

Registered number
08460508

Kuflink Ltd

Annual Report and Financial Statements

For the year ended 30 June 2020



Kuflink Ltd
Report and accounts
Contents

	Page
Company information	1
Directors' report	2
Statement of directors' responsibilities	5
Independent auditor's report	12
Statement of comprehensive income	15
Statement of financial position	16
Statement of changes in equity	17
Statement of cash flows	18
Notes to the financial statements	19

Kuflink Ltd
Company Information

Directors

Narinder Khattoare
Rawinder Singh Binning

Auditor

MHA Macintyre Hudson
6th Floor
2 London Wall Place
London
EC2Y 5A

Registered office

21 West Street
Gravesend
Kent
DA11 0BF

Registered number

08460508

Kuflink Ltd

Registered number: 08460508

Directors' Report

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

Principal activities

In line with Kuflink Group's purpose of Connecting People to Financial Freedom, the principal activity of Kuflink Ltd continued to be that of operating an electronic peer to peer (P2P) platform as an FCA authorised and regulated firm.

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

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

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

The Directors expect the Company will continue to grow the Kuflink P2P platform. The Technology team ensures it continues to innovate by adding new features to the Kuflink P2P platform, which provides more informative and real time statistics on dashboard. During the year, the Company launched the new Kuflink P2P platform with more client driven features and regulatory improvements.

Since the year end, the Company launched a new product "Select ISA", and is about to launch an instant bank transfer payment method to lenders.

Kuflink continues to be ISA 27001 certified, showcasing the commitment to information security.

Kuflink Ltd**Registered number:** 08460508**Directors' Report****Kuflink P2P Platform**

The Kuflink Platform has seen a record number of 158 deals go live in the year to 30 June 2020, bringing the total number of deals funded to 349 and the number of active users has reached 5,513. Cumulative investments on the platform have grown substantially, hitting key milestones along the way. This financial year saw Kuflink Peer-to-Peer (P2P) platform investments reach £70 million in December 2019, £77 million in March 2020 and £83 million in June 2020. This does not incorporate redemption on maturity of investment. There has also been capital repayment of £37 million in December 2019, £43 million in March 2020 and £51 million in June 2020.

Additional platform investments have been achieved with the 'refer a friend' campaign, utilising smart digital marketing techniques to target our investor audience and using print and television advertising to build the Kuflink brand more broadly. In addition, Kuflink became the official peer-to-peer investment partner of Southampton FC, where we benefit from both digital channels and traditional sponsorship benefits.

Contingency planning

As required by Regulations and being a responsible peer-to-peer platform, the Company 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).

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.

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

Kuflink Ltd**Registered number:** 08460508**Directors' Report**

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.

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 "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 Group's plans for innovation in both the peer-to-peer and bridge lending markets. Following on from last year, the investment into developing and improving our proprietary technology and IT infrastructure has not slowed down.

It is currently working on new product innovation. The new mobile App is now released in Beta, Compound Interest features have been launched and the SIPP product is in progress. An updated website, which was built and designed in-house, was also launched during the financial year, giving the Kuflink brand a fresher and more modern look.

Furthermore, Kuflink continues to be ISO 27001 certified, showcasing our commitment to information security.

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.

Post year end Kuflink achieved a 5-star rating with Defaqto and a 3-star exceptional rating with 4th Way.

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).

Results and Dividends

The Company made a profit before tax of £136k (2019: Loss of £456k) for the year, and this is set out in Statement of Comprehensive Income on page 12. No ordinary dividend was paid this year (2019: nil). The Directors do not recommend the payment of a final dividend.

Directors

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

Narinder Khattoare
Rawinder Singh Binning
Hariharan Ramamurthy (Appointed on 3 June 2021)

Kuflink Ltd**Registered number:** 08460508**Directors' Report****Directors' responsibilities**

The Directors are responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards FRS102). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

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.

Financial risk management**(i) Interest rate risk**

The Company does not have any significant direct exposure to variances in interest rates. 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 Group (2019: non material).

