Registered number
07889226

Kuflink Bridging Limited

Annual Report and Financial Statements

For the year ended 30 June 2020

Kuflink Bridging Limited
Report and accounts
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Kuflink Bridging Limited
Company Information

Directors
Tejwant Singh Chattha
Nattalie Jane Weeks

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Registered number
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Kuflink Bridging Limited
Strategic Report

Kuflink Bridging Ltd is pleased to present its strategic report for the year ended 30th June 2020.

Results and Dividends
The Company made a loss before tax of £213k (2019: £2.042m). No dividends were paid (2019: Nil) to the Company's parent Company Kuflink Group Plc during the year. The Company raised share capital in June 2020 by £2.5m, which was funded by the Kuflink Group Plc's share raise.

Principal Activities
In line with Kuflink Group's purpose of Connecting People to Financial Freedom, the principal activity of Kuflink Bridging Ltd continued to be that of providing short term bridge financing facilities to property entrepreneurs in the UK.

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 FCA.

Kuflink Ltd owns and manages the peer-to-peer (P2P) lending 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 individual lenders with borrowers in the property lending sector that are seeking capital in the form of short-term bridging finance facilities, conducted in accordance with the framework in Article 36H of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001. Corporate lenders enter into a corporate lender agreement on the platform. 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 P2P lenders on the platform and Kuflink Bridging takes up to 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 P2P lenders.

Upon entry into an initial facility agreement, a borrower will have provided Kuflink Bridging Ltd with security over a property 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 a retail, a high net worth individual or corporate lender, the security is held in trust by Kuflink Security Trustees Ltd. By using the novation process, part of the risk and reward earned from the underlying security is transferred to the lender. The Trustee, Kuflink Security Trustees Ltd, provides its services under a trust declaration as an unremunerated volunteer.

Contingency Planning
As required by Regulations and being a responsible peer-to-peer platform, the Group monitors its risks and has developed contingency plans for a variety of scenarios. In the event of a voluntary winding down, Kuflink Ltd will cease accepting new P2P lenders or funds, cease advancing new loans or providing new funding on existing loans and suspend the secondary market (that allows P2P lenders to buy and sell their Kuflink loans). These and other developments are discussed in the Strategic report under 'New Markets and Products'.

The loan portfolio would operate as normal with loans continuing to pay interest and repay capital, and P2P lenders would be able to withdraw funds once these funds became available. We would process repayments through the client money systems, returning funds to lenders' accounts on the platform. We would also facilitate withdrawals by lenders from the platform once repayments are credited to their online account/wallets

If P2P lenders hold money in a wallet in a personal name, this will continue to be held in a segregated Client Money Account so it can be returned to them even if the wind down process was activated. The security provided by our borrowers is not held directly by the platform but by a separate company called Kuflink Security Trustees Ltd. This is an asset holding company only and does not trade. Please note, Kuflink's stake will be the last amount that is paid during this process.

The 'Wind Down Plan' ('WDP') would be managed in-house by existing staff and systems, with the same regulatory permissions and requirements that the platform currently operates within. This would allow Kuflink to use its products and platform expertise to maintain the quality of the execution of the plan, minimising risks that would arise if we were to transfer operations to a third party provider, and maximise outcomes for our clients.

The WDP is designed so that Kuflink can continue to wind down the book to zero for two years. All expenses have been predicted and these funds have been put aside in a segregated bank account. We also keep a further 1 month fixed overhead costs. Both amounts get reviewed monthly and are forecasted to increase based on our formulas and governing body approval. These figures and workings have and will always be shared with the regulator.

Kuflink constantly works with the FCA and monitors the WDP as the business evolves to ensure the amount put aside is sufficient to cover a sensible wind down of the business.

Directors' disclosures under s172(1)

Section 172 of the Companies Act 2006 requires Directors of an entity to act in the way they consider, in good faith, would be most likely to promote the success of the entity for the benefit of its members as a whole. As part of their deliberations and decision making processes, the Directors take into account the following:

(i) likely consequences of any decisions in the long term;
(ii) the interests of the Company's employees;
(iii) the need to foster the Company's business relationships with suppliers, customers and others;
(iv) the impact of the Company's operations on the community and the environment; and
(v) the desirability of the entity maintaining a reputation for high standards of business conduct

The Directors consider all matters relevant to the particular issue before them for consideration whilst acting in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members. The Directors have put in place suitable processes so that all relevant matters are factored into the Board's decision making, these are part of the corporate governance framework

Continued investment is planned in further developing our products and customer experience, underpinned by IT development activities. This will drive significant business growth and will provide significant efficiencies for employees.

Review of the Business

In the year to 30 June 2020, Kuflink achieved growth in terms of the loan book which increased by19%, despite the impact of a national lockdown following the COVID-19 outbreak, the challenge of an increasingly competitive bridge lending market and declining margins industry wide. Kuflink is still in the early stages of its journey and although the cost of funds increased, the Company was still able to achieve year on year growth in net interest income of 47%.

In line with the FCA and PRA guidance during the Covid period, forbearance was offered to some clients and Covid extensions to loans were offered to allow further time for repayment of the loan. The Company also put in place mitigation plans, limiting non-critical costs from the business, and receiving Government support through the Coronavirus Job Retention Scheme (CJRS).

Kuflink Bridging Limited
Strategic Report

Over the last three years the Group has spent heavily on marketing and promotional activities to establish brand awareness. As brand awareness is now increasing, this has allowed Kuflink to establish further relationships with worldwide and UK household brand affiliates, the Group hopes to be able to increase income and make future savings in marketing expenditure. The Directors expect this to improve the operating leverage of the business in the future years and the Directors envisage the Group to be operating cash flow positive over the next few years.

At the close of the year, the Directors reviewed all non-performing loans in the book and determined that it would be appropriate to adjust the impairment on a small number of loans that have been in arrears. All of these impairments relate to legacy lending which was wholly funded by the Group, and not novated on to P2P lenders. The Directors are actively working with our borrowers to achieve resolution of these non-performing loans and seeking to achieve full recovery.

