Kuflink Limited

Annual Report & Financial Statements

for the year ended

30th June 2019

Kuflink

Company registration number 08460508

Authorised and regulated by the FCA, registration number 724890

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Company Information

Directors
Narinder Khattoare
Rawinder Singh Binning

Auditor
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Registered number
08460508

DIRECTORS' REPORT

The directors present their report and the financial statements of Kuflink Ltd ('the Company') for the year ended 30 June 2019.

Principal activities
The Company's principal activity during the year continued to be that of operating an electronic Peer to Peer (P2P) platform as an FCA authorised and regulated firm.

The Company works closely with its affiliated companies to achieve its objectives.

The Group consists of the parent company, Kuflink Group Plc, and 100% owned subsidiaries Kuflink Ltd, Kuflink Bridging Ltd, Kuflink Security Trustees Ltd, and other companies which are dormant. Both Kuflink Ltd and Kuflink Bridging Ltd are authorised and regulated by the Financial Conduct Authority (FCA).

Kuflink Ltd owns and manages a P2P investment platform and is authorised as an operator of an electronic lending system and to hold client money under CASS 7 rules. As an operator of a P2P platform, the entity acts as a financial intermediary; matching retail and corporate investors with borrowers in the property development sector that are seeking capital in the form of short-term bridging finance facilities. For the service of P2P platform funding, Kuflink Ltd receives an agreed income from Kuflink Bridging Ltd.

Kuflink Bridging Ltd is authorised to carry out credit broking, debt administration and collection. The loans that are originated by Kuflink Bridging Ltd are then matched to retail investors on the platform and Kuflink Bridging takes a minimum of 5% exposure which both evidences 'skin in the game' and acts as a first loss piece for any impairments on the underlying loan. Any further impairments on the lending would be borne by the retail investors.

Upon entry into an initial facility agreement, a borrower will have provided Kuflink Security Trustees Ltd, with security over land, property, another physical asset or a personal guarantee in the United Kingdom which Kuflink Bridging Ltd deems to be sufficient to accept the risk associated with the facility advanced to that borrower. Where this security is matched to retail investor, the security is held in trust by Kuflink Security Trustees Ltd. and using a novation process, part of the risk and reward earned from the underlying security is transferred to the retail investor. The Trustee, Kuflink Security Trustees Ltd, provides its services under this declaration as an unremunerated volunteer.

The Company receives revenue from Kuflink Bridging Limited as compensation for costs incurred by the Company in relation to on-going development, operation, and administration of the P2P platform. In the medium term Kuflink Bridging Limited will pay the Kuflink Ltd's fee by the funding from the Kuflink Group Plc, which raised capital of £2.9m in December 2019 and a further £0.8m was raised from existing and new shareholders between September and November 2020. In June 2020, the Group invested £1m of these proceeds in Kuflink Ltd for ordinary shares.

Contingency planning
As required by Regulations and being a responsible peer-to-peer platform, the Company also monitors its risks and has developed contingency plans for a variety of scenarios. In the event of winding down, Kuflink Ltd will cease accepting new investors or funds, cease advancing new loans or providing new funding on existing loans and suspending the secondary market.

Secondary market is a marketplace for our Kuflink Ltd investors to buy and sell their investments in Select investment deals. Select investment deals are those where investors have chosen to take specific exposures in the property market rather than be diversified over multiple loans (Auto investment product). The loan portfolio would operate as normal with loans continuing to repay interest and capital, and investors would be able to withdraw funds once these funds become available from loan repayment or recovery. We will process repayments through the client money systems, returning funds to investors' accounts on the platform (e-wallets). We will facilitate withdrawals by Investors from their platform e-wallets once repayments are credited by Kuflink Ltd to their online /e-wallets.

Kuflink will attempt to re-finance some loans on the platform to other commercial lenders, in particular Development loans where Kuflink has an ongoing commitment to the borrowers and which platform lenders are unlikely/unable to continue to fund. A decision to no longer accept new business would result in Kuflink ceasing to qualify as an ISA Manager and therefore must inform HMRC and each investor within 30 calendar days of the date Kuflink ceased to qualify, i.e. from the date the wind-down resolution was passed.

Future developments

The Company acknowledges there are challenges in the market to enable its investor base to increase, this is due to low investor confidence and the UK economy slowing down due to the impact of Covid-19. It is currently working on new product innovation (New mobile App and SIPP product) within its current offering. The directors do not envisage the current slowdown to continue for the long term.

Results and Dividends

The Company made a loss of £456k (2018 restated: £581k) for the year, and this is set out in Statement of Comprehensive Income on page 13. No ordinary dividend was paid this year (2018: nil). The directors do not recommend the payment of a final dividend.

Directors

The following persons served as directors during the year and up to the date of this report:

Narinder Khattoare	
Rawinder Singh Binning	
Sukhdev Singh Dhillon	(Resigned on 16 October 2018)
John Burden	(Resigned 3 December 2018)

Directors' responsibilities

The directors are responsible for preparing the report and 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 (UK Accounting Standards FRS102). 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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Risk management

As an operator of a P2P platform, the Company acts as agent in matching investors and borrowers. As it does not act as principal, the Company does not hold any financial assets or liabilities associated with the underlying loan or bridging facilities and, therefore, it does not have any direct exposure to the credit risk arising from borrower default.

Whilst the Company is responsible for the administration of the P2P platform, the risk of borrower default is borne by P2P lenders and Kuflink Bridging Ltd (an affiliate Company). As underlying loans are novated to the investors (part of the risk and reward earned from the underlying loan/security is transferred to the retail investor) through a peer-to-peer arrangement, other than for the Kuflink Bridging Ltd's stake of a minimum of 5%, the investors assume the risk of delays in repayments. Any capital loss will be passed on to the P2P lenders after Kuflink Bridging Ltd assuming the first loss on its 5% stake.

Given that the Company's revenue is entirely derived from Kuflink Bridging Limited, the Company's principal risks relate to the credit default and liquidity risks associated with receipt of income on a timely basis from this counterparty. Kuflink Bridging Limited is reliant on Group funding to facilitate these payments. The risk of default and the need to maintain sufficient liquidity is managed through regular review of the affiliated undertaking (Kuflink Bridging Limited) and the Group's ability to pay through future capital raise. The directors of the Group are aware of the need to support Kuflink Ltd in its growth journey. This would ensure that the Company maintains sufficient working capital to meet its FCA requirement of liquid assets and financial resources. These levels are monitored for compliance on a regular basis.

From an operational perspective, the key risk relates to the potential for non-compliance with the regulations issued by the Financial Conduct Authority that could lead to the Company being subject to a fine or a ban on trading activities. This is managed through regular review and ongoing improvements in the Company's compliance framework by senior management.

Going concern statement

Companies are required to adopt the going concern basis of accounting, except in circumstances where the Directors determine at the date of approval of the financial statements either that they intend to liquidate the entity or to cease trading, or have no realistic alternative to liquidation or cessation of operations.

