

Company Registration No. 10761771 (England and Wales)

NUDE FINANCE HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022

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NUDE FINANCE HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Alan McFarlane Crawford Taylor Stephen Paul Doherty Kate McKay Mr D Von Trotha Taylor	(Appointed 18 August 2021) (Appointed 31 March 2022)
Company number	10761771	
Registered office	C/O CMS Cameron McKenna Cannon Place 78 Cannon Street London EC4N 6AF	
Auditor	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE	
Business address	Tontine Building 20 Trongate Glasgow United Kingdom G1 5ES	

NUDE FINANCE HOLDINGS LIMITED

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NUDE FINANCE HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2022

The directors present the strategic report for the year ended 31 May 2022.

Nude - Standing up for first-time buyers

Nude's mission is to help people achieve their most important financial goals in life, starting with buying their first home.

To deliver this mission, Nude Finance Limited is providing an innovative app. The principal activity of this company continues to be that of a holding company for Nude Finance limited, and therefore the Strategic report is written in the context of the Group.

The app drives customer value through three simple steps: firstly, Nude helps its customers set their home deposit goal, and work out how long it'll take them to get there. Secondly, Nude provides savings and investment accounts, with government bonuses and thirdly, Nude suggests ideas and provides content to help customers make better financial decisions to reach their goals quicker. This is all done through an easy and straightforward in-app process, in keeping with the expectations of the target market, first-time buyers.

The financial challenges facing these first-time buyers are deemed to be huge, with a massive wealth imbalance and a complex financial system with little help available. There are 15m 18 to 35 year olds in the UK, and 9/10 want to own their own home, yet each year only 353,000 people do so. Nude is taking steps to serve this need.

To be a responsible and healthy business, Nude needs to be profitable and at Nude, our aim is to align our business model with customer success. We generate income via two methods: firstly, there is a monthly membership fee for access to the app and secondly, we invest these customer funds (depending on the product chosen) with either UK registered banks, on which we make a small but fair net interest margin or in a sustainable stocks and share fund, for which a small but fair platform fee is charged by Nude on the value of funds deposited by the customer.

Nude operates this business model through four core values:

- transparency– there's no hiding behind the small print, Nude is clear with customers on how our business works and never sells customer data.
- making things fairer – Nude is making homebuying easier and more accessible, it explains what customers need to know.
- no judgement – Nude helps customers understand their finances and suggest ideas, but the decision is always the customer's.
- Nude cares – Nude wants to help first-time buyers and start addressing the wealth imbalance, while offering sustainable investments.

Business Review

The group loss for the financial year was £3,138,562 (2021: £2,063,718), with net assets of £2,230,737 (2021: net liabilities of £353,618).

During the financial year, the parent company Nude Finance Holdings Limited, raised £1.95m in funding, which was passed down to the company to support customer acquisition and expand the team.

In September 2021 following a 5-month product market fit period, Nude started charging customers the £2 per month membership fee for the app, which in addition to the platform fee charged to Stocks & Shares Lifetime ISA customers, represents the company's income in the financial year of £7,536 (2021: £nil). Post the financial year end, the company has also started to place some customer funds (from the Cash Lifetime ISA) into interest bearing client deposit accounts, generating interest income for Nude, which will be reported in its 2023 financial year end.

The cost base of the group rose in the financial year to £2,717,912 (2021: £1,926,609) as expected, after continued development of the app, business and employees to ensure continued customer growth and compliance with all applicable laws and regulations of a regulated business. The cost base is a primary performance indicator for Nude and is continually monitored by management.

NUDE FINANCE HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

Now Nude is starting to scale customers and operations, the management team are focused on customer metrics across acquisition and retention, focusing on app install to account opening rates, overall customer numbers, product mix, customer balances and retention. In addition to these static KPIs, Nude is closely reviewing customer feedback to continually enhance the product and ensure the best possible customer outcomes.

Principal risks and uncertainties

The key risks and uncertainties that the company faces include:

Funding risk, which is mitigated through Nude's proactive approach to fundraising and upcoming planned funding events.

Customer acquisition risk, which is mitigated through Nude's acquisition strategy combining both organic growth and paid marketing through key channels for our demographic such as TikTok and Instagram.

