

Company Registration No. 12008146 (England and Wales)

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

THURSDAY



A12 *ABXGG06P* #103
16/02/2023
COMPANIES HOUSE

NUDE FINANCE LIMITED

COMPANY INFORMATION

| | | |
|--------------------------|---|---|
| Directors | Mr S Doherty Mr A McFarlane Mr C Taylor Ms K McKay Mr D Von Trotha Taylor | (Appointed 18 August 2021) (Appointed 31 March 2022) |
| Company number | 12008146 | |
| 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 LIMITED

CONTENTS

| | Page |
|---------------------------------------|-------------|
| Strategic report | 1 - 4 |
| Directors' report | 5 |
| Directors' responsibilities statement | 6 |
| Independent auditor's report | 7 - 9 |
| Profit and loss account | 10 |
| Balance sheet | 11 |
| Statement of changes in equity | 12 |
| Notes to the financial statements | 13 - 23 |

NUDE FINANCE 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 is providing an innovative app (our "Principal activity").

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 company loss for the financial year was £2,667,598 (2021: £1,632,988), with net assets of £2,185,251 (2021: £2,836,775).

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 company rose in the financial year to £2,677,776 (2021: £1,912,428) 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.

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.

NUDE FINANCE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

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.

NUDE FINANCE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

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.

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 1.2).

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 our 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.

NUDE FINANCE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

S172 (1) Statement (continued)

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.

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

.....
Mr C Taylor
Director

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

NUDE FINANCE 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 is the provision of an app, to provide customers with government backed saving accounts, which coupled with suggest ideas and content to help customers make better financial decisions, help customers save for their first home.

A review of the company's results are set out in the Strategic Report on pages 1 to 4.

Results and dividends

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

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

Directors

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

| | |
|------------------------|-----------------------------|
| Mr M Bell | (Resigned 28 February 2022) |
| Mr S Doherty | |
| Mr A McFarlane | |
| Mr C Taylor | |
| Ms K 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 company 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 company's auditor 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 company's auditor is aware of that information.

On behalf of the board

Crawford Taylor

.....
Mr C Taylor
Director

23 / 09 / 2022
Date:

NUDE FINANCE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MAY 2022

The directors are responsible for preparing the strategic report, directors' 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 company and the profit or loss of the company 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

NUDE FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NUDE FINANCE LIMITED

Opinion

We have audited the financial statements of Nude Finance Limited (the 'company') for the year ended 31 May 2022 which comprise the profit and loss account, the balance sheet, the statement of changes in equity 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 company's affairs as at 31 May 2022 and of its 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1.2 in the financial statements, which indicates that the company incurred a net loss of £2,667,598 during the year ended 31 May 2022 and that the company's ability to continue as a going concern is dependent upon the group securing additional funding. As stated in note 1.2, these events or conditions, indicate a material uncertainty exists that may cast significant doubt on the 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.

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.

NUDE FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NUDE FINANCE LIMITED

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 as 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 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.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company 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 company 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.

NUDE FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF NUDE FINANCE LIMITED

We assessed the susceptibility of the company's 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 or 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 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.

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 LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY 2022

| | Notes | 2022 £ | 2021 £ |
|--|-----------|--------------------|--------------------|
| Turnover | 3 | 7,536 | - |
| Administrative expenses | | (2,677,776) | (1,912,428) |
| Other operating income | | - | 272,426 |
| | | <hr/> | <hr/> |
| Operating loss | 4 | (2,670,240) | (1,640,002) |
| Interest receivable and similar income | 8 | 5,879 | 7,014 |
| Interest payable and similar expenses | 9 | (3,237) | - |
| | | <hr/> | <hr/> |
| Loss before taxation | | (2,667,598) | (1,632,988) |
| Tax on loss | 10 | - | - |
| | | <hr/> | <hr/> |
| Loss for the financial year | | <u>(2,667,598)</u> | <u>(1,632,988)</u> |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

