and a weighted average remaining contractual life of 8.92 years. In 2023, 50,000 options were granted on 1 March, and 1,683,739 were granted on 1 September. The aggregate of the estimated fair values of the options granted on those dates is €6.8m.

The inputs into the Black-Scholes-Merton model are as follows:

	2023	2022
Weighted average share price	€4.00	€1.50
Weighted average exercise price	€0.01	€0.01
Expected volatility	40%-47.5%	45%-47.5%
Expected life	1-4 Years	1-4 Years
Risk-free rate	4.58%-5.06%	2.83%-5.06%
Expected dividend yields	0.0%	0.0%

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

During the year, the Group granted options to non-employees for which the Group determined it was not able to measure the fair value of the services received as the options did not relate to any specifically identifiable goods or services. As such, the Group measured the fair value of the services indirectly, by reference to the fair value of the options granted. The options were measured using a Black-Scholes-Merton model, using the inputs listed above. The aggregate fair value of options granted during the year for which the fair value was measured indirectly was €1.0m and are included in the total estimated fair value of options of €6.8m granted in 2023.

The Group recognised total expenses for employees of €3.2m (2022: €1.1m) related to equity-settled share-based payment transactions in 2023, and for non-employees €0.1m (2022: €0.3m).

## NewCleo Ltd

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

#### Note 18 - Financial Assets and Financial Liabilities

Financial assets and financial liabilities comprise the following:

	Notes	2023 €'000	2022 €'000
<b>Financial assets:</b>			
<i>Financial assets measured at amortised cost</i>			
Short term investments		65,730	117,000
Trade and other receivables 'excluding non-financial assets'	14	20,231	527
Cash and cash equivalents	15	114,797	106,892
<i>Financial assets measured at fair value through profit or loss</i>			
Short-term investments		106,399	128,185
<b>Total financial assets</b>		<b>307,157</b>	<b>352,604</b>
<b>Financial liabilities:</b>			
<i>Financial liabilities measured at amortised cost</i>			
Lease liabilities	11	18,593	8,916
Trade and other payables 'excluding non-financial liabilities'	20	98,279	6,855
Unsecured bank loans		1,090	-
Secured bank loans		3,734	-
<b>Total financial liabilities</b>		<b>121,696</b>	<b>15,771</b>

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

Bank loans total €4.8m, with €1.5m classified as a current liability, and €3.3m classified as non-current based on the repayment profile.

As part of the business acquisition detailed in note 22, a loan was acquired in Italy with Banca Progetto S.p.A. which was taken out on 1 October 2022 for a total loan value of €1.8m. Variable interest is charged on the loan at €360 + 4.75%, with monthly repayable instalments over 96 months through to expiration at 31 October 2030. As of 31 December 2023, the outstanding balance of this bank loan was €1.7m. €1.5m of the loan is classified as a non-current liability based on the repayment terms, with the remaining €0.2m classified as current given this is due to be repaid within 12 months. The interest expense is recognised in the income statement under interest expense.

#### Note 19 - Provisions

	Dilapidation provision €'000
At 1 January 2023	348
Additional provision in the year	452
<b>At 31 December 2023</b>	<b>800</b>

## NewCleo Ltd

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

#### Note 20 - Trade and other payables

	2023 €'000	2022 €'000
<b>Current:</b>		
Trade payables	15,550	2,834
Social security and other taxes	3,002	47
Other accrued expenses	9,339	3,276
Payroll liabilities	7,266	438
Other payables	73,349	745
Contract liabilities	10,054	-
<b>Total trade and other payables</b>	<b>118,560</b>	<b>7,340</b>

Included in other payables is an amount of €70.2m representing receipts from shareholders in exchange for future shares which have been subscribed but not yet issued as at 31 December 2023.

As detailed in note 2 and note 22, in 2023, the Group acquired two companies, SRS and Fucina. The total consideration was €7.0m of which €3.3m is to be settled through the issue of shares in NewCleo Ltd, which represent shares subscribed but not yet issued.

#### Note 21 - Financial Risk Management

##### **Capital Management**

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

Our capital structure consists of short-term investments, as disclosed in note 18, cash and cash equivalents, note 15 and equity comprising issued capital, reserves, and accumulated deficit, as disclosed in the Consolidated Statement of Equity.

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

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

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

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

## NewCleo Ltd

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

#### Note 21 - Financial Risk Management (continued)

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

The Group makes purchases in foreign currencies. In order to mitigate significant exposure to foreign currencies, the Group holds cash balances in the appropriate currencies to meet obligations as they fall due and also to service a proportion of future obligations. The Group held approximately 79.3% (2022: 94.1%) of its cash and cash equivalents in Euros at 31 December 2023.

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

	2023	2022
	€'000	€'000
+5% Increase in British Pounds (GBP)	748	212
+5% increase in US Dollars (USD)	57	44
-5% Decrease in British Pounds (GBP)	(748)	(212)
-5% Decrease in US Dollars (USD)	(57)	(44)

##### **Interest Rate Risk Management**

The variable interest-bearing financial instruments are short-term investments and investments with original maturities less than three months classified as cash and cash equivalents, and bank loans arising from the acquisition of SRS and Fucina.

