

NUTMEG SAVING AND INVESTMENT LIMITED

Company Registration No. 07503666 (England and Wales)

**NUTMEG SAVING AND INVESTMENT LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**



NUTMEG SAVING AND INVESTMENT LIMITED

COMPANY INFORMATION

Directors	Mr Craig Anderson Mr Stephen Clark Mr Johnny Chen Mr Neil Alexander Mr Roman Cheng Mr William Reeve (Chairperson)
Secretary	Taylor Wessing Secretaries Limited
Company number	07503666
Registered office	5 New Street Square, London, EC4A 3TW
Auditor	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB

NUTMEG SAVING AND INVESTMENT LIMITED
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NUTMEG SAVING AND INVESTMENT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the Company is digital discretionary investment management.

Results and dividends

The result for the year is set out on page 13. No dividend was paid or proposed (2018: £Nil).

Directors

The following directors have held office during the year:

Mr Craig Anderson

Mr Johnny Chen

Mr Stephen Clark

Mr Martin Stead (resigned on 11 December 2019)

Mr Neil Alexander

Mr William Reeve

Ms Rana Yared (appointed 3 April 2019 and resigned on 4 March 2020)

Mr Roman Cheng (appointed 9 May 2019)

The following directors also held office during the year but stepped down following the completion of the Series E fundraising in March 2019 in order to facilitate a streamlining of the Board:

Mr Daniel Aegerter (resigned on 8 March 2019)

Mr Timothy Bunting (resigned on 8 March 2019)

Mr Nicholas George (resigned on 8 March 2019)

Mr I Meng Huang (resigned on 8 March 2019)

Mr Nicholas Hungerford (resigned on 8 March 2019)

Mr Shaun Port (resigned on 8 March 2019)

Auditor

The auditor, RSM UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office.

Statement of disclosure to the auditor

The directors have confirmed that as far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. Each of the directors has confirmed that they 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 auditors are aware of that information.

NUTMEG SAVING AND INVESTMENT LIMITED

Strategic Report

The Company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

By order of the Board

A handwritten signature in black ink, appearing to be 'N.A.' or similar, written over a faint circular stamp.

Neil Alexander (CEO and Director)

Date: 8 April 2020

NUTMEG SAVING AND INVESTMENT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Review of the business

2019 was another successful year in Nutmeg's journey to digitising wealth management and empowering nations of investors. We launched two new investment styles for the Nutmeg pension to give customers greater choice when investing for their retirement; recognising that over 90% of our customers use our iOS and Android apps, we became the first wealth manager to offer customers the ability to top-up their investments using Google Pay and Apple Pay; and we developed our financial advice services to include financial planning to further help more people reach their financial goals.

Nutmeg completed a successful Series E fundraising round at the start of 2019, raising £45m in investment from existing shareholder Convoy Technologies Limited and welcomed Goldman Sachs who joined us as a new cornerstone investor. In the summer, the Company continued with its mission to democratise wealth management by offering preference shares in the business to the crowd; raising a further £3.8m and welcoming over 2,000 new investors.

At the end of the year, Nutmeg appointed a new chief executive officer, Neil Alexander, who was previously chief financial and operating officer at the Company. Neil will lead the executive and the business in the next phase of the Company's growth.

Nutmeg ended 2019 with a strong business performance, closing the year managing over £2bn in assets on behalf of nearly 80,000 UK clients. This reflected a 41% year-on-year growth in assets, significantly outperforming the sector, which grew by 13% over the same period¹. Revenue grew by 30% over 2019 and we also saw a 60% increase in customers since we reached the £1bn in AUM milestone in November 2017. Nutmeg has now firmly positioned itself as the market leader in the UK and Europe.

Despite an increase in competition, Nutmeg remains the largest digital wealth manager in the UK with a 36% share of the digital wealth management market² and has grown to be the fifth largest wealth manager in the UK³. Nutmeg continues to invest in the growth of the business, as reflected in the trading loss reported in the Statement of Comprehensive Income.