The Board has assessed the appropriateness of the going concern basis of accounting when preparing the financial statements in accordance with accounting standards and guidance from the Financial Reporting Council ('FRC'). As part of that assessment, the Directors have considered whether there are any material uncertainties relating to events or conditions (other than those with a remote probability of occurring) that may cast significant doubt upon the continuing use of the going concern basis of accounting in future periods, and the associated requirements to disclose these.

A material uncertainty is one relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern and that may, therefore, indicate that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The below assessment analyses the uncertainties facing Kuflink Ltd.

In performing this assessment, the Directors have considered all available information about the future, the realistic possible outcomes of events and changes in conditions and the realistic possible responses to such events and conditions that would be available to the Directors.

These assessments are significantly more difficult currently given the uncertainties about the impact of COVID-19, the extent and duration of social distancing and other measures and their impact on the economy.

The following sub-headings detail the material issues and uncertainties that the Directors have considered in assessing the going concern assumption of the Company.

Raising Capital

An inherent risk of a growing business is that it may not be able to raise sufficient capital to meet its business plan and, at worst, to continue to operate. This risk has been exacerbated by the current COVID-19 crisis and its impact on the domestic and global economies and investor bases. The Company earns its revenue through recharging its expenses to an affiliated group company which in turn is supported by capital raises at the Group. If the Group cannot obtain further capital either from (i) its existing shareholders or (ii) from third parties, Kuflink Ltd would potentially need to cease trading.

As well as assessing the Company's capital requirements on a base case scenario, the Board has also considered the risks to the base case assessment and reviewed both upside and downside scenarios.

(i) The support of our existing investors

For the Directors of the Company to reach a view that the Company will be able to meet its capital needs it is critical that the Directors have confidence that the existing equity investors will support the business. The Board has made enquiries and assessed the likelihood of such support being forthcoming and concluded that there are a number of reasons why the Directors should place reliance on that support:

The existing shareholders of the parent Company Kuflink Group Plc have been significant investors since 2019 and since that date have invested £4.63m of equity demonstrating their commitment to the Group and its strategy.

£0.93m of this amount was invested in June 2019 by way of a debt for equity swap and a further £2.9m was invested by existing shareholders in December 2019. A further £0.8m of this amount was invested by existing shareholders as recently as September and November 2020. In June 2020, the Group invested £1m of these proceeds in Kuflink Ltd for ordinary shares.

The Directors acknowledge the risks involved in placing reliance on the undertakings for future investment. However, the Board has made enquiries of the relevant shareholders in order to assess their ability to fulfil their undertakings to the Group and is satisfied they have that ability.

(ii) Widening the investor base

Although it is unclear when investor markets will normalise, the parent Company Kuflink Group Plc believes it will be in a strong position to secure further equity investment from a wider investment base when that happens. This is as:

The financial crisis has impacted the availability of liquidity in the markets in which the Company operates and we see this as a growth opportunity.

Kuflink Group Plc does not have a large stock of loans impacted by the sudden economic downturn. This allows the Company to focus on its new lending without being distracted by back book issues. This puts the Group in a position to be able to grow its loan book when demand does increase.

Kuflink Ltd has continued with product development and have launched the mobile app, which has allowed investors to access, monitor, buy and sell their investments on the go. Kuflink investor Web Platform has been refreshed to give the investors a better informed user journey. Select invest product has been enhanced with a new "compound interest" feature. Kuflink's new SIPP and SASS products have been developed and are ready for deployment, as the key platform development work has been done to automate SIPP transfers with our SIPP provider Morgan Lloyd (part of Clifton Asset management PLC Group). Introduced the marketing tool 'HubSpot', allowing efficient marketing and financial promotions across multiple channels and enabling more complete performance monitoring. A public API is being developed to allow 3rd party platform to access our systems in partnership deals.

The Board and the CEO in particular continue to investigate further opportunities to raise equity in a targeted way and early discussions have taken place with a number of potential investors that may lead to the investment of further equity capital in the near future.

The Directors acknowledge the risks involved in placing reliance on the receipt of future equity and the future actions of the Company should additional equity not be received, and these have also been evaluated by the Directors.

Consideration of going concern arising from our capital position

As a result, the Board has concluded that, although Kuflink Group Plc has secured the promise of further equity from its existing investors, and that management has a plan to manage its capital needs by controlling new lending volumes, there remains material uncertainty regarding (i) its ability to complete the promised equity raises from existing investors and (ii) also as regards Kuflink Group's ability to source further additional equity from a widened investor base.

Specifically, future equity capital is not guaranteed, and the Company is still at risk that the required capital may not be obtained from the Group. Should future equity raises be unsuccessful the Directors will need to consider all necessary actions and the impact those actions could have on the Company's ability to continue as a going concern and on its investors and shareholders.

COVID-19

As part of its going concern review, the Directors have assessed the potential impact of a slowdown in levels of revenue and cashflow and have taken steps to absorb most of that impact on the Company's operations.

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the balance sheet. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements. As well as impacting the Company's ability to obtain further equity capital from its parent entity, as discussed above, COVID-19 has the potential to impact Kuflink in a number of ways but principally in the following areas:

<u>Operational logistics</u>

A majority of our employees are currently operating successfully from remote locations. IT and communications resources available to the Directors have ensured that all staff can continue to work effectively and keep in regular contact with colleagues and clients, and as a result disruption has been kept to a minimum. The operational resilience of Kuflink's IT systems has been tested in real time and found to be robust and reliable and the Company is confident that it can continue to operate remotely for the foreseeable future.

Business performance
We have seen an increase in borrower enquiries due to other lenders in the sector stalling on new and further advances. As at December 2020 the loan pipeline has more than £22.2m of loans ready to complete with Solicitors, a further £21m of loans are at enquiry stage of which £3.9m have been instructed for valuations and the possibility that some will turn to new originations. As we have seen reduced investment on the P2P platform, the Group has secured new loan funding in Kuflink Bridging Ltd to fund growth. Net Investment on the platform turned positive in May post the lock down phase in the UK. As the Company is still firmly in its growth stages, with no specific historical data, it is difficult to gauge the impact COVID-19 will have on trading levels. However, Kuflink Group is predicting a reduction in new business origination over its pre-COVID- 19 forecasts in 2020 and 2021. Underpinning revised forecasts are the following assumptions:

- many lenders in the market have reduced their new business origination;
- the need for new bridging facilities tends to increase during a financial crisis;
- Kuflink Bridging Ltd. continues to see increasing levels of applications for its products but the completion of these loans will be dependent on obtaining acceptable valuations and some of those may be lower than customers' expectations;
- post lockdown the market is likely to remain subdued; however, the Group expects to see continuing increased business levels as demand gradually returns.

The points above suggest that whilst we expect to see a reduction in the addressable market versus pre-COVID-19 activity levels, the Board believe that Kuflink Group should have broader access to this reduced market due to a decrease in competition. Kuflink Ltd will thus be able to aid in this growth by matching investors on the platform with borrowers seeking loans in the UK property market.

