

**Registered number**  
09084634

**Kuflink Group Plc**  
**Annual Report and Consolidated Financial Statements**  
**For the year ended 30 June 2020**



**Kuflink Group Plc**  
**Report and accounts**  
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**Kuflink Group Plc**  
**Company Information**

**Directors**

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Narinderjit Khattoare  
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Rawinder Singh Binning  
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**Secretary**

Balachandran Selvajith

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**Registered number**

09084634

## **Kuflink Group Plc**

### **Strategic Report**

Kuflink Group PLC and its subsidiaries are pleased to present their strategic report for the year ended 30th June 2020.

#### **Results and Dividends**

The Group made a net loss, before tax, in the year to 30 June 2020 of £232k (2019: £2.719m). No dividends were paid (2019: nil).

#### **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 the peer-to-peer (P2P) lending platform and is authorised as an operator of an electronic lending system and to hold client money under CASS 7 rules. As an operator of a P2P platform, the entity acts as a financial intermediary; matching individual lenders with borrowers in the property lending sector that are seeking capital in the form of short-term bridging finance facilities, conducted in accordance with the framework in Article 36H of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001. Corporate lenders enter into a corporate lender agreement on the platform. For the service of P2P platform funding, Kuflink Ltd receives an agreed income from Kuflink Bridging Ltd.

Kuflink Bridging Ltd is authorised to carry out credit broking, debt administration and collection. The loans that are originated by Kuflink Bridging Ltd are then matched to retail P2P lenders on the platform and Kuflink Bridging takes up to 5% exposure which both evidence 'skin in the game' and acts as a first loss piece for any impairments on the underlying loan. Any further impairments on the lending would be borne by the retail P2P lenders.

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

#### **Contingency Planning**

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

The loan portfolio would operate as normal with loans continuing to pay interest and repay capital, and P2P lenders would be able to withdraw funds once these funds became available. We would process repayments through the client money systems, returning funds to lenders' accounts on the platform. We

## **Kuflink Group Plc**

### **Strategic Report**

would also facilitate withdrawals by lenders from the platform once repayments are credited to their online account/wallets.

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

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

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

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

#### **Directors' disclosures under s172(1)**

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

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

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

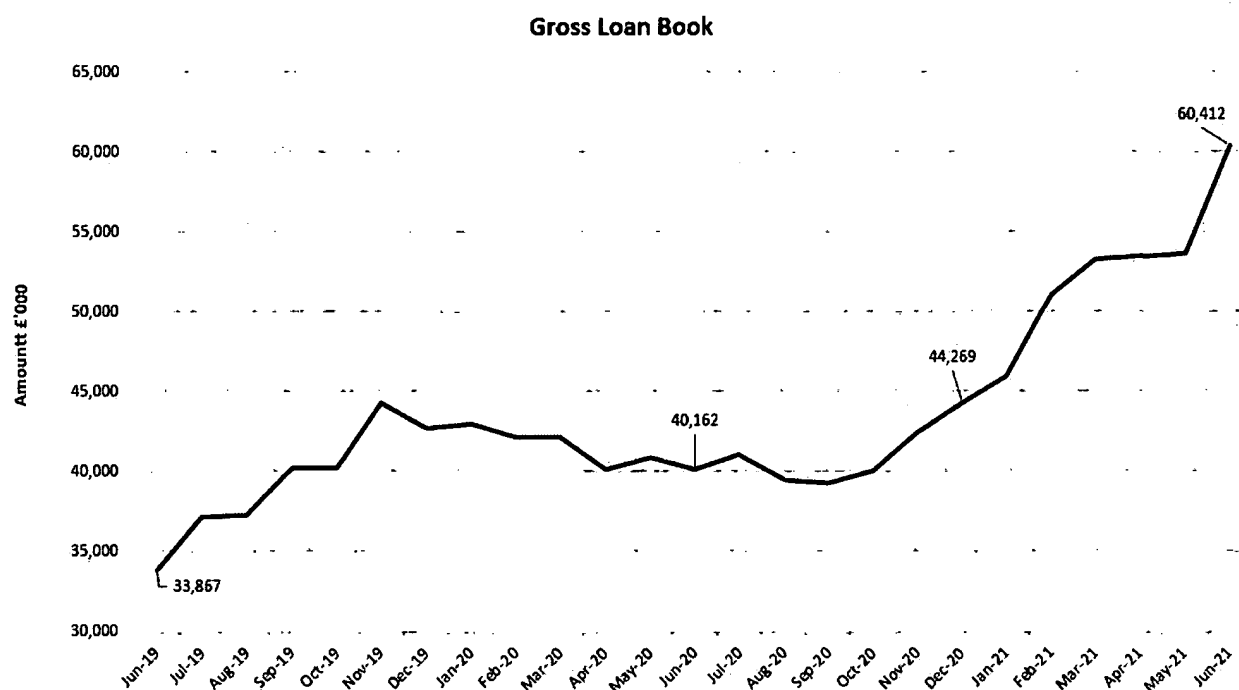
Continued investment is planned in further developing our products and customer experience, underpinned by IT development activities. This will drive significant business growth and will provide significant efficiencies for employees.

