

Company Registration No. 12008146 (Scotland)

**NUDE FINANCE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MAY 2021**

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# NUDE FINANCE LIMITED

## COMPANY INFORMATION

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**Directors**

Mr M Bell  
Mr S Doherty  
Mr A McFarlane  
Crawford Taylor  
Ms K McKay (Appointed 18 August 2021)

**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

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# NUDE FINANCE LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 MAY 2021

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The directors present the strategic report for the year ended 31 May 2021.

#### **Nude - Standing up for first-time home 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 banking app (our "Principal activity").

The app drives customer value through four simple steps: finding out how much they need to save to buy their home, explaining how long it could take to save this (setting a goal), opening an account to start saving or investing towards that deposit and then providing lifestyle hints and tips to knock time off that goal. This is all done through an easy and straightforward process, in keeping with 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, initially through the app.

To be a responsible and healthy business, we need to be profitable and at Nude, our aim is to align our business model with customer success. There is a monthly subscription fee for access to the app. 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 we charge a small but fair fee on the value of funds deposited.

Nude operates this business model through four core values:

- We're transparent – there's no hiding behind the small print, we're clear on how our business works and never sell customer data.
- We're making things fairer – we're making homebuying easier and more accessible, we'll explain what customers need to know.
- We don't judge – we help customers understand their finances and suggest ideas, but the decision is always the customer's.
- We give a sh\*t – we want to help the first-time buyers and start addressing the wealth imbalance, while offering sustainable investments

#### **Business Review**

The company loss for the financial year was £1,632,988 (2020: £435,821), with net assets of £2,836,775 (2020: £764,179).

During the financial year, the parent company Nude Finance Holdings Limited, raised £3.64m in seed funding, which after costs was passed down to the company to support the product launch and expand the team.

On 2 March 2021 Nude Finance Limited became authorised and regulated by the Financial Conduct Authority in respect of certain regulated activities and on 22 March 2021, launched the feature rich app offering two savings and investment products, a Cash Lifetime ISA and a Stocks & Shares Lifetime ISA. Achieving these regulatory permissions and launching the app were key milestones for the company. Income from this product launch is included within Interest receivable and similar income. Please note that we have yet to turn on the subscription fee for the app, this has been deferred for a short period.

# NUDE FINANCE LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 MAY 2021

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The cost base of the company rose in the financial year to £1,912,428 (2020: £544,896) as expected, after continued development of the app, business and employees with an additional 14 people to ensure not just a safe product launch, but to ensure continued 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 has officially entered its target market, 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 working closely on customer feedback either active or not converted to continually enhance the product.

#### **Principal risks and uncertainties**

The key risks and uncertainties that the company faces include:

Funding risk, which is mitigated through our proactive approach to fundraising and upcoming planned series A raise.

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

Regulatory & conduct risk, mitigated through our internal controls, which are monitored and reported at our compliance and governance committee meeting.

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

Financial crime, which is mitigated through internal controls and our KYC and AML partners.

Economic / interest rate risk, which is to an extent limited through our business model in how we make money and monitored through internal controls. We also have support from a strategic partner across 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 has so far had limited impact on the business. Nude was already operating a flexible working style, so the transition to full remote working wasn't intrusive, and the existing office licence was frozen. In terms of the impact on the market Nude is serving, we perceive 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**

We're a business, but we still care about the world around us. We see the huge wealth imbalance between generations, a financial system stacked with debt, interest rates geared towards constant spending and a struggling planet that we've neglected for decades. It's not our place to solve these problems single-handedly, but we do care.

We're starting by doing everything we can to make home ownership easier for first-time buyers. In addition, our stocks and shares Lifetime ISA offers customers the opportunity to invest in a sustainable fund.

# NUDE FINANCE LIMITED

## STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

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### 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 continues to provide customers with the best possible proposition, while turning on the app subscription fee and scaling our marketing activity.

Completing a Series A funding raise to support the continued scaling of Nude across all departments and new product launches. Significant progress has already been made with regards to this investment raise, we have a very supportive investor network, who very much like what we're doing and have expressed interest in the raise. Our metrics are all moving in the right direction, and we are looking to conclude the series A funding ahead of March 2022.

