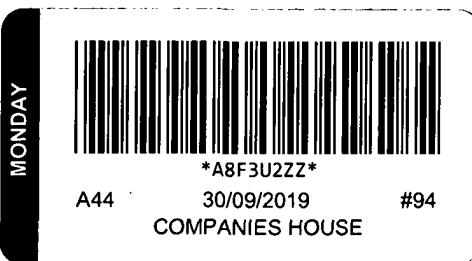


Company Registration No. 07503666 (England and Wales)

**NUTMEG SAVING AND INVESTMENT LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**



# **NUTMEG SAVING AND INVESTMENT LIMITED**

## **COMPANY INFORMATION**

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

# NUTMEG SAVING AND INVESTMENT LIMITED

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## NUTMEG SAVING AND INVESTMENT LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and financial statements for the year ended 31 December 2018.

#### 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 11. No dividend was paid or proposed (2017: £Nil).

#### Directors

The following directors have held office during the year:

Mr Craig Anderson  
Mr Johnny Chen  
Mr Stephen Clark  
Mr Martin Stead  
Mr Neil Alexander (appointed 13 June 2018)  
Mr William Reeve (appointed 21 December 2018)

The following directors also held office during the year but stepped down following the completion of the Series E fundraise 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 Meng Huang (resigned on 8 March 2019)  
Mr Nicholas Hungerford (resigned on 8 March 2019)  
Mr Shaun Port (appointed 5 July 2018 and 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.

#### Strategic Report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's 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

  
Martin Stead (CEO and Director)

Date: 25 March 2019

# NUTMEG SAVING AND INVESTMENT LIMITED

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

### Review of the business

2018 was another successful year in Nutmeg's transition from start-up to scale-up, with strong progress towards our objective to be the most trusted and fastest growing digital wealth manager in the world, and continuing to deliver on our mission to democratise wealth management and empower generations of investors.

During the year we continued to champion the customer and provide thought leadership in the growing digital wealth management category, appearing multiple times on the BBC, Sky News, Bloomberg, in the FT and other national and international media titles. We continued our positive engagement with the FCA, providing our viewpoints on the evolution of the sector and our perspectives on the challenges ahead. We also welcomed the Chancellor of Exchequer to Nutmeg headquarters and provided our perspectives on the UK savings gap and the importance of the Lifetime ISA for young people hoping to get onto the property ladder, as well as the various implications of Brexit for our customers, our employees and our business.

In 2018, we released a number of technology enhancements, while implementing changes to comply with new MIFIDII and GDPR regulations. We launched a personalised financial advice and portfolio review service to broaden access to high-quality, professional financial advice at a significantly reduced cost and to help our clients get a better picture of their overall wealth and progress toward their life goals; we became the first wealth manager in the UK to provide environmental, social and governance scores for its entire portfolio range, while launching 10 risk-based socially responsible portfolios; and we added a range of enhanced features to our web and mobile app client interfaces including time weighted returns, new payment methods, new educational prompts and the option to hold assets in 100% cash. The continued investment in the platform for the long-term benefit of new and future customers, has resulted in a loss for the year. Post year end, we successfully concluded a series E fundraising for £45m of new capital, which will further support and accelerate this investment in the business.

The Nutmeg proposition continues to appeal to a broad range of investors, attracting both first-time investors who have previously been excluded from accessing wealth management, through to experienced investors who are looking to reduce their costs without forfeiting investment quality. Nutmeg's success in opening the world of wealth management has seen it acquire a larger proportion of female investors than the industry average (35% compared to 24%).

In 2018, Nutmeg was awarded YourMoney's *Best Online Stocks and Shares ISA* for the fourth consecutive year; in ongoing recognition of providing the best solution in the market. Nutmeg was also recognised as Platform's *Best Digital Wealth Manager* and the *Best Digital Wealth Solution* in the prestigious Private Asset Managers Awards, reflecting Nutmeg's position as a genuine alternative to the old guard wealth managers.

Over the course of 2018, and in the context of a difficult year in the global markets compounded by uncertainty caused by Brexit, which impacted investor confidence across the whole industry, we increased our customer base to over 60,000 investors, we grew total assets under management (AUM) by 25% to £1.5bn, and increased revenue by 57% vs. 2017 from £4.5m to £7.2m.

