Registered number
09084634

Kuflink Group Plc

Annual Report and Consolidated Financial

Statements For the year ended 30 June 2019

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Kuflink Group Plc
Report and accounts
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Kuflink Group Plc
Company Information

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Registered number
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Kuflink Group Plc
Strategic Report

Kuflink Group Plc and its subsidiaries are pleased to present their strategic report for the year ended 30th June 2019.

Results and Dividends

The Group ("Kuflink") made a net loss, after tax, in the year to 30 June 2019 of £2.7m (2018 Restated: net loss after tax of £3.4m). No dividends were paid (2018: nil). The directors do not recommend the payment of a final dividend. The Group is in a negative equity position at the year end and to improve the net assets, the Group raised additional £2.9m of share capital in December 2019. Kuflink Group Plc raised a further £0.8m from existing and new shareholders between September and November 2020. The directors of the Group are in discussions with new investors to broaden the investor base of the Group, but these discussions remain at an early stage of the process.

Principle Activities of the Group

In line with Kuflink's purpose of Connecting People to Financial Freedom, Kuflink Group PLC ("the Group") works closely with its subsidiary 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 a P2P investment platform and is authorised as an operator of an electronic lending system and to hold client money under CASS 7 rules. As an operator of a P2P platform, the entity acts as a financial intermediary; matching retail investors with borrowers in the property development sector that are seeking capital in the form of short-term bridging finance facilities. For the service of P2P platform funding, Kuflink Ltd receives an agreed income from Kuflink Bridging Ltd.

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

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

Contingency Planning

As required by Regulations and being a responsible peer-to-peer platform, the Group also monitors its risks and has developed contingency plans for a variety of scenarios. In the event of winding down, Kuflink Ltd would cease accepting new investors or funds, cease advancing new loans or providing new funding on existing loans and suspend the secondary market (that allows investors to buy and sell their investments in 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 repay interest and capital, and investors would be able to withdraw funds once these funds become available. We would process repayments through the client money systems, returning funds to investors' accounts on the platform. We would also facilitate withdrawals by lenders from the platform once repayments are credited to their online account/wallets.

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

The notice to investors would inform them of their right to transfer their ISAs to another manager. If circumstances allow, Kuflink would endeavour to make arrangements with another comparable property backed IF_ISA manager, which can offer terms comparable to those of Kuflink to help investors with this process.

Directors disclosures under s172(1)
Continued investment supported by future capital raise 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 opportunities for all employees.

(i) we take very seriously our responsibilities to employees for engendering a working environment that is fair and inclusive and takes account of the specific needs of individual members of staff
(ii) we treat our suppliers fairly and aim to be transparent in our dealings with all suppliers
(iii) we take very seriously our role in society through our engagement in charitable activities through Kuflink Foundation and in ensuring that our environmental impact is minimised
(iv) we aim at all times to adopt the highest ethical standards in relation to our dealings with customers, partners, suppliers and other external parties with whom we work

Review of the Business
In the year to 30 June 2019, the Group achieved growth in terms of the loan book which increased by 78% and interest income which grew by over 41%, despite the challenge of an increasingly competitive bridge lending market and declining margins industry-wide. We are still in the early stages of our journey and although cost of funds increased, the Group was still able to achieve a year-on-year growth in net interest income of 4%.

Currently, the Group's cost base is more than its income, but with the cost cutting program implemented in 2020, the Group expects to be profitable from 2021. During this growth period the Group will require further support from its existing shareholders to maintain sufficient working capital and has raised capital in 2020 as detailed further on. Management continues to look to broaden the shareholder-base but such conversations remain at early stages.

In the last couple of years, the Group has spent heavily in marketing and promotional activities. This has been done to increase brand awareness. As brand awareness is now increasing, the Group hopes to be able to maintain the current income level. The directors have taken actions in 2020 to reduce costs by claiming government furlough grants, reducing staff numbers to the minimum required by making redundancies, and cutting future marketing spend. The directors expect these measures to improve the operating leverage of the business in future years and the directors envisage the Group will be operating cash flow positive from 2021.

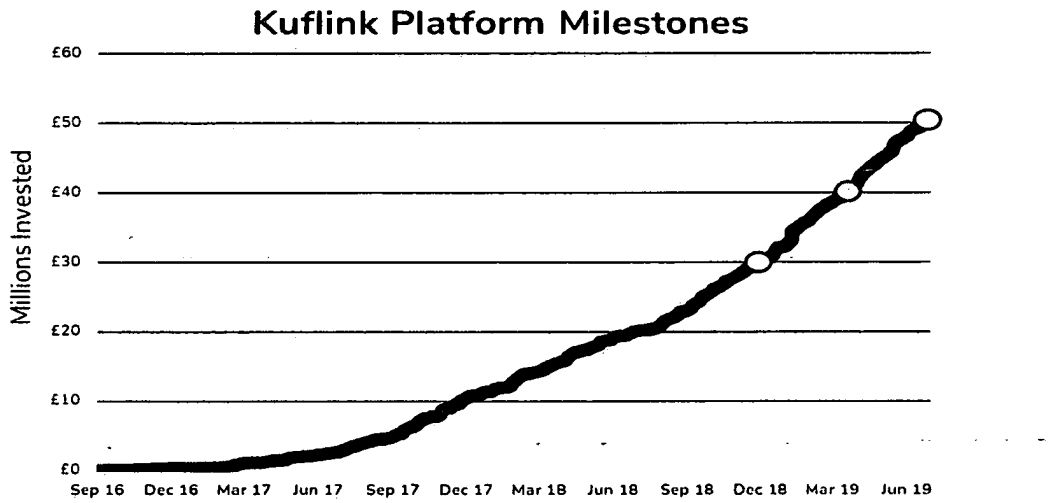
At the close of the year, we reviewed all non-performing loans in the book and determined that it would be appropriate to impair a small number of loans which have been in arrears. All of these impairments relate to legacy lending, which was wholly funded by the Group, and not novated on to peer-to-peer investors. Despite these impairments, we are actively working with our borrowers to achieve resolution of these non-performing loans and seeking full recovery. Finally, we continue to invest in the growth of Kuflink's capabilities and potential, developing new products and features centered around user experience as well as building resilience in our infrastructure, improving systems, processes and procedures in order to streamline our activities and mitigate risk. These investments have required an increase to our overhead costs, and as a result of this, and of the impairment of loans, the Group incurred a loss before taxation of £2.7m (2018 Restated: loss of £3.7m) for the year.

Due to the losses incurred and the resulting negative net equity position at the year end, the Group's Board recommended a capital injection. In December 2019, £2.9m of capital was raised by Kuflink Group Plc, and a further £0.8m was raised from existing and new shareholders between September and November 2020. The directors are in discussions with new investors to broaden the investor base of the Group, but these discussions remain at an early stage.

Kuflink Platform

The Kuflink Platform has seen a record amount of 152 deals go live in the year to 30 June 2019, bringing the total number of deals funded to 263 and the number of active users has reached 3,400. Cumulative investments on the platform have grown substantially, hitting key milestones along the way. This financial year saw Kuflink Peer- to-peer platform total gross investment made by investors to date, hit £30million in December 2018, £40million in March 2019 and £50million in June 2019. This does not incorporate redemption on maturity of investment. The net position is reflected in Note 18.

Marketing of the platform has been achieved with both direct (refer a friend) and 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.



Governance updates

Risk mitigation is one of Kuflink's key drivers. The directors have noted that the governance and control environment will need significant improvement for a business of Kuflink's size and have identified a number of areas within the business we need to work on to help us achieve our growth plans. We are therefore increasing governance by forming sub-committees to strengthen areas of the business such as Finance, Credit, Collections and Compliance. Remuneration, Nomination and Audit committees were also set up during 2020.

The loan book is increasing, with an average LTV of the loans that were matched to retail investors being below 70% as of 31 May 2020. A number of legacy loans that were wholly funded by the Group were deemed impaired and appropriate provisions were raised during the year. Additionally, personal guarantees worth £2.1m were sought after the balance sheet date from some of the Directors of the business to mitigate further impairment losses in relation to these loans. This was done to protect the equity value within the business as at the year end as some of these loans were expected to be restructured post year end.

During the financial year, Kuflink revisited 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. This brought the average default rate for the platform down to 1.20% for the year. However, our Collections Department follow the 30 days of non-repayment by the borrower definition of default.

Additionally, the Group continues to co-invest alongside investors, further mitigating the risk exposure to investors by absorbing the first loss on the loans and demonstrating our commitment to originating high-quality loans.

Social Contributions
The Kuflink Foundation is committed to having a positive impact within the local community, and in partnership with the Kuflink Group, has helped support various charities and local causes. The Kuflink Foundation predominantly works with The Gr@nd and Gifted Young Generation, two local charities who mainly focus on improving mental health, education and community provisions for young people across Kent. Kuflink was named headline sponsor for the Gravesham Sepsis Ball and the WM Ball.

With the launch of Kuflink's Culture and Values, we engaged with The Gr@nd and local schools to bring together a team of young people to design a 6-metre mural, illustrating our culture and values, which now is displayed in Kuflink's offices.

Keen to promote and supports the arts, Kuflink is now the headline sponsor of the BritAsia Kuflink Music Awards, the Punjabi Film Awards and Gifted Young Gravesham, supporting the talent within the community.

Investments and Development
The Technology Team has grown to ensure that the Group continues to innovate in both the peer-to-peer and bridge lending markets. Investment in the development of our proprietary technology and IT infrastructure has not slowed down. This year's focus has been to develop a new and slicker version of the Kuflink peer-to-peer platform, to incorporate more informative dashboards and features to provide investors real time statistics and loan performance. Additionally, a new investor relations administration system for Kuflink Ltd was launched during the financial year.

Since the year end, the Group launched the new Kuflink P2P platform, with more client-driven features and regulatory improvements. Kuflink Bridging Ltd developed a new Customer Relationship Management System (CRM) to improve workflow. Phase 1 is now completed, and Phase 2 is expected to be completed in the last quarter of 2020.

Additionally, a Loan Management System (LMS) had been developed and is in the integration stage, to improve back-office processes and improve control.