Matters of strategic importance

Nutmeg, along with its long-term, strategic backers, continues to invest in product innovation, user experience, technology, customer acquisition and people in order to maintain its leadership position in digital wealth management. The business is on track with its business plan and continues to grow cost-effectively, with a view to delivering long-term profitability for its shareholders.

As the business grows, the investment and trading processes continue to be reviewed to ensure customers always get the best value achievable.

In 2019, in addition to a focus on its core direct-to-consumer business, Nutmeg launched its first business-to-business venture with a partnership with Taipei Fubon Bank in Taiwan. The business continues to look for further opportunities in this area.

¹ Boring Money, January 2020, Online Investing data

² Boring Money, September 2019, Online Investing data

³ PAM Private Asset Managers Directory, January 2019, Nutmeg is the fifth largest wealth manager by client accounts

NUTMEG SAVING AND INVESTMENT LIMITED

The Nutmeg board meets on a monthly basis to discuss and agree matters of strategic and reputational importance to the business, its employees and shareholders. In 2019, these included, but were not limited to: the agreement of both capital and operational expenditure plans following a successful Series E fundraise; the importance of Nutmeg's reputation with customers and potential business partners through B2B partnerships, including the launch of the first partnership with Taipei Fubon Bank and the consideration of longer-term factors that could have an impact on Nutmeg's business, such as the outcome of Brexit negotiations.

Principal risks and uncertainties

As the Company continues to invest for growth, it will manage the associated risks and challenges that this entails on an ongoing basis. Within the Company, responsibility for risk management rests with the Board. The Board delegates risk management oversight to the Compliance and Risk Committee ("CAR"), upon which members of the Board sit, along with the Company's Executive Team. The CAR meets at least six times per year and is proactive in recognising, evaluating and managing risk across the business. The CAR presents the risk register annually to the Board to identify, manage and mitigate business risk, as reflective of its scale.

The Company uses various financial instruments including cash, operating leases and various items such as trade creditors that arise directly from its operations. The main purpose of these financial instruments is to create working capital for the Company's operations.

The existence of these financial instruments exposes the Company to a number of financial risks, which are described in more detail below. The main risks arising from the Company's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The directors review and manage each of these risks and they are summarised below.

Cybercrime and information security

The threat of cybercrime and breaches of information security are a key area of focus for the Company. We continue to work with world class providers to ensure that we put in place the appropriate mitigations for cyberattacks and we have in place processes to react swiftly in the event of an attack. The responsibilities associated with information security are taken very seriously throughout the Company from the Board to the employees. Our ability to attract and retain customers is underpinned by working to ensure cyber security awareness is part of our DNA coupled with significant investment in proprietary technology and carefully selected third party software, to always keep the security of our customers' data at the heart of our business. As this risk landscape evolves so too will the investment, planning and management time invested by the Company to continue to safeguard the information of our customers and the value of the business for our shareholders.

Market risk

Market risk encompasses two types of risk, being interest rate risk and the impact of financial markets risk on customer sentiment. The Company's policies for managing interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below. The Company manages the impact of financial markets risk on customer sentiment through the provision of proactive educational content and an on-going customer communication programme.

Interest rate risk

The Company finances its operations through available funds. There is no exposure to interest rate fluctuations as all contracts are negotiated at fixed rates. The only risk arises with future commitments and is deemed to be minimal risk.

NUTMEG SAVING AND INVESTMENT LIMITED

Credit risk

The Company's principal financial asset is cash. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely.

Third party indemnity provision for directors

Qualifying third party indemnity provision is in place for the benefit of all directors of the Company.

Changes to the Nutmeg Board of Directors

During the year, the Nutmeg board appointed Mr. Roman Cheng and Ms. Rana Yared as directors.

Future developments

As at the date of signing the Covid-19 virus had begun to impact the environment in which the Company operates. This has been considered in the Post Balance Sheet Events note to the Financial Statements (23).

The Company executive team continues to take a long-term view and will continue to invest strategically in people and technology to build a business of scale, to deliver on the Company's mission of democratising wealth management and empowering nations of investors.