Platform investments
Kuflink sources additional funding for its lending activities from investments made by Retail and HNW (High Net Worth) individuals on its P2P platform. Investors can either choose to invest explicitly in an exposure backed by land with planning, freehold and long leasehold property, physical assets such as high value vehicles or personal guarantees (Select Invest) or choose to be diversified by investing in a pool of underlying loans backed by land with planning, freehold and long leasehold property, physical assets such as high value vehicles or personal guarantees (Auto-Invest). Management undertake a legal process to novate a portion of the beneficial interest of these loans to the investors on the platform.

We have noted a reduced appetite to lend on the platform by investors when compared to pre-COVID levels. This somewhat improved as we moved to a post lock down phase of the pandemic but remained at subdued levels. Management expects this to continue during 2021 and this reduced run rate has been incorporated into our forecasts in the near term. Cost cutting measures implemented which include staff redundancies will counteract the sluggishness in investors' willingness to invest due to COVID-19.

We have implemented managed withdrawals for Investors as described below to facilitate the management of liquidity and capital within the Group. We regularly review the level of investment made on the platform by both existing & new investors and monitor the impact of this on the Company's cashflow plans.

Consideration of going concern arising from our operational position
While the outlook for 2021 and beyond is uncertain due to the impact of COVID-19, we believe the longer-term outlook is positive for the UK property market and our business and we expect to benefit from a recovery. Our emergency pandemic plan has been implemented and working practices changed to ensure operational continuity. We have also put in place mitigation plans, removing non-critical costs from the business, and receiving government support through the furlough scheme and Bounce Back Loan Scheme (BBLS). In addition, we have implemented a 'managed' process for withdrawals from Auto Invest. As underlying loans are novated to investors through a P2P arrangement, other than for Kuflink Bridging Limited's stake of a minimum 5%, the investors assume the risk of delays in repayments. P2P arrangements for investors in Auto Invest products are generally for a fixed term of 1, 3 or 5 years, and we are repaying them on a managed basis, by delaying their withdrawal requests. As repayments come in, and new investments are received, we have been able to process withdrawals on this basis. Kuflink Group manages the liquidity and duration risk of the Auto Invest products whereas such risks are not present for investors that explicitly select their investment exposure via the platform as their duration of investment matches that of the underlying property backed loan.

In reaching the conclusion that the going concern basis is appropriate, we have stress tested future cash flow forecasts to evaluate the impact of plausible downside scenarios. These include scenarios that reflect current market conditions and updated short term property market dislocation. However, there remains a material uncertainty as regards our ability to execute our business plans, which includes individual and collective assumptions relating to new product launches, lending volumes and continued traction with platform investors.

Directors' Indemnities
Directors' and officers' insurance cover has been established for all Directors to provide a cover of up to £2m for their reasonable actions on behalf of the Company. A deed was executed indemnifying each of the Directors of the Company and/or its subsidiaries as a supplement to the Directors' and officers' insurance cover. The indemnities, which constitute a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, were in force during the 2019 financial year and remain in force for all current and past Directors of the Company.

Value added tax
Kuflink Ltd charges fees for the funds it generated through its Peer to peer platform to Kuflink Bridging Ltd (a fellow subsidiary). Kuflink Ltd does not have any other significant income from external sources. Kuflink Group's income is derived from the loans it generates and the income is deemed exempt for VAT purposes. This income is generated from Kuflink Bridging Limited (a 100% owned subsidiary). In a recent review of the structure of the Group it came to light that the inter-company fee may fall under taxable supply for VAT purposes. Kuflink sought and received an external expert's guidance and concluded that companies within the Group should have been registered for VAT. Had a VAT group registration been in place, then the VAT liability would have been insignificant. However, as this was not the case during the period, a VAT liability arose and we have estimated what that amount might be.

A provision for VAT liabilities of £372,227 and £82,227 as at 30 June 2019 and 30 June 2018 was raised with the resulting impact recorded within Turnover. The provision has been calculated based on the output VAT relevant to the inter-company charges, which is expected to be the maximum amount payable excluding any penalties or penal interest that may be imposed by HMRC. This provisional VAT liability has also not been reduced for any Input VAT claimable, as at this point in time the Company has not derived the correct input VAT amount.

HMRC can levy penalties and interest for late VAT registration, but management believe HMRC will not impose such penalties as the VAT registration application was lodged, as soon as practically possible, after the Company became aware of the situation.

HMRC have contacted the Company and confirmed Group VAT registration from 17 March 2020 and VAT liability will be insignificant from that date. The Company is calculating VAT liability due up to this date and will pay the liability outstanding in due course.

Prior Year Adjustments

During the year the Group re-assessed the way in which its chosen accounting policies were being applied in practice . The re-assessment was undertaken in comparison to prevailing Generally Accepted Accounting Practice ("GAAP") and consideration was given to how such GAAP had been evolving over time. The result of the review was that a number of accounting policies were not appropriately adhered to, and the application of other previously extant policies was amended. Given this outcome, we have restated our prior year comparatives for the year to June 2018 to reflect these revised policies and practices.

In summary, the key areas of revision as related to Kuflink Ltd was better assessing the rationale supporting the capitalisation of intangible assets, reflecting the correct accounting treatment for 'Reserve Cashback expenses' paid to platform investors and correctly recording administrative expenses in the entity in which it belonged.

More detail is provided in note 21 to the financial statements.

Strategic report

The company has taken the advantage of the exemption allowed for non-reporting of the strategic report. The Parent Company, Kuflink Group Plc has provided a detailed strategic report in its annual report.

Disclosure of information to the auditor

Each person who was a director at the time this report was approved confirms that:

- so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Following discussions between Ernst & Young LLP and the Board, Ernst & Young LLP intend to resign following the completion of their audit of these financial statements. The Board are considering their options to replace them; will finalise that process in the near future and will present a new auditor for approval at the next AGM.

This report was approved by the board on 15 February 2021 and signed by its order.

Narinder Khattoare
Director

INDEPENDENT AUDITOR'S REPORT

Qualified Opinion

We have audited the financial statements of Kuflink Ltd ("the Company") for the year ended 30 June 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 22, 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, except for the possible effects of the matters highlighted in the Basis for Qualified Opinion section of our report, the financial statements:

- give a true and fair view of the Company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of qualified opinion

Note 12 to the financial statements outlines the basis on which the Directors have provided for VAT liabilities on a 'worst case' basis for the periods ended 30 June 2019 and 30 June 2018 which are recorded within 'Creditors: amounts falling due within one year' in the Statement of Financial Position at £372,227 and £82,227, respectively, with the resulting impact recorded within 'Turnover' in the Statement of Comprehensive Income. The assumptions made by the Directors in assessing the provision are outlined in that note.