Staff recruitment & retention, which is mitigated through partnering with a recruitment agent to fill key roles and various HR policies/practices to retain current talent.

Client money risk, which is mitigated through Nude's CASS control framework, supported by our outsourced administrative platform partner.

Regulatory & conduct risk, mitigated through Nude's internal controls, which are monitored and reported at compliance and governance committee meetings.

Information security risk, which is mitigated through internal controls and various IT support partners.

Material outsourcing supplier risk, mitigated through our supplier contracts and robust oversight and governance framework.

Financial crime risk, which is mitigated through internal controls and processes.

Economic / interest rate risk, which is to an extent limited through Nude's business model in how it makes money and monitored through internal controls, in addition to Nude's banking partners. Nude also has support from a strategic partner in respect of monitoring the investment fund position.

The above risks are all managed and discussed by the executive team and relevant committees, supported by the company risk register, on a regular basis and reported to board as appropriate.

COVID-19 had limited impact on the business. Nude was already operating a flexible working style, so the transition to full remote working wasn't operationally intrusive. In terms of the impact on the market Nude is serving, there's still an appetite for people saving and investing towards their first home deposit and while the long-term impacts of COVID on the economy and housing market are still unclear, Nude continues to monitor and adapt the product proposition accordingly.

Corporate social responsibility

Nude is a business operating for profit, but a core value of the business is to care about the world around it. Nude sees the huge wealth imbalance between generations, a financial system stacked with debt, interest rates geared towards constant spending and a struggling planet that's been neglected for decades. It's not Nude's place to solve these problems single-handedly, but it does care.

Nude's starting by doing everything it can to make home ownership easier for first-time buyers. In addition, the stocks and shares Lifetime ISA offered by Nude allows customers the opportunity to invest in a sustainable fund.

Future development and going concern

During the next financial year there are two primary objectives for Nude.

Customer growth, through continued development of the app and products to ensure its feature rich content not only continues to provide customers with the best possible proposition, but also supports organic customer growth alongside scalable marketing activity.

NUDE FINANCE HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

Completing further funding rounds to support the continued scaling of Nude across all departments and new product launches. A headroom was built into the March 2022 funding round (when we raised £1.95m) which pre-approved an additional £4.5m of funds to be raised post March 2022. With our metrics showing a significant growth trend, we are already well progressed in filling this headroom with sight to £2.3m already and plans to raise the full £4.5m by the end of 2022. In addition to this headroom, we also plan, during the first half of 2023, to raise a further c£10m in our first major round opening up to institutional investors.

On the basis of the directors' expectation that additional funding will be successful across the next financial year, the directors are satisfied that it remains appropriate to prepare the accounts on a going concern basis (see note 1.3).

S172 (1) Statement

The directors recognise that they have a duty to promote the success of Nude for all its members as a whole, having regards amongst other matters, the factors set out in section 172(1) (a) to (f) of the Companies Act 2006.

The likely consequences of any decision in the long term

The board is committed to the long-term preservation of Nude as it looks to turn generation rent into generation buy, and by helping people achieve their most important financial goals in life.

While the strategy of Nude has been set, feedback and issues are gathered constantly through various feedback loops (weekly all staff calls, customer feedback sessions, supplier relations, governance etc), with all matters identified being discussed at the weekly executive meeting for consideration with significant matters raised at board.

The constant feedback loops into both the executive and board provide a forum for an open and transparent dialogue to address any issues requiring decisions, both the executives and board are aware of the balance between short term and long-term decision making. The Nude values and mission are at the heart of all decisions and revisions to the strategy and design of products are made, when in the interest of the company members as a whole.

The interests of the company's employees

Nude is committed to the health and wellbeing of all employees, as demonstrated through individual training and wellbeing allowances, which are bespoke to the needs of each employee. Nude's core values are factored into decision making related to employees.

However, it's more than just allowances, Nude has an open and transparent communication through weekly all staff meetings, where all important factors are discussed in an open forum, in addition to supportive closed forum communications. Employee feedback is important to the success of Nude and via these communication channels, Nude listens and reacts accordingly.