Despite an increase in competition, Nutmeg remains the largest digital wealth manager in the UK<sup>1</sup> with a 47% share of the digital wealth management market, and is also one of the fastest growing

## **NUTMEG SAVING AND INVESTMENT LIMITED**

wealth managers in the UK. As is natural for an early stage business, Nutmeg continues to invest in growth as part of a long-term business plan, and this investment is reflected in the trading loss reported in the Statement of Comprehensive Income.

### **Matters of strategic importance**

Nutmeg continues to invest in product innovation, user experience, technology, customer acquisition and people in order to maintain its leadership position in digital wealth management in the UK. In 2018, in addition to a focus on its core direct-to-consumer business, Nutmeg laid the foundations for business-to-business expansion both in the UK and abroad. The company is on track with its business plan and continues to grow cost-effectively with strong unit economics, 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.

### **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 cyber attacks 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

## **NUTMEG SAVING AND INVESTMENT LIMITED**

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.

### *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. The company also acts as custodian for the stocks and cash for its customers. The credit risk associated with these assets is low as these are held with sub-custodians both of which are global businesses with high credit ratings and maintain the cash and stocks in escrow accounts.

### *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. William Reeve, Mr. Shaun Port and Mr. Neil Alexander as directors.

### **Future developments**

After the balance sheet date, the company completed a £45million fundraise investment from Goldman Sachs and Convoy. The fundraise, the largest ever by a digital wealth manager in Europe at the time, will be used to fund further product innovation and new features that expand on our award-winning digital wealth management service and to invest in people and technology to enable partnerships for accelerated expansion in the UK and beyond.

The Company executive team continues to take a long-term view and is focused on investing heavily in people and technology to build a business of scale, to deliver on the Company's mission of democratising wealth management and empowering generations of investors, and to achieve Nutmeg's objective to be the most trusted and fastest growing digital wealth manager in the world.

Martin Stead



**CEO and Director**

Date: 28 March 2019

<sup>1</sup> Boring Money, Online Investing Report, March 2019, Nutmeg is the largest digital wealth manager in the UK based on customer numbers and AUM.

<sup>2</sup> PAM Asset Management, at the end of 2017 Nutmeg was the fastest growing wealth manager by percentage increase in customers over three and five years.

## **NUTMEG SAVING AND INVESTMENT LIMITED**

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### **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). The financial statements are required by law to 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.

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;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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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 2018 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 2018 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 7, 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.



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: 29 March 2019

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 £	2017 £
Turnover	2	7,152,927	4,563,794
Operating expenses		(22,677,627)	(17,030,899)
Operating loss before equity settled share-based payments		(15,524,700)	(12,467,105)
Equity settled share-based payments	5	(3,116,378)	110,135
Operating loss		(18,641,078)	(12,356,970)
Other interest receivable and similar income	7	65,890	66,690
Loss on ordinary activities before taxation	6	(18,575,188)	(12,290,280)
Tax on loss	8	143,562	141,736
Loss for the year and total comprehensive income		(18,431,626)	(12,148,544)

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

# NUTMEG SAVING AND INVESTMENT LIMITED

Company Registration No. 07503666

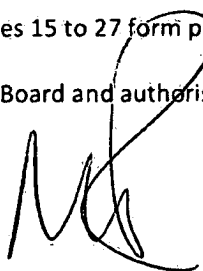
## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	£	2018 £	£	2017 £
<b>Fixed assets</b>					
Intangible assets	9		3,702,103		1,637,994
Tangible assets	10		369,167		266,717
			<u>4,071,270</u>		<u>1,904,711</u>
<b>Current assets</b>					
Debtors	11	2,179,092		1,912,988	
Cash at bank and in hand	19,20	8,731,884		25,435,780	
			<u>10,910,976</u>		<u>27,348,768</u>
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	12	(2,385,174)		(1,382,416)	
			<u>(2,385,174)</u>		<u>(1,382,416)</u>
<b>Net current assets</b>			<u>8,525,802</u>		<u>25,966,352</u>
<b>NET ASSETS</b>			<u>12,597,072</u>		<u>27,871,063</u>
<b>Capital and reserves</b>					
Called up share capital	13		12,897		12,710
Share premium account	14		69,702,999		69,661,929
Share based payment reserve	14		3,170,269		53,891
Profit and loss account	14	(60,289,093)		(41,857,467)	
<b>TOTAL EQUITY</b>			<u>12,597,072</u>		<u>27,871,063</u>