## Kuflink Group Plc Strategic Report

### KPI's (Key Performance Indicators)

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

	2019	2020	2021
Gross loan amount (£000's)	33,867	40,162	60,412



Kuflink has seen the amount invested by P2P lenders increase by £32m during the year to 30 June 2020 and another £52m during the year to 30 June 2021.

	2019	2020	2021
Total amount invested to date (£000's)	51,103	83,384	135,858

### Review of the Business

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

Historically, the entity'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.

## **Kuflink Group Plc**

### **Strategic Report**

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

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

During the year, the Group adopted a more stringent impairment policy in order to assess the financial position of the Group at all times with enhanced accuracy and has subsequently written back £0.5m of loans previously impaired. Finally, the Group continues to invest in the growth of Kuflink's capabilities and potential, developing new products and features centred around user experience as well as building resilience in its infrastructure, improving systems, processes, and procedures in order to streamline activities and mitigate risk. These investments, despite an increase to overhead costs, the write back of previously impaired loans and cost cutting measures has resulted in the Group reporting a smaller loss of £232k for the year (2019: Loss £2.72m).

Due to the losses incurred and the resulting deficit within capital and reserves at the previous 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 June and September 2020. As a result of this injection, the Group reported an equity position of £2.3m.

#### **Kuflink Platform**

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

Additional platform investments have been achieved with the 'refer a friend' campaign, utilising smart digital marketing techniques to target our P2P lender 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.

#### **Continued Responsible Lending**

Risk mitigation is one of Kuflink's key drivers. The Directors have noted that a rigorous governance and control environment is required as the business grows. The Group has increased governance through their sub-committees which strengthen areas of the business such as Finance, Credit, Collections and Compliance/CASS. Remuneration, Nomination and Audit committees also meet regularly. Post year end, Kuflink has also established a WDP committee to monitor Kuflink's wellbeing metrics within the business.

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ALCO (Asset & Liability committee) and EXCO (Executive committee) have been formed during the year and meet regularly post year end. These meetings now happen on a weekly basis.

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

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

### **Investments and Development**

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

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### **Technological Innovation**

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. Kuflink's infrastructure is well prepared to continue growing rapidly.

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

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



## **Kuflink Group Plc**

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#### **Awards and Recognition**

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

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

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

#### **Employee engagement**

As a responsible organisation, Kuflink works hard to offer an employee experience where everyone can feel safe, valued and included, and where every employee can offer their unique contribution. An engaged workforce is essential for our organisation to have impact and deliver on our purpose and engaging with our employees in a year such as 2020 was crucial. We did so in a variety of ways, with online webchats, virtual shared individual celebrations and employee events, regular updates and regional events with all members who could attend.