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

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

Money Market Fund investments that are classified as at FVTPL and have a carrying value of €106.4m on 31 December 2023 are exposed to changes in interest rates. A 1% increase in the Euro interest rate (Euribor) will have a 1% increase in the value of the funds, which would have increased our results and equity by approximately €1.8m (2022: €0.1m).

##### **Credit Risk Management**

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

The Group's cash and cash equivalents as at 31 December 2023 are held with major regulated financial institutions. The Group held approximately 92.2% (2022: 85.6%) of its cash and cash equivalents at five of the largest global financial institutions. The credit risk on short-term investments is limited because the counterparties are high-rated funds (AAA rated), banks with high credit ratings assigned by international credit-rating agencies or banks that have been financed by their government.

Credit risk with respect to trade receivables and contract assets is managed by each subsidiary and the quality of a customer is assessed on an individual basis. The Group applies the IFRS 9 simplified approach to measure and account for expected credit losses using a lifetime expected loss allowance for all trade receivables and contract assets, as detailed in note 14.

## NewCleo Ltd

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

#### Note 21 - Financial Risk Management (continued)

##### Liquidity Risk Management

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

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

	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	Over 5 years €'000	Total €'000
<b>31 December 2023</b>					
Trade and other payables	118,560	-	-	-	118,560
Borrowings	1,543	1,068	1,866	348	4,825
Lease liability	3,401	6,028	4,838	10,168	24,435
<b>Total</b>	<b>123,504</b>	<b>7,096</b>	<b>6,704</b>	<b>10,516</b>	<b>147,820</b>
<b>31 December 2022</b>					
Trade and other payables	7,340	-	-	-	7,340
Lease liability	1,107	1,311	3,794	7,623	13,835
<b>Total</b>	<b>8,447</b>	<b>1,311</b>	<b>3,794</b>	<b>7,623</b>	<b>21,175</b>

##### Fair value measurement

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

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

The following table analyses within the fair value hierarchy the Group's financial instruments (by class) measured at fair value as of 31 December 2023:

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
<i>Financial assets at fair value through profit or loss</i>				
Short-term investments	106,399	-	-	106,399

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

## NewCleo Ltd

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

#### Note 21 - Financial Risk Management (continued)

Financial assets held at fair value through profit or loss consisted of short-term investments. Short-term investments include money market funds in EUR, which all classify for level 1 fair value measurement.

	<b>2023</b>
	<b>€'000</b>
Financial assets at fair value as at 1 January 2022	175,805
Fair Value gains	3,774
Disposals	(20,363)
Redemption of investments subsequently recorded as cash and cash equivalents	(31,031)
<b>Balance as at 31 December 2022 and 1 January 2023</b>	<b>128,185</b>
Fair Value gains	5,714
Purchases	116,000
Disposals	(143,500)
<b>Financial assets at fair value as at 31 December 2023</b>	<b>106,399</b>

Our money market funds portfolio consists of AAA short-term money market funds with a diversified and highly rated underlying portfolio managed by established fund management companies with a proven track record leading to an insignificant risk of changes in value. The funds have an important daily liquidity and can be easily converted to cash if required.

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

#### Note 22 - Business acquisitions

##### ***Servizi Ricerche e Sviluppo Srl ("SRS") and Fucina Italia Srl ("Fucina")***

On 3 October 2023, the Group acquired 100% of the issued share capital of SRS & Fucina. SRS is an engineering company located in Italy and is a worldwide leader in the design and building of nuclear systems, Fucina is a manufacturing company located in Italy, specialising in metallic carpentry, vessels, and containers for radioactive waste, and along with SRS the two firms are jointly referred to as the "SRS Fucina" Group, qualifying as a business as defined in IFRS 3: *Business Combinations*. SRS and Fucina were both acquired as a key step in the Group's industrialisation strategy, as it works to build a fully-integrated approach to nuclear development, operations and waste reduction through targeted acquisitions and partnerships.

## NewCleo Ltd

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

#### Note 22 - Business acquisitions (continued)

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	€'000
Financial assets	12,965
Inventory	492
Property, plant, and equipment	4,994
Right of use assets	1,136
Identifiable intangible assets	8,949
Financial liabilities	(21,788)
Net deferred tax liabilities	(830)
<b>Total identifiable assets acquired, and liabilities assumed</b>	<b>5,918</b>
Goodwill	1,046
<b>Total consideration</b>	<b>6,964</b>
Satisfied by:	
Cash	3,776
Share issue	3,188
<b>Total consideration transferred</b>	<b>6,964</b>
Net cash outflow arising on acquisition:	
Cash consideration	3,776
Less: cash and cash equivalent balances acquired	(120)
	<b>3,656</b>

Total consideration of €7m has been agreed at 50% cash, 50% equity in NewCleo Ltd, with any price adjustment to be reflected in an adjustment to equity. Following the price adjustment, €3.2m is to be settled through the issue of shares in NewCleo Ltd, and the obligation has been recorded as a liability, with shares to be issued in 2024.