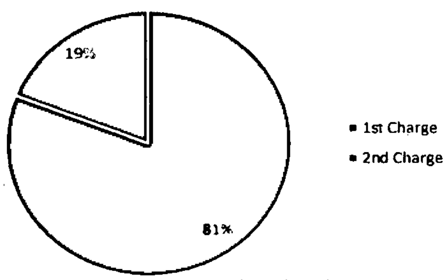
During the year, the Company adopted a more stringent impairment policy to always assess the financial position of the Company with enhanced accuracy and has subsequently written back £0.5m of loans previously impaired. Finally, the Company continues to invest in the growth of Kuflink's capabilities and potential, developing new products and features centred around user experience as well as building resilience in our infrastructure, improving systems, processes, and procedures to streamline activities and mitigate risk. These investments, despite an increase to overhead costs, the write back of previously impaired loans and cost cutting measures has resulted in the Company reporting a smaller loss of £213k for the year compared to the £2.042m loss for the previous year.

Key Performance Indicators
Key performance indicators (KPIs) refer to a set of quantifiable measurements used to gauge a company's overall long-term performance. See below the loan book performance:

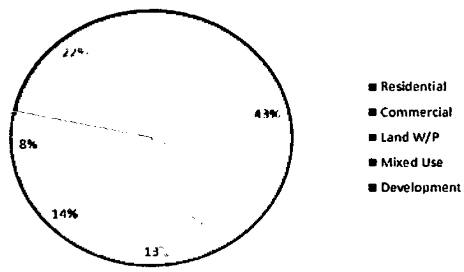
Loan book as of 30 June 2019 of £33.9m has grown to £40.1m as of 30 June 2020. During the initial period of Covid-19 pandemic the loan book had a decline. However, during the year to 30 June 2021, it had growth of 50%.

More than 80% of the Company's loans are made with 1st charge on the security.

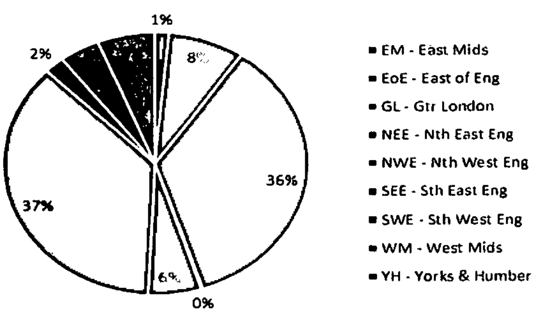
Security - 1st Charge vs 2nd Charge



Breakdown by Property Type



Geographical Split



About 43% of loans are made for developing or purchasing Residential property.

Geographical split of the Borrowers' security is concentrated in Southeast of England and Greater London area, but the rest is spread over the country.

Continued Responsible Lending
Risk mitigation is one of Kuflink's key drivers. The Directors have noted that a rigorous governance and control environment is required as the business grows. The Company has increased governance through their sub-committees which strengthen areas of the business such as Finance, Credit, Collections and Compliance/CASS. Remuneration, Nomination and Audit committees also meet regularly. Post year end, Kuflink has also established a WDP committee to monitor Kuflink's wellbeing metrics within the business. ALCO (Asset & Liability committee) and EXCO (Executive committee) have been formed during the year and meet regularly post year end. These meetings now happen on a weekly basis.

The loan book is increasing, with an average blended LTV/LTGDV (Loan to Value / Loan to Gross Development Value) below 58%. A number of legacy loans that were wholly funded by the Company have previously been deemed impaired and appropriate provisions remain. Additionally, personal guarantees worth £2.1m provided by some of the Directors of the business to mitigate further impairment losses in relation to these loans remain in place.

Kuflink continues to recognise the default rate definition for the platform. In line with the FCA's default definition, a loan is classed as in default after 180 days of non-repayment of either capital or interest by the borrower. The average default rate for the platform is 0.4% for the year (2019: 1.2%). Our Collections Department follow the 30 days of non-repayment by the borrower definition of default. Additionally, the Company continues to co-invest up to 5% alongside P2P lenders on some of the platform's Select-Invest loans, further mitigating the risk exposure to P2P lenders and demonstrating our commitment to originating high-quality loans.

Technology Developments
The Technology Team has grown to cater for the Company's plans for innovation in both the peer-to-peer and bridging loans lending markets. Following on from last year, the investment into developing and improving our proprietary technology and IT infrastructure has not slowed down.

During the year, the Company has tested and released a new proprietary Customer Relationship Management System (CRM) for Kuflink Bridging Ltd. The Company continues to invest in a further enhancement of CRM and a Loan Management System (LMS). These will enable streamlined origination of loans as well as provide better management information, integrated across front-end and back-end systems, enabling improved control and enhanced management of our loan book.

Awards and Recognition
This year, Kuflink won Best Service from an Alternative Funding Provider at the Business Moneyfacts Awards 2020 and was highly commended as P2P provider of the year at the Moneyfacts Consumer awards 2020.

Kuflink continues to demonstrate our commitment to the industry and is staying abreast of market changes by being part of several leading industry bodies, such as the UK Crowdfunding Association, Association of Short-Term Lenders (ASTL) and National Association of Commercial Finance Brokers (NACFB).

Principal Risks and Uncertainties
Kuflink's credit risk has evolved, and the business continues to undertake high levels of due diligence prior to lending which allows risk to be mitigated at an earlier stage. Some of the Directors of the Company have provided security in the form of personal guarantees on some of its legacy loans due to them being highly leveraged (Note 21).

Financial Risk Management
Given the operations of the Company described above, the Company's key financial risks include the credit risk associated with borrower default arising from the loan portfolio and the liquidity risk associated with having insufficient capital available to meet the Company's obligations to its finance providers.