Kuflink recognises the importance of its employees and their wellbeing. Kuflink seeks 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. Due to the current economic conditions as a result of Covid-19, we have made several positions redundant 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.

The CEO has taken the concept of Tech Daily stand-ups company-wide, and all departments get together (virtually) for morning stand-ups, whether it's a general catch up or a specific team catch up. This has changed the dynamic of the organisation and has meant that information spreads quickly and tasks get elevated efficiently. It has proved especially useful when hearing from our P2P Lender Relations team who speak to our lenders on a daily basis as they tell everyone each day what is happening in the market and what our P2P lenders are saying, allowing us to adapt where needed.

#### **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.

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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 P2P lenders.

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 on page 14. Management look to manage any liquidity mismatches through encouraging P2P lender re-termining 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.

Additionally, the Group bears reputational risks, as its continued success depends on maintaining the trust it has built with both borrowers and P2P lenders, 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 with the new rules commencing from 1st January 2021. Principally, this relates to the health of the UK property market if the exit from the European Union and end of the transition period proves to be particularly disruptive and causes a sharp reduction in economic activity. The Group continues to monitor the status of the market and keeps these risks in mind when extending new loans and managing its existing loan portfolio.

#### **Coronavirus Disease 2019 ("COVID-19")**

Management is considering the potential economic impact to the Group of the ongoing global COVID-19 outbreak. A majority of our employees are currently operating successfully from remote locations, on the advice of local government. IT and communications resources available to the Directors have ensured that sufficient staff can continue to work effectively and keep in regular contact with colleagues and clients, and as a result disruption has been kept to a minimum. With the rollout of a vaccine more and more staff are returning to full capacity. The Group has already seen an increase in borrower enquiries due to other lenders in the sector stalling on new and further advances.

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

As part of its going concern review, the Directors have assessed the potential impact of a slowdown in levels of revenue and cashflow and has taken steps to absorb most of the impact on the profitability. Management have also taken steps to mitigate any risk in liquidity by applying for the Coronavirus Job

## **Kuflink Group Plc**

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Retention Scheme (CJRS), applying for the Bounce Back Loan Scheme (BBLs) loan, matching payment holidays between borrowers and P2P lenders and trimming down on non-critical costs relating to marketing and staff.

The Directors have stress tested future cash flow forecasts to evaluate the impact of plausible downside scenarios. These include scenarios that reflect current market conditions and a short-term property market dislocation. Additionally, we've run scenarios with slower growth and profitability assumptions to assess our funding requirements. Under the scenarios, the Directors are fully aware of the challenges ahead and the need for additional equity into the business going forwards. The Directors have concluded that the Company will require additional Group support to maintain appropriate levels of liquidity and that the going concern basis still remains appropriate, the Company will rely on financial support from its parent Company Kuflink Group Plc which raised a further £0.3m of new equity capital post year-end.

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

This report was approved by the board on 13 September 2021 and signed on its behalf by:



Narinderjit Khattoare  
Director

**Kuflink Group Plc**  
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**Directors' Report**

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

**Future developments**

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

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

**Going concern**

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

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

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

The below assessment analyses the uncertainties facing Kuflink Group Plc.

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

These assessments are significantly more difficult currently given the uncertainties about the impact of COVID-19 and its impact on the economy.

The consolidated accounts have been prepared on a going concern basis.

The following sub-headings detail the main points that the Directors have considered in assessing the going concern assumption of the Group.

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### **Directors' Report**

#### **Raising Capital**

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

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

#### **(i) The support of our existing P2P lenders**

For the Directors of the Group to reach a view that it 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, because the Group raised capital of £3.4m during the year and a further £0.3m post year end by share issuance to existing and new shareholders. The Directors acknowledge the risks involved in placing reliance on the undertakings for future investment. However, the Board has made enquiries of the ability to raise further investment and is satisfied they have that ability.