Neil Alexander



CEO and Director

Date: 8 April 2020

NUTMEG SAVING AND INVESTMENT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the 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 of the profit or loss of the Company for that year.

In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent; and
- c. 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 proper 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.

NUTMEG SAVING AND INVESTMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NUTMEG SAVING AND INVESTMENT LIMITED

Opinion

We have audited the financial statements of Nutmeg Saving and Investment Ltd (the 'Company') for the year ended 31 December 2019 which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of 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 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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. 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.

NUTMEG SAVING AND INVESTMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NUTMEG SAVING AND INVESTMENT LIMITED (CONTINUED)

Other information (continued)

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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 set out on page 8, 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.

NUTMEG SAVING AND INVESTMENT LIMITED

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.

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

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.

RSM UK Audit LLP

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

Date: 15 April 2020

NUTMEG SAVING AND INVESTMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

Company Registration No. 07503666

	Notes	2019 £	2018 £
Turnover	2	9,272,660	7,152,927
Operating expenses		(28,286,704)	(22,677,627)
Operating loss before equity settled share-based payments		(19,014,044)	(15,524,700)
Equity settled share-based payments	5	(3,513,195)	(3,116,378)
Operating loss		(22,527,239)	(18,641,078)
Other interest receivable and similar income	7	265,513	65,890
Loss on ordinary activities before taxation	6	(22,261,726)	(18,575,188)
Tax on loss	8	1,099,235	143,562
Loss for the year and total comprehensive income		(21,162,491)	(18,431,626)

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

NUTMEG SAVING AND INVESTMENT LIMITED

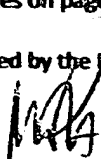
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

Company Registration No. 07503666

	Notes	£	2019 £	2018 £
Fixed assets				
Intangible assets	9		4,257,851	3,702,103
Tangible assets	10		380,530	369,167
			<u>4,638,381</u>	<u>4,071,270</u>
Current assets				
Debtors	11	3,500,738	2,179,092	
Cash at bank and in hand	19,20	36,900,705	8,731,884	
			<u>40,401,443</u>	<u>10,910,976</u>
Current liabilities				
Creditors: amounts falling due within one year	12	(3,525,096)	(2,385,174)	
			<u>(3,525,096)</u>	<u>(2,385,174)</u>
Net current assets			<u>36,876,347</u>	<u>8,525,802</u>
NET ASSETS			<u>41,514,728</u>	<u>12,597,072</u>
Capital and reserves				
Called up share capital	13		17,108	12,897
Share premium account	14		116,265,740	69,702,999
Share based payment reserve	14		5,567,889	3,170,269
Profit and loss account	14		(80,336,009)	(60,289,093)
TOTAL EQUITY			<u>41,514,728</u>	<u>12,597,072</u>

The notes on pages 17 to 30 form part of these financial statements

Approved by the Board and authorised for issue on



Neil Alexander
Director

Date: 8 April 2020

NUTMEG SAVING AND INVESTMENT LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

Company Registration No. 07503666

	Share Capital	Share based payment reserve	Share Premium Account	Profit and loss account	Total
	£	£	£	£	£
Balance at 1 January 2018	12,710	53,891	69,661,929	(41,857,467)	27,871,063
New share capital subscribed	187	-	41,070	-	41,257
Loss for the year and total comprehensive income	-	-	-	(18,431,626)	(18,431,626)
Share based payment charge	-	3,116,378	-	-	3,116,378
Balance at 31 December 2018	12,897	3,170,269	69,702,999	(60,289,093)	12,597,072
New share capital subscribed	4,211	-	46,562,741	-	46,566,952
Loss for the year and total comprehensive income	-	-	-	(21,162,491)	(21,162,491)
Share based payment credit	-	3,513,195	-	-	3,513,195
Transfer relating to exercised options and leavers with vested options	-	(1,115,575)	-	1,115,575	-
Balance at 31 December 2019	17,108	5,567,889	116,265,740	(80,336,009)	41,514,728

The transfer to the profit and loss account relates to the accumulated charge at the start of the year for exercised options and employees who have ceased employment with vested options. This transfer was previously made via the equity settled share-based payment expense.