The Company has limited financial exposure to currency risk or interest rate risk as the loan notes issued and loans made to borrowers by the Company are in sterling at fixed rates of interest.

During this and last year the Company reduced impairment provision amounting to £0.5m, these are due to legacy loans. The risk appetite for these loans has now changed and as such, these types of loans will not get approved when they come through to our underwriting team.

The liquidity risk described above is managed by aligning the maturity profiles for the repayment of capital and interest to the Company's debt providers with the repayment profile of loans made to borrowers to ensure that the loan portfolio provides adequate liquidity to meet the Company's commitments to its debt providers. This cash flow profile is monitored by management on an active basis throughout the year. More detailed information on the alignment of the maturity profile is included on page 12. Management look to manage any liquidity mismatches through encouraging investor re-terming on the platform and raising additional capital in the short term.

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 of and ongoing improvements in the Company's compliance framework by Senior management.

The Company will continue to keep risk management at the top of its agenda. Risk management framework is evolved on a regular basis and managed by providing clear risk policy & training.

Brexit
The Company faces some Brexit related uncertainties with the new rules commencing from 1st January 2021. Principally, this relates to the health of the UK property market if the exit from the European Union and end of the transition period proves to be particularly disruptive and causes a sharp reduction in economic activity. The Company continues to monitor the status of the market and keeps these risks in mind when extending new loans and managing its existing loan portfolio.

Coronavirus Disease 2019 ("COVID-19")
Management is considering the potential economic impact to the Company of the ongoing global COVID-19 outbreak. A majority of our employees are currently operating successfully from remote locations, on the advice of local government. IT and communications resources available to the Directors have ensured that sufficient 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. With the rollout of a vaccine more and more staff are returning to full capacity. The Company has already seen an increase in borrower enquiries due to other lenders in the sector stalling on new and further advances.

Although we have seen reduced investment on the P2P platform, with the vaccine being released we expect investment levels to return to pre COVID-19 levels, however temporarily the Company has sourced low interest investments from the P2P lenders who are related parties to fund the current loans.

As part of its going concern review, the Directors have assessed the potential impact of a slowdown in levels of revenue and cashflow and has taken steps to absorb most of the impact on the profitability. Management have also taken steps to mitigate any risk in liquidity by applying for the Coronavirus Job Retention Scheme (CJRS), matching payment holidays between borrowers and P2P lenders and trimming down on non-critical costs relating to marketing and staff.

The Directors 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've run scenarios with slower growth and profitability assumptions to assess our funding requirements. Under the scenarios, the Directors are fully aware of the challenges ahead and the need for additional equity into the business going forwards. The Directors have concluded that the Company will require additional Group support to maintain appropriate levels of liquidity and that the going concern basis still remains appropriate, the Company will rely on financial support from its parent Company Kuflink Group Plc which raised a further £0.3m of new equity capital post year-end.

The Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

This report was approved by the board on 1 September 2021 and signed on its behalf by:

Tejwant Singh Chattha
Director

The Directors present their report and the financial statements of Kuflink Bridging Limited ('the Company') for the year ended 30 June 2020.

Future developments
The Directors expect that the Company will continue to grow. The expected future developments for the medium term in the business are discussed in the strategic report.

Going concern
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 Bridging Limited.

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 and its impact on the economy.

The following sub-headings detail the main points 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 domestic and global economies and investor bases. If the Company cannot obtain further capital either from its existing shareholders or from third parties, it 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, not the least of which are as follows:

- Parent Kuflink Group Plc have been a significant investor in the Company since 2015 and have invested more than £4.6m of equity since June 2019 demonstrating their commitment to the Groupand its strategy.
- £0.93m of this amount was invested by the Group in the year to June 2019.
- A further £2.5m of this amount was invested by the Group in the current year to June 2020.

These investments were supported by share issuance by the Group to existing and new shareholders.

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

(ii) Widening the investor base

Although it is unclear when investor markets will normalise, the Group believes it will be in a strong position to secure 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 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 Kuflink in a position to be able to grow its loan book when demand does increase.
- Kuflink have developed a CRM system which manages the workflow from enquiries to loan origination and a LMS system which automates various manual processes in the loan database including interest calculation. Both these systems have increased the efficiency and effectiveness of loan origination and management processes.

The Group's 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 existing and potential investors that has led to the investment of a further £316k of equity capital post year end to assist with the funding requirement of the Company.

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, the Group has secured the further equity from its existing and new investors, and that management has a plan to manage its capital needs by controlling new lending volumes.

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 raise equity capital, as discussed above, COVID-19 has the potential to impact Kuflink in a several ways, but principally in the following areas:

Operational logistics
Most 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. With the vaccine now rolling out, the expectation is for staff to gradually return to the office.

Loan Book Origination
The Company has seen an increase in borrower enquiries due to other lenders in the sector stalling on new and further advances. As of the 5th of July 2021, the loan pipeline has more than £23m of loans ready to complete with solicitors, and a further £31m of loans are at enquiry stage of which £15m have been instructed for valuations and the possibility that some will turn into new originations. As we have seen reduced investment on the P2P platform, the Company has issued loan notes on its own balance sheet to fund these loans. Net investment on the platform turned positive in May post the lock down phase in the UK. We can confirm that our loan book has broken the £60m barrier on 30th June 2021. 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, the Company is predicting an increase in new business origination over its pre-COVID-19 forecasts in 2021 and 2022. Underpinning revised forecasts are the following assumptions:

- the need for new bridging facilities tends to increase following a crisis;
- post vaccine rollout the market is likely to be buoyant; and
- the Company expects to see continuing increased business levels as demands returns.

The points above suggest that we expect to see an increase in the addressable market versus pre-COVID-19 activity levels, the Board believe that Kuflink should have broader access to this reduced market due to a decrease in competition. During the pandemic and the resulting lower demand, the Directors have reduced the overall cost base of the entity through staff redundancies in FY21 and reducing overall marketing budgets for FY21 and beyond through negotiation with suppliers. The Director's expect these measures will reduce the Company's wages and salaries cost post year end by c33% from existing run rates and cut marketing spend by c42%. The Director's expect these measures will deliver positive operating cashflow for the Group over the forecast horizon. Staffing levels continue to be monitored by the Directors to ensure optimal business performance.