Kuflink Ltd

Registered number:

08460508

Directors' Report

(ii) Credit risk

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

(iii) Concentration risk

Whilst the Company is responsible for the operation of the P2P platform, the risk of borrower default is borne by P2P lenders and Kuflink Bridging Ltd. As underlying loans are novated to P2P lenders, other than for the Kuflink Bridging Ltd's stake of up to 5%, the P2P lenders assume the risk of delays in repayments. Any capital loss will be passed on to the P2P lenders after Kuflink Bridging Ltd assuming the first loss on its stake of up to 5% on some Select Invest loans.

(iv) Liquidity risk

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

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

Future developments

The Group acknowledges there was a reduced appetite to lend on the platform by P2P lenders when compared to pre-COVID levels and between March 2020 and May 2020, the Group did experience a negative net withdrawal position. Post year end there were also other P2P platforms that exited the market, however, for Kuflink, post year end we have had record breaking net top up positions continue through to June 2021.

Kuflink is currently working on new product innovation. The new mobile App is now released in Beta, Compound Interest features have been launched and the Self-Invested Personal Pensions (SIPP) product is in progress. An updated website, which was built and designed in-house, was also launched during the financial year, giving the Kuflink brand a fresher and more modern look.

Kuflink Ltd**Registered number:** 08460508**Directors' Report****Going concern statement**

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

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

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

The below assessment analyses the uncertainties facing Kuflink 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 were considered by the Directors 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. The Company earns its revenue through recharging its expenses to an affiliated group company which in turn is supported by capital raises at the Group. If the Group cannot obtain further capital either from its existing shareholders or from third parties, Kuflink Limited 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 P2P lenders

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 P2P lenders will support the business. The Board has made enquiries and assessed the likelihood of such support being forthcoming and concluded that there are a few reasons why the Directors should place reliance on that support, not the least of which are as follows:

The existing shareholders of the parent Company, Kuflink Group Plc, have been significant P2P lenders since 2019 and since that date have invested £4.63m of equity demonstrating their commitment to the Group and its strategy.

£2.9m was invested by existing shareholders in December 2019. A further £0.8m of this amount was invested by existing shareholders between June to September 2020.

Kuflink Ltd**Registered number:**

08460508

Directors' Report

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

(ii) Widening the investor base

It is expected that investor markets will normalise during 2021, the parent Company, Kuflink Group Plc, believes it will be in a strong position to secure further equity investment from a wider investment base when that happens. This is as:

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

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

Kuflink Limited has continued with product development and has launched the mobile app, which has allowed P2P lenders to access, monitor, buy and sell their investments on the go. Kuflink investor Web Platform has been refreshed to give P2P lenders a better and informed user journey. The Select Invest product has been enhanced with a new 'compound interest' feature. Kuflink's new SIPP product has been developed and is ready for testing, as the key platform development work has been done to automate SIPP transfers with our SIPP provider Morgan Lloyd (part of Clifton Asset management PLC group). Introduced the marketing tool HubSpot, allowing efficient marketing and financial promotions across multiple channels and enabling more complete performance monitoring. A public API is being developed to allow 3rd party platforms to access our systems in partnership deals.

The Board and the CEO continue to investigate further opportunities to raise equity in a targeted way.

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 P2P lenders, 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 obtain further equity capital from its parent entity, as discussed above, COVID-19 has the potential to impact Kuflink in several ways, but principally in the following areas:

Kuflink Ltd

Registered number:

08460508

Directors' Report

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 Group 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 £60 Million barrier on 30th June 2021.

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 demand returns.

The points above suggest that we expect to see an increase in the market versus pre-COVID-19 activity levels, the Board believes that Kuflink Group 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 Group's wages and salaries cost 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 £60million barrier, as of 30th June 2021. We believe the longer-term outlook is positive for the UK property market and our business. In line with 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 (CJRS) Scheme and Bounce Back Loan Scheme (BBLs).