NUDE FINANCE LIMITED

BALANCE SHEET

AS AT 31 MAY 2022

| | Notes | 2022 £ | £ | 2021 £ | £ |
|---|-------|------------------|---|------------------|---|
| Fixed assets | | | | | |
| Intangible assets | 11 | 602,761 | | 598,532 | |
| Tangible assets | 12 | 13,423 | | 18,625 | |
| | | <u>616,184</u> | | <u>617,157</u> | |
| Current assets | | | | | |
| Debtors | 13 | 27,940 | | 217,016 | |
| Cash at bank and in hand | | 1,729,799 | | 2,285,698 | |
| | | <u>1,757,739</u> | | <u>2,502,714</u> | |
| Creditors: amounts falling due within one year | 14 | (188,672) | | (283,096) | |
| Net current assets | | <u>1,569,067</u> | | <u>2,219,618</u> | |
| Net assets | | <u>2,185,251</u> | | <u>2,836,775</u> | |
| Capital and reserves | | | | | |
| Called up share capital | 17 | 673,890 | | 478,890 | |
| Share premium account | | 6,064,110 | | 4,309,110 | |
| Profit and loss reserves | | (4,552,749) | | (1,951,225) | |
| Total equity | | <u>2,185,251</u> | | <u>2,836,775</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

Mr C Taylor
Director

Company Registration No. 12008146

NUDE FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2022

| | Notes | Share capital £ | Share premium account £ | Profit and loss reserves £ | Total £ |
|--|-------|--------------------|----------------------------|-------------------------------|------------------|
| Balance at 1 June 2020 | | 120,090 | 1,079,910 | (435,821) | 764,179 |
| Year ended 31 May 2021: | | | | | |
| Loss and total comprehensive expenditure for the year | | - | - | (1,632,988) | (1,632,988) |
| Issue of share capital | 17 | 358,800 | 3,229,200 | - | 3,588,000 |
| Credit to equity for equity settled share-based payments | 16 | - | - | 117,584 | 117,584 |
| Balance at 31 May 2021 | | 478,890 | 4,309,110 | (1,951,225) | 2,836,775 |
| Year ended 31 May 2022: | | | | | |
| Loss and total comprehensive expenditure for the year | | - | - | (2,667,598) | (2,667,598) |
| Issue of share capital | 17 | 195,000 | 1,755,000 | - | 1,950,000 |
| Credit to equity for equity settled share-based payments | 16 | - | - | 66,074 | 66,074 |
| Balance at 31 May 2022 | | <u>673,890</u> | <u>6,064,110</u> | <u>(4,552,749)</u> | <u>2,185,251</u> |

NUDE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

Company information

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

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. The principal accounting policies adopted are set out below.

The company is a qualifying entity under FRS 102 Section 12 on the grounds that its parent company (Nude Finance Holdings Limited) prepares publicly available consolidated financial statements, in which the company results are included. These accounts are available from Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh EH3 9FF.

The company has therefore taken the following exemptions under the reduced disclosure framework of FRS 102:

- from the requirement to present a statement of cashflows; and
- from the requirement to disclose key management personnel compensation.

1.2 Going concern

During the year ended 31 May 2022, the company recorded a loss of £2,667,598 (31 May 2021: £1,632,988) and had net assets of £2,185,251 (2021: £2,836,775) at the balance sheet date.

In determining whether the company is 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 company will have sufficient resources available to meet its 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 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 company 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.

1.3 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.

NUDE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

1.4 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.

1.5 Intangible fixed assets other than goodwill

Intangible assets developed and capitalised by the company 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 of assets less their residual values over their useful lives on the following bases:

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

1.6 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 |
|--------------------|-------------------------|

1.7 Impairment of fixed assets

At each reporting period end date, the company 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.

1.8 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.

1.9 Financial Instruments

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

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

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs. 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.

NUDE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

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 company 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 company after deducting all of its liabilities.

Basic financial liabilities

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

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

1.10 Equity instruments

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

1.11 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 company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

NUDE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

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 when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 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.

1.13 Retirement benefits

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

1.14 Share-based payments

The company participates in group share-based payment arrangements granted to its employees and certain suppliers, from the ultimate parent company Nude Finance Holdings Limited.

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 the reserve as a capital contribution.

1.15 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.

NUDE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

2 Judgements and key sources of estimation uncertainty

In the application of the company'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 causing a material adjustment to the carrying amount of assets and liabilities is the capitalisation of intangible assets and their amortisation. The carrying value of intangible assets is £602,761. Intangible assets are amortised over 10 years.