Platform Lending
The platform is a facility that enables retail, high net worth individuals or corporate lenders to lend to borrowers. P2P lenders can either choose to allocate their funds to a specific deal secured on property or diversify their funds across multiple loans all secured on property.

We have implemented managed withdrawals for P2P lenders 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 and new P2P lenders and monitor the impact of this on the Company's cashflow plans.

Consideration of going concern arising from our operational position
Post year end, Kuflink has had record breaking net top positions up to June 2021 and a loan book that has broken the £60m barrier, as at 30th June 2021. We believe the longer-term outlook is positive for the UK property market and our business. In line with the FCA and PRA guidance during the Covid period, forbearance was offered to some clients and Covid extensions to loans were offered to allow further time for repayment of the loan. We have also put in place mitigation plans, removing non-critical costs from the business, and receiving government support through the Coronavirus Job Retention Scheme (CJRS) and Bounce Back Loan Scheme (BBLS).

Post year end, Kuflink has managed to cut significant costs within the business which has enabled the group to move to a self-sustainable model meaning profits are being generated monthly and we envisage this to be the case for the foreseeable future.

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. Additionally, we have run scenarios with slower growth and profitability assumptions to assess our funding requirements.

Financial risk management considerations
The Company will continue to have financial risk management at the top of its agenda. In the Strategic report this is discussed in detail.

(i) Interest rate risk

The Company does not have any significant direct exposure to variances in interest rates. The Company makes fixed rate loans to borrowers that are financed by the issuance of fixed rate borrowings. Both the loans made, and the borrowings issued are measured at amortised cost. As a result,any future interest rate variances will have no direct impact on future cash flows (via interest payments or receipts) or the carrying value of the assets or liabilities held by the Company.

The Company's only asset that is subject to variable interest rates is the cash held at bank. None of the Company's other assets and liabilities are interest bearing. As a result, a 1% increase or decrease in interest rates would not have a material impact on the net assets or profit of the Company (2019 not material).

(ii) Credit risk

The credit risk for the Company includes a failure on behalf of the borrower to make interest or capital repayments as they fall due in accordance with the terms of the underlying loan agreements. The Company policies aim to minimise the risk of credit losses through the performance of due diligence on the creditworthiness of each borrower prior to entering into a loan agreement and through the receipt of adequate collateral to act as security in the event of default.

The Company's maximum exposure to credit risk represents the aggregate carrying value of the loans held at amortised cost (see note 14), debtors (see note 15) and cash balances held by the Company at 30 June 2020.

The credit risk associated with loans and associated accrued interest entitlements is managed through on-going due diligence that is performed to assess the ability of borrowers to meet their obligations as they fall due for payment.

The Company holds cash balances only with reputable credit organisations with a strong credit rating.

(iii) Concentration risk
The largest loan in the portfolio has a carrying value of £4.4m (2019:£3.5m), representing 11% (2019:12%) of net loans and has been lent to a related party of the Group. The largest 10 loans account for 45% (2019:43%) of total net loan value.

(iv) Liquidity risk

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company may encounter difficulties in meeting its financial obligations as they fall due.

The Company's principal liquidity risk relates to having insufficient liquid resources to make repayments of interest or capital to lenders as amounts fall due for payment. Management monitors the cashflow on aregular basis and any pinch point is identified months in advance and necessary action is taken. The table below shows the repayment profile of both interest and capital balances for the Company's existing borrowing portfolio:

Interest	Less than 1 year	More than 1year	Total
	£	£	£
Peer-to-peer Investors	736,074	1,916,385	2,652,459
Kuflink Borrowing	137,714	1,576	139,290
Interest payable on all borrowings in existence to maturity	**873,788**	**1,917,961**	**2,791,749**

Capital Repayment	Less than 1 year	More than 1year	Total
	£	£	£
Peer-to-peer Investors	23,708,555	7,317,589	31,026,144
Kuflink Borrowing	4,654,027	34,905	4,688,932
Expected repayment of capital on all borrowingsin existence to maturity	**28,362,582**	**7,352,494**	**35,715,076**
Expected repayment of capital from all loans inexistence to maturity	**33,083,690**	**7,078,789**	**40,162,479**

The above table shows there is sufficient liquidity in the next year and the year after. Our past performance shows a substantial number of investors do re-term, if this continued, the Company would have less of a liquidity mismatch even in the case of unforeseen delays from borrowers than detailed in the table above. The Directors continuously monitor liquidity mismatches on a short-term basis. The Company secured £2.5m of equity capital from the Group in June 2020. For the longer term, management has plans to raise debt and equity from a Financial Institution.

The Company's other creditors are repayable on demand at balances that approximate to the carrying values shown in Note 20.

(v) Currency risk

The Company has no direct exposure to foreign currency risk as all loans made and the borrowings issued by the Company are denominated in sterling.

(vi) Capital risk management

The Company is not subject to any externally imposed capital requirements. The Company will monitor the capital requirement regularly and to cover the medium term losses by issuing new shares.

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

Tejwant Singh Chattha
Nattalie Jane Weeks

Directors' Indemnities
Directors' and officers' insurance cover has been established for all Directors to provide a cover 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.

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

MHA MacIntyre Hudson have expressed their willingness to continue to serve as the Company's auditors. A resolution for their re-appointment will be submitted to the Board at the forthcoming Annual General Meeting.

This report was approved by the board on 1 September 2021 and signed on its behalf by:

Tejwant Singh Chattha
Director

Statement of Directors' Responsibilities

Registered number: 07889226

The Directors are responsible for preparing the annual 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.