Technological Innovation and Adherence to Regulation
Wanting to be ahead of the curve within the alternative finance space has driven Kuflink to grow the in-house tech team as well as utilise carefully considered outsourced IT resources. The combined synergy of IT resources has allowed Kuflink to move fast and be more adaptable in the development of robust and user-friendly FinTech products. Our infrastructure is well prepared to continue growing rapidly.

Our partnership with Onfido to improve platform security and the functionality of our online ID checks has streamlined our sign up and AML screening of all new investors. Aside from ID and AML checks, our approach to technological innovation favours in-house controls and design.

As we completed our financial year, the FCA published a policy statement, outlining new rules for the peer-to-peer lending industry. Principally, these new rules related to the qualification of investors in peer-to-peer investment products, ensuring that providers consider the type of investor who engages with the platform, ensuring that they understand the nature of the peer-to-peer investment and the risks involved. Kuflink welcomed this development as it will help enhance the credibility and safety of the industry. We are well-prepared to operate in this new regime and immediately began putting the specific rules into our development plans to ensure full compliance in line with all deadlines.

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

New Markets and Products
February 2019 saw the launch of Kuflink's Secondary Market, allowing investors to buy and sell their investments in Kuflink loans. This feature was built into the platform following user feedback and to keep in-line with competition. The new 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.

As at the year end, the Kuflink mobile App is still in development. The launch has been delayed enabling us to deploy the app across both Apple AppStore and PlayStore simultaneously. Furthermore, new features and products have been built into the App along the way, requiring more time for Quality Assurance and It is currently in test under Beta.

Kuflink will soon be launching new SIPP and SASS products through Morgan Lloyd. Development work has already begun, and investors have expressed interest in participating.

Awards and Recognition
In 2019, Kuflink won Best Alternative Business Funding Provider at the Business Moneyfacts Awards, was highly commended as P2P lender of the year by Bridging and Commercial, commended as P2P provider of the year at the Moneyfacts Consumer awards and was a runner up for Best P2P Business Lender at the Growth Finance Awards. Kuflink continues to demonstrate our commitment to the industry and staying abreast of market changes by being part of several leading industry bodies, such as the UK Crowdfunding Association, ASTL and NACFB.

Enhancement of Talent
During the year, the Group appointed Nayan V Kisnadwala as a NED. Nayan brings to the board a wealth of experience and knowledge having previously worked with the likes of Barclaycard Worldwide, RBS and Amigo Loans.

For the second consecutive year, Narinder Khattoare, CEO, has been named in the P2P Power50 list.

Staff Development and Recognition
Kuflink recognises the importance of its employees and will seek to fill senior positions through internal promotion whenever possible. Additionally, Kuflink provides employees with internal and external training to enhance their talent and progression in the business. Kuflink has also worked with local schools and universities to allow for apprenticeships in areas such as Information Technology, Finance and Marketing. However, due to the current economic conditions as a result of Covid-19, we have made several positions redundant post year end to streamline business costs whilst ensuring we can continue to operate effectively. Staffing levels continue to be monitored by the Directors to ensure optimal business performance.

Financial risk management
The Group'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 liquid assets available to meet the Group's obligations to its finance providers.

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

The credit risk described above 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 Group's 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.

Risk of borrower default, is borne by Kuflink Bridging Limited (a subsidiary) to the extent of their stake in the loan of up to 5% as a first loss piece in the transaction, and the rest of the risk is contractually borne by the peer to peer investors.

The liquidity risk described above is managed by aligning the maturity profiles for the repayment of capital and interest to the Group's debt providers with the repayment profile of loans made to borrowers to ensure that the loan portfolio provides adequate liquidity to meet the Group'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 in note 2 of the financial statements on page 32. Management look to manage any liquidity mismatches through encouraging investor re-terming on the platform and raising additional capital in the short term.

Other Risks
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 Group being subject to a fine or a ban on trading activities. This is managed through regular review of and ongoing improvements in the Group's compliance framework by Senior management. Despite the negative equity position at the Group level, sufficient capital level was maintained throughout the financial year in the regulated entity Kuflink Limited in line with regulatory requirements.

Additionally, the Group bears reputational risks, as its continued success depends on maintaining the trust it has built with both borrowers and investors, as well as regulatory bodies.

The Group 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.

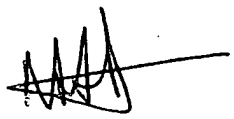
Brexit
The Group faces some Brexit-related uncertainties. Principally, this relates to the health of the UK property market post the exit from the European Union and the end of the transition period proves to be particularly disruptive and causes a sharp reduction in economic activity. The Group continues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

Coronavirus Disease 19 ("COVID-19")
The Covid-19 pandemic had an impact on the Group. Especially at the beginning of the pandemic the slowdown in the economy had an adverse impact on revenue, liquidity and profitability. Our IT infrastructure and the agility of the Group enabled us to operate as normal remotely. Furthermore, the Group was able to capitalise on opportunities due to our competitors stalling on loan applications from borrowers.

Management have also taken steps to mitigate any risk in liquidity by applying for the Covid-19 Government furlough scheme, applying for the Bounce Back Loan Scheme (BBLS), matching payment holidays between borrowers and investors and trimming down non-critical cost relating to marketing and staff.

At the time of approving the financial statements, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of the approval of the balance sheet. In the near term, the Group will rely on financial support from its shareholders and look to broaden its shareholder-base but these conversations remain at early stages of the process. Kuflink Group Plc received additional share capital of £2.9m in December 2019 and a further £0.8m was received during September to November of 2020 through the issue of shares to recapitalise the Group and its subsidiaries. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements. However, the Group does face a number of material uncertainties in relation to going concern which are discussed within the Directors' Report on page 9.

This report was approved by the board on 15 February 2021 and signed on its behalf by:



Narinderjit Khattoare
Director

Kuflink Group Plc
Registered number: 09084634
Directors' Report

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

Future developments

The directors expect that the Group 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 Group'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 Group Plc.

In performing this assessment, the Directors have 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 the Directors.

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

The consolidated accounts have been prepared on a going concern basis. While the Group reports a £930k negative net asset position as at the year end, the going concern basis is supported by further capital raises of £3.7m post year end and future cash flow forecasts.

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

Raising Capital

An inherent risk of a growing business is that it may not be able to raise sufficient capital to meet its business plan and, at worst, to continue to operate. This risk has been exacerbated by the current COVID-19 crisis and its impact on the domestic and global economies and investor bases. If the Group cannot obtain further capital either from (i) its existing shareholders or (ii) from third parties, it would potentially need to cease trading.

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

- The existing shareholders have been significant investors since 2019 and since that date have invested £4.63m of equity demonstrating their commitment to the Group and its strategy.
- £0.93m of this amount was invested by an existing shareholder in June 2019 by way of a debt for equity swap.
- £2.9m of this amount was invested by existing shareholders in December 2019.
- A further £0.8m of this amount was invested by existing and new shareholders as recently as September to November 2020.

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

(ii) Widening the investor base

Although it is unclear when investor markets will normalise, the Group 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 Group operates and we see this as a growth opportunity.
- The Group does not have a large stock of loans impacted by the sudden economic downturn. This allows the Group 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.
- The Group continued with product development and has launched the mobile app, which has allowed investors to access, monitor, buy and sell their investments on the go. The Kuflink investor Web Platform has been refreshed to give the investors a better and informed user journey. The select invest product has been enhanced with a new "compound interest" feature. Kuflink's new SIPP and SASS products have been developed and are ready for deployment, as the key platform development work has been done to automate SIPP transfers with our SIPP provider Morgan Lloyd (part of Clifton Asset Management PLC group). We've also introduced the marketing tool Hubspot, allowing efficient marketing and financial promotions across multiple channels and enabling more complete performance monitoring. A public API is also being developed to allow 3rd party platforms to access our systems in partnership deals.

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

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

Consideration of going concern arising from our capital position

As a result, the Board has concluded that, although the Group is expecting to receive further equity investment from its existing investors, and that management has a plan to manage its capital needs by controlling new lending volumes and has taken steps to reduce its cost base, there remains material uncertainty regarding (i) its ability to complete any proposed equity raises from existing investors and (ii) also as regards the Group's ability to source further additional equity from a widened investor base.

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

COVID-19

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

At the time of approving the financial statements, the Directors have a reasonable expectation that the Group 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 Group's ability to raise equity capital, as discussed above, COVID-19 has the potential to impact Kuflink in a number of ways but principally in the following areas:

Operational logistics

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

Business performance

We have seen an increase in borrower enquiries due to other lenders in the sector stalling on new and further advances. As at 10 December 2020 the loan pipe line has more than £22.2m of loans ready to complete with Solicitors, a further £21m of loans are in inquiries stage of which £3.9m has been instructed for valuations and the possibility that some will turn to new originations. As we have seen reduced investment on the P2P platform, the Group has sourced new loan funding in Kuflink Bridging Ltd to fund growth. Net Investment on the platform turned positive in May post the initial lock down phase in the UK. As the Group 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 Group is predicting a reduction in new business origination over its pre-COVID-19 forecasts in 2020 and 2021. Underpinning revised forecasts are the following assumptions:

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

The points above suggest that whilst we expect to see a reduction in the addressable market versus pre-COVID-19 activity levels, the Board believe that Kuflink should have broader access to this reduced market due to a decrease in competition. Considering the lower demand, the directors have decided to reduce the overall cost base of the entity through staff redundancies in FY20 and reducing overall marketing budgets for FY21 and beyond through negotiation with suppliers. The Directors expect these measures will reduce the Group's wages and salaries cost by c46% from existing run rates and cut marketing spend by c92%. The Directors 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 investments

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

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

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

Consideration of going concern arising from our operational position

While the outlook for the second half of 2020 and beyond is uncertain due to the impact of COVID- 19, we believe the longer-term outlook is positive for the UK property market and our business and we expect to benefit from a recovery. Our emergency pandemic plan has been implemented and working practices changed to ensure operational continuity. We have also put in place mitigation plans, removing non-critical costs from the business, announcing staff redundancies and receiving government support through the furlough scheme and the Bounce Back Loan Scheme (BBLS). In addition, we have implemented a 'managed' process for withdrawals from pool investments. As underlying loans are novated to investors through a P2P arrangement, other than for the Group's stake of a minimum 5%, the investors assume the risk of delays in repayments. P2P arrangements for investors in Pool products are generally for a fixed term of 1, 3 or 5 years, and we are repaying them on a managed basis, by delaying their withdrawal requests. As repayments come in, and new investments are received, we've been able to process withdrawals on this basis. The Group manages the liquidity (Note 2, page 32) and duration risk of the pooled investments whereas such risks are not present for investors that explicitly select their investment exposure via the platform as their duration of investment matches that of the underlying property backed loan.