The need to foster the company's business relationships with suppliers, customers and others Nude is dedicated to the customer relationship and enhancement of the 'Nude love factor' (which is a measure of organic growth, specifically customers referring Nude to others), with a business model aligned to the success of customers. Nude offers various communication points to customers through direct 1-2-1 customer feedback, in app communications and a blog, Adultish.

Nude is committed to building a strong partnership network with all suppliers, through being in regular contact with all key suppliers to ensure the relationships are successful for all parties. To demonstrate Nude's commitment to building these relationships, Nude currently aims to pay all suppliers well within their requested timescales.

The impact of the company's operations on the community and the environment

The board and executives are conscious of the impact Nude can have on the community and the environment; Nude's whole purpose is around addressing what we believe to be community issues of 'generation rent', financial wealth imbalance and access to financial services.

As a tech start up based out of Glasgow, Nude is proud to support the local community with employment, while also utilising a flexible remote working approach to cast this net across the UK and beyond.

NUDE FINANCE HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

Being a digital app, Nude's disruption to the community and environment is minimal, and Nude does ensure our approach to investing utilises sustainable funds.

The desirability of the company maintaining a reputation for high standards of business conduct The board, executives and all employees are committed to ensuring all engagement with stakeholders is based on the highest business standards and professional integrity. Any negative feedback from stakeholders in this regard is dealt with via the feedback loop outlined above.

The need to act fairly between members of the company

All members of the company are treated as equals. Nude's values and culture help to ensure this is the case, and there is fair transparency for all members through frequent updates.

On behalf of the board

Crawford Taylor

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Crawford Taylor

Director

23 / 09 / 2022

Date:

NUDE FINANCE HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2022

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

Principal activities

The principal activity of the company continued to be that of a holding company for Nude Finance Limited, which helps first time buyers get on the property ladder, through an innovative app and saving accounts.

A review of the group's results are set out on pages 1 and 2 of the Strategic Report.

Results and dividends

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

Directors

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

Alan McFarlane

Crawford Taylor

Martin Bell

(Resigned 28 February 2022)

Stephen Paul Doherty

Kate McKay

(Appointed 18 August 2021)

Mr D Von Trotha Taylor

(Appointed 31 March 2022)

Auditor

The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Energy and carbon report

As the group has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the group is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the group is aware of that information.

On behalf of the board

Crawford Taylor

.....
Crawford Taylor

Director

Date: 23 / 09 / 2022
.....

NUDE FINANCE HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MAY 2022

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

NUDE FINANCE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NUDE FINANCE HOLDINGS LIMITED

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1.3 in the financial statements, which indicates that the group incurred a net loss of £3,138,562 during the year ended 31 May 2022 and the group and parent company's ability to continue as a going concern is dependent upon the group securing additional funding. As stated in note 1.3, these events or conditions, indicate a material uncertainty exists that may cast significant doubt on the group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

Other Information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

NUDE FINANCE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NUDE FINANCE HOLDINGS LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit is considered capable of detecting irregularities, including fraud

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:

NUDE FINANCE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NUDE FINANCE HOLDINGS LIMITED

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- FRS 102;
- Companies Act 2006;
- Corporation Tax legislation;
- VAT legislation; and
- Financial Services legislation.

We gained an understanding of how the group is complying with these laws and regulations by making enquiries of management. We corroborated these enquiries through our review of submitted returns, external inspections, relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the group financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

In addition to the procedures referred to in respect of our audit of management's assessment of going concern, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias.
- Reviewing the basis of recognising intangible assets and the carrying value thereof.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material risk due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that 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 intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

NUDE FINANCE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NUDE FINANCE HOLDINGS LIMITED

Use of our report

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

DS Holmes

David Holmes (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP

26 / 09 / 2022
Date:

Chartered Accountants
Statutory Auditor

7-11 Melville Street
Edinburgh
EH3 7PE

NUDE FINANCE HOLDINGS LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY 2022

		2022	2021
	Notes	£	£
Turnover	3	7,536	-
Administrative expenses		(2,717,912)	(1,926,609)
Other operating income		-	272,426
		<hr/>	<hr/>
Operating loss	4	(2,710,376)	(1,654,183)
Interest receivable and similar income	8	5,879	7,014
Interest payable and similar expenses	9	(434,065)	(416,549)
		<hr/>	<hr/>
Loss before taxation		(3,138,562)	(2,063,718)
Tax on loss	10	-	-
		<hr/>	<hr/>
Loss for the financial year		<u>(3,138,562)</u>	<u>(2,063,718)</u>