This report was approved by the board on 1 September 2021 and signed on its behalf by:

Tejwant Singh Chattha
Director

Kuflink Bridging Limited
Independent auditor's report
for the year ended 30 June 2020

Opinion
We have audited the financial statements of Kuflink Bridging Limited (the "Company") for the year ended 30 June 2020, which comprise 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 Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2020, and Company's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information
The Directors are responsible for the other information. The other information comprises the information included in the report and audited financial statements, other than the financial statements and our auditor's report thereon. 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, 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 Director's report and strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Director's report and strategic report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Director's Report and the Strategic 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 the Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Directors
As explained more fully in the Director's Responsibilities Statement as set out on page 14, 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 has 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

Auditor's responsibilities for the audit of the financial statements (continued)

- enquiry of management, those charged with governance, around actual and potential litigation and claims;
- enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- reviewing minutes of meetings of those charged with governance;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's Directors, 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 Directors 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 Directors as a body, for our audit work, for this report, or for the opinions we have formed.

R Shaunak

Rakesh Shaunak FCA CTA
Senior Statutory Auditor
For and on behalf of:
MHA MacIntyre Hudson
Chartered Accountants and Statutory Auditors
London, United Kingdom

1 September 2021

Kuflink Bridging Limited
Statement of Comprehensive Income
for the year ended 30 June 2020

	Notes	2020	2019
		£	£
Interest Income	2	5,844,428	3,987,867
Interest Expense and Charges	3	(3,093,794)	(2,128,128)
Net Interest Income		2,750,634	1,859,739
Other Income	4	138,893	216,425
Direct Expenses	5	507,073	(891,686)
Administrative expenses	6	(3,609,737)	(3,226,002)
Operating loss	7	(213,137)	(2,041,524)
Loss on ordinary activities before taxation		(213,137)	(2,041,524)
Tax (charge)/credit	11	-	-
Loss for the financial year		(213,137)	(2,041,524)
Other comprehensive income		-	-
Total comprehensive loss for the year		(213,137)	(2,041,524)

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

The notes to the accounts on pages 22 to 36 form an integral part of the financial statements.

Kuflink Bridging Limited
Statement of Financial Position
as at 30 June 2020

Non-current assets	Notes		**2020**		**2019**
			£		**£**
Intangible assets	12		114,224		56,097
Tangible fixed assets	13		99,996		145,485
Loans held at amortised cost falling due after more than one year	14		4,658,807		1,235,296
			4,873,027		1,436,878
Current assets					
Loans held at amortised cost	14	31,745,803		28,410,347	
Debtors	15	498,719		1,958,254	
Cash at bank and in hand		375,356		1,075,515	
		32,619,878		31,444,116	
Current Liabilities					
Financial liabilities held at amortised cost	16	(28,073,533)		(28,894,034)	
Creditors	17	(834,008)		(652,802)	
Net current liabilities		(28,907,541)	3,712,337	(29,546,836)	1,897,280
Total assets less current liabilities			8,585,364		3,334,158
Non-current liabilities					
Financial liabilities held at amortised cost	16		(6,903,306)		(3,938,962)
Net assets/(liabilities)			1,682,058		(604,804)
Capital and reserves					
Called up share capital	18		3,779		2,170
Share premium	19		5,866,767		3,368,377
Profit and loss account			(4,188,488)		(3,975,351)
Total shareholder's funds			1,682,058		(604,804)

The financial statements were approved and authorised for issue by the Board and were signed on its behalfon 1 September 2021 by

Tejwant Singh Chattha
Director

The notes to the accounts on pages 22 to 36 form an integral part of the financial statements.

Kuflink Bridging Limited
Statement of Changes in Equity
for the year ended 30 June 2020

	Share capital £	Share premium £	Profit and loss £	Total £
At 1 July 2018	1,571	2,438,976	(1,933,827)	506,720
Total comprehensive loss for the financial year	-	-	(2,041,524)	(2,041,524)
Shares issued	599	929,401	-	930,000
At 30 June 2019	2,170	3,368,377	(3,975,351)	(604,804)
At 1 July 2019	2,170	3,368,377	(3,975,351)	(604,804)
Total comprehensive loss for the financial year	-	-	(213,137)	(213,137)
Shares issued	1,609	2,498,390	-	2,499,999
At 30 June 2020	3,779	5,866,767	(4,188,488)	1,682,058

The notes to the accounts on pages 22 to 36 form an integral part of the financial statements.

Kuflink Bridging Limited
Statement of Changes in Equity
for the year ended 30 June 2020

	2020	2019
	£	£
Operating activities		
Loss for the financial year/period	(213,137)	(2,041,524)
Adjustments for:		
Depreciation	66,663	63,442
Amortisation of intangible fixed assets	5,754	-
Increase in loans held at amortised cost		
Additions	(41,221,572)	(31,760,205)
Repayments	34,978,484	17,872,461
Write offs	(515,879)	840,482
Increase in debtors	956,333	(244,788)
Increase in funding	2,143,843	15,346,512
Increase in creditors	113,409	946,835
Cash (used in) / generated from operating activities	(3,115,103)	452,216
Investing activities		
Payments to acquire intangible fixed assets	(63,881)	(56,097)
Payments to acquire tangible fixed assets	(21,174)	(43,245)
Cash used in investing activities	(85,055)	(99,341)
Financing activities		
Amount paid on redemption of borrowingsProceeds from the issue of shares	2,499,999	-
Cash generated by financing activities	2,499,999	-
Net (decrease)/increase in cash and cash equivalents		
Cash generated from operating activities	(3,115,103)	452,216
Cash used in investing activities	(85,055)	(99,341)
Cash generated by financing activities	2,499,999	-
Net cash (used)/generated	(700,159)	352,875
Cash and cash equivalents at start of the period	1,075,515	722,640
Cash and cash equivalents at end of the period	375,356	1,075,515
Cash and cash equivalents comprise:		
Cash at bank	375,356	1,075,515

The notes to the accounts on pages 22 to 36 form an integral part of the financial statements.