NUTMEG SAVING AND INVESTMENT LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

Company Registration No. 07503666

	Notes	£	2019 £	2018 £
OPERATING ACTIVITIES				
Net cash used in operations	18		(15,379,396)	(13,145,237)
INVESTING ACTIVITIES				
Purchase of intangible assets		(2,909,901)	(3,315,729)	
Purchase of tangible assets		(108,834)	(284,187)	
Net cash used in investing activities			(3,018,735)	(3,599,916)
FINANCING ACTIVITIES				
Proceeds from issuance of share capital			46,566,952	41,257
(Decrease) in cash in the year	19,20		28,168,821	(16,703,896)
Net funds at 1 January	19,20		8,731,884	25,435,780
Net funds at 31 December	19,20		36,900,705	8,731,884

NUTMEG SAVING AND INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies

1.1. GENERAL INFORMATION

Nutmeg Saving and Investment Limited ("the Company") is a limited Company domiciled and incorporated in England.

The address of the Company's registered office is 5 New Street Square, London, EC4A 3TW, and the principal place of business is 2nd Floor, Vox Studios, 1-45 Durham Street, London SE11 5JH.

The Company's principal activities are detailed in the Directors' Report.

1.2. Basis of Accounting

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, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

1.3. Turnover

Turnover includes management fees, calculated daily on the actual value of assets under management, advice fees for the provision of financial advice within the UK and fees for B2B service provision including portfolio consultancy and trade generation.

1.4. Intangible assets and amortisation

Intangible fixed assets are stated at cost less amortisation. Amortisation is provided on all revenue generating intangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Intellectual property	20% straight line
Development costs	33.33% straight line

1.5. Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	33.33% straight line
Fixtures, fittings & equipment	20% to 33.33% straight line

1.6. Pensions

The Company operates a defined contribution scheme for the benefit of its employees. The amount charged to profit and loss is the contributions payable in the year.

1.7. Leased assets

Rent payable under an operating lease is expensed on a straight-line basis over the term of the lease. The rent-free period is amortised on a straight line basis over the term of the lease.

NUTMEG SAVING AND INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1.8. Share based payments

Equity-settled share-based payments are issued to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest.

The fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restriction, and behavioural considerations.

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, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.10. Financial assets and liabilities

Trade and other debtors

Trade and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss, that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments 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.

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

NUTMEG SAVING AND INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

De-recognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, 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. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

1.11. Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income or expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the Company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

NUTMEG SAVING AND INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

1.12. Research and development

Expenditure on research and development is charged to the Statement of Comprehensive Income in the year in which it is incurred except for expenditure on the development of certain major new projects, where the outcome of those projects is assessed as being reasonably certain as regards to viability and technical feasibility. Such expenditure is capitalised and amortised over a period of three years from the date that this becomes operational.

1.13. Going concern

The directors have prepared the financial statements on a going concern basis. They have carried out a detailed review of the trading position and cash flow projections for the foreseeable future, including stress testing of the business in light of recent uncertainty created by the COVID-19 virus. No scenario where the Company was stressed resulted in an inability to meet its medium-term cash requirements. At the time of signing the Company's AUM was in line with expectations, after allowing for general market downward valuations. Customers also continued to invest in the period up to the 5th April 2020 tax year end. Following the completion of a £45m fundraise in March 2019 the Company maintains significant cash reserves and the directors are therefore confident that sufficient financial resources will be available to enable the Company to meet the cash requirements as set out in the relevant projections.

1.14. Critical accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The equity-settled share-based payment charges are measured at fair value. The fair value is measured by use of the Black-Scholes model and includes estimates for exercise restrictions, behavioural considerations, expected volatility and expected life.

Critical areas of judgement

In assessing expenditure on research and development that should be capitalised, management makes judgements as to the future economic benefits of the assets developed based on future business growth.