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

NUDE FINANCE HOLDINGS LIMITED

GROUP BALANCE SHEET

AS AT 31 MAY 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Intangible assets	11	879,477		897,717	
Tangible assets	12	13,423		18,625	
		<u>892,900</u>		<u>916,342</u>	
Current assets					
Debtors	15	26,142		217,016	
Cash at bank and in hand		1,781,132		2,320,628	
		<u>1,807,274</u>		<u>2,537,644</u>	
Creditors: amounts falling due within one year	16	(202,197)		(246,173)	
Net current assets		<u>1,605,077</u>		<u>2,291,471</u>	
Total assets less current liabilities		<u>2,497,977</u>		<u>3,207,813</u>	
Creditors: amounts falling due after more than one year	17	(177,240)		(3,561,431)	
Net assets/(liabilities)		<u><u>2,320,737</u></u>		<u><u>(353,618)</u></u>	
Capital and reserves					
Called up share capital	20	183		131	
Share premium account		7,306,836		1,229,031	
Equity reserve		323,868		909,905	
Profit and loss reserves		(5,310,150)		(2,492,685)	
Total equity		<u><u>2,320,737</u></u>		<u><u>(353,618)</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 23 / 09 / 2022 and are signed on its behalf by:

Crawford Taylor

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Crawford Taylor
Director

NUDE FINANCE HOLDINGS LIMITED

COMPANY BALANCE SHEET

AS AT 31 MAY 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Intangible assets	11	276,716		299,185	
Investments	13	6,921,658		4,905,584	
		<u>7,198,374</u>		<u>5,204,769</u>	
Current assets					
Debtors	15	-		43,973	
Cash at bank and in hand		51,333		34,930	
		<u>51,333</u>		<u>78,903</u>	
Creditors: amounts falling due within one year	16	<u>(15,323)</u>		<u>(7,050)</u>	
Net current assets			36,010		71,853
Total assets less current liabilities			<u>7,234,384</u>		<u>5,276,622</u>
Creditors: amounts falling due after more than one year	17		<u>(177,240)</u>		<u>(3,561,431)</u>
Net assets			<u><u>7,057,144</u></u>		<u><u>1,715,191</u></u>
Capital and reserves					
Called up share capital	20	183		131	
Share premium account		7,306,836		1,229,031	
Equity reserve		507,526		1,027,489	
Profit and loss reserves		<u>(757,401)</u>		<u>(541,460)</u>	
Total equity			<u><u>7,057,144</u></u>		<u><u>1,715,191</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £470,964 (2021 - £430,730 loss).

23 / 09 / 2022

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

Crawford Taylor

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Crawford Taylor
Director

Company Registration No. 10761771

NUDE FINANCE HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2022

	Notes	Share capital £	Share premium account £	Equity reserve £	Profit and loss reserves £	Total £
Balance at 1 June 2020		131	1,229,031	323,868	(546,551)	1,006,479
Year ended 31 May 2021:						
Loss and total comprehensive income for the year		-	-	-	(2,063,718)	(2,063,718)
Equity created on compound instrument		-	-	586,037	-	586,037
Credit to equity for equity settled share-based payments		-	-	-	117,584	117,584
Balance at 31 May 2021		131	1,229,031	909,905	(2,492,685)	(353,618)
Year ended 31 May 2022:						
Loss and total comprehensive income for the year		-	-	-	(3,138,562)	(3,138,562)
Issue of share capital	20	13	1,931,815	-	-	1,931,828
Credit to equity for equity settled share-based payments		-	-	-	66,074	66,074
Shares issued on conversion of convertible loan notes		39	4,145,990	(586,037)	255,023	3,815,015
Balance at 31 May 2022		183	7,306,836	323,868	(5,310,150)	2,320,737