On the basis of the directors' expectation that the Series A funding will be successful 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 we look 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 our 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, we have 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, we listen and react 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 customers referring Nude to others), with a business model aligned to the success of our customers. Although we only opened "our doors" to customers in March 2021, we offer various communication points to customers through direct 1-2-1 customer feedback, in app communications and our blog, Adultish.

# NUDE FINANCE LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

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Nude is committed to building a strong partnership network with all our suppliers, we are in regular contact with all key suppliers to ensure our relationship is successful for both parties. To demonstrate our commitment to building these relationships, we currently aim 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; our 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, we are proud to support the local community with employment, while also utilising our flexible remote working approach to cast this net across the UK and beyond.

Being a digital app, our disruption to the community and environment is minimal, and we do 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 ensure 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*

.....  
Crawford Taylor  
Director

Date: 21 / 09 / 2021

# NUDE FINANCE LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 MAY 2021**

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The directors present their annual report and financial statements for the year ended 31 May 2021.

### Principal activities

The principal activity of the company is development and launch of an innovative banking platform.

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

### Results and dividends

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

Mr S Doherty

Mr A McFarlane

Crawford Taylor

Ms K McKay

(Appointed 18 August 2021)

### Auditor

Johnston Carmichael were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

### 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*

.....  
Crawford Taylor

Director

21 / 09 / 2021

Date: .....

# **NUDE FINANCE LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

### **FOR THE YEAR ENDED 31 MAY 2021**

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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

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### Opinion

We have audited the financial statements of Nude Finance Limited (the 'company') for the year ended 31 May 2021 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2021 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 of the company's accounting policies (page 14) which indicates that the ability of the company to continue as a going concern is subject to a material uncertainty which could cast significant doubt on the group and company's ability to continue as a going concern.

The material uncertainty relates to the fact that the group is an early-stage Fintech business and is still building its customer base. The group and the company's ability to continue as a going concern is dependent upon the group securing £4m of series A funding within a period of 6 months from the date of the directors approving these financial statements. The directors have identified a number of potential funders and have entered into exploratory discussions with some of these funders. While the directors remain confident that they can secure the required funding within the required timeframe, there can be no certainty at this stage. In the event that the directors cannot secure additional funding, this would cast significant doubt on the group and 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 evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- The audit partner increased their time directing and supervising the audit procedures in respect of going concern.
- We confirmed our understanding of Nude Finance Holdings Limited's going concern assessment process.
- We obtained the cash flow forecasts prepared by management and tested for arithmetical accuracy of the models as well as checking the net debt position at the starting point for the model.
- We challenged the appropriateness of management's forecasts, which included inspecting evidence and making enquiries of management to assess the reasonableness of the forecasts, including an assessment of the sensitivities in relation to ongoing costs and the aggregate month-on-month cash outflow.

# **NUDE FINANCE LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF NUDE FINANCE LIMITED**

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- We gained an understanding of discussions to date with potential investors and reviewed management's record of the specific potential investors with whom these discussions took place.
- We assessed the disclosures in the Annual Report & Accounts relating to going concern, including the material uncertainty to ensure they were fair reflection of the circumstances and in compliance with FRS 102.

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

### **Other matter**

The financial statements for the comparative year were not subject to an audit.

### **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.

### **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.

# NUDE FINANCE LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF NUDE FINANCE LIMITED

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#### **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's responsibilities for the audit of the financial statements**

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

#### **Extent to which an 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 Conduct Authority rules.

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.

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.

# NUDE FINANCE LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF NUDE FINANCE LIMITED

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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.