Management were unable to produce a detailed analysis to correctly reflect the accounting treatment for VAT in the financial statements for the years ended 30 June 2019 and 30 June 2018. As a result, we were unable to obtain sufficient appropriate audit evidence to determine whether any adjustments to VAT liabilities and its related turnover, were necessary. In addition, were any adjustment to the VAT liabilities or related turnover balance to be required, the directors' report would also need to be amended.

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 below. We are independent of the Company in accordance with the ethical requirements in the UK that are relevant to our audit of the financial statements, 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 qualified opinion.

Material uncertainty related to going concern

We draw attention to the Directors' Report on page 4 and Note 1 to the financial statements which outline the Directors' assessment of the Company's ability to continue as a going concern. The Company is historically loss making and its revenue streams have been further impacted by COVID-19.

As a result, there is a risk that the Company will not be able to execute its business plan, which could adversely impact its ability to generate both profits and operating free cashflow. The Directors identify that the Company will need to raise additional capital to fund its ongoing operations and to enact its growth plans. Specifically, the Board has concluded that, although Kuflink Group has secured the promise of further equity from its existing investors, and that management has a plan to manage its capital requirements by controlling new lending volumes and managing down its cost base, there remain material uncertainties regarding its ability to:

- complete the proposed equity raises from existing investors
- source further additional equity from a widened investor base
- execute its business plans, which includes individual and collective assumptions relating to new product launches, lending volumes and continued traction with platform investors.

These matters may cast significant doubt on the Company's ability to continue as a going concern and, along with other matters related to the longer-term position of the entity, are explained in the Directors' Report on page 4 and in Note 1 to the financial statements. Our opinion is not modified in respect of these matters.

We undertook the following procedures to address these issues:

- The audit engagement partner and senior manager increased their time directing and supervising the audit procedures on going concern and increased their time and involvement in performing the audit procedures on going concern.
- We confirmed our understanding of management's going concern assessment process.
- We evaluated the Company's financial forecasts for the next 12 months and future periods, as well as the most recent liquidity and capital assessments. We evaluated the appropriateness of the forecast and assessments and whether they have appropriately considered the impacts arising from COVID-19.
- We confirmed the opening position in the Kuflink Group forecast agreed to the audited balances.
- We reviewed the results of management's stress testing to assess the reasonableness of the economic assumptions used in management's forecasts.
- We evaluated management's plans for future actions in relation to its going concern assessment by inspecting Board minutes, performing a downside sensitivity analysis to determine the implications should management be unable to carry out such plans and reviewed events occurring subsequent to the balance sheet and up to the date of the auditor's report for evidence of management's intent and ability to carry out such plans.
- We also assessed the disclosures in the Annual Report & Accounts relating to going concern, including the material uncertainties, to ensure they were in compliance with FRS102.

Other information

The other information comprises the information included in the report and financial statements, 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.

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.

As described in the Basis for Qualified Opinion section of our report, we were unable to satisfy ourselves concerning the VAT liabilities of £372,227 and £82,227 as at 30 June 2019 and 30 June 2018, respectively, with the resulting impact in turnover. We have concluded that where the other information refers to VAT liabilities or related turnover balance, it may be materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

Except for the matter described in the Basis for Qualified Opinion section of our report, 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 any material misstatements in the directors' report.

Arising solely from the limitation on the scope of our work relating to VAT, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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:

- 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.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at 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.

Peter Wallace (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 15 February 2021

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2019 £	2018 (Restated) £
Turnover	2	1,452,496	938,810
Cost of sales	3	(858,648)	(745,743)
Gross profit		593,848	193,067
Administrative expenses	4	(1,049,369)	(1,061,087)
Operating loss	5	(455,521)	(868,020)
Loss on ordinary activities before taxation		(455,521)	(868,020)
Tax credit on loss on ordinary activities	8	-	287,197
Loss for the financial year		(455,521)	(580,823)

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

The notes to the accounts on pages 17 to 32 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes		2019		2018 (Restated)
			£		£
Non current assets					
Intangible assets	9		841,743		805,975
Tangible fixed assets	10		141,520		119,150
			983,263		925,125
Current assets					
Debtors	11	455,830		342,001	
Cash at bank and in hand		152,339		153,803	
		608,169		495,804	
Creditors: amounts falling due within one year	12	(849,949)		(223,925)	
Net current (liabilities)/assets			(241,780)		271,879
Total assets less current liabilities			741,483		1,197,004
Net assets			741,483		1,197,004
Capital and reserves					
Called up share capital	14		3,225,100		3,225,100
Profit and loss account	15		(2,483,617)		(2,028,096)
Total shareholder's funds			741,483		1,197,004

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 15 February 2021 by

Narinder Khattoare
Director

The notes to the accounts on pages 17 to 32 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital £	Profit and loss account (Restated) £	Total (Restated) £
At 1 July 2017	125,100	(1,447,273)	(1,322,173)
Total comprehensive loss for the financial year	-	(580,823)	(580,823)
Shares issued	3,100,000	-	3,100,000
At 30 June 2018	3,225,100	(2,028,096)	1,197,004
At 1 July 2018	3,225,100	(2,028,096)	1,197,004
Total comprehensive loss for the financial year	-	(455,521)	(455,521)
At 30 June 2019	3,225,100	(2,483,617)	741,483

The notes to the accounts on pages 17 to 32 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

	Notes	2019	2018 (Restated)
		£	£
Operating activities			
Operating Loss for the financial year		(455,521)	(868,020)
Adjustments for:			
Interest receivable		-	(25)
Depreciation		39,415	31,742
Amortisation of intangible assets		223,585	61,919
(Increase)/decrease in debtors		(207,173)	100,345
Increase/(decrease) in creditors		626,024	(1,822,957)
		226,330	(2,496,996)
Corporation tax credit received		93,344	-
Cash generated by/(used in) operating activities		319,674	(2,496,996)
Investing activities			
Internal generation of intangible assets		(259,353)	(620,214)
Payments to acquire tangible fixed assets		(61,785)	(3,354)
Cash used in investing activities		(321,138)	(623,568)
Financing activities			
Proceeds from the issue of shares		-	3,100,000
Cash generated by financing activities		-	3,100,000
Net cash used			
Cash generated by/(used in) operating activities		319,674	(2,496,996)
Cash used in investing activities		(321,138)	(623,568)
Cash generated by financing activities		-	3,100,000
Net cash used		(1,464)	(20,564)
Cash and cash equivalents at 1 July		153,803	174,367
Cash and cash equivalents at 30 June		152,339	153,803
Cash and cash equivalents comprise:			
Cash at bank		152,339	153,803

The notes to the accounts on pages 17 to 32 form an integral part of the financial statements.

NOTES TO THE ACCOUNTS

1 Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared on the going concern basis and under the historical cost convention in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') and the Companies Act 2006.