NUDE FINANCE HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2022

	Notes	Share capital £	Share premium account £	Equity reserve £	Profit and loss reserves £	Total £
Balance at 1 June 2020		131	1,229,031	323,868	(110,730)	1,442,300
Year ended 31 May 2021:						
Loss and total comprehensive income for the year		-	-	-	(430,730)	(430,730)
Equity created on compound instrument		-	-	586,037	-	586,037
Credit to equity for equity settled share-based payments		-	-	117,584	-	117,584
Balance at 31 May 2021		131	1,229,031	1,027,489	(541,460)	1,715,191
Year ended 31 May 2022:						
Loss and total comprehensive income for the year		-	-	-	(470,964)	(470,964)
Issue of share capital	20	13	1,931,815	-	-	1,931,828
Credit to equity for equity settled share-based payments		-	-	66,074	-	66,074
Shares issued on conversion of convertible loan notes		39	4,145,990	(586,037)	255,023	3,815,015
Balance at 31 May 2022		183	7,306,836	507,526	(757,401)	7,057,144

NUDE FINANCE HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash absorbed by operations	21	(2,414,676)		(1,563,680)	
Interest paid		(3,237)		-	
Income taxes (paid)/refunded		-		70,099	
Net cash outflow from operating activities		<u>(2,417,913)</u>		<u>(1,493,581)</u>	
Investing activities					
Additions to intangible assets		(53,215)		(256,373)	
Purchase of tangible fixed assets		(6,075)		(15,494)	
Interest received		5,879		7,014	
Net cash used in investing activities		<u>(53,411)</u>		<u>(264,853)</u>	
Financing activities					
Proceeds from issue of shares		1,931,828		-	
Issue of convertible loans		-		3,594,540	
Net cash generated from financing activities		<u>1,931,828</u>		<u>3,594,540</u>	
Net (decrease)/increase in cash and cash equivalents		<u>(539,496)</u>		<u>1,836,106</u>	
Cash and cash equivalents at beginning of year		<u>2,320,628</u>		<u>484,522</u>	
Cash and cash equivalents at end of year		<u><u>1,781,132</u></u>		<u><u>2,320,628</u></u>	

NUDE FINANCE HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

Company Information

Nude Finance Holdings Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is C/O CMS Cameron McKenna, Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The group consists of Nude Finance Holdings Limited and its subsidiary, Nude Finance Limited.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Nude Finance Holdings Limited together with its wholly owned subsidiary, Nude Finance Limited.

All financial statements are made up to 31 May 2022.

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

1.3 Going concern

During the year ended 31 May 2022, the group recorded a loss of £3,138,562 (31 May 2021: £2,063,718) and had net assets of £2,320,737 (2021: net liabilities of £353,618) at the balance sheet date.

In determining whether the group and parent company are a going concern, the directors have considered a period of twelve months from the date of signing the financial statements. As part of their consideration, the directors have reviewed cash flow projections which include forecast trading and the proceeds of a funding round, of at least £4.5m, planned for completion by December 2022 (of which £2.3m has already been identified and £0.4m received) and a larger raise in the first half of 2023 from the first set of institutional investors.

Based on the above, the directors are satisfied that the group and parent company will have sufficient resources available to meet their obligations as they fall due for at least 12 months from the date of signing these financial statements. Whilst the directors acknowledge that the uncertainties in respect of securing additional funding via the planned funding round give rise to a material uncertainty which may cast doubt over the group and parent company's ability to continue as a going concern, they are satisfied, based on operational progress to date and advanced discussions with potential funders, that it remains appropriate to prepare the accounts on a going concern basis.

The group has proven to be resilient with respect to the impact of the COVID-19 pandemic on its employees and other stakeholders, and while the ongoing impact continues to be monitored, the directors are satisfied that COVID-19 does not significantly alter the above going concern assessment.

NUDE FINANCE HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

1.4 Turnover

Turnover represents the monthly membership fee for the use of the Nude app and a monthly platform fee, based on the value of the investments held, in respect of the stocks and shares lifetime ISA. Both revenue streams are recognised on an accruals basis.

1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.6 Intangible fixed assets other than goodwill

Intangible assets developed and capitalised by the group are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation has been charged this year from when the app was revenue generating.