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

traction with platform investors and sourcing new equity capital as required.

Financial risk management

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

Directors' Indemnities

Directors' and officers' insurance cover has been established for all Directors to provide a cover for £2m for their reasonable actions on behalf of the Group. A deed was executed indemnifying each of the Directors of the Group 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 Group.

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 generated through its Peer to peer platform to Kuflink Bridging Ltd. Kuflink Bridging Limited has also recharged certain costs to Kuflink Limited as management fees in 2018. In a recent review of the structure of the Group it came to light that the inter-company fee may fall under taxable supply for VAT purposes. Kuflink sought and received an external expert's guidance and concluded that companies within the Group should have been registered for VAT. Had a VAT group registration been in place, then the VAT liability would have been insignificant. However, as this was not the case during the period, a VAT liability arose and we have estimated what that amount might be.

A 'worst-case' provision for VAT liabilities of £464,815 and £170,000 as at 30 June 2019 and 30 June 2018 was raised, with the resulting impact recorded within Administrative expenses. The provision has been calculated based on the output VAT relevant to the inter-company charges, which is expected to be the maximum amount payable excluding any penalties or penal interest that may be imposed by HMRC. This provisional VAT liability has also not been reduced for any Input VAT claimable, as at this point in time the Group has not derived the correct input VAT amount.

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

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

Prior Year Adjustments

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

In summary, the key areas of revision relate to better reflecting the risks and rewards of ownership of the loans that are sourced from platform investments and the accounting for income and expenses on

an Effective Interest Rate method; providing for deemed impaired loans, providing for a 'worst-case' scenario of VAT liabilities, better assessing the rationale supporting the capitalisation of intangible assets and appropriately disclosing related party transactions.

More detail is provided in note 30 to the financial statements.

Results and dividends

The Group made a loss before tax of £2.7m (2018 Restated: loss before tax of £3.7m). The results of the Group for the year are set out in the Statement of Comprehensive Income on page 20. No ordinary dividend was paid. The directors do not recommend the payment of a final dividend. The Group is in a negative equity position at the year end and to improve the net assets, the Group raised additional £2.9m of share capital in December 2019. Kuflink Group Plc raised a further £0.8m from existing and new shareholders between September and November 2020. The directors of the Group are in discussions with new investors to broaden the investor base of the Group, but these discussions remain at an early stage of the process.

Directors

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

Sukhdev Singh Dhillon	
Narinderjit Khattoare	
Harwinder Singh	(Resigned on 25 September 2019)
Balbir Singh Thind	
Nayan Vithaldas Kisnadwala	(Appointed on 18 September 2018)
Satwinder Singh Binning	(Appointed on 1 November 2018)
Rawinder Singh Binning	(Appointed on 1 November 2018)
Tejwant Singh Chattha	(Appointed on 1 November 2018)
Hariharan Ramamurthy	(Appointed on 25 September 2019)

Kuflink Group Plc
Registered number: 09084634
Directors' Report

Statement of Directors' responsibilities

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) and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. 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 Group and of the Parent Company and of the profit or loss of the Group 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

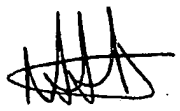
Each person who was a director at the time this report was approved confirms that:

- so far as he is aware, there is no relevant audit information of which the Group'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 Group's auditor is aware of that information.

Auditor

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

This report was approved by the board on 15 February 2021 and signed on its behalf by:



Narinderjit Khattoare
Director

Kuflink Group Plc
Independent auditor's report
to the members of Kuflink Group

Qualified Opinion

We have audited the financial statements of Kuflink Group Plc ("the Group") for the year ended 30 June 2019 which comprise the Group Consolidated Statement of Comprehensive Income, the Group Consolidated Statement of Financial Position, the Parent Statement of Financial Position, the Group Consolidated Statement of Changes in Equity, the Parent Statement of Changes in Equity, the Group Consolidated Statement of Cash Flows and the related notes 1 to 31, 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 (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, except for the possible effects of the matters highlighted in the Basis for Qualified Opinion section of our report, the financial statements:

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

Basis for Qualified Opinion

Note 19 to the financial statements outlines the basis on which the Directors have provided for VAT liabilities on a 'worst case' basis for the periods ended 30 June 2019 and 30 June 2018 which are recorded within 'Creditors: amounts falling due within one year' in the Statement of Financial Position at £464,815 and £170,000, respectively, with the resulting impact recorded within 'Administrative expenses' in the Statement of Comprehensive Income. The assumptions made by the Directors in assessing the provision are outlined in that note.

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

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report below. We are independent of the Group in accordance with the ethical requirements in the UK that are relevant to our audit of the financial statements, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material uncertainty related to going concern

We draw attention to the Directors' Report on page 9 and Note 1 to the financial statements which outline the Directors' assessment of the Group's ability to continue as a going concern. The Group is historically loss making and its revenue streams have been further impacted by COVID-19.As a result, there is a risk that the Group will not be able to execute its business plan, which could adversely impact its ability to generate both profits and operating free cashflow. Given the net liability position as at the year end, the Directors identify that the Group will need to raise additional capital to fund its ongoing operations and to enact its growth plans.

Specifically, the Board has concluded that, although the Group is expecting to receive further equity investment from its existing investors, and that management has a plan to manage its capital requirements by controlling new lending volumes and managing down its cost base, there remain material uncertainties regarding its ability to:

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

These matters may cast significant doubt on the Group's ability to continue as a going concern and, along with other matters related to the longer-term position of the entity, are explained in the Directors' Report on page 9 and in Note 1 to the financial statements. Our opinion is not modified in respect of these matters.

We undertook the following procedures to address these issues:

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

Emphasis of Matter

We draw attention to Note 28 of the financial statements that describes that an administrative error occurred during the year that led to the Group having less than the minimum amount of paid-up share capital required by s761 of the Companies Act 2006. This error was remedied on 18th November 2020 by the allotment of 5,000,000 Deferred shares of £0.01 each.

In addition, we draw attention to the consolidated and solus Balance Sheets shown on pages 21 and 22 and Note 1 of the financial statements highlighting the basis on which these statements have been prepared. The Balance Sheets highlight that as at the period end, both on a consolidated and solus basis, the Group was in a net liability position. This position was remediated with capital injections of £3.7million that occurred post year end.

Our opinion is not modified in respect of these matters.

Other information

The other information comprises the information included in the report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis for Qualified Opinion section of our report, we were unable to satisfy ourselves concerning the VAT liabilities of £464,815 and £170,000 as at 30 June 2019 and 30 June 2018, respectively, with the resulting impact in administrative expenses. We have concluded that where the other information refers to VAT liabilities or related administrative expenses balance, it may be materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

Except for the matter described in the Basis for Qualified Opinion section of our report, in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 15, 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 Group'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 Group or to cease operations, or have no realistic alternative but to do so.

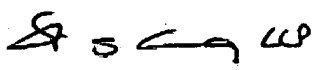
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Kuflink Group Plc
Independent auditor's report
to the members of Kuflink Group

Use of our report
This report is made solely to the Group's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

Kuflink Group Plc
Consolidated Statement of Comprehensive Income for the year ended 30 June 2019

	Notes	2019	2018 (Restated)
		£	£
Interest Income	3	3,990,363	2,829,658
Interest Expense and Charges	4	(2,128,128)	(1,036,017)
Net Interest Income		1,862,235	1,793,641
Other Income	5	216,425	71,812
Direct Expenses	6	(891,686)	(2,529,879)
Administrative expenses	7	(3,906,189)	(3,073,310)
Operating loss	8	(2,719,215)	(3,737,736)
Loss on ordinary activities before taxation		(2,719,215)	(3,737,736)
Tax (charge)/credit	11	-	341,365
Loss for the financial year		(2,719,215)	(3,396,371)
Other comprehensive income		-	-
Total comprehensive loss for the year		(2,719,215)	(3,396,371)

The Consolidated Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

The notes to the accounts on pages 26 to 52 form an integral part of the financial statements.

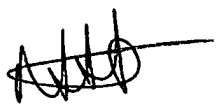
Kuflink Group Plc
Consolidated Statement of Financial Position

Registered number
09084634

as at 30 June 2019

	Notes		2019		2018 (Restated)
			£		£
Non-current assets					
Intangible assets	12		972,286		889,704
Tangible fixed assets	13		287,005		284,832
Loans held at amortised cost falling due after more than one year	16		1,235,296		5,444,967
			2,494,587		6,619,503
Current assets					
Other current assets	14	570,999		-	
Loans held at amortised cost	16	28,410,347		11,153,414	
Debtors	17	475,170		538,901	
Cash at bank and in hand		1,227,942		876,443	
		30,684,458		12,568,758	
Current Liabilities					
Financial liabilities held at amortised cost	18	(28,894,034)		(13,646,608)	
Creditors	19	(1,276,359)		(842,872)	
		(30,170,393)		(14,489,480)	
Net current assets/(liabilities)			514,065		(1,920,722)
Total assets less current liabilities			3,008,652		4,698,781
Non-current liabilities					
Financial liabilities held at amortised cost	18		(3,938,962)		(3,839,876)
Net (liabilities)/assets			(930,310)		858,905
Capital and reserves					
Called up share capital	21		1,957		51,926
Capital Redemption Reserve	21		50,000		-
Share premium	22		5,539,816		4,609,847
Profit and loss account	23		(6,522,083)		(3,802,868)
Total shareholders' funds			(930,310)		858,905

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



Narinderjit Khattoare
Director

The notes to the accounts on pages 26 to 52 form an integral part of the financial statements.