All assets acquired and liabilities assumed on acquisition are at fair value. The identifiable intangible assets acquired include unpatented technology of €8.6m, attributable to SRS & Fucina's expertise in the design of equipment, systems, and structures, relating to decommissioning activities of nuclear installations and waste management and the development of nuclear power plants. Most of the technology is not covered by patents and has been internally developed by SRS over time, presenting a competitive advantage and pre-requisite for tenders with clients.

The goodwill of €1m represents the difference between the purchase price over the fair value of the identifiable net assets acquired and represents potential value arising from new customer contracts and buyer specific synergies. None of the goodwill is expected to be deductible for income tax purposes.

Acquisition-related costs (included in administrative expenses) amount to €0.3m in respect of the acquisition of SRS and Fucina.

SRS contributed €7.6m revenue and €(0.9)m to the Group's loss for the period between the date of acquisition and the 31 December 2023, and the full year revenues for the year 2023 was €11.46m and loss of €(0.1)m.

Fucina contributed €0.8m revenue and €0.5m to the Group's loss for the period between the date of acquisition and the 31 December 2023, and the full year revenues for the year 2023 was €3m and profit of €1.3m.

## NewCleo Ltd

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

#### Note 22 - Business acquisitions (continued)

##### *Pompes Rüttschi SAS*

On 20 December 2023, the Group acquired 100% of the issued share capital of Pompes Rüttschi SAS and 100% of the issued share capital of Rüttschi Fluid AG. Pompes Rüttschi SAS and Rüttschi Fluid AG make up the "Rüttschi Group", producers of engineered pumps for nuclear applications located in France and Switzerland respectively.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	€'000
Financial assets	11,455
Inventory	9,695
Property, plant, and equipment	634
Right of use assets	1,254
Identifiable intangible assets	10,535
Financial liabilities	(12,907)
Deferred tax Liabilities	(3,390)
<b>Total identifiable assets acquired, and liabilities assumed</b>	<b>17,276</b>
Goodwill	16,340
<b>Total consideration</b>	<b>33,616</b>
Satisfied by:	
Cash	33,616
<b>Total consideration transferred</b>	<b>33,616</b>
Net cash outflow arising on acquisition:	
Cash consideration	33,616
Less: cash and cash equivalent balances acquired	(455)
	<b>33,161</b>

All assets acquired and liabilities assumed on acquisition are at fair value. The identifiable intangible assets acquired include customer contracts of €6.5m, order backlog of €0.8m, brand of €1.8m and licences, certificates, and R&D development costs of €1.4m.

The goodwill of €16.3m represents the excess of the purchase price over the fair value of the identifiable net assets acquired and consists of potential value arising from new customer contracts, buyer specific synergies and the fair value of the assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

Acquisition-related costs (included in administrative expenses) amount to €0.4m in respect of both Pompes Rüttschi and Rüttschi Fluid.

Pompes Rüttschi contributed €0.4m revenue and €nil to the Group's loss for the period between the date of acquisition and the 31 December 2023, and the full year revenues for the year 2023 was €13.2m and net profit after tax of €0.7m.

## NewCleo Ltd

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

#### Note 22 - Business acquisitions (continued)

##### **Rütschi Fluid AG**

On 20 December 2023, the Group acquired 100% of the issued share capital of Pompes Rütschi SAS and 100% of the issued share capital of Rütschi Fluid AG, obtaining control of both entities. Pompes Rütschi and Rütschi Fluid make up the Rütschi Group, producers of engineered pumps for nuclear applications located in France and Switzerland respectively.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	€'000
Financial assets	9,309
Property, plant, and equipment	1,164
Identifiable intangible assets	13,465
Financial liabilities	(7,820)
Deferred tax liabilities	(2,156)
<b>Total identifiable assets acquired, and liabilities assumed</b>	<b>13,962</b>
Goodwill	20,484
<b>Total consideration</b>	<b>34,446</b>
Satisfied by:	
Cash	34,446
<b>Total consideration transferred</b>	<b>34,446</b>
Net cash outflow arising on acquisition:	
Cash consideration	34,446
Less: cash and cash equivalent balances acquired	(4,248)
	<b>30,198</b>

All assets acquired and liabilities assumed on acquisition are at fair value. The identifiable intangible assets acquired include customer contracts of €9.2m and order backlog of €3.1m.

The goodwill of €20.5m represents the excess of the purchase price over the fair value of the identifiable net assets acquired and consists of potential value arising from new customer contracts, buyer specific synergies and the fair value of the assembled workforce. None of the goodwill is expected to be deductible for income tax purposes. Acquisition-related costs (included in administrative expenses) amount to €0.4m in respect of both Pompes Rütschi and Rütschi Fluid.

Rütschi Fluid contributed €0.3m revenue and €nil to the Group's loss for the period between the date of acquisition and the 31 December 2023, and the full year revenues for the year 2023 was €6.4m and net profit after tax of €1.9m.