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

Development costs	10 years
-------------------	----------

1.7 Tangible fixed assets

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

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

Computer equipment	36 months straight line
--------------------	-------------------------

1.8 Fixed asset investments

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

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

1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

1.10 Cash and cash equivalents

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

NUDE FINANCE HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

1.11 Financial Instruments

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

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

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

Derecognition of financial liabilities

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

1.12 Compound Instruments

Convertible loan notes issued by the Company are categorised as compound instruments, as they include the characteristics of both debt and equity.

The component parts of compound instruments issued by the group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity net of income tax effects and is not subsequently remeasured.

1.13 Equity Instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs.

NUDE FINANCE HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

1.14 Taxation

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

Current tax

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

Deferred tax

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

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

1.15 Employee benefits

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

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

1.16 Retirement benefits

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

1.17 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

The expense in relation to options over the parent company's shares granted to employees and suppliers of a subsidiary is recognised by the company as a capital contribution, and presented as an increase in the company's investment in that subsidiary.

NUDE FINANCE HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1.18 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

2 Judgements and key sources of estimation uncertainty

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

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

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities is the deemed market rate of interest used to determine the amortisation of director's loan and convertible loan notes, and the capitalisation of intangible assets and their amortisation.

3 Turnover and other revenue

	2022	2021
	£	£
Turnover analysed by class of business		
Membership Fee	7,173	-
Platform Fee	363	-
	<u>7,536</u>	<u>-</u>
	<u>7,536</u>	<u>-</u>
	2022	2021
	£	£
Turnover analysed by geographical market		
United Kingdom	7,536	-
	<u>7,536</u>	<u>-</u>

NUDE FINANCE HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

3 Turnover and other revenue

(Continued)

	2022	2021
	£	£
Other significant revenue		
Interest income	5,879	7,014
Grants received	-	272,426
	<u>5,879</u>	<u>272,426</u>

The government grants recognised in the prior period related to the Scottish Enterprise ERDF grant received to implement a project to develop an innovative banking platform technology targeting millennial, first time buyers.

4 Operating loss

	2022	2021
	£	£
Operating loss for the year is stated after charging/(crediting):		
Government grants	-	(272,426)
Depreciation of owned tangible fixed assets	11,277	9,806
Amortisation of intangible assets	71,455	-
Share-based payments	66,074	117,584
	<u>148,806</u>	<u>97,964</u>

5 Auditor's remuneration

	2022	2021
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	15,000	10,375
Audit of the financial statements of the company's subsidiaries	8,000	5,000
	<u>23,000</u>	<u>15,375</u>
For other services		
Audit-related assurance services	11,025	10,500
Taxation compliance services	3,400	2,750
	<u>14,425</u>	<u>13,250</u>

6 Employees

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

Group	2021	Company	2021
2022	Number	2022	Number
Number		Number	
22	16	-	-
<u>22</u>	<u>16</u>	<u>-</u>	<u>-</u>

NUDE FINANCE HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

6 Employees

(Continued)

Their aggregate remuneration comprised:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Wages and salaries	1,293,313	1,108,313	-	-
Social security costs	151,389	111,330	-	-
Pension costs	110,522	77,982	-	-
	<u>1,555,224</u>	<u>1,297,625</u>	<u>-</u>	<u>-</u>

7 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	263,373	286,600
Company pension contributions to defined contribution schemes	26,337	27,803
	<u>289,710</u>	<u>314,403</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2022 £	2021 £
Remuneration for qualifying services	<u>110,000</u>	<u>105,303</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2021:3).

8 Interest receivable and similar income

	2022 £	2021 £
Interest income		
Interest on bank deposits	<u>5,879</u>	<u>7,014</u>

NUDE FINANCE HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

9 Interest payable and similar expenses

	2022 £	2021 £
Interest on financial liabilities measured at amortised cost:		
Interest on convertible loan notes	409,063	397,453
Interest on director's loan	21,765	19,096
	<u>430,828</u>	<u>416,549</u>
Interest payable		
Interest on customer deposits	3,237	-
	<u>434,065</u>	<u>416,549</u>

10 Taxation

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

	2022 £	2021 £
Loss before taxation	<u>(3,138,562)</u>	<u>(2,063,718)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(596,327)	(392,106)
Tax effect of expenses that are not deductible in determining taxable profit	131,076	7,209
Deferred tax not recognised	<u>465,251</u>	<u>384,897</u>
Taxation charge	<u>-</u>	<u>-</u>