Kuflink Group Plc
Statement of Financial Position

as at 30 June 2019

	Notes		2019		2018 (Restated)
			£		£
Fixed assets					
Intangible assets	12		74,446		83,729
Investments	15		741,687		1,703,826
			816,133		1,787,555
Current assets					
Debtors	17	19,334		75,410	
Cash at bank and in hand		88		-	
		19,422		75,410	
Creditors: amounts falling due within one year	19	(1,134,004)		(1,001,181)	
Net current liabilities			(1,114,582)		(925,771)
Net (liabilities)/assets			(298,449)		861,784
Capital and reserves					
Called up share capital	21		1,957		51,926
Capital Redemption Reserve	21		50,000		-
Share premium	22		5,539,816		4,609,847
Profit and loss account	23		(5,890,222)		(3,799,989)
Total shareholder's funds			(298,449)		861,784

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

Narinderjit Khattoare
Director

The notes to the accounts on pages 26 to 52 form an integral part of the financial statements.

Kuflink Group Plc
Consolidated Statement of Changes in Equity for the year ended 30 June 2019

	Share capital	Share premium (Restated)	Capital Redemption Reserve	Profit and loss account (Restated)	Total (Restated)
	£	£	£	£	£
At 1 July 2017	51,581	3,939,909		51,218	4,042,708
Adjustment to opening equity**	-	-		(457,715)	(457,715)
Total comprehensive loss for the financial year	-	-		(3,396,371)	(3,396,371)
Shares issued	345	669,938			670,283
At 30 June 2018	51,926	4,609,847	-	(3,802,868)	858,905
At 1 July 2018	51,926	4,609,847	-	(3,802,868)	858,905
Total comprehensive loss for the financial year	-	-		(2,719,215)	(2,719,215)
Shares issued ‡	31	929,969		-	930,000
Shares redeemed *	(50,000)		50,000	-	-
At 30 June 2019	1,957	5,539,816	50,000	(6,522,083)	(930,310)

‡ During the year shares valued at £930,000 were issued (Note 21 and 22).
* In the year £50,000 of deferred shares were cancelled at nominal value and transferred to capital redemption reserve (Note 21).
** Adjustment to opening equity reflects the write off of previously capitalised intangibles that did not meet the criteria of capitalisation (Note 30)

The notes to the accounts on pages 26 to 52 form an integral part of the financial statements.

Kuflink Group Plc
Statement of Changes in Equity for the year ended 30 June 2019

	Share capital	Share premium (Restated)	Capital Redemption Reserve	Profit and loss account	Total (Restated)
	£	£	£	£	£
At 1 July 2017	51,581	3,939,909	-	(91,015)	3,900,475
Loss for the financial year				(3,708,974)	(3,708,974)
Shares issued	345	669,938			670,283
At 30 June 2018	51,926	4,609,847	-	(3,799,989)	861,784
At 1 July 2018	51,926	4,609,847	-	(3,799,989)	861,784
Loss for the financial year				(2,090,233)	(2,090,233)
Shares issued ‡	31	929,969			930,000
Shares redeemed *	(50,000)		50,000		-
At 30 June 2019	1,957	5,539,816	50,000	(5,890,222)	(298,449)

‡ During the year shares valued at £930,000 were issued (Note 21 and 22).
* In the year £50,000 of deferred shares were cancelled at nominal value and transferred to capital redemption reserve (Note 21).

The notes to the accounts on pages 26 to 52 form an integral part of the financial statement

Kuflink Group Plc
Consolidated Statement of Cash Flows for the year ended 30 June 2019

	2019	2018 (Restated)
	£	£
Operating activities		
Loss for the financial year/period	(2,719,215)	(3,737,736)
Adjustments for:		
Interest receivable	-	(176)
Interest payable	-	605
Depreciation	102,857	84,521
Amortisation of intangible fixed assets	232,868	71,222
Increase in current assets	(570,999)	-
Increase in loans held at amortised cost		
Additions	(31,760,205)	(26,484,315)
Repayments	17,872,461	17,888,296
Write offs	840,482	2,505,789
Increase in debtors	(29,613)	(74,022)
Increase in funding	15,346,512	9,124,458
Increase in creditors	1,363,487	531,699
	678,635	(89,659)
Interest received	-	52
Interest paid	-	(605)
Corporation tax paid	93,344	(42,216)
Cash used in operating activities	771,979	(132,428)
Investing activities		
Payments to acquire intangible fixed assets	(315,450)	(680,773)
Payments to acquire tangible fixed assets	(105,030)	(38,541)
Cash used in investing activities	(420,480)	(719,314)
Financing activities		
Proceeds from the issue of shares	-	670,283
Cash generated by financing activities	-	670,283
Net (decrease)/increase in cash and cash equivalents		
Cash used in operating activities	771,979	(132,428)
Cash used in investing activities	(420,480)	(719,314)
Cash generated by financing activities	-	670,283
Net cash generated/(used)	351,499	(181,459)
Cash and cash equivalents at start of the period	876,443	1,057,902
Cash and cash equivalents at end of the period	1,227,942	876,443
Cash and cash equivalents comprise:		
Cash at bank	1,227,942	876,443

The notes to the accounts on pages 26 to 52 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.

Kuflink Group Plc (the parent Company incorporated and domiciled in the United Kingdom) has taken advantage of section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in the financial statements. The Parent Company's loss after tax for the year was £ 2,090,233 (2018 Restated: £ 3,708,974).

Kuflink Finance No.1 Ltd, Kuflink Finance No.2 Ltd, Kuflink Home Loans Limited, Kuflink Landlord Limited, Kuflink Mini Bond Ltd & Kuflink Security Trustees Ltd are all 100% owned by Kuflink Group Plc and will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 30 June 2019. All of these subsidiaries were not trading during the year, whereas Kuflink Finance No.2 Ltd, Kuflink Mini Bond Ltd & Kuflink Security Trustees Ltd were dormant.

Going concern

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

In reaching the conclusion that the going concern basis is appropriate, we have stress tested future cash flow forecasts to evaluate the impact of plausible downside scenarios. These include scenarios that reflect current market conditions and a short-term property market dislocation. Additionally, we've 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, albeit with material uncertainties as explained below.

The Group is historically loss making and its revenue streams have been further impacted by COVID-19. As a result, there is a risk that the Group will not be able to execute its original business plan, which could adversely impact its ability to generate both profits and operating free cashflow. Given the net liability position as at the year end, the Directors identify that the Group will need to raise additional capital to fund its ongoing operations and raised £3.7m of new equity capital post year end. Although Kuflink Group has secured additional funding of £3.7m, management has implemented a cost cutting program to reduce its cost base post year end. Cost cutting plan had been now executed which made significant cost saving in employment and marketing cost and are explained in the Directors' Report on page 9. Despite these measures the directors have concluded that there remain material uncertainties regarding its ability to:

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

These matters cast significant doubt upon the Group's ability to continue as a going concern and, along with other matters related to the longer-term position of the Group, are explained in the Directors' Report on page 9.

Loan recognition
In our 2018 accounts, we did not recognise loans on the Group's balance sheet which had been novated to peer-to-peer investors on the Kuflink investment platform. We have now determined that these should be recognised as assets of the Group.

Under the novation agreements, the peer-to-peer investor is substituted for Kuflink Bridging Ltd as the lender in the facility agreement struck with borrowers. The investor is exposed to a large proportion of risks of default by the borrower, which could include a delay in repayment or non-repayment of principal or interest on the loan.

However, we have reviewed the substance of these transactions and determined that they do not meet the derecognition criteria for a financial asset as set out in FRS 102, which requires that 'substantially all' of the risk and rewards of ownership of the asset are transferred. Kuflink Bridging Ltd retains some risk and rewards of ownership. In most cases the Group retains a 5% stake in the loan and commits to absorbing the first losses against that loan with that stake before passing any additional losses to investors. Similarly, the Group benefits from an interest spread and any extra default interest charged to defaulted borrowers when recovered. Consequently, the Group must continue to recognise these as assets of the Group and, correspondingly, recognise the investments of peer-to-peer investors as liabilities of the Group in compliance with FRS 102.

We have re-stated 2018 figures in these accounts to appropriately reflect the comparative figures.

Basis of consolidation
The group's financial statements incorporate the financial statements of Kuflink Group Plc and its subsidiaries (as disclosed in Note 15). Consolidation of the assets, liabilities, income and expenses of a subsidiary are included in the consolidated financial statements from the date the group gains control until the date the group ceases to control the subsidiary. Assets and liabilities are recognised at fair value at the date of acquisition. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the group. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

Turnover
Revenue 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, cashback incentive cost and commission payable to brokers and are recognised using the effective interest method.

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.

Cashback Incentives paid to P2P investors
Kuflink 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 Assets and offset against Liabilities held at amortised costs. The costs are then expensed to the P&L over the behavioural life of the investment. Given the lack of available data on the behavioural maturity of the investments made on the platform given its infancy, available data from 2017 to date is extrapolated and a '4-year' period is assumed for amortisation of these costs.

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 the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference. Current and deferred tax assets and liabilities are not discounted.

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

Intangible assets
An internally generated asset arising from the Group's development of its IT infrastructure is recognised only if all of the following conditions are met:

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

The Group 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 Group.

The cost of acquisitions in excess of tangible net asset value is allocated to identifiable intangible assets. In the case of previous acquisitions by the Group, these represent licenses granted by the regulator in the UK, acquired as part of the purchase.

Amortisation is charged as follows:

Internally generated intangible assets	over 4 years - straight line basis
Purchased licenses	over 10 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 linebasis
Fixtures and fittings	over 4 years - straight line basis

Investment in subsidiary
Investments in subsidiaries are carried at cost less any provision for impairment in the financial statement of the Group. Any impairment is recognised in the Statement of Comprehensive Income. They are reviewed for impairment at least annually or whenever events or circumstances indicate that the carrying amount may not be recoverable. Impaired investment is written down to its recoverable amount which is the higher of its value in use and fair value less costs to sell.