The notes on pages 15 to 27 form part of these financial statements

Approved by the Board and authorised for issue on

Neil Alexander  
Director



Date: 28 March 2019

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share Capital	Share based payment reserve	Share Premium Account	Profit and loss account	Total
	£	£	£	£	£
Balance at 1 January 2017	<b>11,386</b>	<b>164,026</b>	<b>58,206,939</b>	<b>(29,708,923)</b>	<b>28,673,428</b>
New share capital subscribed	1,324	-	11,454,990	-	11,456,314
Loss for the year and total comprehensive income	-	-	-	(12,148,544)	(12,148,544)
Share based payment charge	-	(110,135)	-	-	(110,135)
<b>Balance at 31 December 2017</b>	<b>12,710</b>	<b>53,891</b>	<b>69,661,929</b>	<b>(41,857,467)</b>	<b>27,871,063</b>
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 credit	-	3,116,378	-	-	3,116,378
<b>Balance at 31 December 2018</b>	<b>12,897</b>	<b>3,170,269</b>	<b>69,702,999</b>	<b>(60,289,093)</b>	<b>12,597,072</b>

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	£	2018 £	£	2017 £
<b>OPERATING ACTIVITIES</b>					
Net cash used in operations	18		(13,145,237)		(12,237,937)
<b>INVESTING ACTIVITIES</b>					
Purchase of intangible assets		(3,315,729)		(1,567,496)	
Purchase of tangible assets		(284,187)		(105,528)	
<b>Net cash used in investing activities</b>			<b>(3,599,916)</b>		<b>(1,673,024)</b>
<b>FINANCING ACTIVITIES</b>					
Proceeds from issuance of share capital			41,257		11,456,314
<b>(Decrease) in cash in the year</b>	19,20		<b>(16,703,896)</b>		<b>(2,454,647)</b>
Net funds at 1 January	19,20		25,435,780		27,890,427
<b>Net funds at 31 December</b>	19,20		<b>8,731,884</b>		<b>25,435,780</b>

# NUTMEG SAVING AND INVESTMENT LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 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 represents management fees, based on the actual value of assets under management calculated on a daily basis.

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#### 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.

#### 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 2018

#### 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 2018

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. Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

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 upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity, or items charged or credited directly to other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax relates to income tax levied by the same tax authorities on either:

- the same taxable entity or;
- different taxable entities which intend to settle current tax assets and liabilities on a net basis or to realise and settle them simultaneously in each future period when the significant deferred tax assets and liabilities are expected to be realised or settled.

#### **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.

## NUTMEG SAVING AND INVESTMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1.13. Going concern

The directors have prepared the financial statements on the going concern basis. The directors have carried out a detailed review of the trading position and cash flow projections for the foreseeable future and have, based on the results of this review, determined that the Company is sufficiently funded post the Series E £45million fundraise completed in March 2019.

The directors are therefore confident that sufficient financial resources will be available to enable the Company to meet the medium term cash requirements as set out in the relevant cash flow 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 2018

#### 2. Turnover

	2018 £	2017 £
Principal business activity (United Kingdom)		
Digital discretionary investment management	7,062,701	4,563,794
Other business activity		
Provision of financial advice (United Kingdom)	583	-
B2B service provision (Asia)	89,643	-
	<u>7,152,927</u>	<u>4,563,794</u>

#### 3. Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services including accrued retirement benefits	523,626	322,592
	<u>523,626</u>	<u>322,592</u>

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

Remuneration for qualifying services including accrued retirement benefits	198,070	226,582
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Three directors (2017: one director) accrued retirement benefits of £15,023 (2017: £5,700) under pension schemes which included £7,125 (2017: £5,700) for the highest paid director. No directors exercised options during the year (2017: One director exercised 62,500 share options at an option price of £0.38 per share).

#### 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 £2,973,270 (2017: £1,604,503) including employers national insurance of £149,324 (2017: £155,492) and an equity settled share-based payment charge/(credit) of £1,476,188 (2017: £(102,054)).

**NUTMEG SAVING AND INVESTMENT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**5. Employees**

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
<b>Number of employees</b>		
The average monthly number of employees (including directors) during the year was:		
Full time staff	130	88
Part time staff	5	3
	<u>135</u>	<u>91</u>
	<u><u>135</u></u>	<u><u>91</u></u>
<b>Employment costs</b>	<b>£</b>	<b>£</b>
Wages and salaries	8,908,699	5,782,040
Social security costs	994,727	645,928
Pension costs	339,656	154,106
Equity settled share-based payments	3,116,378	(110,135)
	<u>13,359,460</u>	<u>6,471,939</u>
	<u><u>13,359,460</u></u>	<u><u>6,471,939</u></u>

Included in employment costs above is £2,515,349 (2017: £1,341,674) relating to development costs, and £nil (2017: £15,015) relating to international expansion costs which have been capitalised.