11 Intangible fixed assets

Group	Development costs £
Cost	
At 1 June 2021	897,717
Additions - internally developed	53,215
At 31 May 2022	<u>950,932</u>
Amortisation and Impairment	
At 1 June 2021	-
Amortisation charged for the year	71,455
At 31 May 2022	<u>71,455</u>

NUDE FINANCE HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

11 Intangible fixed assets (Continued)

Carrying amount	
At 31 May 2022	879,477
At 31 May 2021	897,717
Company	Development costs
	£
Cost	
At 1 June 2021 and 31 May 2022	299,185
Amortisation and impairment	
At 1 June 2021	-
Amortisation charged for the year	22,469
At 31 May 2022	22,469
Carrying amount	
At 31 May 2022	276,716
At 31 May 2021	299,185

Intangible fixed assets represent development costs in relation to the Nude app.

12 Tangible fixed assets

Group	Computer equipment
	£
Cost	
At 1 June 2021	32,746
Additions	6,075
At 31 May 2022	38,821
Depreciation and impairment	
At 1 June 2021	14,121
Depreciation charged in the year	11,277
At 31 May 2022	25,398
Carrying amount	
At 31 May 2022	13,423
At 31 May 2021	18,625

The company had no tangible fixed assets at 31 May 2022 or 31 May 2021.

NUDE FINANCE HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

13 Fixed asset investments

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Investments in subsidiaries	14	-	-	6,921,658	4,905,584

Additions include a £66,074 (2021: £117,854) share based payment of expense in relation to options over shares of the company granted to employees and certain suppliers of Nude Finance Limited the subsidiary undertaking.

Movements in fixed asset investments Company

	Shares in subsidiaries £
Cost or valuation	
At 1 June 2021	4,905,584
Additions	2,016,074
At 31 May 2022	6,921,658
Carrying amount	
At 31 May 2022	6,921,658
At 31 May 2021	4,905,584

14 Subsidiaries

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

Name of undertaking	Registered office	Class of shares held	% Held Direct
Nude Finance Limited	C/O CMS Cameron McKenna Cannon Place 76 Cannon Street Londong EC4N 6AF	Ordinary shares	100.00

16 Debtors

	Group 2022 £	2021 £	Company 2022 £	2021 £
Amounts falling due within one year:				
Amounts owed by group undertakings	-	-	-	43,973
Other debtors	-	1,050	-	-
Prepayments and accrued income	26,142	215,966	-	-
	26,142	217,016	-	43,973

NUDE FINANCE HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

16 Creditors: amounts falling due within one year

	Group 2022 £	2021 £	Company 2022 £	2021 £
Trade creditors	26,417	39,328	3,085	-
Amounts owed to group undertakings	-	-	1,798	-
Other taxation and social security	43,130	91,198	-	-
Other creditors	22,635	39,003	-	-
Accruals and deferred income	110,015	76,644	10,440	7,050
	<u>202,197</u>	<u>246,173</u>	<u>15,323</u>	<u>7,050</u>

17 Creditors: amounts falling due after more than one year

	Group 2022 £	2021 £	Company 2022 £	2021 £
Convertible loans	-	3,405,956	-	3,405,956
Director's loan	177,240	155,475	177,240	155,475
	<u>177,240</u>	<u>3,561,431</u>	<u>177,240</u>	<u>3,561,431</u>

Convertible Loan Notes

In 2021, the company issued the convertible loan notes for the proceeds of £3,638,716 and incurred issue costs of £44,176. The loan notes carry a coupon of 8% and are redeemable in 36 months. In the current accounting period, the loan notes have been converted to the share capital as completion of the funding round in March 2022 was a relevant financing event under the terms of the loan notes agreement.

On conversion, the total amount of liability outstanding together with the accrued interest have been converted to the share capital and associated share premium (see further details in note 20). Any outstanding amounts, previously credited to the equity reserve, have been transferred into the retained earnings.

Director's Loan

In 2019 a director (who is also a shareholder) advanced a loan to the company of £443,499 at no interest, which is repayable in ten years.

The difference between the loan receipt and the amortised cost fair value of the loan at issue (based on a market rate of interest) has been credited to equity, as it represents the normal commercial return foregone by the director/shareholder, for the benefit of the company.