1 Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention unless otherwise specified within accounting policies and 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 tosuch events and conditions that would be available to them. Specifically, even though COVID-19 has had animpact on our business, we believe the longer-term outlook is positive for the UK property market and our business. In line with the FCA and PRA guidance during the Covid period, forbearance was offered to some clients and Covid extensions to loans were offered to allow further time for repayment of the loan. We have also put in place mitigation plans, removing non-critical costs from the business, and receiving government support through the Coronavirus Job Retention Scheme (CJRS) and Bounce Back Loan Scheme (BBLS).

In addition, we have implemented a 'managed' process for withdrawals from Auto Invest. P2P arrangements for P2P lenders 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 to match the borrowers in underlying loans who have requested a Covid-19 extension. As repayments come in, and new investments are received, we've been able to process withdrawals on this basis. Kuflink manages the liquidity and duration risk of the pooled investments whereas such risks are not present for P2P lenders that explicitly select their investment exposure via the platform as their duration of investment matches that of the underlying property backed loan. Post year end, this process has returned to an automated basis in May 2021.

Post year end, Kuflink has managed to cut significant costs within the business which has enabled the group to move to a self-sustainable model meaning profits are being generated monthly and we envisage this to be the case for the foreseeable future.

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. 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 Group retains sufficient liquidity and that the going concern basis remains appropriate.

Cost cutting plan executed by the Directors which has made significant cost saving in employment and marketing costs and are explained in the Directors' Report from page 8. With these measured the Directorshave concluded that there are no material uncertainties regarding the Company's ability to continue as a going concern.

Turnover

Turnover is made up of three elements; interest receivable on loans, fees associated with the arrangement of the loans and other fees to cover overheads associated with loans. Interest receivable and arrangement fees are recognised on an accrual basis using the effective interest method over the term of the financial asset. The effective interest method allocates interest income (or expense) over the expected maturity period of the instrument. An instrument's effective interest rate is the rate that exactly discounts estimated future payments on the instrument to its initial carrying amount. All other revenue and interest receivable are recognised on an accrual basis.

Interest expenses and charges

Interest expenses and charges include the interest payable to peer-to-peer and other investors, cashbackcost and commission payable to brokers. The accounting for cashback is based on the assumption that they are EIR'd over a 4-year term.

Direct and administrative expenses

Expenses are recognised in the statement of comprehensive income in the period in which they are incurred and are recognised on an accrual basis. Direct expenses are those related to the origination and maintenance of loans and include related impairment losses.

Taxation

A current tax charge is recognised for the tax payable on the taxable profit of the current and past periods. 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 thereversal 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.

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 tocreate 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.

Internally generated software	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 thecost, 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 and fittings	over 4 years - straight line basis

Investment in subsidiary

The investment is stated at cost less accumulated impairment in value. The investment is reviewed annually for impairment with any impairment in value recognised in the income statement.

Financial assets

Recognition and classification

Financial assets are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are initially measured at fair value net of transaction costs.

Loans

Loans made to borrowers by the Company that have fixed or have determinable repayment terms and that are not quoted in an active market are classified as loans and receivables and are measured at amortised cost, less any impairment.

Impairment of financial assets

At the year end, the Company assesses whether there is any objective evidence that any of the loans made by the Company have been impaired. A loan is deemed to be impaired if, there is objective evidence that one or more events have occurred since the initial recognition of the loan that have an impact on the estimated future cash flows of the loan and the impact can be reliably measured.

Evidence of impairment includes indications that the borrower is experiencing significant financial difficulty; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. The impairment loss is recognised in statement of comprehensive income.

Derecognition of financial assets

Financial assets are derecognised by the Company only when the Company's contractual rights to the cash flows from the asset expire, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Debtors

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

Creditors

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

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.

Financial liabilities
Financial liabilities are recognised when the Company has a legal obligation as a result of entering into acontract with a third party. The investment held from peer-to-peer and other investors by the Company are classified as "Financial liabilities held at amortised cost" and are initially measured at fair value, net ofany transaction costs. They are subsequently measured at amortised cost. Financial liabilities are derecognised when the Company's obligations are discharged, cancelled, or expired.

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.

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.

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 statement of comprehensive income.

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 isimpaired. 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 on timing of the cashflows, discounts rates to apply,and probability of scenarios 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.

In assessing 'value-in-use' for an impairment calculation, the estimated future cash flows are forecast covering a period of five years with a long-term growth rate applied to project future cash flows after the fifth year. Judgement is required in relation to the achievability of the long-term business plan, discount rates and other assumptions underlying the valuation process.

iv) Effective rate of interest calculations
Interest income/fees and interest expenses/charges are recognised over the period the income and expenses relate to. Effective Interest Rate (EIR) calculations were initially made on a straight-line basis over the duration of the loan and behavioural maturity of liabilities. In order to adjust the effective interest rate to the actuarial method (as required by the accounting standard), assumptions are made about the behaviour of the liabilities given the lack of historical data. Kuflink has assumed a behavioural maturity of 4 years for platform investments. Where behavioural maturities change, this will impact the recognition of interest expenses and charges in the profit and loss account. Similarly, where loans are re-termed, this will impact the recognition of income and fees in the profit and loss account.

v) Tax
Significant judgement is involved in determining the provision for taxation, including the definition of intra- group transfer pricing arrangements. There are certain transactions and computations for which the ultimate tax determination is uncertain. Where a tax position is uncertain, and there is a range of possible outcomes that are neither binary nor concentrated on one value, the expected value is provided using a weighted average of possible outcomes.

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.

2 Analysis of Interest Income and fees

	2020	**2019**
	£	**£**
Loan interest receivable	4,487,277	3,070,672
Default Interest	518,444	361,781
Arrangement fees	745,315	503,434
Admin fees	37,093	14,896
Broker fees	56,299	37,084
	5,844,428	3,987,867

All turnover is from services provided in the United Kingdom in respect of the Group's principal activity. Fee income that are generated as part of the loan generation and they are included within the loan balance and recognised using the effective interest method similar to interest income. Significant increase in the income is due to the growth in the loan book origination.