## NewCleo Ltd

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

#### Note 23 - Related Party Transactions

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

Apart from remuneration to the Group's Board and key management personnel as specified in note 7, the following transactions took place between the Group and its related parties during the financial year:

	For the year ended 31 December 2023 €'000	For the year ended 31 December 2022 €'000
<b>Other Income</b>		
Elysia Capital Srl	24	-
<b>Lease payments;</b>		
Isola Srl	369	334
Planet Idea Srl	275	-
<b>Other expenses:</b>		
Elysia Capital Ltd	-	328
LIFTT	-	20
Reimbursement of travel expenses incurred by the CEO	-	153
<b>Total other expenses</b>	-	501
<b>Total transactions with related parties</b>	<b>668</b>	<b>835</b>

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

	As of 31 December 2023 €'000	As of 31 December 2022 €'000
<b>Amounts due from related parties:</b>		
Amounts due from shareholders	10,400	20,000
<b>Amounts owed to related parties for lease liabilities:</b>		
Isola Srl	1,306	1,635
Planet Idea Srl	195	-
<b>Total</b>	<b>11,901</b>	<b>21,635</b>

NewCleo Srl, the Italian subsidiary of NewCleo Ltd, has signed a lease in 2021 with Isola Srl for the provision of an Italian head office in Turin. Isola Srl is controlled by the CEO, Stefano Buono as beneficial owner (through BuonoLopera Srl), together with his wife, and with Carlo Zuccaro as Company Director ("Presidente Consoglio"). NewCleo Srl incurred costs of €0.4m (2022: €0.4m) in relation to the lease in 2023.

Stefano Buono is the Chairman of Planet Smart City, the entity that owns Planet Idea Srl. During 2023, NewCleo Srl entered an arm's length rental agreement with Planet Idea Srl for the use of office and desk space. NewCleo Srl incurred costs of €0.2m (2022: €nil) in relation to the lease in 2023.

## NewCleo Ltd

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

#### Note 23 - Related Party Transactions (continued)

Elysia Capital 1 SCSp, a company beneficially owned by the CEO, Stefano Buono, acquired a total of 20,265,900 ordinary shares of €0.01 each in NewCleo Ltd for cash at €1.50 per share. This consisted of cumulative receipts of €20.0m and an undertaking to pay NewCleo Ltd, €20.0m. As at 31 December 2023, €9.6m has been received, with a further €0.4m received in January 2024. The balance as at 31 December 2023 of €10.4m has been disclosed as a current receivable.

Elysia Capital Srl is a company beneficially owned by Carlo Zuccaro. NewCleo Srl charged costs to Elysia Capital Srl during 2023 for the use of office space within NewCleo Srl's Italian head office in Turin.

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

#### Note 24 - Events After the Reporting Period

The following key events have occurred after the end of the reporting period:

##### *Company restructure and new subsidiaries:*

In January 2024, the Group announced to its shareholders and employees that it is planning to transfer the holding company from the United Kingdom to France. The rationale for the restructure is to strengthen the Group's collaboration with France and enhance the potential in the future to attract significant funding from French and EU financial institutions. As a first step in the restructure, the Group incorporated a new legal entity in France, Newcleo Holding SA, on 24 May 2024, as a subsidiary to NewCleo Ltd, and it intends to transfer the investments held by NewCleo Ltd to Newcleo Holding SA during 2024. Over time, it is anticipated that the level of direct investors in NewCleo Holding SA will result in a change in the ultimate parent company from NewCleo Ltd to NewCleo Holding SA. The Group plans to complete the restructure by the end of 2024.

On 9 July 2024, the Group incorporated a new subsidiary of NewCleo Holding SA in the Slovak Republic, NewCleo s.r.o. The purpose of the new company is to develop opportunities in the Slovak Republic, which has over 50 years of nuclear tradition.

##### *Fundraising:*

On 20 March 2023, the Company launched an equity raise to fund the further development of its innovative LFRs and its plans to manufacture fuel from nuclear waste. As at 31 December 2023, the equity raise was ongoing.

A first tranche of the equity raise was completed on 30 April 2024, and the Company subsequently issued 31,119,972 ordinary shares for a total value of €87.1m. Shares were issued at a consideration of €2.80 per share. The share price for the fund raise had initially been set at €4.0 per share, based on the Group's valuation models. Subsequent to the year end, a reduction in the share price was agreed by the Board. Management consider that this is not an adjusting event under IAS 10 as the change in share price was only agreed following discussions with potential investors during the course of 2024. Consequently, no restatement has been reflected within the financial statements to the expense related to equity-settled share-based payments (see note 17), which management consider is the only financial impact by the change in share price.

The Company re-opened the equity raise in May 2024. The Company is progressing promising discussions with significant prospective investors, and expects further tranches to close over time, including a further close before the third quarter of 2024.