Going concern

The Directors performed an assessment of the Company's current financial position and future forecasts and concluded that preparing these financial statements under the going concern basis remains appropriate. In performing this assessment, the Directors considered all available information about the future, the realistically possible outcomes of events and changes in conditions and the realistically possible responses to such events and conditions that would be available to them. Specifically, even though COVID- 19 is having an impact on our business, we believe the medium to longer-term outlook is positive for the UK property market and we are well positioned to benefit from that recovery. Our emergency pandemic plan has been implemented and working practices changed to ensure operational continuity. We have also put in place mitigation plans, removing non-critical costs from the business, and receiving government support through the furlough scheme and BBLS funding. In addition, we have implemented a 'managed' process for withdrawals from Auto Invest products. As underlying loans are novated to the investors through a P2P arrangement, the investors assume the risk of delays in repayments that are in excess of Kuflink Bridging Ltd's stake of a minimum of 5%. P2P arrangements for investors in Auto Invest products are generally for a fixed term of 1, 3 or 5 years, and we are paying them on a managed basis, by delaying their withdrawal requests. As repayments come in, and new investments are received, we have been able to process withdrawals on that basis. Kuflink manages the liquidity and duration risk of the pooled investments whereas these are not present for investors that explicitly select their investment exposure via the platform.

In reaching the conclusion that the going concern basis is appropriate, we have stress tested future cash flow forecasts to evaluate the impact of plausible downside scenarios. These include scenarios that reflect current market conditions and a short-term property market dislocation. Additionally, we have run scenarios with slower growth and profitability assumptions to assess our funding requirements. Under all plausible scenarios, the Directors concluded that the Company retains sufficient liquidity and that the going concern basis remains appropriate, albeit with material uncertainties as explained below.

The Company is historically loss making and its revenue streams have been further impacted by COVID-19. As a result, there is a risk that the Company will not be able to execute its business plan, which could adversely impact its ability to generate both profits and operating free cashflow. The Directors of Kuflink Group Plc and the company identify that the Group will need to raise additional capital to fund its ongoing operations and raised £3.7m of new equity capital post year end. In June 2020, the Group invested £1m of these proceeds in Kuflink Ltd for ordinary shares. Although Kuflink Group has secured additional funding of £3.7m, management have implemented a cost cutting program to reduce its cost base post year end. Cost cutting plan have been now executed which made significant cost saving in employment and marketing cost. Despite these measures the directors have concluded that there remain material uncertainties regarding its ability to:

- complete the proposed equity raises from existing investors
- source further additional equity from a widened investor base
- execute its business plans, which includes individual and collective assumptions relating to new product launches, maintaining current lending volumes and continued traction with platform investors.

These matters cast significant doubt upon the Company's ability to continue as a going concern and, along with other matters related to the longer-term position of the Company, are explained in the Directors' Report on page 4.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, in accordance with Financial Reporting Standard 102.

Administrative expenses

Expenses incurred are recognised on an accrual basis.

Intangible assets

Intangible assets are measured at cost less accumulative amortisation and any accumulative impairment losses.

An internally generated asset arising from the Company's development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new systems);
- it is probable that the asset created will generate future economic benefits; and
- the development costs of the asset can be measured reliably.

The Company is developing its own internally generated platform and software to manage its operations and to create a platform that will give investors a differentiated customer experience. Costs in relation to these system developments are capitalised as incurred. These intangible assets are amortised on a straight-line basis over their expected useful lives starting from the point at which the asset has been completed and is being utilised by the Company.

Intangible assets	over 4 years - straight line basis

Tangible fixed assets

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

Leasehold and improvements	over 5 years - straight line basis
Fixtures, fittings, and equipment	over 4 years - straight line basis

Debtors

Debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts.

Creditors

Creditors are initially measured at fair value, which approximates to the amount expected to be required to settle the obligations of the Company and subsequently measured at amortised cost.

Cash at bank and in hand

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Foreign currency translation

The Company's functional and presentation currency is Pounds Sterling.

Transactions in foreign currencies are initially recognised at the rate of exchange ruling at the date of the transaction.

At the end of each reporting period foreign currency monetary items are translated at the closing rate of exchange. Non-monetary items that are measured at historical cost are translated at the rate ruling at the date of the transaction. All differences are charged to the Statement of Comprehensive Income.

Taxation

A current tax liability is recognised for the tax payable on the taxable profit of the current and past periods. A current tax asset is recognised in respect of a tax loss that can be carried forward to recover tax paid in a previous period. Deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in tax assessments. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference. Current and deferred tax assets and liabilities are not discounted.

In a recent review of the structure of the Group it has come to light that the inter-company fee may fall under taxable supply for VAT purposes. Kuflink has sought and received external expert’s assessments and concluded that companies should have been registered for VAT. Should a VAT group registration been in place, the VAT liability would have been insignificant. As there is no such set-up was in place at the balance sheet date, a ‘worst-case’ VAT liability provision has been estimated. The provision is calculated based on the output VAT on the inter-company charges, which is expected to be the maximum amount payable ex any penalties or penal interest that may be imposed by HMRC.

Provisions

Provisions are recognised when there is an obligation at the reporting date as a result of a past event, it is probable that economic benefit will be transferred to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Judgements in applying accounting policies and key sources of estimation uncertainty

In applying the Company’s accounting policies, the Directors may be required to make judgements and estimates that could impact the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year.

i) Provisions

Provisions established by the Company are based on management's assessment of relevant information and advice available at the time of preparing the financial statements. Outcomes are uncertain and dependent on future events. Where outcomes differ from management's expectations, differences from the amount provided will impact profit or loss in the period the outcome is determined.

ii) Impairment of assets held at cost

The Company assesses, at each balance sheet date, whether there is objective evidence that an asset is impaired. A financial asset is considered impaired if there is objective evidence of impairment as a result of one or more loss events and that loss event has had an impact on the estimated future cash flows of the financial asset. The estimation of future cash flows requires management to make judgements and assumptions which impact the recoverable amount of the asset being assessed.

iii) Impairment of intangible assets

Management exercises judgment in determining whether an impairment loss should be recognised when the carrying amount of intangible assets is less than the recoverable amount. Judgement is required to identify the cash generating units (CGU) where the asset does not generate cash inflows that are largely independent of those assets or other groups of assets. This is particularly relevant where additional functionality or modules are built on to the platform for which individual future economic benefit cannot be quantified. These are thus grouped to the largest CGU to which management can reliably assign future economic benefit.

iv) Tax

Deferred tax assets and liabilities can be recognised when the carrying amount of an asset or liability in the statement of financial position differs from its tax base. Deferred tax assets are recognised when in the opinion of management, it is probable that taxable profits will be available against which the differences can be utilised. Deferred tax assets are recognised in subsidiaries with a history of trading losses only where management have prepared and assessed forecasts of taxable profit which indicate full recovery in the foreseeable future with a high level of confidence.