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> |
| | 2022 £ | 2021 £ |
| Turnover analysed by geographical market | | |
| United Kingdom | <u>7,536</u> | <u>-</u> |
| | 2022 £ | 2021 £ |
| Other significant revenue | | |
| Interest income | 5,879 | 7,014 |
| Grants received | - | 272,426 |
| | <u>-</u> | <u>272,426</u> |

The government grants recognised in 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 | 48,986 | - |
| Share-based payments | <u>66,074</u> | <u>117,584</u> |

NUDE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

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 company | 8,000 | 5,000 |
| For other services | | |
| Audit-related assurance services | 11,025 | 10,500 |
| Taxation compliance services | 1,700 | 1,375 |
| | 12,725 | 11,875 |

6 Employees

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

| 2022 Number | 2021 Number |
|----------------|----------------|
| 22 | 16 |

Their aggregate remuneration comprised:

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

7 Directors' remuneration

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

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

NUDE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

7 Directors' remuneration

(Continued)

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

| | 2022 £ | 2021 £ |
|--------------------------------------|-----------|-----------|
| Remuneration for qualifying services | 110,000 | 105,303 |

8 Interest receivable and similar income

| | 2022 £ | 2021 £ |
|---------------------------|-----------|-----------|
| Interest income | | |
| Interest on bank deposits | 5,879 | 7,014 |

9 Interest payable and similar expenses

| | 2022 £ | 2021 £ |
|-------------------------------|-----------|-----------|
| Interest payable | | |
| Interest on customer deposits | 3,237 | - |

NUDE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

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 | (2,667,598) | (1,632,988) |
| Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%) | (506,844) | (310,268) |
| Tax effect of expenses that are not deductible in determining taxable profit | 14,347 | 7,209 |
| Deferred tax not recognised | 492,497 | 303,059 |
| Taxation charge for the year | - | - |

11 Intangible fixed assets

| | Development costs £ |
|------------------------------------|---------------------------|
| Cost | |
| At 1 June 2021 | 598,532 |
| Additions - internally developed | 53,215 |
| At 31 May 2022 | 651,747 |
| Amortisation and impairment | |
| At 1 June 2021 | - |
| Amortisation charged for the year | 48,986 |
| At 31 May 2022 | 48,986 |
| Carrying amount | |
| At 31 May 2022 | 602,761 |
| At 31 May 2021 | 598,532 |

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

NUDE FINANCE LIMITED

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

12 Tangible fixed assets

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

13 Debtors

| | 2022 £ | 2021 £ |
|---|-------------|-------------|
| Amounts falling due within one year: | | |
| Amounts owed by group undertakings | 1,798 | - |
| Other debtors | - | 1,050 |
| Prepayments and accrued income | 26,142 | 215,966 |
| | <hr/> | <hr/> |
| | 27,940 | 217,016 |
| | <hr/> <hr/> | <hr/> <hr/> |

14 Creditors: amounts falling due within one year

| | 2022 £ | 2021 £ |
|------------------------------------|-------------|-------------|
| Trade creditors | 23,332 | 39,328 |
| Amounts owed to group undertakings | - | 43,973 |
| Taxation and social security | 43,130 | 91,198 |
| Other creditors | 22,635 | 39,003 |
| Accruals and deferred income | 99,575 | 69,594 |
| | <hr/> | <hr/> |
| | 188,672 | 283,096 |
| | <hr/> <hr/> | <hr/> <hr/> |

NUDE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

15 Retirement benefit schemes

| | 2022 | 2021 |
|---|---------|--------|
| Defined contribution schemes | £ | £ |
| Charge to profit or loss in respect of defined contribution schemes | 110,522 | 77,982 |

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

16 Share-based payment transactions

| | 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 | 56,568 | 41,899 | 2.15 | 2.15 |
| Exercisable at 31 May 2022 | - | - | - | - |

During the year, the company's ultimate parent company, Nude Finance Holdings Limited, issued equity-settled share options to a number of the company's employees and certain suppliers 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 with a corresponding adjustment to the profit and loss reserve as a capital contribution.

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.

17 Share capital

| | 2022 Number | 2021 Number | 2022 £ | 2021 £ |
|----------------------------|----------------|----------------|-----------|-----------|
| Ordinary share capital | | | | |
| Issued and fully paid | | | | |
| Ordinary shares of £1 each | 673,890 | 478,890 | 673,890 | 478,890 |

During the year the company issued 195,000 shares at £10 per share resulting in the increase of £195,000 in share capital and £1,755,000 in share premium.

NUDE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

18 Related party transactions

The company has taken advantage of the exemption within FRS 102 section 331A from the requirement to disclose transactions with other wholly owned companies in the same group.

19 Ultimate controlling party

The Company is a wholly owned subsidiary of Nude Finance Holdings Limited.

The Company is under control of C Taylor by virtue of his majority shareholding in the ultimate parent company, Nude Finance Holdings Limited.