##### *Partnerships:*

On 9 January, the Group signed an agreement with MAIRE's subsidiaries NextChem Tech and Tecnimont to apply NewCleo's reactors to decarbonise the chemical industry, including hydrogen production. The agreement, which will power a new model for the "e-Factory for carbon-neutral Chemistry" launched by NextChem Tech, will enable the development, on an exclusive basis, of a conceptual study for carbon-neutral hydrogen production and sustainable chemicals, thanks to the combination of NewCleo's innovative nuclear technology with MAIRE's chemical technologies and expertise.

## **NewCleo Ltd**

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

#### **Note 24 - Events After the Reporting Period (continued)**

*Partnerships (continued):*

On 11 January 2024, the Group announced with NAAREA the creation of a strategic and industrial partnership dedicated to Generation IV nuclear energy. This initiative is designed to meet the specific needs of the Generation IV reactors currently under development. The aim is to support all players in their industrial, technological, scientific, and regulatory development.

On 4 April 2024, the UK's Nuclear Industry Association applied for a justification decision for NewCleo's LFR, the LFR-200. The application is the first application for justification of an advanced nuclear technology in the UK, and makes the case that the benefits of clean, firm, flexible power from the LFR-200 would far outweigh any potential risks. The Justification is a regulatory process which requires a UK Government decision before any new class or type of practice involving ionising radiation can be introduced in the UK.

## NewCleo Ltd

### Company Statement of Financial Position

As at 31 December 2023

	Notes	As at 31 December 2023 €'000	As at 31 December 2022 €'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	5	2,924	1,430
Property, plant and equipment	6	4,626	96
Right-of-use assets	7	6,288	6,693
Investments in subsidiaries	8	58,844	31,823
Intercompany loans		64	-
Other long-term receivables	9	4,377	20,312
<b>Total non-current assets</b>		<b>77,123</b>	<b>60,354</b>
<b>Current assets</b>			
Short-term investments	10	172,318	245,185
Trade and other receivables	11	104,589	3,456
Cash and cash equivalents		67,070	90,562
<b>Total current assets</b>		<b>343,977</b>	<b>339,203</b>
<b>Total assets</b>		<b>421,100</b>	<b>399,557</b>
<b>Equity and liabilities</b>			
Share capital	12	4,127	4,127
Share premium	12	396,078	396,078
Share-based payments reserve		4,562	1,395
Accumulated deficit		(70,503)	(21,993)
<b>Total equity</b>		<b>334,264</b>	<b>379,607</b>
<b>Non-current liabilities</b>			
Provisions		279	273
Lease liabilities	7	5,380	5,649
<b>Total non-current liabilities</b>		<b>5,659</b>	<b>5,922</b>
<b>Current liabilities</b>			
Lease liabilities	7	232	166
Trade and other payables	13	80,945	4,276
Intercompany loans		-	9,586
<b>Total current liabilities</b>		<b>81,177</b>	<b>14,028</b>
<b>Total liabilities</b>		<b>86,836</b>	<b>19,950</b>
<b>Total equity and liabilities</b>		<b>421,100</b>	<b>399,557</b>

The accompanying accounting policies and notes on pages 64 to 72 are an integral part of these financial statements.

The Company reported a loss for the financial year ended 31 December 2023 of €48.5m (2022: loss of €19.4m).

The financial statements of NewCleo Ltd (registered number 13274878) on pages 62 to 72 were approved and authorised for issue by the Board on 30 July 2024, and were signed on its behalf by:



Stefano Buono (Jul 30, 2024 20:36 GMT+8)

**Stefano Buono, Director**

**NewCleo Ltd**

**Company Statement of Changes in Equity  
For the year ended 31 December 2023**

	Share Capital €'000	Share Premium €'000	Share- based Payments Reserve €'000	Accumulated Deficit €'000	Total €'000
<b>Equity at 31 December 2021</b>	<b>2,127</b>	<b>98,078</b>	<b>130</b>	<b>(2,596)</b>	<b>97,739</b>
Loss for the period, being total comprehensive loss	-	-	-	(19,397)	(19,397)
Equity-settled share-based payments	-	-	1,415	-	1,415
Issue of share capital for share-based payments	1	149	(150)	-	-
Issue of share capital	1,999	297,851	-	-	299,850
<b>Equity at 31 December 2022</b>	<b>4,127</b>	<b>396,078</b>	<b>1,395</b>	<b>(21,993)</b>	<b>379,607</b>
Loss for the year, being total comprehensive loss	-	-	-	(48,510)	(48,510)
Equity-settled share-based payments	-	-	3,167	-	3,167
<b>Equity at 31 December 2023</b>	<b>4,127</b>	<b>396,078</b>	<b>4,562</b>	<b>(70,503)</b>	<b>334,264</b>

The accompanying accounting policies and notes on pages 64 to 72 are an integral part of these financial statements.

## NewCleo Ltd

### Notes to the Company Financial Statements

#### Note 1 - Material accounting policies

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

The Company is a private company incorporated in the United Kingdom on 18 March 2021 under the Companies Act 2006 and headquartered in London. The Company is the ultimate holding company of the NewCleo Group that is working towards generating safe, clean, economic, and practically inexhaustible energy for the world, through a radically innovative combination of existing, accessible technologies. The address of the Company's registered office is 55 South Audley Street, London, W1K 2QH.