v) Value Added Tax

Kuflink Ltd charges fees for the funds it generated through its Peer to peer platform to Kuflink Bridging Ltd (a fellow subsidiary). Kuflink Ltd does not have any other significant income from external sources. Kuflink Group's income is derived from the loans it generates and the income is deemed exempt for VAT purposes. This income is generated from Kuflink Bridging Limited (a 100% owned subsidiary). In a recent review of the structure of the Group it has come to light that the inter-company fee may fall under taxable supply for VAT purposes. Kuflink has sought and received external expert's assessments and concluded that companies should have been registered for VAT. Should a VAT group registration been in place, the VAT liability would have been insignificant. As there is no such set-up was in place at the balance sheet date, judgement was used to estimate a 'worst case' VAT liability provision. The provision is calculated based on the output VAT on the inter-company charges, which is expected to be the maximum amount payable ex any penalties or penal interest that may be imposed by HMRC. This provisional VAT liability is not reduced for any Input VAT claimable, as at this point in time the Group have not derived the correct input VAT amount. HMRC can charge penalty and interest for late VAT registration, but the management believe the HMRC will not impose such penalties as the VAT registration application was lodged, as soon as it was practically possible, after Kuflink became aware of the situation. No contingent liability was recognised in this regard, given it could not be reliably measured or probable.

2 Analysis of turnover

	2019 £	2018 (Restated) £
Platform fees	1,450,000	937,773
Other Income	2,496	1,037
	1,452,496	938,810

All turnover arises from services provided in the United Kingdom in respect of the Company's principal activity.

Platform fees are paid to Kuflink Ltd by Kuflink Bridging Ltd (an affiliate Company) for the development and maintenance of the P2P platform, as well as for investor promotion. The increased activity on both development and investor promotion in the year led to higher cost.

3 Cost of sales

	2019 £	2018 (Restated) £
Investor promotion	454,218	400,895
Cashback	404,430	344,848
	858,648	745,743

Investor promotion includes advertising and direct marketing expenditures. Cashbacks represent the cost of promotional incentives offered to investors.

4 Administrative expenses

	2019 £	2018 (Restated) £
Employee costs	380,857	329,594
General administrative expenses	668,512	731,493
	1,049,369	1,061,087

5 Operating loss

	2019 £	2018 (Restated) £
The operating loss of the Company is stated after charging:		
Depreciation of fixed assets	39,415	31,742
Amortisation of intangibles	223,585	61,919
Operating lease rentals - land and buildings	48,000	48,000
Auditor's remuneration for audit services (including VAT)	66,410	34,000

The auditor did not receive any remuneration in respect of non-audit services provided to the Company during the year (nil in 2018).

6	Directors' emoluments	2019	2018
		£	£
	Emoluments	49,346	26,400
	Bonus	145	83
	Company contributions to defined contribution pension plans	-	-
		49,491	26,483

No emolument was paid to one other director by the Company during the year. The remuneration for this director is borne by an affiliated undertaking. The services that this director has performed on behalf of the Company is considered to be a small in proportion to his other responsibilities in Kuflink Bridging Limited. As a result, it is not considered possible to allocate a proportion of this director's overall remuneration to the Company. Director’s emoluments were borne by an associated entity.

7	Staff costs	2019	2018 (Restated)
		£	£
	Wages and salaries	303,789	287,506
	Social security costs	45,709	3,399
	Other pension costs	6,066	334
	Other employee costs	25,293	38,355
		380,857	329,594

	Average number of employees during the year	**Number**	**Number**
	Administration	3	7
	Development	3	1
	Marketing	4	3
		10	11

8	Taxation	2019	2018 (Restated)
		£	£
	Analysis of charge in period		
	Current tax:		
	Corporation tax credit for the current year	-	(189,672)
	Adjustments in respect of previous periods	-	(97,525)
		-	(287,197)
	Deferred tax:		
	Origination and reversal of timing differences	-	-
	Tax credit on loss on ordinary activities	-	(287,197)

	2019	2018 (Restated)
	£	£
Loss on ordinary activities before tax	(455,521)	(868,020)

Standard rate of corporation tax in the UK	19%	19%
	£	£
Loss on ordinary activities multiplied by the standard rate of corporation tax	(86,549)	(164,924)
Effects of:		
Expenses not deductible for tax purposes	55,100	15,623
Non-qualifying depreciation	43,531	15,960
R&D tax credit claim		(142,121)
Unused trading losses to carry forward	-	85,790
Trading losses brought forward and used against profits	(12,082)	-
Adjustments to tax credit in respect of previous periods	-	(97,525)
Total tax credit for period	-	(287,197)

Company has tax losses arising in the UK of £338,425 (2018: £396,815) against which a Deferred tax asset has not been recognised. These losses are available indefinitely for offset against future taxable profits of the company. However, as the Company cannot accurately forecast the quantum and timing of the future taxable profit, a Deferred tax asset has not been recognised in respect of these losses. In addition, there are other gross short term timing differences of £372,227 (2018: £82,227) in respect of which a deferred tax asset has not been recognised. As per note 13, a deferred tax asset has been recognised on taxable losses to the extent that these can offset deferred tax liabilities.

Capital allowances in excess of depreciation above include amortisation on intangibles of £203,479 in respect of which a further R&D claim may arise in the current period.

The UK government enacted the Finance (No.2) Act 2015, which received royal assent on 18 November 2015, to reduce the standard rate of UK corporation tax to 19% from 1 April 2017 and further to 18% from 1 April 2020. In the 2016 Finance Bill, the UK Government announced a further reduction in the rate of corporation tax to 17% from 1 April 2020. Since the balance sheet date the rate reduction to 17% has been reversed, and it will remain at 19%.

Kuflink Group has identified that it should have registered for VAT from 1 September 2017 and made an application with HMRC – for more information please refer to Note 12 for the impact of this on the Company.

9 Intangible assets

	£
Cost	
At 1 July 2018 (Restated)	867,894
Additions	259,353
At 30 June 2019	1,127,247
Amortisation	
At 1 July 2018 (Restated)	61,919
Written off during the year	223,585
At 30 June 2019	285,504
Carrying amount	
At 30 June 2019	841,743
At 30 June 2018 (Restated)	805,975

10 Tangible fixed assets

	Leasehold improvements	Fixtures, fittings, and equipment	Total
	£	£	£
Cost			
At 1 July 2018	176,300	3,354	179,654
Additions	48,000	13,785	61,785
At 30 June 2019	224,300	17,139	241,439
Depreciation			
At 1 July 2018	60,155	349	60,504
Charge for the year	36,860	2,555	39,415
At 30 June 2019	97,015	2,904	99,919
Carrying amount			
At 30 June 2019	127,285	14,235	141,520
At 30 June 2018	116,145	3,005	119,150

11 Debtors

	2019	2018 (Restated)
	£	£
Amounts owed by group undertakings	225,696	36,597
Tax Recoverable	193,878	287,222
Prepayments	36,256	18,182
	455,830	342,001

12 Creditors: amounts falling due within one year

	2019	2018 (Restated)
	£	£
Trade creditors	190,605	51,252
Amounts owed to group undertakings	97,706	35,020
Other taxes and social security costs	15,271	11,013
Other creditors	372,227	82,227
Accruals and deferred income	174,140	44,413
	849,949	223,925

Other Creditors include a 'worst-case' provision for possible VAT liability of £372,227 (2018: £82,227). On a recent review the Company identified that it should have been registered for VAT from 1 September 2017, and made an application with HMRC. Provision is calculated based on the potential output VAT payable in respect of platform fees charged by Kuflink Ltd to Kuflink Bridging Limited. Prior year figures were restated accordingly as disclosed in Note 21. Even though input VAT can be claimed, these are not included in the calculation, as detail of input VAT is not available at this moment. HMRC confirmed the Group VAT registration with effective date from 17 March 2020. Due to late registration for VAT, HMRC could impose penalty and interest, but no provision is made for these, due to uncertainty at this point, and that significant further liability is not expected to arise.