Kuflink Ltd**Registered number:** 08460508**Directors' Report**

Over the last three years the Company 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 Company 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 company to be operating cash flow positive over the next few years.

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.

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.

Value added tax

The Group's income is derived from the loans it generates and the income is deemed exempt for VAT purposes. This income is generated from Kuflink Bridging Limited (a 100% owned subsidiary). Kuflink Ltd (another 100% owned subsidiary) does not have any other significant income from external sources.

Kuflink Ltd charges fees for the funds it generates through its peer-to-peer platform to Kuflink Bridging Ltd. In a recent review of the structure of the Group it came to light that the inter-company fee may fall under taxable supply for VAT purposes. Since then, Kuflink has sought and received an external expert's guidance and concluded that companies within the Group should have been registered for VAT. Had a VAT group registration been in place, then the VAT liability would have been insignificant. However, as this was not the case during the period, a VAT liability arose, and we have included this amount in these financial statements.

HMRC have contacted Kuflink and confirmed Group VAT registration from 17 March 2020 and VAT liability will be insignificant from that date. The outstanding VAT amount (which was c£139k) has been paid to HMRC on 30th June 2021.

Strategic report

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

Kuflink Ltd

Registered number: 08460508

Directors' Report

Disclosure of information to the auditor

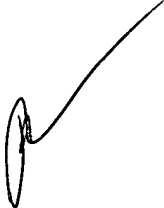
Each person who was a director at the time this report was approved confirms that:

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

Auditor

MHA MacIntyre Hudson has expressed its 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 23 August 2021 and signed by its order.

A handwritten signature in black ink, consisting of a stylized 'R' followed by a long, sweeping horizontal stroke that curves upwards at the end.

Rawinder Singh Binning
Director

Kuflink Ltd
Independent auditor's report to the
members of Kuflink Ltd

Opinion

We have audited the financial statements of Kuflink 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 profit 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.

Kuflink Ltd
Independent auditor's report to the
members of Kuflink Ltd

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 5, 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:

Kuflink Ltd
Independent auditor's report to the
members of Kuflink Ltd

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.



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

23 August 2021

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

	Notes	2020	2019
		£	£
Turnover	2	1,530,319	1,452,496
Cost of sales	3	(707,682)	(858,648)
Gross profit		822,637	593,848
Administrative expenses	4	(686,333)	(1,049,369)
Operating profit / (loss)	5	136,304	(455,521)
Profit/(loss) on ordinary activities before taxation		136,304	(455,521)
Tax credit on profit/(loss) on ordinary activities	8	103,303	-
Profit/(loss) for the financial year		239,607	(455,521)
Other comprehensive income		-	-
Total comprehensive profit / (loss) for the year		239,607	(455,521)

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

The notes to the accounts on pages 19 to 27 form an integral part of the financial statements.

Kuflink Ltd
Statement of Financial Position
as at 30 June 2020

Registered number
08460508

	Notes	2020 £	2019 £
Non-current assets			
Intangible assets	9	1,212,680	841,743
Tangible fixed assets	10	98,469	141,520
		<u>1,311,149</u>	<u>983,263</u>
Current assets			
Debtors	11	1,257,254	455,830
Cash at bank and in hand		157,918	152,339
		<u>1,415,172</u>	<u>608,169</u>
Creditors: amounts falling due within one year	12	<u>(695,231)</u>	<u>(849,949)</u>
Net current assets/(liabilities)		<u>719,941</u>	<u>(241,780)</u>
Total assets less current liabilities		2,031,090	741,483
Creditors: amounts falling due after more than one year	13	<u>(50,000)</u>	<u>-</u>
Net assets		<u>1,981,090</u>	<u>741,483</u>
Capital and reserves			
Called up share capital	14	4,225,100	3,225,100
Profit and loss account	15	<u>(2,244,010)</u>	<u>(2,483,617)</u>
Total shareholder's funds		<u>1,981,090</u>	<u>741,483</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 23 August 2021 by


Rawinder Binning
Director

The notes to the accounts on pages 19 to 27 form an integral part of the financial statements.