The liability is measured at amortised cost using a deemed market rate of interest of 14%, and the difference between the carrying amount of the liability at the date of issue and the amount reported in the Balance Sheet represents the effective interest rate adjustment.

The equity component of the loan credited to the equity reserve in 2019 was £323,868.

NUDE FINANCE HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

18 Retirement benefit schemes

	2022	2021
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	<u>110,522</u>	<u>77,982</u>

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

19 Share-based payment transactions

Group and company	Number of share options		Weighted average exercise price	
	2022 Number	2021 Number	2022 £	2021 £
Outstanding at 1 June 2021	41,899	-	2.15	-
Granted	21,677	46,693	2.15	2.15
Forfeited	(7,008)	(4,794)	2.15	2.15
Outstanding at 31 May 2022	<u>56,568</u>	<u>41,899</u>	<u>2.15</u>	<u>2.15</u>
Exercisable at 31 May 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

During the year, the company issued equity-settled share options to employees and certain suppliers of the subsidiary, Nude Finance Limited, under both an Approved Share Option Scheme and an Unapproved Share Option Scheme.

The options outstanding at 31 May 2022 had an exercise price of £2.15, and a remaining contractual life which runs 10 years from date of grant.

The charge for the year of £66,074 (2021: £117,584) in respect of these options is recharged from Nude Finance Holdings Limited to Nude Finance Limited.

The options granted have vesting periods ranging from immediate vesting to 3 years. For employee options, vesting is contingent on holders remaining in the company's employment throughout the vesting period.

The group is unable to reliably measure the fair value of services received. Instead the fair value of the share options granted during the year is determined using the Black Scholes Model.

Group and company

	Group 2022 £	2021 £	Company 2022 £	2021 £
Expenses recognised in the year				
Arising from equity settled share based payment transactions	<u>66,074</u>	<u>117,584</u>	<u>-</u>	<u>-</u>

NUDE FINANCE HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

20 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital				
Issued and fully paid				
1,835,270 (2021:1,311,561) Ordinary shares of £0.0001 each	1,835,270	1,311,561	183	131

During the year the company issued 132,834 ordinary shares at £14.68 per share resulting in the increase of £13 in share capital and £1,949,990 in share premium. The company incurred total of £18,175 in legal fees relating to this transaction which have been debited into the share premium account.

In addition, the company converted total outstanding loan note liability of £3,637,326 into equity at the conversion price of £10.27. This resulted in creation of 354,170 ordinary shares with nominal value of £35 and associated share premium of £3,637,291.

The company also converted total interest accrued on the loan notes of £508,703 into equity at the conversion price of £13.86. This resulted in creation of 36,703 ordinary shares with nominal value of £4 and associated share premium of £508,699.

21 Cash absorbed by group operations

	2022 £	2021 £
Loss for the year after tax	(3,138,562)	(2,063,718)
Adjustments for:		
Finance costs	434,065	416,549
Investment income	(5,879)	(7,014)
Amortisation and impairment of intangible assets	71,455	-
Depreciation and impairment of tangible fixed assets	11,277	9,806
Equity settled share based payment expense	66,074	117,584
Movements in working capital:		
Decrease/(increase) in debtors	190,874	(170,011)
(Decrease)/increase in creditors	(43,980)	133,124
Cash absorbed by operations	(2,414,676)	(1,563,680)

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

	1 June 2021 £	Cash flows £	Non-cash flows £	31 May 2022 £
Cash at bank and in hand	2,320,628	(539,496)	-	1,781,132
Convertible loan notes	(3,405,956)	-	3,405,956	-
Directors loan	(155,475)	-	(21,765)	(177,240)
	<u>(1,240,803)</u>	<u>(539,496)</u>	<u>3,384,191</u>	<u>1,603,892</u>

NUDE FINANCE HOLDINGS LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

23 Related party transactions

The company has taken advantage of the exemption within FRS 102 section 33.1A from the requirement to disclose transactions with other wholly owned companies in the same group.

As disclosed in note 17, a director loaned £443,499 to the company in the previous accounting period. At the year end the amount outstanding was £443,499 represented by an amortised cost of £177,240 (2021: £155,475).