### 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

21 / 09 / 2021  
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Chartered Accountants  
Statutory Auditor

7-11 Melville Street  
Edinburgh  
EH3 7PE

# NUDE FINANCE LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY 2021

		2021	2020
	Notes	£	unaudited £
Administrative expenses		(1,912,428)	(544,896)
Other operating income		272,426	109,043
<b>Operating loss</b>	<b>4</b>	<b>(1,640,002)</b>	<b>(435,853)</b>
Interest receivable and similar income	<b>8</b>	7,014	32
<b>Loss before taxation</b>		<b>(1,632,988)</b>	<b>(435,821)</b>
Tax on loss	<b>9</b>	-	-
<b>Loss for the financial year</b>		<b>(1,632,988)</b>	<b>(435,821)</b>

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 2021

		2021		2020 unaudited	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Intangible assets	10		598,532		342,159
Tangible assets	11		18,625		12,937
			<u>617,157</u>		<u>355,096</u>
<b>Current assets</b>					
Debtors	12	217,016		85,112	
Cash at bank and in hand		2,285,698		434,520	
		<u>2,502,714</u>		<u>519,632</u>	
<b>Creditors: amounts falling due within one year</b>	13	(283,096)		(110,549)	
<b>Net current assets</b>			<u>2,219,618</u>		<u>409,083</u>
<b>Net assets</b>			<u><u>2,836,775</u></u>		<u><u>764,179</u></u>
<b>Capital and reserves</b>					
Called up share capital	16		478,890		120,090
Share premium account			4,309,110		1,079,910
Profit and loss reserves			(1,951,225)		(435,821)
<b>Total equity</b>			<u><u>2,836,775</u></u>		<u><u>764,179</u></u>

The financial statements were approved by the board of directors and authorised for issue on 21 / 09 / 2021 and are signed on its behalf by:

*Crawford Taylor*

.....  
Crawford Taylor  
Director

Company Registration No. 12008146

# NUDE FINANCE LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2021

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
<b>Period ended 31 May 2020:</b>					
Loss and total comprehensive income for the year		-	-	(435,821)	(435,821)
Issue of share capital	16	120,090	1,079,910	-	1,200,000
<b>Balance at 31 May 2020</b>		120,090	1,079,910	(435,821)	764,179
<b>Year ended 31 May 2021:</b>					
Loss and total comprehensive income for the year		-	-	(1,632,988)	(1,632,988)
Issue of share capital	16	358,800	3,229,200	-	3,588,000
Credit to equity for equity settled share-based payments	15	-	-	117,584	117,584
<b>Balance at 31 May 2021</b>		478,890	4,309,110	(1,951,225)	2,836,775

# NUDE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MAY 2021

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#### 1 Accounting policies

##### Company information

Nude Finance Limited is a private company limited by shares incorporated in Scotland. 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 2021, the company recorded a loss of £1,632,988 (31 May 2020: £435,821) and had net assets of £2,836,775 (2020: £764,179) 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 £4m, planned for completion by March 2022.

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 early discussion 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 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.

# NUDE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

### 1 Accounting policies

(Continued)

#### 1.4 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 is charged when the intangible asset is available for use. The product was launched shortly before the year end and therefore no amortisation was recognised during the current financial year.

#### 1.5 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
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#### 1.6 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.

#### 1.7 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.

#### 1.8 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.

##### **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.

# NUDE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MAY 2021

#### 1 Accounting policies

(Continued)

##### **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 creditors, group companies balances 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.

##### **Derecognition of financial liabilities**

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

#### 1.9 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.

#### 1.10 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.

##### **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.

#### 1.11 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.

# NUDE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

### 1 Accounting policies

(Continued)

#### 1.12 Retirement benefits

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

#### 1.13 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 profit and loss account as a capital contribution.

#### 1.14 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 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.

### 3 Turnover and other revenue

	2021	2020
		unaudited
	£	£
<b>Other significant revenue</b>		
Interest income	7,014	32
Grants received	272,426	109,043

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

# NUDE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

### 4 Operating loss

	2021	2020 unaudited
	£	£
Operating loss for the year is stated after charging/(crediting):		
Government grants	(272,426)	(109,043)
Depreciation of owned tangible fixed assets	9,806	4,315
Share-based payments	117,584	-
	<u>          </u>	<u>          </u>

### 5 Auditor's remuneration

	2021	2020 unaudited
	£	£
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	5,000	-
	<u>          </u>	<u>          </u>
<b>For other services</b>		
Audit-related assurance services	10,500	-
Taxation compliance services	1,375	-
	<u>          </u>	<u>          </u>
	11,875	-
	<u>          </u>	<u>          </u>