**6. Loss on ordinary activities before taxation**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Loss on ordinary activities before taxation is stated after charging:		
Amortisation of intangible assets	1,251,620	413,960
Depreciation of tangible assets	181,738	137,173
Operating lease - property	567,739	471,717
Audit services:		
-statutory audit	22,500	20,500
-audit related assurance services	9,500	7,500
-taxation and compliance service	34,500	32,100
-payroll services	3,901	-

**7. Other interest receivable and similar income**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Bank interest	65,890	66,608
Escrow interest	-	82
	<u>65,890</u>	<u>66,690</u>
	<u><u>65,890</u></u>	<u><u>66,690</u></u>

## NUTMEG SAVING AND INVESTMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

#### 8. Taxation

	2018	2017
	£	£
<b>Domestic current year tax</b>		
U.K. corporation tax	-	-
Adjustment for prior periods	-	-
<b>Total current tax</b>	<u>-</u>	<u>-</u>
<b>Factors affecting the tax charge for the period</b>		
Loss on ordinary activities before taxation	(18,575,188)	(12,290,280)
Loss on ordinary activities before taxation multiplied by effective rate of UK corporation tax of 19.00% (31 December 2017 19.25%)	<u>(3,529,286)</u>	<u>(2,365,879)</u>
<b>Effects of:</b>		
- Non-deductible expenses	429,114	6,846
- Fixed asset timing differences	(5,277)	(2,097)
- Short term timing differences	49	1
- Deferred tax loss not recognised on losses	3,105,400	2,361,129
- Adjustments in respect of prior periods	<u>(143,562)</u>	<u>(141,736)</u>
<b>Current tax credit for the period</b>	<u>(143,652)</u>	<u>(141,736)</u>

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

The Company has tax losses of £57,745,811 (2017: £41,296,598) to offset against future profit.

## NUTMEG SAVING AND INVESTMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

#### 9. Intangible assets

	Development costs £	Intellectual property £	Total £
<b>Cost</b>			
At 31 December 2017	2,045,505	51,930	2,097,435
Additions	3,262,137	53,592	3,315,729
At 31 December 2018	<u>5,307,642</u>	<u>105,522</u>	<u>5,413,164</u>
<b>Amortisation</b>			
At 31 December 2017	409,602	49,839	459,441
Charge for the year	1,249,471	2,149	1,251,620
At 31 December 2018	<u>1,659,073</u>	<u>51,988</u>	<u>1,711,061</u>
<b>Net book value</b>			
At 31 December 2018	<u>3,648,569</u>	<u>53,534</u>	<u>3,702,103</u>
At 31 December 2017	<u>1,635,903</u>	<u>2,091</u>	<u>1,637,994</u>

#### 10. Tangible assets

	Computer equipment £	Fixtures, fittings & equipment £	Total £
<b>Cost</b>			
At 31 December 2017	262,759	306,425	569,184
Additions	113,665	170,524	284,189
At 31 December 2018	<u>376,424</u>	<u>476,947</u>	<u>853,373</u>
<b>Depreciation</b>			
At 31 December 2017	167,240	135,228	302,468
Charge for the year	80,439	101,389	181,738
At 31 December 2018	<u>247,679</u>	<u>236,617</u>	<u>484,296</u>
<b>Net book value</b>			
At 31 December 2018	<u>128,745</u>	<u>240,330</u>	<u>369,167</u>
At 31 December 2017	<u>95,519</u>	<u>171,197</u>	<u>266,717</u>

## NUTMEG SAVING AND INVESTMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

#### 11. Debtors

	2018	2017
	£	£
Other debtors and accrued income	1,057,825	1,178,192
Taxation recoverable	143,562	141,736
Prepayments	977,705	593,060
	<u>2,179,092</u>	<u>1,912,988</u>

#### 12. Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	697,893	391,727
Accruals	1,127,792	727,731
Other creditors	217,270	262,958
Other tax and social security	342,219	-
	<u>2,385,174</u>	<u>1,382,416</u>

#### 13. Share capital

	2018	2017
	£	£
<b>Allotted, called up and fully paid</b>		
2,012,540 Ordinary shares of £0.001 each	2,012	1,825
2,637,250 B preferred Ordinary shares of £0.001 each	2,637	2,637
1,486,829 Preferred Ordinary shares of £0.001 each	1,487	1,487
2,378,641 C preferred Ordinary shares of £0.001 each	2,379	2,379
4,102,967 D preferred Ordinary shares of £0.001 each	4,103	4,103
279,011 Non-voting shares of £0.001 each	279	279
	<u>12,897</u>	<u>12,710</u>

During 2018, the Company issued additional share capital through the issue of 187,154 (2017: 1,323,938) ordinary shares for the consideration of £71,256 (2017: £12,078,326). All shares have a nominal value of £0.001 (2017 all £0.001). All shares in issue have equal voting rights, except for Non-voting shares (2017: same).