Kuflink Bridging Limited
Notes to the Accounts
for the year ended 30 June 2020

3 Interest expense and charge

	2020	2019
	£	£
Peer-to-Peer (P2P) interest:		
Interest	1,991,530	1,1164,262
Cashback expenses	232,090	140,337
	2,223,620	1,304,599
Interest on Kuflink borrowings	533,094	546,059
Broker commission	337,080	277,470
	3,093,794	2,128,128

Cashback expenses are incentive payment to lenders. These amounts, along with broker commission are deducted from the carrying amount of the associated liability and recognised as an expense over the term of the loan. Increase in P2P interest is due to the growth of the P2P lending, while broker commission increase is due to growth of the loan origination.

4 Other income

	2020	2019
	£	£
Exit fees	32,153	68,224
Other fees	13,604	62,638
Sundry income	93,136	85,563
	138,893	216,425

Exit fees are fees charged on development loans at settlement. During the year the Company had fewer development loans settling.

Other fees include the margin on the valuation and legal fees, this income has reduced in the current year as the Company did not get involved in collecting and paying of legal fees.

Sundry income includes £87,773 VAT liability reversal in the current year, and the prior year figure included referral commission for providing lending leads.

5 Direct expenses

	2020	2019
	£	£
Movement in impairment provision	(525,509)	457,612
Loans written-off	9,629	382,870
Total impairment expense	(515,880)	840,482
Other direct expenses	8,807	51,204
	(507,073)	891,686

Movement in impairment provision is negative in the current year, as part of the brought forward provision was reversed.

6 Administrative expenses

	2020	2019
	£	£
Employee cost	1,192,998	1,147,561
Platform cost	1,829,704	1,335,570
General administrative expenses	587,035	742,871
	3,609,737	3,226,002

Platform costs are recharged to the Company by Kuflink Ltd as per agreed service level agreement in place.

7 Operating loss

	2020	2019
	£	£
The operating loss of the Company is stated after charging:		
(Reversal of impairment) / Impairment of loans in the year	(515,880)	840,482
Depreciation of tangible fixed assets	66,663	63,442
Amortisation of intangible assets	5,754	-
Operating lease rentals - plant and machinery	149,816	89,554
Auditor's remuneration for audit services	30,960	14,000

The auditor did not receive any remuneration in respect of non-audit services provided to the Company during the year (nil in 2019).

8 Directors' emoluments

	2020	2019
	£	£
Emoluments	91,230	83,880
Bonus	940	450
Company contributions to defined contribution pension plans	1,123	295
	93,293	84,625

Number of Directors to whom retirement benefits accrued:	2020	2019
	Number	Number
Defined contribution plans	1	1

The highest paid director's emoluments were £51,198 (2019: £55,765) and bonuses were £500 (2019: £250)

9 Staff costs

	2020	2019
	£	£
Wages and salaries	993,367	903,415
Social security costs	123,135	104,821
Other pension costs	15,101	7,743
Other staff cost	61,395	131,582
	1,192,998	1,147,561

Average number of employees of the Company including Directors during the year:	2020 Number	2019 Number
Administration	12	12
Development	4	4
Marketing	2	2
Sales	9	9
	27	27

10 Remuneration of key management personnel

The remuneration of key management personnel, which include both the Directors and other employees of the Company that are deemed to meet the definition of key management, is as follows:

	2020	2019
	£	£
Wages	93,573	454,320
Bonus	1,500	1,500
Pension	723	723
	95,796	456,543

11 Taxation

	2020	2019
	£	£
Analysis of (credit) / charge in period		
Current tax:	-	-
UK corporation tax (credit) / charge on (loss) / profit for the period	-	-

	2020	2019
	£	£
Loss on ordinary activities before tax	(213,137)	(2,041,524)

Standard rate of corporation tax in the UK	19%	19%
	£	£
(Loss) on ordinary activities multiplied by the standard rate of corporation tax	(40,496)	(387,890)
Effects of:		
Expenses not deductible for tax purposes	1,252	5,117
Non-qualifying depreciation	9,736	6,469
Unused trading losses to carry forward	29,508	376,304
	-	-

The Company has tax losses arising in the UK of £4,761,156 (2019: £4,667,399) 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.

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% from1 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 then, the rate reduction to 17% has been reversed, and it will remain at 19%.

12 Intangible assets

Internally generated software	**Total**
	£
Cost	
At 1 July 2019	56,097
Additions	63,881
At 30 June 2020	119,978
Amortisation	
At 1 July 2019	-
Charge for the year	5,754
At 30 June 2020	5,754
Carrying amount	
At 30 June 2020	114,224
At 30 June 2019	56,097

Asset being developed are a Customer Relationship Management (CRM) and Loan Management System (LMS), as it is being developed no amortisation provided for these additions in 2020.

13 Tangible fixed assets

	Leasehold improvement	Fixtures and fittings	Total
	£	£	£
Cost			
At 1 July 2019	200,018	116,810	316,828
Additions	5,520	15,654	21,074
At 30 June 2020	205,538	132,464	338,002
Depreciation			
At 1 July 2019	95,037	76,306	171,343
Charge for the year	40,924	25,739	66,663
At 30 June 2020	135,961	102,045	238,006
Carrying amount			
At 30 June 2020	69,577	30,419	99,996
At 30 June 2019	104,981	40,504	145,485

14 Loans at amortised cost

	2020	2019
	£	£
Opening value of loans (gross)	33,866,607	19,753,247
Additions	36,108,668	27,283,848
Repaid loans	(34,978,484)	(17,301,462)
Loans written off	(9,629)	(382,870)
Interest and charges	5,175,317	5,084,843
Reclassification to Other current assets	-	(570,999)
Closing par value of loans	40,162,479	33,866,607
Opening value of Unearned income	(1,277,659)	(669,173)
Movement	(62,413)	(608,486)
Closing value of Unearned income	(1,340,072)	(1,277,659)
Opening value of Impairment provision	(2,943,305)	(2,485,693)
Movement	525,508	(457,612)
Closing value of Impairment provision	(2,417,797)	(2,943,305)
Opening value of Loans (Net)	29,645,643	16,598,381
Summary of movement	6,758,967	13,047,262
Closing value of Loans (Net)	36,404,610	29,645,643
Of which:		
Due within one year	31,745,803	28,410,347
Due after one year	4,658,807	1,235,296

Unearned income represents upfront fees charged to borrowers and is included in the initial carrying amount of the asset. This income is recognised in the Income Statement over the life of the loan in line with Effective Interest Rate (EIR) accounting.