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

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

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

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

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

#### *Investments in subsidiaries:*

Investments in subsidiaries are initially recorded at purchase price or at cost. Impairment reviews are undertaken if there is an impairment trigger in accordance with IAS 36. The Company reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss by assessing future discounted cashflows for trading subsidiaries, and subsidiaries owned by those subsidiaries, and the carrying value of investments in subsidiaries and the net asset value of the subsidiary for non-trading subsidiaries and sub-subsidiaries. Any impairment is recognised in the profit and loss account, as disclosed in note 8.

#### *Intercompany accounts:*

Amounts due from and due to Group companies are unsecured, non-interest bearing and are repayable on demand and are included in trade and other receivables (note 11) and trade and other payables respectively (note 13). Balances are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the receivables due from each subsidiary. The provisions are calculated through assessment of a shortfall against the ability of the subsidiary in conjunction with the assessment of the carrying value of investments in the subsidiaries where a receivable balance exists.

The Company's income during this financial year is generated by amounts due from other UK Group undertakings €1.7m (2022: €1.2m). The major transactions are the recharge of general and administrative expenses.

## NewCleo Ltd

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

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

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

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

Critical judgments and estimates made in the process of applying our accounting policies and that have the most significant effect on the amounts recognised in our consolidated financial statements are disclosed in note 3 of the consolidated financial statements. In addition, the following estimates have been applied to the Company financial statements;

#### *Impairment of investments in subsidiaries*

Investment in subsidiaries is valued at cost of the shares in the subsidiary less any impairment losses. An impairment loss is recognized if the impairment is not considered temporary. Impairment losses are reversed if the reason for the impairment loss disappears in a later period. At each reporting date, the Company assesses its investments in subsidiaries for indications of impairment by assessing the value-in-use of trading subsidiaries using discounted future cashflow projections and comparing the carrying value of non-trading investments with net assets. Future events could cause the assumptions used in these impairment tests to change with a consequent adverse effect on the future results of the Company. The assumptions used for value-in use estimates as part of the goodwill assessment are detailed in note 3 to the consolidated financial statements and are also used to assess the discounted cashflows from subsidiaries which form part of the impairment test. Refer to note 8, "Investments in subsidiaries" for further information.

#### Note 3 - Loss Before Tax

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

The Company has not recognised deferred tax balances. The Company has tax losses in the year on which a deferred tax asset of €2.9m (2022: €0.9m) has not been recognised as the Company does not have sufficient taxable profits and history against which these losses could be offset in future periods.

#### Note 4 - Staff Costs

	2023	2022
	€'000	€'000
Wages and salaries	3,470	1,809
Expenses related to defined contribution plans	203	67
Social security costs	564	240
Share-based payments	1,241	548
Other staff costs	59	4
<b>Total salary expenses</b>	<b>5,537</b>	<b>2,668</b>
	<b>2023</b>	<b>2022</b>
<b>Monthly average number of employees (including executive directors), being administration and support</b>	<b>37</b>	<b>16</b>

Details of the remuneration of the Company's directors are disclosed in note 6 to the consolidated financial statements.

**NewCleo Ltd****Notes to the Company Financial Statements (continued)****Note 5 - Intangible assets**

	<b>Software licences €'000</b>	<b>Patent and trademarks €'000</b>	<b>Total €'000</b>
<b>Cost:</b>			
<b>At 1 January 2022</b>	-	<b>1,102</b>	<b>1,102</b>
Additions	410	11	421
<b>At 31 December 2022</b>	<b>410</b>	<b>1,113</b>	<b>1,523</b>
Additions	1,682	47	1,729
<b>At 31 December 2023</b>	<b>2,092</b>	<b>1,160</b>	<b>3,252</b>
<b>Accumulated amortisation:</b>			
<b>At 1 January 2022</b>	-	<b>(78)</b>	<b>(78)</b>
Amortisation charge	(15)	-	(15)
<b>At 31 December 2022</b>	<b>(15)</b>	<b>(78)</b>	<b>(93)</b>
Amortisation charge	(137)	(98)	(235)
<b>At 31 December 2023</b>	<b>(152)</b>	<b>(176)</b>	<b>(328)</b>
<b>Carrying amount:</b>			
<b>At 31 December 2022</b>	<b>395</b>	<b>1,035</b>	<b>1,430</b>
<b>At 31 December 2023</b>	<b>1,940</b>	<b>984</b>	<b>2,924</b>