#### **(ii) Widening the investor base**

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

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

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

Kuflink have developed a CRM system which manages the workflow from enquiries to loan origination and a LMS system which automates various manual processes in the loan database including interest calculation. Both these systems have increased the efficiency and effectiveness of loan origination and management processes.

The Group's Board and the CEO in particular continue to investigate further opportunities to raise equity in a targeted way and early discussions have taken place with a number of existing and potential investors that has led to the investment of a further £0.3m of equity capital in 2021 to assist with the funding requirement of the Group.

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

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### Directors' Report

#### Consideration of going concern arising from our capital position

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

#### COVID-19

As part of its going concern review, the Directors have assessed the potential impact of a slowdown in levels of revenue and cashflow and have taken steps to absorb most of that impact on the 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 Company's ability to obtain further equity capital from its parent entity, as discussed above, COVID-19 has the potential to impact Kuflink in several ways, but principally in the following areas:

#### Operational logistics

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

#### Loan Book Origination

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

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

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

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### **Directors' Report**

will deliver positive operating cashflow for the Group over the forecast horizon. Staffing levels continue to be monitored by the Directors to ensure optimal business performance.

#### Platform Lending

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

We have implemented managed withdrawals for P2P lenders as described below to facilitate the management of liquidity and capital within the Group. We regularly review the level of investment made on the platform by both existing and new P2P lenders and monitor the impact of this on the Group's cashflow plans.

#### Consideration of going concern arising from our operational position

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

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

In addition, we have implemented a 'managed' process for withdrawals from Auto Invest. P2P arrangements for P2P lenders in Auto Invest products are generally for a fixed term of 1, 3 or 5 years, and we are repaying them on a managed basis, by delaying their withdrawal requests to match the borrowers in underlying loans who have requested a Covid-19 extension. As repayments come in, and new investments are received, we've been able to process withdrawals on this basis. Kuflink manages the liquidity and duration risk of the pooled investments whereas such risks are not present for P2P lenders that explicitly select their investment exposure via the platform as their duration of investment matches that of the underlying property backed loan. Post year end, this process has returned to an automated basis in May 2021.

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

In reaching the conclusion that the going concern basis is appropriate, we have stress tested future cash flow forecasts to evaluate the impact of plausible downside scenarios. These include scenarios that reflect current market conditions and updated short term property market dislocation. Additionally, we have run scenarios with slower growth and profitability assumptions to assess our funding requirements.

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**Directors' Report**

09084634

**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.

**(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 (2019: immaterial).

**(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 2020. The credit risk associated with loans and associated accrued interest entitlements is managed through on-going due diligence that is performed to assess the ability of borrowers to meet their obligations as they fall due for payment. The 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 £4.4m (2019: £3.5m), representing 11% (2019:12%) of net loans and has been lent to a related party of the Group. The largest 10 loans account for 45% (2019:43%) of total net loan value.

**(iv) Liquidity risk**

Liquidity risk arises from the 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:

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



**Kuflink Group Plc**  
**Registered number:**  
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Capital Repayment	Less than 1 year	More than 1 year	Total
	£	£	£
Peer-to-peer lenders	23,708,555	7,317,589	31,026,144
Kuflink Borrowing	4,654,027	34,905	4,688,932
<b>Expected repayment of capital on all borrowings in existence to maturity</b>	<b>28,362,582</b>	<b>7,352,494</b>	<b>35,715,076</b>
 <b>Expected repayment of capital from all loans in existence to maturity</b>	 <b>33,083,690</b>	 <b>7,078,789</b>	 <b>40,162,479</b>

The above table shows there is sufficient liquidity in the next year and the year after. Our past performance shows a substantial number of P2P lenders do re-term, if this continued, the Group would have less of a liquidity mismatch even in the case of unforeseen delays from borrowers than detailed in the table above. The Directors continuously monitor liquidity mismatches on a short-term basis.

The 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.

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.