13 Deferred taxation

	2019 £	2018 (Restated) £
Accelerated capital allowances	9,690	10,678
Tax losses carried forward	(9,690)	(10,678)
	-	-

	2019 £	2018 £
At 1 July	-	-
Charged to other comprehensive income	-	-
At 30 June	-	-

14 Share capital

	Nominal value	2019 Number	2019 £	2018 £
Allotted, called up and fully paid:				
Ordinary shares	£1 each	3,225,100	3,225,100	3,225,100

15 Profit and loss account

	2019 £	2018 (Restated) £
At 1 July	(2,028,096)	(1,447,273)
Loss for the financial year	(455,521)	(580,823)
At 30 June	(2,483,617)	(2,028,096)

16 Related party transactions

During the year, Company has traded with suppliers who are controlled by Directors of the Group amounting to £77,959 (2018: £13,384).

Directors or related parties had an investment amounting to £902 (2018: £443) in the Kuflink P2P platform. The terms and conditions for these investments are the same for any other investors in the platform.

The Company has taken the advantage of the exemption allowed by FRS102, "Related party disclosures", not to disclose any transaction with members of the group of Kuflink Group Plc where 100% of the voting rights of those companies are controlled within that group.

17 Controlling party

Kuflink Ltd is 100% owned by Kuflink Group Plc. The registered address of the parent Company is 21 West Street, Gravesend, Kent, DA11 0BF. Consolidated accounts that include the results and financial position of the Company are prepared by Kuflink Group Plc and are available from the registered address.

18 Functional and presentation currency

The functional and presentational currency of the Company is Sterling.

19 Legal form of entity and country of incorporation

Kuflink Ltd is a private Company limited by shares and incorporated in England.

20 Principal place of business

The address of the Company's principal place of business and registered office is: 21 West Street
Gravesend Kent
DA11 0BF

21 Amendment of prior year figures.

During the year the Group re-assessed the way in which its chosen accounting policies were being applied in practice. The re-assessment was undertaken in comparison to prevailing Generally Accepted Accounting Practice ("GAAP") and consideration was given to how such GAAP had been evolving over time. The result of the review was that a number of accounting policies were not appropriately adhered to, and the application of other previously extant policies was amended. Given this outcome, we have restated our prior year comparatives for the year to June 2018 to reflect these revised policies and practices.

In summary, the key areas of revision as related to Kuflink Ltd was better assessing the rationale supporting the capitalisation of intangible assets, reflecting the correct accounting treatment for 'Reserve Cashback expenses' paid to platform investors and correctly recording administrative expenses in the entity in which it belonged.

The detailed adjustments to the previously reported prior year financial balances are analysed in the following tables and described thereafter.

Statement of Comprehensive Income

	2018	Intangible	Administrative expenses	Reserve Cashback	Reclassification	Tax	**2018 (Restated)**
	£	**£**	**£**	**£**	**£**	**£**	**£**
Turnover	1,020,000	-	-	-	1,012	(82,202)	938,810
Cost of sales	(494,069)	(344,848)	-	9,294	83,880	-	(745,743)
Gross profit	525,931	(344,848)	-	9,294	84,892	(82,202)	193,067
Administrative expenses	(863,793)	(453,100)	339,686	-	(83,880)	-	(1,061,087)
Operating loss	(337,862)	(797,948)	339,686	9,294	1,012	(82,202)	(868,020)
Interest receivable	1,012		-	-	(1,012)	-	-
Loss on ordinary activities before taxation	(336,850)	(797,948)	339,686	9,294	-	(82,202)	(868,020)
Tax on loss on ordinary activities	93,545		-	-	-	193,652	287,197

Loss for the financial year	(243,305)	(797,948)	339,686	9,294	-	111,450	(580,823)

Statement of Financial Position

	2018	Intangible	Administrative expenses	Reserve Cashback	Reclassification	Tax	**2018 (Restated)**
	£	**£**	**£**	**£**	**£**	**£**	**£**
Non-current assets							
Intangible assets	1,641,638	(835,663)	-	-	-	-	805,975
Tangible fixed assets	119,150	-	-	-	-	-	119,150
	1,760,788	(835,663)	-	-	-	-	925,125
Current assets							
Debtors	148,324	-	-	-	-	193,677	342,001
Cash at bank and in hand	153,803	-	-	-	-	-	153,803
	302,127	-	-	-	-	193,677	495,804
Creditors: amounts falling due within one year	(106,678)	(384,000)	339,686	9,294	-	(82,227)	(223,925)
Net current assets	195,449	(384,000)	339,686	9,294	-	111,450	271,879
Total assets less current liabilities	1,956,237	(1,219,663)	339,686	9,294	-	111,450	1,197,004
Creditors: amounts falling due after more than one year	-	-	-	-	-	-	-
Deferred taxation	-	-	-	-	-	-	-
Net assets	1,956,237	(1,219,663)	339,686	9,294	-	111,450	1,197,004
Capital and reserves							
Called up share capital	3,225,100	-	-	-	-	-	3,225,100
Profit and loss account	(1,268,863)	(1,219,663)	339,686	9,294	-	111,450	(2,028,096)
Total shareholder's funds	1,956,237	(1,219,663)	339,686	9,294	-	111,450	1,197,004

Statement of Cash Flows

The adjustments made to restate the Cash Flow Statement are detailed below:

	2018 £	Reclassification	Intangible	Administrative expenses	Reserve Cashback	Tax	2018 (Restated) £
Operating activities							
Operating Loss for the financial year	(337,862)	1,012	(797,948)	339,686	9,294	(82,202)	(868,020)
Adjustments for:							
Interest receivable	-					(25)	(25)
Depreciation	31,742						31,742
Amortisation of intangible assets	176,348		(114,429)				61,919
(Increase)/decrease in debtors	100,345						100,345
Increase/(decrease) in creditors	(1,976,204)		420,000	(339,686)	(9,294)	82,227	(1,822,957)
	(2,005,631)	1,012	(492,377)	-	-	-	(2,496,996)
Interest received	1,012	(1,012)					-
Cash generated by/(used in) operating activities	**(2,004,619)**	**-**	**(492,377)**	**-**	**-**	**-**	**(2,496,996)**
Investing activities							
Internal generation of intangible assets	(1,112,591)		492,377				(620,214)
Payments to acquire tangible fixed assets	(3,354)						(3,354)
Cash used in investing activities	**(1,115,945)**	**-**	**492,377**	**-**	**-**	**-**	**(623,568)**
Financing activities							
Proceeds from the issue of shares	3,100,000						3,100,000
Cash generated by financing activities	**3,100,000**	**-**	**-**	**-**	**-**	**-**	**3,100,000**