**NewCleo Ltd**

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

**Note 6 - Property, plant and equipment**

	<b>Computer equipment €'000</b>	<b>Other equipment €'000</b>	<b>Leasehold improvements €'000</b>	<b>Fixture and fittings €'000</b>	<b>Total €'000</b>
<b>Cost:</b>					
<b>At 1 January 2022</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>
Additions	71	7	21	-	99
<b>At 31 December 2022</b>	<b>76</b>	<b>7</b>	<b>21</b>	<b>-</b>	<b>104</b>
Additions	2,314	78	1,777	614	4,783
<b>At 31 December 2023</b>	<b>2,390</b>	<b>85</b>	<b>1,798</b>	<b>614</b>	<b>4,887</b>
<b>Accumulated depreciation:</b>					
<b>At 1 January 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation charge	(8)	-	-	-	(8)
<b>At 31 December 2022</b>	<b>(8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8)</b>
Depreciation charge	(101)	(11)	(58)	(83)	(253)
<b>At 31 December 2023</b>	<b>(109)</b>	<b>(11)</b>	<b>(58)</b>	<b>(83)</b>	<b>(261)</b>
<b>Carrying amount:</b>					
<b>At 31 December 2022</b>	<b>68</b>	<b>7</b>	<b>21</b>	<b>-</b>	<b>96</b>
<b>At 31 December 2023</b>	<b>2,281</b>	<b>74</b>	<b>1,740</b>	<b>531</b>	<b>4,626</b>

## NewCleo Ltd

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

#### Note 7 - Leasing

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

	Offices €'000
<b>Cost:</b>	
At 1 January 2022	-
Additions	6,807
At 31 December 2022	6,807
Additions	51
<b>At 31 December 2023</b>	<b>6,858</b>
<b>Accumulated depreciation:</b>	
At 1 January 2022	-
Depreciation charge	(114)
At 31 December 2022	(114)
Depreciation charge	(456)
<b>At 31 December 2023</b>	<b>(570)</b>
<b>Carrying amount:</b>	
<b>At 31 December 2023</b>	<b>6,288</b>
At 31 December 2022	6,693

##### *Lease liabilities*

	Offices €'000
<b>Cost:</b>	
At 1 January 2022	-
Additions	(5,701)
Interest expense related to lease liabilities	(126)
Repayment of lease liabilities (including interest)	12
At 31 December 2022	(5,815)
Additions	(51)
Translation differences	(127)
Interest expense related to lease liabilities	(493)
Repayment of lease liabilities (including interest)	874
<b>At 31 December 2023</b>	<b>(5,612)</b>
<b>Carrying amount:</b>	
<b>At 31 December 2023</b>	<b>(5,612)</b>
At 31 December 2022	(5,815)

The lease liabilities amount to €5.6m, of which €0.2m is classified as current.

## NewCleo Ltd

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

#### Note 7 - Leasing (continued)

The table below represents undiscounted cash flow maturity analysis:

<b>Maturity analysis</b>	<b>2023</b>	<b>2022</b>
	<b>€'000</b>	<b>€'000</b>
Less than 1 year	708	651
1 – 5 years	2,818	2,740
More than 5 years	6,010	6,716
	<b>9,536</b>	<b>10,107</b>

#### Note 8 - Investments in subsidiaries

	<b>Shares in Group</b>	<b>Loans to Group</b>	<b>Total</b>
	<b>undertakings</b>	<b>undertakings</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Cost:</b>			
At 1 January 2023	47,152	58	47,210
Additions	61,406	91,915	153,321
<b>At 31 December 2023</b>	<b>108,558</b>	<b>91,973</b>	<b>200,531</b>
<b>Provisions for impairment:</b>			
At 1 January 2023	(15,329)	-	(15,329)
Written off	(34,385)	(863)	(35,248)
<b>At 31 December 2023</b>	<b>(49,714)</b>	<b>(863)</b>	<b>(50,577)</b>
<b>Net book value:</b>			
At 31 December 2023	58,844	91,110	149,954
At 31 December 2022	31,823	58	31,881

## NewCleo Ltd

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

#### Note 8 - Investments in subsidiaries (continued)

##### Subsidiaries

Details of the Company's subsidiaries at 31 December 2023 are as follows:

Name	Place of business and registered office address	Principal activity	Holding	Proportion of ownership interest (%)		Proportion of voting power held (%)	
				31 December 2023	2022	31 December 2023	2022
NewCleo Srl*	Via Galliano 27, 10129 Turin, Italy	Developing intellectual property to be licensed to Group companies.	Ordinary shares	100	100	100	100
Hydromine Nuclear Energy S.à r.l.*	7, rue Robert Stumper L-2557 Luxembourg	Owner of Patents related to reactor design	Ordinary shares	100	100	100	100
NewCleo SA*	9 Rue des Cuirassiers 69003 Lyon France	Construction and operation of SMRs	Ordinary shares	100	100	100	100
NewCleo SA*	Switzerland	Non-trading	Ordinary shares	100	100	100	100
NewCleo Generation (UK) Ltd*	55 South Audley Street London W1K 1JF	Construction and operation of SMRs	Ordinary shares	100	100	100	100
NewCleo Americas LLC*	1211 35th St.NW, Washington, DC	Non-trading	Ordinary shares	100	100	100	100
Rütschi Fluid AG	Gewerbepark Bata 8 4313 Möhlin, Schweiz	Engineering	Ordinary shares	100	-	100	-
NewCleo Real Estate SRL	Via Galliano 27, 10129 Turin, Italy	Real estate	Ordinary shares	100	-	100	-
Fucina Italia Srl	Piombino (LI) LOCALITA' MONTEGEMOLI 12/A CAP 57025	Manufacturing	Ordinary shares	100	-	100	-
Servizi di Ricerca e Sviluppo Srl	Rome, Vicolo delle Palle 25/25B CAP 00186	Engineering	Ordinary shares	100	-	100	-
Proil	Rome, Vicolo delle Palle 25/25B CAP 00186	Engineering	Ordinary shares	72	-	72	-
CCR Internazionale Scrl	Rome, Vicolo delle Palle 25/25B CAP 00186	Engineering	Ordinary shares	65	-	65	-
Consorzio SRS Scrl	Rome, Vicolo delle Palle 25/25B CAP 00186	Engineering	Ordinary shares	90	-	90	-
Pompes Rütschi SAS	61 avenue de Fribourg 68110 Illzach / France	Manufacturing	Ordinary shares	100	-	100	-
NewCleo Fuel Innovations	9 rue des Cuirassiers 69003 Lyon, France	Engineering	Ordinary shares	100	-	100	-
NewCleo Lead Fast Reactors Innovations	9 rue des Cuirassiers 69003 Lyon, France	Engineering	Ordinary shares	100	-	100	-