**Directors' Indemnities**

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

**Value added tax**

Historical VAT liability arose due to non-registration for VAT was calculated and outstanding amount (which was c£139k) has been paid to HMRC on 30th June 2021.

**Results and dividends**

The Group made a loss before tax of £232k (2019 loss before tax of £2.7m). The results of the Group for the year are set out in the Statement of Comprehensive Income on page 19. No ordinary dividend was paid. The Directors do not recommend the payment of a final dividend.

**Kuflink Group Plc**

**Registered number:**

**09084634**

**Directors' Report**

**Directors**

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

Sukhdev Singh Dhillon  
Narinderjit Khattoare  
Balbir Singh Thind  
Satwinder Singh Binning  
Rawinder Singh Binning  
Tejwant Singh Chattha  
Hariharan Ramamurthy  
Nattalie Jane Weeks  
Nayan Vithaldas Kisnadwala

(Appointed 25 September 2019)  
(Appointed 17 February 2021)  
(Resigned 13 July 2021)

**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). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

**Disclosure of information to the auditor**

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

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

**Auditor**

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

This report was approved by the board on 13 September 2021 and signed on its behalf by:



Narinderjit Khattoare

Director

**Kuflink Group Plc**  
**Independent auditor's report**  
**to the Directors of Kuflink Group Plc**

**Opinion**

We have audited the financial statements of Kuflink Group Plc (the "Company") and its subsidiaries (collectively the "Group") for the year ended 30 June 2020, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements for the Company and the Group:

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

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

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

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the report and audited financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

**Kuflink Group Plc**  
**Independent auditor's report**  
**to the Directors of Kuflink Group Plc**

information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit: the information given in the Director's report and strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Director's report and strategic report has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the Company and Group and their environments obtained in the course of the audit, we have not identified material misstatements in the Director's Report and the Strategic Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of the Directors**

As explained more fully in the Director's Responsibilities Statement as set out on page 17, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company and 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 has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

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

**Kuflink Group Plc**  
**Independent auditor's report**  
**to the Directors of Kuflink Group Plc**

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

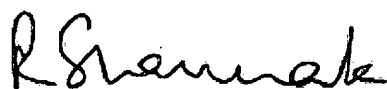
- enquiry of management, those charged with governance, around actual and potential litigation and claims;
- enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- performing audit work over the risk of management override of controls,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

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

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

**Use of our report**

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



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

13 September 2021

**Kuflink Group Plc**  
**Consolidated Statement of Comprehensive Income**  
**as at 30 June 2020**

Registered number  
09084634

	Notes	2020	2019
		£	£
<b>Interest Income</b>	2	5,849,994	3,990,363
Interest Expense and Charges	3	(3,093,794)	(2,128,128)
<b>Net Interest Income</b>		2,756,200	1,862,235
Other Income / (Expense)	4	138,893	216,425
Direct Expenses	5	507,054	(891,686)
Administrative expenses	6	(3,634,042)	(3,906,189)
<b>Operating loss</b>	7	(231,895)	(2,719,215)
<b>Loss on ordinary activities before taxation</b>		(231,895)	(2,719,215)
Tax (charge)/credit	10	103,303	-
<b>Loss for the financial year</b>		(128,592)	(2,719,215)
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		(128,592)	(2,719,215)

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

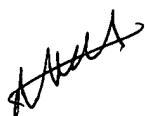
The notes to the accounts on pages 27 to 44 form an integral part of the financial statements.

