

Company Registration No. 08178576 (England and Wales)

Folk2Folk Limited

**Financial statements
for the period ended 30 January 2019**

Pages for filing with the Registrar



Saffery Champness
CHARTERED ACCOUNTANTS

Folk2Folk Limited

Contents

	Page
Statement of financial position	1 - 2
Notes to the financial statements	3 - 11

Folk2Folk Limited

**Statement of financial position
As at 30 January 2019**

	Notes	£	2019 £	£	2018 £
Fixed assets					
Intangible assets	3		128,380		219,565
Tangible assets	4		44,546		121,494
Current assets					
Debtors	5	576,852		436,943	
Cash at bank and in hand		71,188		20,007	
			648,040	456,950	
Creditors: amounts falling due within one year	6	(363,543)		(451,959)	
Net current assets			284,497		4,991
Total assets less current liabilities			457,423		346,050
Provisions for liabilities			(11,359)		(20,648)
Net assets			446,064		325,402
Capital and reserves					
Called up share capital	8		21,195		19,235
Share premium account			3,823,472		3,177,456
Capital contribution reserve			33,325		25,483
Profit and loss reserves			(3,431,928)		(2,896,772)
Total equity			446,064		325,402

The directors of the company have elected not to include a copy of the income statement within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

Folk2Folk Limited

Statement of financial position (continued)
As at 30 January 2019

The financial statements were approved by the board of directors and authorised for issue on 17/05/19 and are signed on its behalf by:



L Mathers
Director

Company Registration No. 08178576

1 Accounting policies

Company information

Folk2Folk Limited is a private company limited by shares incorporated in England and Wales. The registered office is Number One Business Centre, Western Road, Launceston, Cornwall, PL15 7FJ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

These financial statements are prepared on the going concern basis. The directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future. However, the company has made a trading loss of £535,156 (2018: £1,461,543), and is reliant on continued support from its parent company, Folk Group Limited. Folk Group Limited is also reliant on future equity investment into the company in order to provide continued support to its subsidiary. These conditions indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern.

The directors are confident that Folk Group Limited will continue to receive investment but acknowledge that without this funding there would be a material uncertainty for the ability of Folk2Folk Limited to continue as a going concern for 12 months from which the financial statements were approved. These investments will provide working capital to enable Folk2Folk Limited to achieve its growth projections. In the directors' opinion the investment will enable Folk2Folk Limited to continue in operation for the foreseeable future.

1.3 Reporting period

The Company's reporting period has been amended to 30 January.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided to customers for peer to peer lending.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Notes to the financial statements (continued)
For the period ended 30 January 2019

1 Accounting policies (continued)

1.5 Research and development expenditure

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related projects.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Website	25% straight line
Patents & licences	10% straight line
Software development	25% straight line

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	25% straight line
Office equipment	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.8 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.9 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Notes to the financial statements (continued)
For the period ended 30 January 2019

1 Accounting policies (continued)

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Notes to the financial statements (continued)
For the period ended 30 January 2019

1 Accounting policies (continued)

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

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

Notes to the financial statements (continued)
For the period ended 30 January 2019

1 Accounting policies (continued)

1.15 Share-based payments

The share options programme allows employees to acquire shares of the parent company Folk Group Limited. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employee becomes unconditionally entitled to the options. The fair value of the options granted is measured based on market values at the date of grant, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of options that are vesting.

Where the Company's parent grant rights to its equity instruments to the Company's employees, which are accounted for as equity-settled in the accounts of the parent, the Company accounts for these share-based payments as equity settled.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2 Employees

The average monthly number of persons (including directors) employed by the company during the period was 45 (2018 - 48).

3 Intangible fixed assets

	Website	Patents & licences	Software development	Total
	£	£	£	£
Cost				
At 1 February 2018 and 30 January 2019	75,805	12,058	306,910	394,773
Amortisation and impairment				
At 1 February 2018	31,586	3,467	140,155	175,208
Amortisation charged for the period	13,110	1,206	76,869	91,185
At 30 January 2019	44,696	4,673	217,024	266,393
Carrying amount				
At 30 January 2019	31,109	7,385	89,886	128,380
At 31 January 2018	44,219	8,591	166,755	219,565

Folk2Folk Limited

Notes to the financial statements (continued)
For the period ended 30 January 2019