15 Debtors

	2020	2019
	£	£
Amounts owed by group undertakings	290,854	1,159,016
Other debtors	5,140	576,398
Prepayments	202,725	214,514
Tax recoverable	-	5,326
	498,719	1,958,254

In the year ending June 2019, the Company entered into a financing arrangement with a client structured as a sale and repurchase agreement. The essence of this agreement was that the Company advanced funds to the customer for business purposes, secured by a high value motor vehicle. This asset was sold to the Company up front, with an agreed repurchase arrangement with the client. The company retained custody of the asset throughout the agreement. Following the client's failure to repurchase the asset by the agreed deadline, the company took possession of the vehicle and reflected this by reclassifying the loan in other debtors. This asset was sold by the Company during the year at no gain or loss.

16 Financial liabilities held at amortised cost

	2020	2019
	£	£
Opening value of loans (gross)	25,466,819	11,819,750
Additions	31,538,441	22,728,184
Repaid loans	(25,979,116)	(9,081,115)
Closing par value of investments	31,026,144	25,466,819
Opening Deferred Cashback	(628,384)	(314,342)
Additions	(341,943)	(404,430)
Amortisation	232,090	90,388
Closing par value of Deferred cashback	(728,237)	(628,384)
Opening KBL investments	7,994,561	6,006,076
Additions	7,573,404	7,277,988
Repaid loans	(10,879,033)	(5,289,503)
Closing par value of loans	4,688,932	7,994,561
Opening Total financial liabilities	32,832,996	17,511,484
Additions	38,769,902	29,601,742
Repaid loans	(36,626,059)	(14,280,230)
Closing par value of loans	34,976,839	32,832,996
Of which:		
Due within one year	28,073,533	28,894,034
Due after one year	6,903,306	3,938,962

The investments held from peer-to-peer investors by the Company are classified as "Financial liabilities held at amortised cost" and are initially measured at fair value, net of any transaction costs. Additionally the Company holds other investor loans classified as "KBL investments" within "Financial liabilities held at amortised cost" to further support the provision of short term bridge financing facilities.

The Company operates an incentive scheme for retail investors with an aim to increase the longevity of the investments made on the platform. These costs are capitalised on the balance sheet as Deferred Cashback and offset against Liabilities held at amortised costs. The costs are then expensed to the P&L over 4 years.

17 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	99,877	131,381
Amount owed to group undertakings	-	193,597
Corporation tax	67,797	-
Other taxes and social security costs	-	35,598
Other creditors	1,480	109,753
Accruals and deferred income	664,854	182,473
	834,008	652,802

Other creditors include a provision for VAT liability nil (2019: £92,588). The increase in accrued income relates to P2P interest for Pool investment and compound intereston select investments.

18 Share capital

	Nominal value each share	2020 Number	2020 £	2019 £
Allotted, called up and fully paid:				
Ordinary shares	£0.0001	37,794,830	3,779	2,170

Shares issued during the period:

	Nominal value each share	2020 Number	2020 £
Ordinary shares	£0.0001	16,100,000	1,610

Ordinary shares were issued to the 100% owned parent Kuflink Group Plc, and consideration received for the allotment of these shares during the year was £2.5m.

19 Share premium

	2020	2019
	£	£
At 1 July 2019	3,368,377	2,438,976
Shares issued	2,498,390	929,401
At 30 June 2020	5,866,767	3,368,377

	value	Number	Amount
Shares issued during the period	each share		£
Ordinary shares	£0.15518	16,100,000	2,498,390

20 Financial commitments

The Company had a total future minimum lease payment under non-cancellable operating leases falling for payment as follows:

	Land and buildings	
	2020	2019
	£	£
Amount due within one year	48,000	48,000
Amount due within two to five years	6,444	101,786
	54,444	149,786

21 Related party transactions

At the year end, an amount totalling £6,626,284 (2019: £6,228,104) was outstanding on loans to Directors or related parties of Kuflink Group Plc or companies controlled by the same. Out of this amount £5,321,689 (2019: £4,537,292) of the funding came from the peer-to-peer platform, split between Select product funding of £nil (2019: £3,091,922) and Auto Invest product funding of £5,321,689 (2019: £1,445,370).

Interest rates on loans to Directors or Related party have been brought in line with all the other borrowers, after inclusion of the exit fee addendum. These addendums were signed after the balance sheet date. Therefore, there is no preferential rates on the existing loans.

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.

Also, at the year-end an amount totalling £680,002 (2019: £243,749) was outstanding on the borrowing from Directors or related parties or companies controlled by the Directors.

During the year, the Company has traded with suppliers who are controlled by Directors or related parties amounting to £Nil (2019:121,629).

Directors of the Group have provided guarantees worth £2,078,698, secured by real property and other assets, to cover the Group in the event of a loss on certain loans.

22 Controlling party

Kuflink Bridging Limited 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 result of the Company are prepared by Kuflink Group Plc.

23 Functional and presentation currency

The financial statements are presented in Sterling, which is also the functional currency of the entity.

24 Legal form of entity and country of incorporation

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

25 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