Financial assets
Recognition and classification
Financial assets are recognised in the Group's Consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets are initially measured at the transaction price.

Loans
Loans made to borrowers by the Group that have fixed or 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. The amortised cost of a loan represents the expected future cash flows discounted at the original effective interest rate.

Impairment of financial assets
At the year end, the Group assesses whether there is any objective evidence that any of the loans made by the Group 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 the Consolidated Statement of Comprehensive Income.

Derecognition of financial assets
Financial assets are derecognised by the Group only when the Group's contractual rights to the cash flows from the asset expire, or when the Group 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. Loans and other financial assets are initially recognised at transaction price

including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, 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 Group 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 Group has a legal obligation as a result of entering into a contract with a third party. The investment held from Peer-to-Peer and other creditors to the Group are classified as "other financial liabilities" and are initially measured at the transaction price. They are subsequently measured at amortised cost. Financial liabilities are derecognised when the Group's obligations are discharged, cancelled or expired. Other trade payables are initially recognised at fair value which approximates to the amount expected to be required to settle the obligation on behalf of the Group.

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

Foreign currency translation
The Group'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 Consolidated statement of comprehensive income.

Judgements in applying accounting policies and key sources of estimation uncertainty
In applying the Group'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. In particular, the following items require estimation and management judgement to be applied:

(i) Provisions
Provisions established by the Group 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 amortised cost

The Group assesses, at each balance sheet date, whether there is objective evidence that an asset is impaired. A financial asset is considered impaired if there is objective evidence of impairment as a result of one or more loss events and that loss event has had an impact on the estimated future cash flows of the financial asset. The estimation of future cash flows requires management to make judgements and assumptions on timing of the cashflows, discounts rates to apply, and probability of scenarios in respect of recovery/restructure of defaulted loans which impact the recoverable amount of the asset being assessed.

iii) Impairment of intangible assets

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

iv) 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 reflect the actuarial method (as required by the accounting standard), which requires assumptions to be 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 loan is re-termed this will impact the recognition of income and fees in the profit and loss account.

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 future 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 future taxable profit which indicate full recovery in the foreseeable future with a high level of confidence.

vi) 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 generated through its Peer to peer platform to Kuflink Bridging Ltd. Kuflink Bridging Limited has also recharged certain costs to Kuflink Limited as management fees in 2018.

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

2 Financial risk management considerations

(i) Interest rate risk
The Group does not have any significant direct exposure to variances in interest rates.
The Group 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. Upon financing of loan and borrowing, the Group endeavour to maintain suitable spread between the rates charged on loans and cost of borrowing. As a result, any future interest rate variances will only have an impact on future cash flows on re-financing these loans and borrowings.

The Group's only asset that is subject to variable interest rates is the cash held at bank. None of the Group'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 (2018: not material).

(ii) Credit risk
The Group's maximum exposure to credit risk represents the aggregate carrying value of the loans held at amortised cost (see note 16), debtors (see note 17) and cash balances held by the Group at 30 June 2019. 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. As underlying loans are novated to the investors through a P2P arrangement, other than for the Group's stake of a minimum of 5%, the investors assume the risk of delays in repayments.
The Group 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 £3.5m, representing 12% of net loans and has been lent to a related party of the Group. The largest 10 loans account for 43% of total net loan value. The portfolio is weighted to lending on first charge residential mortgaged in Greater London and Southeast England.

(iv) Liquidity risk
Liquidity risk arises from the Group's management of working capital. It is the risk that the Group may encounter difficulties in meeting its financial obligations as they fall due. The Group's principal liquidity risk relates from having insufficient capital to make repayments of interest or capital to lenders as amounts fall due for payment. The table below shows the repayment profile of both interest and capital balances for the Group's existing borrowing portfolio:

	Less than 1 year £	More than 1 year £	Total £
Interest			
Peer-to-peer Investors	920,814	519,785	1,440,599
Kuflink Borrowing	260,878	7,662	268,540
Interest payable on all borrowings in existence to maturity	**1,181,692**	**527,447**	**1,709,139**
Interest receivable on all loans in existence to maturity	**1,787,403**	**43,769**	**1,831,172**

Capital Repayment	Less than 1 year £	More than 1 year £	Total £
Peer-to-peer Investors	21,107,779	3,730,657	24,838,436
Kuflink Borrowing	7,786,255	208,306	7,994,561
Expected repayment of capital on all borrowings in existence to maturity	**28,894,034**	**3,938,963**	**32,832,997**
Expected repayment of capital from all loans in existence to maturity	**28,410,347**	**1,235,296**	**29,645,643**

The above table shows there is insufficient liquidity in the next year and the year after. Our past performance shows a substantial number of platform investors do re-term, if this were to continue, the Group would have less of a liquidity mismatch than detailed in the table above. The directors are looking to address any further liquidity mismatches through additional capital raises in the short term. The Group has secured £3.7m of equity capital for existing and new shareholders since June 2019 and has implemented cost saving plans to increase the available liquidity. For the longer term, management are in discussion with potential investors to raise further equity but these are in the initial stages of the fund raising process (see Directors report (Going concern section) and Note 1).

The Group's other creditors are repayable on demand at balances that approximate to the carrying values.

(v) Currency risk
The Group has no direct exposure to foreign currency risk as all loans made and the borrowings issued by the Group are denominated in sterling.

(vi) Capital risk management
The Group is not subject to any externally imposed capital requirements with the exception of those imposed by the FCA. Kuflink Ltd (one of the 100% owned subsidiary) is subject to FCA capital adequacy requirements which were met during the current and prior year.

The capital requirements are monitored by the directors on an ongoing basis to ensure that the Group retains sufficient capital to meet these minimum requirements.

3 Analysis of Interest Income

	2019	2018 (Restated) £
Loan interest receivable	3,070,672	2,281,382
Default Interest	361,781	372,923
Arrangement fees	503,434	154,029
Admin fees	14,896	2,569
Broker fees	37,084	17,718
Other Fees	2,496	1,037
	3,990,363	2,829,658

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 Arrangement fees is due to growth in the loan book origination in 2019 and the appropriate accounting of spreading the income over the period of the loan which reduced PYA comparatives on restatement.

4 Interest Expense and Charge

	2019	2018 (Restated)
	£	£
Peer-to-Peer Interest		
Interest	1,164,262	488,785
Cashback Expenses	140,337	23,067
	1,304,599	511,852
Interest on Kuflink Borrowings	546,059	479,229
Broker commission	277,470	44,936
	2,128,128	1,036,017

Cashback incentive expenses are incurred by Kuflink Ltd and are recharged to Kuflink Bridging Ltd. 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 using the effective interest method.

5 Other Income

	2019	2018 (Restated)
	£	£
Exit Fees	68,224	55,734
Other Fees	62,638	4,920
Sundry income	85,563	11,158
	216,425	71,812

Other Income incorporate fees and expenses that are unrelated to the loan generation process and are recognised as generated/incurred. Sundry income in 2019 include referral commission from providing lending leads.

6 Direct Expenses

	2019	2018 (Restated)
	£	£
Movement in impairment provision (Note 16)	457,612	2,481,202
Loans written-off	382,870	24,587
Total Impairment Expense	840,482	2,505,789
Other Direct Expenses	51,204	24,090
	891,686	2,529,879

Other Direct Expenses include cost related to legal searches and recovery related to lending activities.

7 Administrative Expenses

	2019	2018 (Restated)
	£	£
Employee Cost	1,631,011	1,454,616
General administrative expenses	2,275,178	1,618,694
	3,906,189	3,073,310

General administrative expenses include £290,000 (2018 (Restated): £169,901) irrecoverable VAT cost due to services provided between the subsidiary Companies. (Note 19).

8 Operating (loss)

	2019	2018 (Restated)
	£	£
The operating (loss) of the Group is stated after charging:		
Impairment of loans in the year	840,482	2,505,789
Depreciation of tangible fixed assets	102,857	84,521
Amortisation of intangible assets	232,868	71,222
Operating lease rentals - land and buildings	89,554	125,260
Auditor's remuneration for audit services (including VAT) - Company	47,880	18,000
Auditor's remuneration for audit services (including VAT) - Subsidiaries	109,770	48,000
Provision for VAT	290,000	169,901
Marketing expenses	414,967	208,952

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

9 Directors' emoluments

	2019	2018
	£	£
Emoluments	208,152	154,111
Bonus	480	1,000
Company contributions to defined contribution pension plans	208	-
	208,840	155,111

Number of directors to whom retirement benefits accrued:	2019 Number	2018 Number
Defined contribution plans	1	-

The highest paid director's emoluments were £104,189 (2018: £86,396) and bonus were £250 (2018: £250).

10 Staff costs

	2019	2018 (Restated)
	£	£
Wages and salaries	1,230,954	1,213,029
Social security costs	153,510	100,411
Other pension costs	13,809	3,492
Other staff cost	232,738	137,684
	1,631,011	1,454,616

Average number of employees of the Group including Directors during the year	Number	Number
Administration	16	19
Development	3	2
Distribution	-	-
Marketing	5	5
Sales	10	10
	34	36

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

11 Taxation

	2019	2018 (Restated)
Analysis of (credit) / charge in period	**£**	**£**
Current tax:		
UK corporation tax (credit) / charge on (loss) / profit for the period	-	(189,672)
Adjustments in respect of previous periods	-	(115,038)
	-	(304,710)
Deferred tax:		
Origination and reversal of timing differences	-	(36,655)
Tax (credit) / charge on loss on ordinary activities	-	(341,365)

	2019	2018 (Restated)
	£	£
Loss on ordinary activities before tax	(2,719,215)	(3,737,736)
Standard rate of corporation tax in the UK	19%	19%
	£	£
(Loss) / Profit on ordinary activities multiplied by the standard rate of corporation tax	(516,651)	(710,170)
Effects of:		
Expenses not deductible for tax purposes	60,218	34,484
Non-qualifying depreciation	51,763	19,302
R&D tax credit claim	-	(142,121)
Unused trading losses to carry forward	416,752	572,178
Trading losses brought forward and used against profits	(12,082)	-
Adjustments to tax (credit)/charge in respect of previous periods	-	(115,038)
Total tax (credit)/charge for period	-	(341,365)

Factors that may affect future tax charges

The Group has tax losses arising in the UK of £5,267,937 (2018: £3,155,040) against which a Deferred tax asset has not been recognised. These losses are available indefinitely for offset against future taxable profits of the Group. However, as the Group cannot accurately forecast the quantum and timing of the future taxable profit, a Deferred tax asset has not been recognised in respect of these taxable losses. As per note 20, a deferred tax asset has been recognised on taxable losses to the extent that these can offset deferred tax liabilities.