**Kuflink Group Plc**  
**Consolidated Statement of Financial Position**  
**as at 30 June 2020**

Registered number  
09084634

<b>Non-current assets</b>	<b>Notes</b>	<b>2020</b>	<b>2019</b>
		<b>£</b>	<b>£</b>
Intangible assets	11	1,392,047	972,286
Tangible fixed assets	12	200,280	287,005
Loans held at amortised cost falling due after more than one year	14	7,078,789	1,235,296
		<u>8,671,116</u>	<u>2,494,587</u>
<b>Current assets</b>			
Loans held at amortised cost	14	29,325,821	28,410,347
Debtors	15	368,596	1,046,169
Cash at bank and in hand		561,504	1,227,942
		<u>30,255,921</u>	<u>30,684,458</u>
<b>Current Liabilities</b>			
Financial liabilities held at amortised cost	16	(28,073,533)	(28,894,034)
Creditors	17	(1,574,024)	(1,276,359)
<b>Net current liabilities</b>		<u>(29,647,557)</u>	<u>(30,170,393)</u>
<b>Total assets less current liabilities</b>		<u>9,279,480</u>	<u>3,008,652</u>
<b>Non-current liabilities</b>			
Financial liabilities held at amortised cost	16	(6,953,306)	(3,938,962)
<b>Net assets/(liabilities)</b>		<u>2,326,174</u>	<u>(930,310)</u>
<b>Capital and reserves</b>			
Called up share capital	18	2,146	1,957
Capital Redemption Reserve	19	50,000	50,000
Share premium	20	8,924,703	5,539,816
Profit and loss account		(6,650,675)	(6,522,083)
<b>Total shareholder's funds/(deficit)</b>		<u>2,326,174</u>	<u>(930,310)</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 13 September 2021.



Narinderjit Khattoare  
Director

The notes to the accounts on pages 27 to 44 form an integral part of the financial statements.



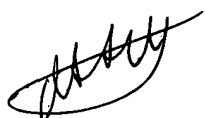
**Kuflink Group Plc**  
**Statement of Financial Position**  
**as at 30 June 2020**

Registered number  
09084634

	Notes	2020 £	2019 £
<b>Fixed assets</b>			
Intangible assets	11	65,143	74,446
Investments	13	3,663,466	741,687
		<u>3,730,424</u>	<u>816,133</u>
<b>Current assets</b>			
Debtors	15	106,037	19,334
Cash at bank and in hand		17,742	88
		<u>123,779</u>	<u>19,422</u>
<b>Creditors: amounts falling due within one year</b>	17	(1,488,519)	(1,134,004)
<b>Net current liabilities</b>		<u>(1,364,740)</u>	<u>(1,114,582)</u>
<b>Net assets/(liabilities)</b>		<u>2,365,684</u>	<u>(298,449)</u>
<b>Capital and reserves</b>			
Called up share capital	18	2,146	1,957
Capital Redemption Reserve	19	50,000	50,000
Share premium	20	8,924,703	5,539,816
Profit and loss account		(6,611,165)	(5,890,222)
<b>Total shareholder's funds</b>		<u>2,365,684</u>	<u>(298,449)</u>

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 Company's loss after tax for the year was £720,943 (2019: £2,090,233).

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 13 September 2021.



Narinder Khattoare  
Director

The notes to the accounts on pages 27 to 44 form an integral part of the financial statements.

**Kuflink Group Plc**  
**Consolidated Statement of Changes in Equity**  
**for the year ended 30 June 2020**

	Share capital £	Share premium £	Capital redemption reserve £	Profit and loss £	Total £
<b>At 1 July 2018</b>	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		-
<b>At 30 June 2019</b>	<u>1,957</u>	<u>5,539,816</u>	<u>50,000</u>	<u>(6,522,083)</u>	<u>(930,310)</u>
 <b>At 1 July 2019</b>	 1,957	 5,539,816	 50,000	 (6,522,083)	 (930,310)
Total comprehensive loss for the financial year	-	-		(128,592)	(128,592)
Shares issued†	189	3,384,887			3,385,076
<b>At 30 June 2020</b>	<u>2,146</u>	<u>8,924,703</u>	<u>50,000</u>	<u>(6,650,675)</u>	<u>2,326,174</u>

† During the year £3,385,076 valued shares were issued (Note 18 and 20).

The notes to the accounts on pages 27 to 44 form an integral part of the financial statements.