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

	Share capital	Profit and loss account	Total
	£	£	£
At 1 July 2018	3,225,100	(2,028,096)	1,197,004
Total comprehensive loss for the financial year	-	(455,521)	(455,521)
At 30 June 2019	<u>3,225,100</u>	<u>(2,483,617)</u>	<u>741,483</u>
At 1 July 2019	3,225,100	(2,483,617)	741,483
Total comprehensive profit for the financial year	-	239,607	239,607
Shares issued	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
At 30 June 2020	<u>4,225,100</u>	<u>(2,244,010)</u>	<u>1,981,090</u>

The notes to the accounts on pages 19 to 27 form an integral part of the financial statements.

Kuflink Ltd
Statement of Cash Flows
for the year ended 30 June 2020

	2020	2019
	£	£
Operating activities		
Operating Profit/(Loss) for the financial year	136,304	(455,521)
Adjustments for:		
Depreciation	50,765	39,415
Amortisation of intangible assets	281,497	223,585
Increase in debtors	(891,999)	(207,173)
(Decrease)/increase in creditors	(154,718)	626,024
	(578,151)	226,330
Corporation tax credit received	193,878	93,344
Cash (used in)/generated by operating activities	(384,273)	319,674
Investing activities		
Internal generation of intangible assets	(652,434)	(259,353)
Payments to acquire tangible fixed assets	(7,714)	(61,785)
Cash used in investing activities	(660,148)	(321,138)
Financing activities		
Proceeds from the issue of shares	1,000,000	-
Proceeds from new loans	50,000	-
Cash generated by financing activities	1,050,000	-
Net cash generated/(used)		
Cash (used in)/generated by operating activities	(384,273)	319,674
Cash used in investing activities	(660,148)	(321,138)
Cash generated by financing activities	1,050,000	-
Net cash generated/(used)	5,579	(1,464)
Cash and cash equivalents at 1 July	152,339	153,803
Cash and cash equivalents at 30 June	157,918	152,339
Cash and cash equivalents comprise:		
Cash at bank	157,918	152,339

The notes to the accounts on pages 19 to 27 form an integral part of the financial statements.

Kuflink Ltd
Notes to the Accounts
for the year ended 30 June 2020

1. Summary of significant accounting policies

Basis of preparation

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

Going concern

The Directors performed an assessment of the Company's current financial position and future forecasts and concluded that preparing these financial statements under the going concern basis remains appropriate. In performing this assessment, the Directors considered all available information about the future, the realistically possible outcomes of events and changes in conditions and the realistically possible responses to such events and conditions that would be available to them. Specifically, even though COVID-19 has had an impact 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 (CJRS) Scheme 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 have 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, management have stress tested future cash flow forecasts to evaluate the impact of plausible downside scenarios. These include scenarios that reflect current market conditions and a short-term property market dislocation. Additionally, we have run scenarios with slower growth and profitability assumptions to assess our funding requirements. Under all plausible scenarios, the Directors concluded that the Group retains sufficient liquidity and that the going concern basis remains appropriate.

Cost cutting plans executed by the Directors which have made significant cost saving in employment and marketing costs are explained in the Directors' Report on page 9. With these measures the Directors have concluded that there are no material uncertainties regarding the Group's ability to continue as a going concern.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, in accordance with Financial Reporting Standard 102. Turnover is based on cost-plus mark up basis and billed monthly.

Administrative expenses

Expenses incurred are recognised on an accrual basis.

Kuflink Ltd
Notes to the Accounts
for the year ended 30 June 2020

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 the following conditions are met:

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

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

Intangible assets	over 4 years - straight line basis
-------------------	------------------------------------

Tangible fixed assets

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

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

Debtors

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

Creditors

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

Cash at bank and in hand

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

Dividends

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

Foreign currency translation

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.