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

The UK government enacted the Finance (No.2) Act 2015, which received royal assent on 18 November 2015, to reduce the standard rate of UK corporation tax to 19% from 1 April 2017 and further to 18% from 1 April 2020. In the 2016 Finance Bill, the UK Government announced a further reduction in the rate of corporation tax to 17% from 1 April 2020. Since the balance sheet date, the rate reduction to 17% has been reversed, and it will remain at 19%. The Group has identified that it should have registered for VAT from 1 September 2017 and made an application with HMRC – for more information please refer to Note 19.

12 Intangible assets

Group	Purchased licenses on acquisition	Internally generated software	Total
Cost	£	£	£
At 1 July 2018 (Restated)	93,032	867,894	960,926
Additions	-	315,450	315,450
At 30 June 2019	93,032	1,183,344	1,276,376
Amortisation			
At 1 July 2018 (Restated)	9,303	61,919	71,222
Provided during the year	9,283	223,585	232,868
At 30 June 2019	18,586	285,504	304,090
Carrying amount			
At 30 June 2019	74,446	897,840	972,286
At 30 June 2018 (Restated)	83,729	805,975	889,704

Company	Purchased licenses on acquisition	Internally generated software	Total
	£	£	£
At 1 July 2018	93,032	-	93,032
Additions	-	-	-
Disposals	-	-	-
At 30 June 2019	93,032	-	93,032
Amortisation			
At 1 July 2018	9,303	-	9,303
Provided during the year	9,283	-	9,283
On disposals	-	-	-
At 30 June 2019	18,586	-	18,586
Carrying amount			
At 30 June 2019	74,446	-	74,446
At 30 June 2018	83,729	-	83,729

Cost of £93,032 is the premium paid for the acquisition cost of companies in the Group. The premium was paid in relation to the trading licenses held by those entities. These were shown as "Goodwill" in 2018 and they are now restated as "Purchased licenses on acquisition". Management were unable to make a reliable estimate of the useful life of this intangible and the option to default to the '10 year' rule under FRS 102 was adopted.

13 Tangible fixed assets

	Leasehold Improvements	Fixtures and fittings	Total
Cost	£	£	£
At 1 July 2018	360,123	93,114	453,237
Additions	64,195	40,835	105,030
At 30 June 2019	424,318	133,949	558,267
Depreciation			
At 1 July 2018	115,575	52,830	168,405
Charge for the year	76,477	26,380	102,857
At 30 June 2019	192,052	79,210	271,262
Carrying amount			
At 30 June 2019	232,266	54,739	287,005
At 30 June 2018	244,548	40,284	284,832

14 Other current assets Valuation

	2019 £	2018 £
At 1 July 2018	-	-
Reclassification from loans at amortised cost	570,999	-
At 30 June 2019	570,999	-

In the year ending June 2019, the Group entered into a financing arrangement with a client structured as a sale and repurchase agreement. The essence of this agreement was that the Group advanced funds to the customer for business purposes, secured by a high value motor vehicle. This asset was sold to the Group up front, with an agreed repurchase contract with the client. The Group retained custody of the asset throughout the agreement. Following the client's failure to repurchase the asset by the agreed deadline, the Group took possession of the vehicle and reflected this by reclassifying the loan to other current assets.

Subsequent to the balance sheet date, the Group sold this asset to a third party and did not suffer any loss as a result (note 31).

15 Investments

Company	Investments in subsidiary undertakings
	£
Cost (Restated)	6,966,693
Accumulated impairments (Restated)	(5,262,867)
At 1 July 2018 (Restated)	1,703,826
Additions	930,102
Impairment in the current year	(1,892,241)
At 30 June 2019	741,687

Company	Shares held Class	%	Capital and reserves £	Profit for the year £
Kuflink Bridging Ltd	Ordinary	100	(604,804)	(2,041,524)
Kuflink Ltd	Ordinary	100	741,483	(455,521)
Kuflink Security Trustees Ltd	Ordinary	100	(1,548)	(13)
Kuflink Mini Bond Ltd	Ordinary	100	(1,002)	-
Kuflink Home Loans Limited	Ordinary	100	(2,091)	(2,166)
Kuflink Finance No.1 Ltd	Ordinary	100	(525)	(211)
Kuflink Landlord Ltd	Ordinary	100	(21,700)	(21,800)
Kuflink Finance No.2 Ltd.	Ordinary	100	1	-

Investment in subsidiaries are shown at cost less the impairment. As the capital and reserves in the subsidiaries show negative equity positions, Kuflink Group Plc carried out an impairment analysis and concluded that an impairment adjustment is necessary and impaired the investments in Kuflink Bridging Limited and Kuflink Limited by £1,892,241 (2018 (Restated): £5,262,867). These investments have been impaired to the positive carrying net asset value of these subsidiaries or nil – whichever is higher.

16 Loans at amortised cost

	2019 £	2018 (Restated) £
Opening value of loans (gross)	19,753,247	10,550,834
Additions	27,283,848	23,568,848
Repaid loans	(17,301,462)	(17,888,296)
Loans written off	(382,870)	(24,587)
Interest and charges	5,084,843	3,546,448
Reclassification to Other current assets	(570,999)	-
Closing par value of loans	33,866,607	19,753,247
Opening value of Unearned income	(669,173)	(38,192)
Movement	(608,486)	(630,981)
Closing value of Unearned income	(1,277,659)	(669,173)
Opening value of Impairment provision	(2,485,693)	(4,491)
Movement	(457,612)	(2,481,202)
Closing value of Impairment provision	(2,943,305)	(2,485,693)
Opening value of Loans (Net)	16,598,381	10,508,151
Summary of movement	13,047,262	6,090,230
Closing value of Loans (Net)	29,645,643	16,598,381
Of which:		
Due within one year	28,410,347	11,153,414
Due after one year	1,235,296	5,444,967

Unearned income represents up-front fees charged to borrowers and 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 accounting.

17 Debtors

	Group		Company	
	2019	2018 (Restated)	2019	2018 (Restated)
	£	£	£	£
Amounts owed by group undertakings	-	-	2,537	2,537
Other debtors	5,399	73,923	-	72,873
Prepayments	270,567	172,430	16,797	-
Tax Recoverable	199,204	292,548	-	-
	475,170	538,901	19,334	75,410

18 Financial liabilities held at amortised cost

Total	Current 2019	Non-current 2019	Total 2019	Total 2018 (Restated) *
	£	£	£	£
Opening value (Restated)	13,646,608	3,839,876	17,486,484	10,323,486
Additions	30,006,172		30,006,172	21,367,980
Redeemed financial liabilities	(14,370,618)		(14,370,618)	(13,865,640)
Deferred cashback expense	(101,112)	(187,930)	(289,042)	(339,342)
Movements from non-current to current portion	(287,016)	287,016	-	-
Carrying value at 30 June 2019	28,894,034	3,938,962	32,832,996	17,486,484

of which:

a) Peer-to-Peer Investments	Current 2019	Non-current 2019	Total 2019
	£	£	£
Opening value **(Restated)**	8,758,064	2,722,344	11,480,408
Additions	22,728,184	-	22,728,184
Repaid investments	(9,081,115)	-	(9,081,115)
Deferred cashback expense	(101,112)	(187,930)	(289,042)
Movement from non-current to current portion	(1,196,243)	1,196,243	-
Carrying value at 30 June 2019	21,107,778	3,730,657	24,838,435

b) Group borrowing	Current 2019	Non-current 2019	Total 2019
	£	£	£
Opening value **(Restated)**	4,888,544	1,117,532	6,006,076
Additions	7,277,988	-	7,277,988
Repaid borrowings	(5,289,503)	-	(5,289,503)
Movement from non-current to current portion	909,227	(909,227)	-
Carrying value at 30 June 2019	7,786,256	208,305	7,994,561

* Liabilities in 2018 were not split between peer-to-peer and group borrowing, hence comparatives are not disclosed.

19 Creditors: amounts falling due within one year

	Group		Company	
	2019	2018 (Restated)	2019	2018 (Restated)
	£	£	£	£
Trade creditors	327,548	477,511	5,562	-
Amounts owed to group undertakings	-	-	1,069,093	983,181
Other taxes and social security costs	55,251	43,057	4,382	-
Other creditors	481,980	170,000	-	-
Accruals and deferred income	411,580	152,304	54,967	18,000
	1,276,359	842,872	1,134,004	1,001,181

Other Creditors include a 'worst-case' provision for possible VAT liability of £464,815 (2018: £170,000). The Group has identified that it should have registered for VAT from 1 September 2017 and made an application with HMRC. The provision included is the potential Output VAT payable in respect of platform fees charged by Kuflink Limited to Kuflink Bridging Ltd and management charges made to Kuflink Limited by Kuflink Bridging Ltd. Prior year figures were restated accordingly as disclosed in Note 30. HMRC confirmed the Group VAT registration with effective date from 17 March 2020. The Group expects it will be able to claim a proportionate amount of Input VAT which is currently unknown and not included in the provision. Due to late registration for VAT, HMRC could impose penalty and interest, but no provision is made for these, due to uncertainty at this point, and that significant further liability is not expected to arise.