4 Tangible fixed assets

	Fixtures and fittings £	Office equipment £	Total £
Cost			
At 1 February 2018	134,930	39,659	174,589
Additions	1,299	1,307	2,606
Disposals	(68,365)	-	(68,365)
At 30 January 2019	67,864	40,966	108,830
Depreciation and impairment			
At 1 February 2018	36,098	16,997	53,095
Depreciation charged in the period	33,814	10,133	43,947
Eliminated in respect of disposals	(32,758)	-	(32,758)
At 30 January 2019	37,154	27,130	64,284
Carrying amount			
At 30 January 2019	30,710	13,836	44,546
At 31 January 2018	98,832	22,662	121,494

5 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Amounts owed by group undertakings	245,730	168,773
Other debtors	224,430	111,876
Prepayments and accrued income	106,692	156,294
	576,852	436,943

Notes to the financial statements (continued)
For the period ended 30 January 2019

6 Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	128,139	140,675
Amounts owed to group undertakings	57,374	24,634
Taxation and social security	37,628	53,113
Other creditors	140,402	233,537
	<u>363,543</u>	<u>451,959</u>

7 Share-based payment transactions

Certain employees of the Company participate in the share incentive schemes operated by the parent company Folk Group Limited, providing shares in the ultimate parent company.

The fair value of the options is calculated based on the Black Scholes valuation model and assumptions as determined by management at the date of grant of the share options.

	Number of share options		Weighted average exercise price	
	2019	2018	2019	2018
	Number	Number	£	£
Outstanding at 1 February 2018	1,350	5,566	112.00	78.00
Granted	600	-	200.00	-
Forfeited	(600)	(4,216)	200.00	66.00
	<u>1,350</u>	<u>1,350</u>	<u>112.00</u>	<u>112.00</u>
Outstanding at 30 January 2019	1,350	1,350	112.00	112.00
Exercisable at 30 January 2019	<u>500</u>	<u>-</u>	<u>35.00</u>	<u>-</u>

The options outstanding at 30 January 2019 had an exercise price ranging from £3.91 to £200.

The share options granted on 11 November 2015 are exercisable after a vesting period ranging between 2 and 3.5 years. The options are then exercisable by the employee up to November 2025.

The share options granted on 12 October 2016 are exercisable after a vesting period ranging between 3 and 3.5 years. The options are then exercisable by the employee up to October 2026.

Notes to the financial statements (continued)
For the period ended 30 January 2019

7 Share-based payment transactions (continued)

During the period, the company recognised total share-based payment expenses of £7,842 (2018: £52,343 (credit)) which related to equity settled share based payment transactions.

8 Called up share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
12,580 Ordinary 'A' shares of £1 each	12,580	10,620
2,655 Ordinary 'B' shares of £1 each	2,655	2,655
1,770 Ordinary 'C' shares of £1 each	1,770	1,770
1,770 Ordinary 'D' shares of £1 each	1,770	1,770
885 Ordinary 'E' shares of £1 each	885	885
885 Ordinary 'F' shares of £1 each	885	885
650 Ordinary 'G' shares of £1 each	650	650
	<u>21,195</u>	<u>19,235</u>

Share classes A-F are non redeemable shares which have full voting, equity and dividends rights.
 Share class G are non redeemable, non voting shares which have full equity and dividends rights.

9 Audit report information

As the income statement has been omitted from the filing copy of the financial statements the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

Material uncertainty related to Going Concern

There are material uncertainties regarding the going concern status of the company due to trading losses incurred. Accordingly we draw attention to note 1.2 in the financial statements, which indicates that the company incurred a net trading loss of £535,156 for the period ended 30 January 2019. As stated in note 1.2, these events or conditions indicate that a material uncertainty exists that may cast doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The senior statutory auditor was Neil Davies.

The auditor was Saffery Champness LLP.

Notes to the financial statements (continued)
For the period ended 30 January 2019**10 Operating lease commitments****Lessee**

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

	2019 £	2018 £
Within one year	152,490	197,662
Between two and five years	214,631	325,768
	<u>367,121</u>	<u>523,430</u>

11 Events after the reporting date

In March 2019, a total of 300 ordinary A shares having an aggregate nominal value of £300 were allotted for an aggregate consideration of £99,180.

12 Related party transactions**Remuneration of key management personnel**

	2019 £	2018 £
Aggregate compensation	<u>321,141</u>	<u>405,999</u>

At 30 January 2019, amounts owed to other related parties, under common control, was £19,631 (2018: £3,599). There is no interest charged on these balances and the amounts are presented in trade creditors. During the year £238,866 (2018: £165,941) was invoiced by related parties in connection with services provided.

At 30 January 2019, the company owed a former director Enil (2018: £19,998) in respect of outstanding fees.

13 Parent company

The company's immediate parent is Folk Group Limited, incorporated in England and Wales.

The most senior parent entity producing publicly available financial statements is Folk Group Limited. These financial statements are available upon request from Companies House.