Kuflink Ltd
Notes to the Accounts
for the year ended 30 June 2020

Taxation

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

Provisions

Provisions are recognised when there is an obligation at the reporting date because 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, considering relevant risks and uncertainties.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

i) Provisions

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

ii) Impairment of assets held at cost

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

iii) Impairment of intangible assets

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

iv) Amortisation of intangible assets

Management exercises judgment in determining expected useful lifetime for amortisation of the intangible assets based on the length of the average investor lifetime on the platform. The average length is estimated as 4 years.

Kuflink Ltd
Notes to the Accounts
for the year ended 30 June 2020

v) Tax

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

2. Analysis of turnover

	2020	2019
	£	£
Platform fees	1,524,753	1,450,000
Other Income	5,566	2,496
	<u>1,530,319</u>	<u>1,452,496</u>

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

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

Other income includes the bank interest income and fees relating to secondary market sales and ISA transfer out.

3. Cost of Sales

	2020	2019
	£	£
Investor promotion	707,682	454,218
Cashback	-	404,430
	<u>707,682</u>	<u>858,648</u>

Investor promotion includes advertising and direct marketing expenditures. Cashbacks represent the cost of promotional incentives offered to investors. Since July 2019, fellow subsidiary Kuflink Bridging Limited has borne the cost of Direct cashback. In prior years Kuflink Ltd has borne the cost and then recharged these costs to Kuflink Bridging Ltd.

4. Administrative expenses

	2020	2019
	£	£
Employee costs	373,738	380,857
General administrative expenses	312,595	668,512
	<u>686,333</u>	<u>1,049,369</u>

Kuflink Ltd
Notes to the Accounts
for the year ended 30 June 2020

5. Operating loss

2020	2019
£	£

The operating loss of the Company is stated after charging:

Depreciation of fixed assets	50,765	39,415
Amortisation of intangibles	281,497	223,585
Operating lease rentals - land and buildings	48,000	48,000
Auditor's remuneration for audit services	72,960	66,410

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

6. Directors' emoluments

2020	2019
£	£

Emoluments	80,093	49,346
Bonus	662	145
	<u>80,755</u>	<u>49,491</u>

7. Staff costs

2020	2019
£	£

Wages and salaries	362,991	303,789
Social security costs	303	45,709
Other pension costs	77	6,066
Other employee costs	10,367	25,293
	<u>373,738</u>	<u>380,857</u>

Average number of employees during the year

Number	Number
--------	--------

Administration	4	3
Development	4	3
Marketing	3	4
	<u>11</u>	<u>10</u>

Kuflink Ltd
Notes to the Accounts
for the year ended 30 June 2020

8. Taxation

	2020	2019
	£	£
Analysis of charge in period		
Current tax:		
Corporation tax credit for the current year	-	-
Adjustments in respect of previous periods	(103,303)	-
	<u>(103,303)</u>	<u>-</u>
Deferred tax:		
Origination and reversal of timing differences	-	-
Effect of increased tax rate on opening liability	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Tax credit on loss on ordinary activities	<u>(103,303)</u>	<u>-</u>

Factors affecting tax charge for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	2020	2019
	£	£
Profit/(loss) on ordinary activities before tax	136,304	(455,521)
Standard rate of corporation tax in the UK	19%	19%
	£	£
Loss on ordinary activities multiplied by the standard rate of corporation tax	25,898	(86,549)
Effects of:		
Expenses not deductible for tax purposes	22	55,100
Capital allowances for period in excess of depreciation	42,591	43,531
R&D tax credit claim	-	-
Unused trading losses to carry forward	-	-
Trading losses brought forward and used against profits	(68,511)	(12,082)
Adjustments to tax credit in respect of previous periods	-	-
Fixed asset timing differences	-	-
Total tax credit for period	<u>-</u>	<u>-</u>

Company has tax losses arising in the UK of £184,496 (2019: £338,425) against which a Deferred tax asset has not been recognised. These losses are available indefinitely for offset against future taxable profits of the company. However, as the Company cannot accurately forecast the quantum and timing of the future taxable profit, a Deferred tax asset has not been recognised in respect of these losses.