NUTMEG SAVING AND INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Turnover

	2019 £	2018 £
Principal business activity (United Kingdom)		
Digital discretionary investment management	9,048,677	7,062,701
Other business activity		
Provision of financial advice (United Kingdom)	9,125	583
B2B service provision (Asia)	214,859	89,643
	<u>9,272,660</u>	<u>7,152,927</u>

3. Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services including accrued retirement benefits	693,777	523,626
	<u>693,777</u>	<u>523,626</u>
Remuneration disclosed above include the following amounts paid to the highest paid director:		
Remuneration for qualifying services including accrued retirement benefits	267,064	198,070
	<u>267,064</u>	<u>198,070</u>

Three directors (2018: three directors) accrued retirement benefits of £17,570 (2018: £15,023) under pension schemes which included £6,661 (2018: £7,125) for the highest paid director. Three directors exercised 273,586 options with a strike price of £0.38 per option during the year (2018: No directors exercised options). The highest paid director exercised 35,434 options with a strike price of £0.38 per option (2018: none).

4. Remuneration of key personnel

The total remuneration of the employees who are considered by the directors to be the key personnel of the Company was £2,768,640 (2018: £2,973,270) including employers' national insurance of £162,055 (2018: £149,324) and an equity settled share-based payment charge of £1,285,945 (2018: £1,476,188).

NUTMEG SAVING AND INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

5. Employees

	2019	2018
	No.	No.
Number of employees		
The average monthly number of employees (including directors) during the year was:		
Full time staff	165	130
Part time staff	3	5
	<u>168</u>	<u>135</u>
Employment costs	£	£
Wages and salaries	11,585,585	8,908,699
Social security costs	1,299,878	994,727
Pension costs	526,131	339,656
Equity settled share-based payments	3,513,195	3,116,378
	<u>15,191,679</u>	<u>13,359,460</u>

Included in employment costs above is £2,529,484 (2018: £2,515,349) relating to development costs.

6. Loss on ordinary activities before taxation

	2019	2018
	£	£
Loss on ordinary activities before taxation is stated after charging:		
Amortisation of intangible assets	2,357,851	1,251,620
Depreciation of tangible assets	208,668	181,738
Operating leases	668,368	648,285
Audit services:		
-statutory audit	25,100	22,500
-audit related assurance services	11,500	9,500
-taxation and compliance service	39,190	34,500
-payroll services	8,745	3,901

7. Other interest receivable and similar income

	2019	2018
	£	£
Bank interest	265,513	65,890
	<u>265,513</u>	<u>65,890</u>

NUTMEG SAVING AND INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

8. Taxation

	2019 £	2018 £
Domestic current year tax		
U.K. corporation tax	-	-
Adjustment for prior periods	-	-
Total current tax	<u>-</u>	<u>-</u>
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(22,261,726)	(18,575,188)
Loss on ordinary activities before taxation multiplied by effective rate of UK corporation tax of 19.00%	<u>(4,229,728)</u>	<u>(3,529,286)</u>
Effects of:		
- Non-deductible expenses	773,652	429,114
- Fixed asset timing differences	2,001	(5,277)
- Short term timing differences	-	49
- Permanent timing differences	(783,680)	-
- Deferred tax loss not recognised on losses	4,237,755	3,105,400
- Adjustments in respect of prior periods	(1,099,235)	(143,562)
Current tax credit for the period	<u>(1,099,235)</u>	<u>(143,562)</u>

No deferred tax asset has been recognised based on uncertainty over the timing of future profits.

The Company has tax losses of £77,827,841 (2018: £57,745,811) to offset against future profit.