Net cash (used)/generated							
Cash generated by/(used in) operating activities	(2,004,619)	-	(492,377)	-	-	-	(2,496,996)
Cash used in investing activities	(1,115,945)	-	492,377	-	-	-	(623,568)
Cash generated by financing activities	3,100,000	-	-	-	-	-	3,100,000
Net cash (used)/generated	(20,564)	-	-	-	-	-	(20,564)
Cash and cash equivalents at 1 July	**174,367**	**-**	**-**	**-**	**-**	**-**	**174,367**
Cash and cash equivalents at 30 June	**153,803**						**153,803**
Cash and cash equivalents comprise:							
Cash at bank	153,803						153,803

Restatements made:

a) Intangible
Management review of intangible assets in 2019 led to certain previously capitalised intangibles that did not meet the capitalisation criteria to be written off in 2018 to administration expenses amounting to £453,100 (net of £114k of depreciation reversal that was incorrect). Additionally, intangibles amounting to £421,715 related to 2017 capitalised balances which did not meet the capitalisation criteria was adjusted in the opening equity of Kuflink Ltd.

The cost of Cashback incentives amounting to £344,838 were previously capitalised as intangible assets which was not in line with FRS 102. These have now been expensed as Cost of sales in Kuflink Ltd and they are recharged to Kuflink Bridging Ltd where they are subsequently capitalised as Deferred cash back and amortised over a 4 year period.

£420,000 of intangibles were incorrectly capitalised in 2018 in Kuflink Bridging Ltd. and have been moved to the right entity Kuflink Ltd via intercompany balances. Similarly, £36,000 of intangibles that related to 2017 were incorrectly capitalised in Kuflink Ltd and have been moved to the right entity Kuflink Bridging Limited via intercompany balances and subsequently written off in its opening equity.

b) Administrative expenses
£339,686 worth of administrative expenses were transferred to the Kuflink Bridging Ltd. via intercompany balances as they were booked in the wrong entity. Creditors movement is due to this £339,686, above mentioned intangible assets of £384,000 and below mentioned reserve cashback of £9,294 recharges between Kuflink Ltd and Kuflink Bridging Ltd.

c) Reserve Cashback
Reserve deal interest cashback of £9,294 was shown in Kuflink Ltd previously, now transferred in Kuflink Bridging Ltd together with other investor interest as in line with the correct implementation of the accounting policy for the recognition of loans and liabilities and the Effective Interest Rate accounting for interest income, expenses and fees.

d) Reclassification
Turnover has been restated by £1,012 as the interest income was reclassified and included within turnover. General promotional cost and IT of £83,880 was shown as Cost of sales have now been reclassified as Administrative expenses, as they did not meet the criteria of Cost of sales. The overall impact of the reclassification to the loss in the year is nil except for immaterial rounding adjustments

e) Tax
On a recent review the Company identified, that it should have been registered for VAT from 1 September 2017, and made an application with HMRC. Provision is calculated based on the potential output VAT £82,227 payable. Even though input VAT can be claimed, these are not included in the calculation, as detail of input VAT is not available at this moment.

Corporation tax was restated for R&D tax credit claimed amounting to £193,677 including £25 interest receivable on the claim. R&D tax credit claim for 2018 was not completed in time when 2018 accounts was finalised and hence not recognised previously. The tax impact for all the above adjustment was effected by adjusting the unrecognised tax losses carried forward. Deferred tax re calculated for all the restated amounts. Debtors movement is for the above tax receivable amount.

f) Restatement of Cashflows
The cash flow for 2018 was restated for the impact of the above adjustments for Intangibles, administrative expense, tax and cashback on the Profit before tax and creditor balances.

g) Statement of Changes in Equity
The overall impact of these adjustments was £759k of which £422k was adjusted in the FY17 P&L reserves and £338k was adjusted in the FY18 P&L reserves as depicted in the Statement of Changes in Equity.

22 Post balance sheet events

Pandemic

Subsequent to the balance sheet date, there has been a sharp deterioration in the economic outlook in the UK as a consequence of the COVID-19 pandemic and measures taken by the government to control the spread of the virus. A significant reduction in UK economic output is now expected over an uncertain period with large rises in unemployment as a result of business closures and knock on supply chain impacts. As more fully explained within the Directors' Report on page 4, as a result of the pandemic the Company is expected to be impacted in the year ahead by a reduction in its originally projected levels of income.

Management continues to consider the pandemic's potential economic impact to the Company. The majority of our employees are currently operating successfully from remote locations. IT and communications resources available to the Directors have ensured that all staff can continue to work effectively and keep in regular contact with colleagues and clients, and as a result disruption has been kept to a minimum.

However, as part of our going concern review, the Directors have assessed the potential impact of a prolonged slowdown on levels of revenue and cashflow and have taken steps to absorb most of the impact on the profitability. Steps taken include:

- Senior management voluntary pay cuts
- Utilised Covid-19 furlough scheme and low interest Government backed loans.
- Secured additional securities to improve loan collateralisation levels.
- Reduction of cost by way of redundancies, savings on marketing spend and licenses, by negotiating discounts and outsourcing to overseas partners at significantly reduced cost.
- Kuflink mobile app and compound interest features introduced to P2P investors, to boost the investments and liquidity.
- Secured new loan funding in Kuflink Bridging.
- Strategy change from high growth to higher profitability and liquidity.
- Introduced payment holidays on investments to match the payment holidays introduced to borrowers.

Management do not see the pandemic's economic impact on its own as a material uncertainty in relation to going concern, but they do believe these circumstances contribute to the material uncertainties as discussed on page 4 of the Director's Report and Note 1. This is a non-adjusting post balance sheet event.

The Directors' actions post year end to reduce the cost base are deemed to be non- adjusting post balance sheet events.

Capital Raise

The Group raised £2.9m of additional equity capital from current shareholders in December 2019. A further £0.8m of equity was raised from existing and new shareholders as recently as in the period September and November 2020. In June 2020, the Group invested £1m of these proceeds in Kuflink Ltd for ordinary shares.

Staff Redundancies:

Due to current economic conditions as a result of Covid-19, Kuflink has made several positions redundant post year end to streamline its business costs whilst ensuring it can continue to operate effectively.

Connecting people to financial freedom.

Kuflink

Company registration number 08460508

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