20 Deferred taxation

	2019	2018 (Restated)
	£	£
Accelerated capital allowances	19,778	16,555
Tax losses carried forward	(19,778)	(16,555)
Total	-	-

	2019	2018
	£	£
At 1 July	-	36,655
Credited to Statement of Comprehensive Income	-	(36,655)
At 30 June	-	-

21 Share capital

	Nominal value	2019 Number	2019 £	2018 £
Allotted, called up and fully paid:				
Ordinary shares	£0.00001 each	163,421,400	1,634	1,603
Growth shares	£0.00001 each	32,347,200	323	323
Deferred shares	£0.0000001 each	-	-	50,000
			1,957	51,926

Shares issued during the period:	Nominal value	Number	Amount £
Ordinary shares	£0.00001 each	3,100,000	31

Shares redeemed during the period:	Nominal value	Number	Amount £
Deferred shares	£0.0000001 each	500,000,000,000	50,000

During the year Deferred Shares with nominal value amounting to £50,000 were cancelled. This is now allocated to Capital Redemption Reserve. Note 28 discusses the impact of this transition on the legal form of incorporation of the entity and the remediation undertaken by management.

22 Share premium

	2019 £	2018 £
At 1 July	4,609,847	3,939,909
Shares issued	929,969	669,938
At 30 June	5,539,816	4,609,847

			Number	Amount £
Shares issued during the period:				
Ordinary shares	£	0.29999	3,100,000	929,969
				929,969

23 Profit and loss account

	2019	2018 (Restated)
	£	£
At 1 July	(3,802,868)	(406,497)
Loss for the financial year/period	(2,719,215)	(3,396,371)
At 30 June	(6,522,083)	(3,802,868)

The Parent Company's loss after tax for the year was £ 2,090,233 (2018 Restated: £ 3,708,974).

24 Financial commitments

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

	Land and buildings 2019	Land and buildings 2018
	£	£
Amount due within one year	48,000	48,000
Amount due within two to five years	101,786	149,786
	149,786	197,786

25 Related party transactions

At the year end, an amount totalling £6,228,104 (2018: £3,197,996) was outstanding on loans to Directors or related parties of Kuflink Group Plc and its subsidiaries. £4,537,292 (2018: £1,184,341) of these loans were funded through the Peer-to-peer platform, split between "Select" product funding of £3,091,922 (2018: £1,184,341) and "Pool" product funding of £1,445,370 (2018: £nil). The balance was funded through the Group's balance sheet.

Loans to Directors/related parties were issued at preferential rates as at the balance sheet date. Subsequent to the year-end date, the interest rates on these loans have been brought in line with those levied on third-party borrowers, after the inclusion of an exit fee addendum to these loans. These addendums were signed by the Directors/related parties after the balance sheet date and were actioned for outstanding loans as at the balance sheet date. Any loans previously paid up by directors/related parties were not retrospectively amended.

Also, at the year-end an amount totalling £243,749 (2018: £227,751) was outstanding on borrowing from Directors or related parties or companies controlled by the Directors.

During the year, the Group's trade with suppliers who are controlled by Directors or related parties amounted to £321,217 (2018: £183,691).

An amount of £76,921 (2018: nil) was reimbursed to the director for payments made to these IT companies on behalf of Kuflink.

Subsequent to the year-end Directors of the Group provided guarantees worth up to £2,078,698, secured by real property and other assets, to cover the Group in the event of a loss on certain loans. This took the balance of year-end extant lending that was either directly to Directors or related parties or indirectly guaranteed by Directors or related parties to £8,306,802.

26 Remuneration of key management personnel

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

	2019 £	2018 £
Wages	602,077	386,865
Bonus	1,750	1,450
Pension	932	295
	604,759	388,610

27 Functional and presentation currency

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

28 Legal form of entity and country of incorporation

At the start of the financial year Kuflink Group Plc was a Public Company limited by shares and incorporated in England.

The reduction of share capital during the year has resulted in the 500,000,000,000 Deferred Shares of £0.0000001 each being purchased by the Company (as permitted by the Articles and pursuant to an off-market purchase permitted by s694 of the Companies Act 2006). However, this transaction caused the Company to have less than the minimum amount of paid-up share capital required by s761 of the Companies 2006 and was an administrative error. The error was remedied on the 18th of November 2020 by the allotment of 5,000,000 Deferred shares of £0.01 each as soon as it was spotted.

The Registrar of Companies has been notified of this error and that the Company is not proposing to re-register as a private limited company as the error has been remedied and as this would be wasteful of costs and Companies' House time. In addition, there has been no potential or actual loss arising in the period of default.

29 Principal place of business

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

30 Amendments made to prior year balances

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

In summary, the key areas of revision relate to better reflecting the risks and rewards of ownership of the loans that are sourced from the platform and the accounting for income and expenses on an Effective Interest Rate method; providing for deemed impaired loans, providing for a 'worst-case' scenario of VAT liabilities, better assessing the rationale supporting the capitalisation of intangible assets and appropriately disclosing related party transactions. The detailed adjustments to the previously reported prior year financial balances are analysed in the following tables and described thereafter.

Kuflink Group Plc
Notes to the Accounts
for the year ended 30 June 2019

Consolidated Statement of Comprehensive Income

	2018 As previously reported	Gross up	EIR	Intangibles	Impairment	Cashback	Share premium	Reclassification and rounding	Tax	2018 (Restated)
	£	£	£	£	£	£	£	£	£	£
Interest Income	2,827,172		(160,583)					163,044	25	2,829,658
Interest Expense and Charges	(1,397,123)	(73,465)	65,516	(344,848)		314,342		399,561		(1,036,017)
Net Interest Income	1,430,049	(73,465)	(95,067)	(344,848)	-	314,342	-	562,605	25	1,793,641
Other Income	-							71,812		71,812
Direct Expenses	-				(2,090,921)			(438,958)		(2,529,879)
Administrative expenses	(2,225,304)			(483,100)				(195,005)	(169,901)	(3,073,310)
Operating profit	(795,255)	(73,465)	(95,067)	(827,948)	(2,090,921)	314,342	-	454	(169,876)	(3,737,736)
Interest receivable	1,064							(1,064)		-
Interest payable	(605)							605		-
Profit on ordinary activities before taxation	(794,796)	(73,465)	(95,067)	(827,948)	(2,090,921)	314,342	-	(5)	(169,876)	(3,737,736)
Tax credit/(charge)	136,543								204,822	341,365
Profit on ordinary activities before taxation	(658,253)	(73,465)	(95,067)	(827,948)	(2,090,921)	314,342	-	(5)	34,946	(3,396,371)

Kuflink Group Plc
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for the year ended 30 June 2019

Consolidated Statement of Financial Position

	2018 As previously reported	Gross up	EIR	Intangible	Impairment	Cashback	Share premium	Reclassification	Tax	2018 (Restated)
Fixed assets										
Intangible assets	2,175,367			(1,285,663)						889,704
Tangible assets	284,832									284,832
Loans held at amortised cost falling due after more than one year	5,444,967									5,444,967
	7,905,166	-	-	(1,285,663)	-	-	-	-	-	6,619,503
Current assets										
Loans held at amortised cost	1,585,170	11,819,748	(160,583)		(2,090,921)					11,153,414
Debtors	299,061		40,516			-	323	(2)	199,003	538,901
Cash at bank and in hand	876,443									876,443
	2,760,674	11,819,748	(120,067)	-	(2,090,921)	-	323	(2)	199,003	12,568,758
Creditors: amounts falling due within one year										
Financial liabilities held at amortised cost	(2,166,200)	(11,819,748)	25,000			314,342		(2)		(13,646,608)
Creditors	(599,406)	(73,465)						(1)	(170,000)	(842,872)
	(2,765,606)	(11,893,213)	25,000	-	-	314,342	-	(3)	(170,000)	(14,489,480)
Net current (liabilities)/assets	(4,932)	(73,465)	(95,067)	-	(2,090,921)	314,342	323	(5)	29,003	(1,920,722)
Total assets less current liabilities	7,900,234	(73,465)	(95,067)	(1,285,663)	(2,090,921)	314,342	323	(5)	29,003	4,698,781
Creditors: Financial liabilities held at amortised cost falling due after more than one year	(3,839,876)									(3,839,876)
Other liabilities										
Deferred taxation	(5,943)								5,943	-
Net assets	4,054,415	(73,465)	(95,067)	(1,285,663)	(2,090,921)	314,342	323	(5)	34,946	858,905
Capital and reserves										
Called up share capital	51,926									51,926
Share premium	4,609,524						323			4,609,847
Profit and loss account	(607,035)	(73,465)	(95,067)	(1,285,663)	(2,090,921)	314,342	-	(5)	34,946	(3,802,868)
Total shareholder's funds	4,054,415	(73,465)	(95,067)	(1,285,663)	(2,090,921)	314,342	323	(5)	34,946	858,905

Kuflink Group Plc
Notes to the Accounts
for the year ended 30 June 2019

Consolidated Statement of Cashflows

	2018 As previously reported	Gross up	EIR	Intangible	Impairment	Cashback	Reclassification	Tax	2018 (Restated)
	£	£	£	£	£	£	£	£	£
Operating activities									
Loss for the financial year/period	(658,253)	(73,465)	(95,067)	(827,948)	(2,090,921)	314,342	(136,424)	(170,000)	(3,737,736)
Adjustments for:									
Interest receivable	(1,064)						888		(176)
Interest payable	605								605
Tax credit	(136,543)						136,543		-
Depreciation	84,521								84,521
Amortisation of intangible fixed assets	335,651			(264,429)					71,222
Increase in loans held at amortised cost									
Additions	(6,465,350)	(20,018,965)							(26,484,315)
Repayments	9,553,083	8,335,213							17,888,296
Write offs	390,281	24,587			2,090,921				2,505,789
Increase in debtors	(126,730)		(40,516)		-	(2)	93,226		(74,022)
Increase in funding	-	9,463,798	(25,000)			(314,340)			9,124,458
Increase in creditors	(2,067,717)	2,429,415					1	170,000	531,699
	908,484	160,583	(160,583)	(1,092,377)	-	-	94,234	-	(89,659)
Interest received	1,064						(1,012)		52
Interest paid	(605)								(605)
Corporation tax paid	51,329						(93,545)		(42,216)
Cash used in operating activities	960,272	160,583	(160,583)	(1,092,377)	-	-	(323)	-	(132,428)
Investing activities									
Payments to acquire intangible fixed assets	(1,773,150)			1,092,377					(680,773)
Payments to acquire tangible fixed assets	(38,541)								(38,541)
Cash used in investing activities	(1,811,691)	-	-	1,092,377	-	-	-	-	(719,314)
Financing activities									
Proceeds from the issue of shares	669,960						323		670,283
Cash generated by financing activities	669,960	-	-	-	-	-	323	-	670,283