NUTMEG SAVING AND INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

9. Intangible assets

	Development costs	Intellectual property	Total
	£	£	£
Cost			
At 31 December 2018	5,307,642	105,522	5,413,164
Additions	2,837,642	75,957	2,913,599
Disposals	-	(3,698)	(3,698)
At 31 December 2019	8,145,284	177,781	8,323,065
Amortisation			
At 31 December 2018	1,659,073	51,988	1,711,061
Charge for the year	2,340,233	17,618	2,357,851
Disposals	-	(3,698)	(3,698)
At 31 December 2019	3,999,306	65,908	4,065,214
Net book value			
At 31 December 2019	4,145,978	111,873	4,257,851
At 31 December 2018	3,648,569	53,534	3,702,103

NUTMEG SAVING AND INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

10. Tangible assets

	Computer equipment £	Fixtures, fittings & equipment £	Total £
Cost			
At 31 December 2018	376,424	476,947	853,371
Additions	90,314	132,508	222,822
Disposals	(84,032)	(29,957)	(113,989)
At 31 December 2019	382,706	579,498	962,204
Depreciation			
At 31 December 2018	247,679	236,617	484,204
Charge for the year	81,886	126,782	208,668
Disposals	(81,333)	(29,957)	(111,198)
At 31 December 2019	248,232	333,442	581,675
Net book value			
At 31 December 2019	134,474	246,056	380,530
At 31 December 2018	128,745	240,330	369,167

11. Debtors

	2019 £	2018 £
Other debtors and accrued income	1,605,590	1,057,825
Taxation recoverable	1,099,151	143,562
Prepayments	795,997	977,705
	3,500,738	2,179,092

NUTMEG SAVING AND INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

12. Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	1,049,598	697,893
Accruals	1,882,700	1,127,792
Other creditors	204,652	217,270
Other tax and social security	388,146	342,219
	<u>3,525,096</u>	<u>2,385,174</u>

13. Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
2,192,387 Ordinary shares of £0.001 each	2,192	2,012
2,417,150 B preferred Ordinary shares of £0.001 each	2,417	2,637
1,341,123 Preferred Ordinary shares of £0.001 each	1,341	1,487
2,622,747 C preferred Ordinary shares of £0.001 each	2,623	2,379
4,468,083 D preferred Ordinary shares of £0.001 each	4,468	4,103
2,904,034 E preferred Ordinary shares of £0.001 each	2,904	-
900,619 E preferred non- voting Ordinary shares of £0.001 each	901	-
262,698 Non-voting shares of £0.001 each	262	279
	<u>17,108</u>	<u>12,897</u>

During 2019, the Company issued additional share capital raising £48.9 million (2018: £71,256) (gross of transaction fees) through the issue of 406,086 (2018: 187,154) ordinary shares, 2,904,034 E preferred ordinary shares (2018: Nil) and 900,619 E preferred non- voting ordinary shares (2018: Nil). All shares have a nominal value of £0.001 (2018 all £0.001). All shares in issue have equal voting rights, except for Non-voting shares (2018: same) and the 900,619 E preferred non- voting Ordinary shares. Preferred shares rank above Ordinary and Non-voting shares upon the repayment of capital. No dividends shall be paid on any share without Investor Consent as defined in the Company's articles of associations.

14. Reserves

Share based payment reserve

The cumulative share-based payment expense.

Share premium reserve

Consideration received for shares issued above their nominal value net of transaction costs.

Profit and loss account

Cumulative profit and losses net of distributions to shareholders.

NUTMEG SAVING AND INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

15. Share based payments

Equity-settled share option plan

Equity-settled share-based payments are issued to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest.

The fair value is measured by use of Black-Scholes option pricing model. The inputs into the Black-Scholes option pricing model are as follows:

	2019	2018
Weighted average share price	595p	516p
Weighted average exercise price	42p	41p
Expected volatility	27%	27%
Expected life	4 years	4 Years
Risk free rate	0.53%	0.80%
Expected dividends	Nil	Nil

Expected volatility was determined by calculating the historical volatility of the share price of similar quoted companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

The Company plan provides for a grant price equal to the average price of the Company's shares on the date of grant. The vesting period is generally four years.

	Options Number	2019 Weighted average exercise price (p)	Options Number	2018 Weighted average exercise price (p)
Granted during the year	54,000	53	602,545	47
Exercised	(406,854)	-	(187,154)	-
Lapsed	(75,411)	-	(153,293)	-
Forfeited	(1,000)	-	(500)	-
Outstanding at 31 December	1,364,023	42	1,793,288	41
Exercisable at 31 December	908,260	41	844,300	39

NUTMEG SAVING AND INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

The options outstanding at 31 December 2019 had a weighted average exercise price of 42p (2018: 41p) and a weighted average remaining contractual life of 7.9 years (2018: 8.6 years).