\* Held directly by NewCleo Ltd

## NewCleo Ltd

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

#### Note 8 - Investments in subsidiaries (continued)

##### Additions

	2023	2022
Name	€'000	€'000
NewCleo Generation (UK) Ltd	9,470	5,650
NewCleo Srl	21,290	20,629
NewCleo SA (France)	30,646	10,094
NewCleo SA (Switzerland)	-	1,036
<b>Total Additions</b>	<b>61,406</b>	<b>37,409</b>

The principal activity of NewCleo Srl is to undertake research and development activities on behalf of the Group, with the ultimate aim to develop intellectual property to be licensed to Group companies in support of the Group's principal activity. During the year NewCleo Srl incurred operating losses in carrying out its research activities, and as detailed in the Group financial statements NewCleo Srl has not yet met the criteria for capitalisation for development cost capitalisation. At the current stage of development, NewCleo Srl is forecasting operating losses and net cash outflows, which was considered to be an indicator for impairment. This resulted in an impairment charge of €28.9m (2022: €9.0m) being recorded to Company profit and loss in the year.

NewCleo SA (France) and NewCleo Generation (UK) Ltd were established in 2022 with the objective of developing the SMR reactor fleet and MOX fuel supply lines in France and the U.K. Neither company had sufficiently developed operations by 31 December 2023, with the result that the carrying value of investments has been impaired by €49.5m (2022 €3.5m) and €8.9m (2022: €1.2m) respectively. NewCleo SA (Switzerland) and NewCleo Americas LLC have not commenced trading as at 31 December 2023.

#### Note 9 - Other long-term receivables

	2023	2022
	€'000	€'000
Amounts owed by group undertakings	3,088	46
Shareholder loan	-	20,000
Other long-term receivables	1,289	267
	<b>4,377</b>	<b>20,313</b>

Amounts owed by group undertakings are unsecured, are repayable after 12 months, and do not carry any interest.

The shareholder loan has been transferred from a long-term receivable to a short-term receivable (refer to note 11). The loan was originally classified as long-term due to its expected repayment beyond one year. However, based on the expected timing of cash collection, it has been determined that the loan should be reclassified as a short-term receivable.

#### Note 10 - Short-term Investments

For information on short-term investments, see notes 18 and 21 to the consolidated financial statements.

## NewCleo Ltd

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

#### Note 11 - Trade and other receivables

	2023 €'000	2022 €'000
<b>Current:</b>		
Trade receivables	26	-
Amounts owed by Group undertakings	91,110	1,172
Shareholder loan	10,400	-
Prepayments	778	403
Social security and other taxes	1,418	342
Other receivables	857	1,539
<b>Total</b>	<b>104,589</b>	<b>3,456</b>

Amounts owed by Group undertakings are unsecured, and repayable on demand. No interest is charged on amounts owed by subsidiary undertakings.

The shareholder loan carries interest at 5% and is payable 30 days on demand.

#### Note 12 - Share Capital and Share Premium Account

The movements on these items are disclosed in note 16 to the consolidated financial statements.

#### Note 13 - Trade and Other Payables

	2023 €'000	2022 €'000
<b>Current:</b>		
Trade payables	2,110	1,168
Amounts owed to Group undertakings	1,257	882
Social security and other taxes	744	135
Accrued expenses	3,486	2,113
Accrued consideration payable on acquisition of a subsidiary	3,188	-
Other payables	70,160	(22)
<b>Total</b>	<b>80,945</b>	<b>4,276</b>

Included in other payables is an amount of €70.2m representing receipts from shareholders in exchange for future shares which have been subscribed but not yet issued. Amounts owed to Group undertakings are unsecured, carry no interest, and the whole amount is repayable on demand.

The accrued consideration payable on acquisition of a subsidiary relates to shares to be issued as part consideration of the acquisition of the SRS Fucina group. This is detailed in note 22 of the consolidated financial statements.