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

Kuflink Ltd
Notes to the Accounts
for the year ended 30 June 2020

9. Intangible assets

	£
Cost	
At 1 July 2019	1,127,247
Additions	652,434
At 30 June 2020	<u>1,779,681</u>
Amortisation	
At 1 July 2019	285,504
Amortisation charge for the year	281,497
At 30 June 2020	<u>567,001</u>
Carrying amount	
At 30 June 2020	<u>1,212,680</u>
At 30 June 2019	<u>841,743</u>

10. Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings, and equipment £	Total £
Cost			
At 1 July 2019	224,300	17,139	241,439
Additions	-	7,714	7,714
At 30 June 2020	<u>224,300</u>	<u>24,853</u>	<u>249,153</u>
Depreciation			
At 1 July 2019	97,015	2,904	99,919
Charge for the year	44,860	5,905	50,765
At 30 June 2020	<u>141,875</u>	<u>8,809</u>	<u>150,684</u>
Carrying amount			
At 30 June 2020	<u>82,425</u>	<u>16,044</u>	<u>98,469</u>
At 30 June 2019	<u>127,285</u>	<u>14,235</u>	<u>141,520</u>

11. Debtors

	2020 £	2019 £
Amounts owed by group undertakings	1,136,627	225,696
Tax Recoverable	103,303	193,878
Prepayments	9,622	36,256
Other debtors	7,702	-
	<u>1,257,254</u>	<u>455,830</u>

Other debtors above include the advance payments made to suppliers.

Kuflink Ltd
Notes to the Accounts
for the year ended 30 June 2020

12. Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	59,456	190,605
Amounts owed to group undertakings	346,062	97,706
Other taxes and social security costs	2,926	15,271
Other creditors	153,144	372,227
Accruals and deferred income	133,643	174,140
	<u>695,231</u>	<u>849,949</u>

Other Creditors include a provision for VAT liability of £153,009 (2019: £372,227). On a recent review the Company identified that it should have been registered for VAT from 1 June 2017 and made an application with HMRC. The liability has now been agreed and was paid to HMRC in June 2021. Due to late registration for VAT, HMRC could impose penalty and interest, but no provision is made for these, as the Company expect HMRC would be lenient due to the voluntary declaration by the Company.

13. Creditors: amounts falling due after one year

	2020	2019
	£	£
Bank loans	<u>50,000</u>	<u>-</u>

The Bank Loan is a government-backed guaranteed Bounce Back Loan Scheme, that was taken in June 2020. No repayment or interest is due during the first 12 months and payable over 6 years at an interest rate of 2.5% per annum.

14. Share capital

	Nominal value	2020 Number	2020 £	2019 £
Allotted, called up and fully paid:				
Ordinary shares	£1 each	4,225,100	4,225,100	3,225,100
Shares issued during the period:	Nominal value	Number	Amount £	
Ordinary shares	£1 each	1,000,000	1,000,000	

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 £1m.

15. Profit and loss account

	2020	2019
	£	£
At 1 July	(2,483,617)	(2,028,096)
Profit/(loss) for the financial year	239,607	(455,521)
At 30 June	<u>(2,244,010)</u>	<u>(2,483,617)</u>

Kuflink Ltd
Notes to the Accounts
for the year ended 30 June 2020

16. Related party transactions

During the year, the Company has traded with suppliers who are controlled by Directors of the Group amounting to £7,996 (2019: £77,959).

Directors or related parties had an investment amounting to £61,476 (2019: £53,066) in the Kuflink P2P platform. The terms and conditions for these investments are the same for any other investors in the platform.

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

17. Controlling party

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

18. Functional and presentation currency

The functional and presentational currency for the entity is Sterling.

19. Legal form of entity and country of incorporation

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

20. Principal place of business

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