Kuflink Group Plc
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for the year ended 30 June 2019

Consolidated Statement of Cashflows

	2018 As previously reported	Gross up	EIR	Intangible	Impairment	Cashback	Reclassification	Tax	2018 (Restated)
	£	£	£	£	£	£	£	£	£
Net (decrease)/increase in cash and cash equivalents									
Cash used in operating activities	960,272	160,583	(160,583)	(1,092,377)	-	-	(323)	-	(132,428)
Cash used in investing activities	(1,811,691)	-	-	1,092,377	-	-	-	-	(719,314)
Cash generated by financing activities	669,960	-	-	-	-	-	323	-	670,283
Net cash generated/(used)	(181,459)	160,583	(160,583)	-	-	-	-	-	(181,459)
Cash and cash equivalents at start of the period	1,057,902								1,057,902
Cash and cash equivalents at end of the period	876,443	160,583	(160,583)	-	-	-	-	-	876,443
Cash and cash equivalents comprise:									
Cash at bank	876,443								876,443

a) Gross up of loans and financial liabilities

Given the spread earnt by the Group between the income on any loans novated to the platform and the amounts paid to the platform investors; and the fact the Group tends to retain at least a 5% interest in the loans that is used to absorb first losses should they arise; it is clear that the Group retains the majority of the risks and rewards of ownership of the loans. Therefore, the loans should be recognised on a gross basis on the Group's balance sheet – specifically within the Kuflink Bridging Limited entity.

As a result of this as described in Note 1, loans and financial liability comparatives have been grossed up.

These adjustments led to £11,819,748 of loans and financial liabilities being recognised within the comparatives and £73,465 of interest expense payable to platform investors being recognised which had not previously been accrued.

b) Intangibles

Following the reassessment of the rationale for capitalising intangibles, management deemed that balances amounting to £450,000 within Kuflink Bridging Ltd and £453,100 within Kuflink Ltd had previously been incorrectly capitalised. Of the amount pertaining to Kuflink Bridging Ltd, £420,000 was transferred to Kuflink Ltd to more fairly reflect the entity that incurred the costs. This was appropriately assessed for impairment in Kuflink Limited. The balance of £30,000 was charged to administrative expenses along with the amount pertaining to Kuflink Ltd. Amortisation in respect of intangible amounting to £264,429 was reversed as presented in the cashflow reconciliation.

Considering the opening balances for the 2018 financial year, intangibles capitalised in 2017 amounting to £421,715 in Kuflink Limited and £36,000 (previously erroneously booked in Kuflink Limited) in relation to Kuflink Bridging Limited were adjusted in the opening equity of the respective entities as they did not qualify for capitalisation.

Finally, regarding intangibles, cashback incentives amounting to £344,848 previously incorrectly capitalised within Kuflink Limited in breach of the guidance provided by FRS 102 as intangible assets have now been capitalised as deferred cashback assets and offset against liabilities held at amortised cost. Such balances are now amortised over a 4-year period as detailed below.

c) Effective Interest Rate (EIR) accounting

The recognition of loans and their associated liabilities gross on the balance sheet would require that the associated interest income and expense be recognised over the life of the loans and liabilities under the effective interest rate method. Previously revenue associated with the loans had been recognised as agency fee income when earned as the loans and liabilities were not recognised within the financial statements. The recognition of certain income items on the basis of the EIR method has impacted the interest income by £145,583 (£160,583 less the adjustment of £15,000 discussed below). The impact of EIR on cash back expenses is discussed below.

Kuflink's loan management system records interest on a straight-line basis. An adjustment of £15,000 was made to the interest income and £25,000 to interest expenses to align the treatment to the actuarial method as required by the accounting standards.

£40,516 of prepaid broker fees was also booked as a prepaid asset on balance sheet to align with the EIR accounting adopted.

Deferred Cashback accounting

Kuflink Limited operated an incentive scheme for platform investors and previously recharged the related cost back to Kuflink Bridging Limited. To reflect the revised EIR basis of accounting, the 2018 cost of £344,848 has been reversed from Interest Expense and instead recognised as a deferred cash back asset and amortised over a 4-year period. The net charge for 2018 was £30,506 and this led to a net positive impact on the P&L of £314,342.

d) Impairment

The impact of management's reassessment of when to provide for deemed impaired loans led to a prior year adjustment of £2,090,921 reflecting an in period increase of the charge for bad and doubtful debts.

e) Relassification and rounding

Management have undertaken a review of the Comprehensive Income statement and reclassified various income and expense balances, to fairly present them in line with the accounting for the gross up of loans and financial liabilities. Of note were £1,020,000 of Platform related costs and £205,012 investor promotion costs reclassified from Interest expenses and charges to Administrative expenses. Interest income and interest expenses was grossed up by £415,320 as interest on novated loans and financial liabilities due to platform investors and the recognition of loans were made on the balance sheet of Kuflink Bridging Limited. Impairment provisions and write offs amounting to £414,868 was reclassified from Administrative expenses to Direct expenses. A number of other smaller adjustments were made to align presentation. The overall impact of the reclassification to the loss in the year is nil except for immaterial rounding adjustments.

f) Tax

As mentioned in note 19, a recent review identified that subsidiary companies should have been registered for VAT during the prior financial period. A provision has been calculated based on the potential output VAT payable of £170,000 (£87,773 in Kuflink Bridging Limited and £82,227 in Kuflink Limited). Whilst input VAT can be claimed, the impact of this has not been included in the calculation as the work required to assess the amount that can be claimed has not begun as yet. Please see Note 19 for a fuller description of the issue and the assumptions and estimates made in the calculation of these liabilities.

Corporation tax was restated in Kuflink Limited for R&D tax credits claimed amounting to £193,677 including £25 interest receivable on the claim. R&D tax credit claims for 2018 were not completed in time when the 2018 accounts were finalised and hence not recognised previously. In addition, given the various PYA restatements, Kuflink Bridging Limited submitted a revised tax return for 31 December 2016 in June 2018, which increased the tax credit receivable by £5,227 and the interest receivable of £99. Finally, previously recognised Deferred Tax liabilities of £5,943 have now been offset against the unrecognised Deferred Tax Asset.

The net impact on the P&L of these adjustments on a consolidated level was a tax credit of £204,822.

g) Restatement in relation to the Parent Company balances

Investment impairment: Due to the recent review and resultant restatements of the 2018 financial statements of the subsidiaries, management undertook a review of the investments held by Kuflink Group Plc's (see Note 15). The result of that review was that management believe the carrying value of the investments should have been written down to the higher of their revised net asset value or nil. This leads to a prior year adjustment of an impairment of £5,262,867.

Share Premium: Growth shares issued by Kuflink Group Plc for £323 in 2018 were incorrectly shown in the share premium account and a corresponding debtor balance was not recognised in the prior year. This has now been corrected.

Goodwill reclassified as Intangibles: Kuflink Group acquired two entities with nil net assets in 2017 for their trading licenses. The cost of acquisition was £93,032 which is the premium paid for the acquisition cost of these companies. The premium was paid in relation to the trading licenses held by those entities. These balances were shown as "Goodwill" in 2018 but on further review by management they are now restated as "Purchased licenses on acquisition". The impact on the P&L is nil.

h) Amendments to Cashflows

The adjustments detailed above have been reflected in the restated cash flow statement of the company and the table above highlights the various movements to get to the restated number. A number of adjustments were made to bring the presentation of the cashflow in line with the P&L and B/S by reclassifying cashflow to operating activities that were previously presented as financing. This was largely due to the gross up of loans and liabilities and the recognition of interest income and expenses on an effective interest rate method. Impact from the other items are depicted in the reconciliation of the restated numbers above.

i) Statement of Changes in Equity

The overall impact of these adjustments on a consolidated level was £2.7m which was adjusted in the FY18 P&L reserves and £458k adjusted to opening equity as depicted in the Consolidated Statement of Changes in Equity. The overall impact for the parent entity was £5.3m adjustment made to the FY18 P&L reserves equity as depicted in the Statement of Changes in Equity.

31 Post balance sheet events

Pandemic

Subsequent to the balance sheet date, there has been a sharp deterioration in the economic outlook in the UK as a consequence of the COVID-19 pandemic and measures taken by the government to control the spread of the virus. A significant reduction in UK economic output is now expected over an uncertain period with large rises in unemployment as a result of business closures and knock on supply chain impacts. As more fully explained within the Directors' Report on page 9, as a result of this the Group is expected to be impacted in the year ahead by a reduction in its originally projected levels of income.

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

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

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

Management do not see the pandemic's economic impact on its own as a material uncertainty in relation to going concern but they do believe these circumstances contribute to the material uncertainties discussed in the Directors' Report and in note 1.

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

Motor Vehicle:

In the year ending June 2019, Kuflink Bridging Ltd entered into a financing arrangement with a client structured as a sale and repurchase agreement. The essence of this agreement was that Kuflink Bridging Ltd advanced funds to the customer for business purposes, secured by a high value motor vehicle. This asset was sold to that company up front, with an agreed repurchase arrangement with the client. The entity retained custody of the asset throughout the agreement. Following the client's failure to repurchase the asset by the agreed deadline, the company took formal possession of the vehicle.

Subsequent to the balance sheet date, the company sold this asset to an unrelated third party and did not suffer any loss as a result.

Guarantees:

Directors of the Group have provided guarantees worth £2.1m secured by property and other

assets, to cover the Group in the event of a loss on certain loans. These guarantees were provided after the balance sheet date.

Capital Raise:
The Group raised £2.9m of additional equity capital from current shareholders in December 2019. A further £0.8m of equity was raised from existing and new shareholders as recently as in the period September to November 2020.

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