### 6 Employees

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

	2021 Number	2020 unaudited Number
	16	6
	<u>          </u>	<u>          </u>

Their aggregate remuneration comprised:

	2021	2020 unaudited
	£	£
Wages and salaries	1,108,313	298,298
Social security costs	111,330	24,718
Pension costs	77,982	19,411
	<u>          </u>	<u>          </u>
	1,297,625	342,427
	<u>          </u>	<u>          </u>

# NUDE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

### 7 Directors' remuneration

	2021 £	2020 unaudited £
Remuneration for qualifying services	286,600	188,098
Company pension contributions to defined contribution schemes	27,803	11,070
	<u>314,403</u>	<u>199,168</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2020:3).

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

	2021 £	2020 unaudited £
Remuneration for qualifying services	<u>105,303</u>	<u>75,000</u>

### 8 Interest receivable and similar income

	2021 £	2020 unaudited £
<b>Interest income</b>		
Interest on bank deposits	<u>7,014</u>	<u>32</u>

### 9 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:

	2021 £	2020 unaudited £
Loss before taxation	<u>(1,632,988)</u>	<u>(435,821)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020 unaudited: 19.00%)	(310,268)	(82,806)
Tax effect of expenses that are not deductible in determining taxable profit	7,209	13,377
Deferred tax not recognised	<u>303,059</u>	<u>69,429</u>
Taxation charge for the year	<u>-</u>	<u>-</u>

# NUDE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

### 10 Intangible fixed assets

	Development costs £
<b>Cost</b>	
At 1 June 2020	342,159
Additions - internally developed	256,373
At 31 May 2021	598,532
<b>Amortisation and impairment</b>	
At 1 June 2020 and 31 May 2021	-
<b>Carrying amount</b>	
At 31 May 2021	598,532
At 31 May 2020	342,159

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

### 11 Tangible fixed assets

	Computer equipment £
<b>Cost</b>	
At 1 June 2020	17,252
Additions	15,494
At 31 May 2021	32,746
<b>Depreciation and impairment</b>	
At 1 June 2020	4,315
Depreciation charged in the year	9,806
At 31 May 2021	14,121
<b>Carrying amount</b>	
At 31 May 2021	18,625
At 31 May 2020	12,937

# NUDE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

### 12 Debtors

	2021	2020 unaudited
	£	£
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	-	38,107
Other debtors	1,050	1,050
Prepayments and accrued income	215,966	45,955
	<u>217,016</u>	<u>85,112</u>

### 13 Creditors: amounts falling due within one year

	2021	2020 unaudited
	£	£
Trade creditors	39,328	10,450
Amounts owed to group undertakings	43,973	-
Taxation and social security	91,198	50,508
Other creditors	39,003	4,562
Accruals and deferred income	69,594	45,029
	<u>283,096</u>	<u>110,549</u>

### 14 Retirement benefit schemes

	2021	2020 unaudited
	£	£
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>77,982</u>	<u>19,411</u>

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.

# NUDE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MAY 2021

#### 15 Share-based payment transactions

	Number of share options		Weighted average exercise price	
	2021 Number	2020 unaudited Number	2021 £	2020 unaudited £
Outstanding at 1 June 2020	-	-	-	-
Granted	46,693	-	-	-
Forfeited	(4,794)	-	-	-
Outstanding at 31 May 2021	41,899	-	-	-
Exercisable at 31 May 2021	-	-	-	-

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 (employees) and an Unapproved Share Option Scheme (suppliers).

The options outstanding at 31 May 2021 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 £117,584 (2019: £0) 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.

#### 16 Share capital

	2021 Number	2020 unaudited Number	2021 £	2020 unaudited £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	478,890	120,090	478,890	120,090

During the year the company issued 358,800 shares at £10 per share resulting in the increase of £358,800 in share capital and £3,229,200 in share premium.

#### 17 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.

# NUDE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 MAY 2021**

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### **18 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.