## NUTMEG SAVING AND INVESTMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

#### 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.

#### 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:

	2018	2017
Weighted average share price	516p	25p
Weighted average exercise price	41p	39p
Expected volatility	27%	31%
Expected life	4 years	4 Years
Risk free rate	0.80%	0.54%
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.

## NUTMEG SAVING AND INVESTMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

	Options Number	2018 Weighted average exercise price (p)	Options Number	2017 Weighted average exercise price (p)
Granted during the year	602,545	47	1,828,721	38
Exercised	(187,154)	-	(183,893)	-
Lapsed	(153,293)	-	(164,914)	-
Forfeited	(500)	-	(943,359)	-
Outstanding at 31 December	<u>1,793,288</u>	<u>41</u>	<u>1,535,252</u>	<u>39</u>
Exercisable at 31 December	<u>844,300</u>	<u>39</u>	<u>566,167</u>	<u>39</u>

The options outstanding at 31 December had a weighted average exercise price of 41p (2017: 39p) and a weighted average remaining contractual life of 3 years (2017: 2 years).

The weighted average fair value of options granted in the year using the Black-Scholes option pricing model was 890p per option (2017: 25p per option).

#### 16. Financial commitments

At 31 December 2018 the Company was committed to making the following payments under rent and custodian service agreements:

	2018 £	2017 £
Within one year	1,157,603	1,154,594
Between two and five years	2,862,669	3,329,541
More than five years	1,392,311	2,083,042
	<u>5,412,583</u>	<u>6,567,177</u>

## NUTMEG SAVING AND INVESTMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

#### 17. Related party transactions

	2018	2017
	£	£
The table below outlines transactions between the Company and related parties by virtue of having a mutual director:		
Services supplied to related parties	120,247	-
Services supplied by related parties	69,236	73,132
	<u>189,483</u>	<u>73,132</u>

The outstanding balance relating to the above transactions at the year end was a credit balance of £7,759 (2017: £5,336).

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

	2018	2017
	£	£
Loss after tax	(18,431,626)	(12,148,544)
Adjust for:		
Depreciation of tangible assets	181,738	137,172
Amortisation of intangible assets	1,251,620	413,960
Share based payment credit	3,116,378	(110,135)
Operating cash flows before movements in working capital	<u>(13,881,890)</u>	<u>(11,707,547)</u>
Increase in trade and other debtors due within one year	(266,104)	(846,037)
Increase in trade and other creditors due within one year	1,002,757	315,647
Net cash used in operations	<u>(13,145,237)</u>	<u>(12,237,937)</u>

#### 19. Analysis of net funds

	2017	Cash flow	2018
	£	£	£
Net Cash:			
Cash at bank and in hand	25,435,780	(16,703,896)	8,731,884
Net Funds	<u>25,435,780</u>	<u>(16,703,896)</u>	<u>8,731,884</u>

## NUTMEG SAVING AND INVESTMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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

	2018 £	2017 £
(Decrease) in cash in the year	(16,703,896)	(2,454,647)
<b>Movement in net funds in the year</b>	<u>(16,703,896)</u>	<u>(2,454,647)</u>
Opening net funds	25,435,780	27,890,427
<b>Closing net funds</b>	<u><u>8,731,884</u></u>	<u><u>25,435,780</u></u>

#### 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](http://www.nutmeg.com/legal/regulatory).

#### 23. Post Balance Sheet Events

In March 2019 the Company completed a Series E fundraise of £45m, led by Goldman Sachs Principal Investments.

#### 24. Financial Instruments

	2018 £	2017 £
Carrying amount of financial assets:		
Debt instruments measured at amortised cost	1,057,825	1,178,192
Carrying amount of financial liabilities:		
Measured at amortised cost	<u><u>(2,385,234)</u></u>	<u><u>(1,382,416)</u></u>