The weighted average fair value of options granted in the year using the Black-Scholes option pricing model was 1053p per option (2018: 890p per option).

16. Leasing commitments

At 31 December 2019 the Company was committed to making the following payments under leasing agreements:

	2019 £	2018 £
Within one year	685,014	697,799
Between two and five years	2,764,849	2,753,409
More than five years	700,153	1,396,607
	<u>4,150,016</u>	<u>4,847,815</u>

17. Related party transactions

	2019 £	2018 £
The table below outlines transactions between the Company and related parties by virtue of having a mutual director:		
Services supplied to related parties	523,031	120,247
Services supplied by related parties	75,129	69,236
	<u>598,160</u>	<u>189,483</u>

At 31 December 2019 the outstanding balance relating for services supplied to related parties was a receivable of £311,004 (2018: £1,875). There were no outstanding balances payable for services supplied by related parties at 31 December 2019 (2018: £7,759).

NUTMEG SAVING AND INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

18. Reconciliation of loss after tax to net cash used in operations

	2019 £	2018 £
Loss after tax	(21,162,491)	(18,431,626)
Adjust for:		
Depreciation of tangible assets (adjusted for disposals)	97,470	181,738
Amortisation of intangible assets	2,354,153	1,251,620
Share based payment expense	3,513,195	3,116,378
Operating cash flows before movements in working capital	<u>(15,197,673)</u>	<u>(13,881,890)</u>
Increase in trade and other debtors due within one year	(1,321,646)	(266,104)
Increase in trade and other creditors due within one year	1,139,923	1,002,757
Net cash used in operations	<u>(15,379,396)</u>	<u>(13,145,237)</u>

19. Analysis of net funds

	2018 £	Cash flow £	2019 £
Net Cash:			
Cash at bank and in hand	8,731,884	28,168,821	36,900,705
Net Funds	<u>8,731,884</u>	<u>28,168,821</u>	<u>36,900,705</u>

20. Reconciliation of net cash flow to movement in net funds

	2019 £	2018 £
Increase/(decrease) in cash in the year	28,168,821	(16,703,896)
Movement in net funds in the year	<u>28,168,821</u>	<u>(16,703,896)</u>
Opening net funds	8,731,884	25,435,780
Closing net funds	<u>36,900,705</u>	<u>8,731,884</u>

NUTMEG SAVING AND INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

21. Ultimate controlling party

There is no ultimate controlling party as no shareholder owns greater than 50% of the voting rights.

22. Pillar 3 disclosure

Under the requirements of Pillar 3, the Company is required to disclose regulatory capital information, and has done so by marking disclosure available on the Company's website at www.nutmeg.com/legal/regulatory.

23. Post Balance Sheet Events

As at the Statement of Financial Position date (31 December 2019), a limited number of cases of an unknown virus had been reported to the World Health Organization. There was no explicit evidence of human-to-human transmission at that date. Subsequent to 31 December 2019, the virus was identified as a new coronavirus (COVID-19) and there has been fast and widespread transmission through the human population.

In response to the COVID-19 virus, the UK introduced social distancing measures which resulted in the Company closing its office and moving all operations to work remotely. Having offered flexible working with many staff regularly working from home, the Company was able to uphold the highest standards of customer service, security and transparency as it continued to manage customers' investments.

As a result of the uncertainty created by the COVID-19 virus, there has been significant volatility in global financial markets and significant uncertainties are expected to remain for the medium term. As at the date of signing the accounts, the full impact of the COVID-19 virus is unknown and the consequences very difficult to project. This uncertainty will impact the environment in which the Company operates and could impact the future financial results of the Company. However, given the Company's strong cash position, the directors are confident that sufficient resources are available to the Company to enable it to deal with the current level of volatility and uncertainty.