**Kuflink Group Plc**  
**Statement of Changes in Equity**  
**for the year ended 30 June 2020**

	Share capital £	Share premium £	Capital Redemption Reserve £	Profit and loss account £	Total £
<b>At 1 July 2018</b>	51,926	4,609,847	-	(3,799,989)	861,784
Total comprehensive loss for the financial year	-	-	-	(2,090,233)	(2,090,233)
Shares issued	31	929,969	-	-	930,000
Shares redeemed	(50,000)	-	50,000	-	-
<b>At 30 June 2019</b>	<u>1,957</u>	<u>5,539,816</u>	<u>50,000</u>	<u>(5,890,222)</u>	<u>(298,449)</u>
<b>At 1 July 2019</b>	1,957	5,539,816	50,000	(5,890,222)	(298,449)
Total comprehensive loss for the financial year	-	-	-	(720,943)	(720,943)
Shares issued ‡	189	3,384,887	-	-	3,385,076
<b>At 30 June 2020</b>	<u>2,146</u>	<u>8,924,703</u>	<u>50,000</u>	<u>(6,611,165)</u>	<u>2,365,684</u>

‡ During the year £3,385,076 valued shares were issued (Note 18 and 20).

The notes to the accounts on pages 25 to 43 form an integral part of the financial statements.

**Kuflink Group Plc**  
**Consolidated Statement of Cash Flows**  
**for the year ended 30 June 2020**

	2020	2019
	£	£
<b>Operating activities</b>		
Loss for the financial year/period	(231,895)	(2,719,215)
Adjustments for:		
Depreciation	117,788	102,857
Amortisation of intangible fixed assets	296,554	232,868
Decrease/(increase) in current assets	570,999	(570,999)
Increase in loans held at amortised cost		
Additions	(41,221,572)	(31,760,205)
Repayments	34,978,484	17,872,461
Write offs	(515,879)	840,482
Increase in debtors	(57,124)	(29,613)
Increase in funding	2,143,843	15,346,512
Increase in creditors	3,682,741	1,363,487
	<u>(236,061)</u>	<u>678,635</u>
Corporation tax paid	267,001	93,344
Cash generated from operating activities	<u>30,940</u>	<u>771,979</u>
<b>Investing activities</b>		
Payments to acquire intangible fixed assets	(716,315)	(315,450)
Payments to acquire tangible fixed assets	(31,063)	(105,030)
Cash used in investing activities	<u>(747,378)</u>	<u>(420,480)</u>
<b>Financing activities</b>		
Proceeds from new loans	50,000	-
Cash generated by financing activities	<u>50,000</u>	<u>-</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		
Cash generated from operating activities	30,940	771,979
Cash used in investing activities	(747,378)	(420,480)
Cash generated by financing activities	50,000	-
Net cash (used)/generated	(666,438)	351,499
Cash and cash equivalents at start of the period	<u>1,227,942</u>	<u>876,443</u>
Cash and cash equivalents at end of the period	<u>561,504</u>	<u>1,227,942</u>
Cash and cash equivalents comprise:		
Cash at bank	<u>561,504</u>	<u>1,227,942</u>

The notes to the accounts on pages 27 to 44 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 One Ltd, 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 2020. 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 has had an impact on our business, we believe the longer-term outlook is positive for the UK property market and our business. In line with the FCA and PRA guidance during the Covid period, forbearance was offered to some clients and Covid extensions to loans were offered to allow further time for repayment of the loan. We have also put in place mitigation plans, removing non-critical costs from the business, and receiving government support through the Coronavirus Job Retention Scheme (CJRS) and Bounce Back Loan Scheme (BBSL).

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

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

Cost cutting plan executed by the Directors which has made significant cost saving in employment and marketing costs and are explained in the Directors' Report from page 10. With these measures the Directors have concluded that there are no material uncertainties regarding the Group's ability to continue as a going concern.

**Loan recognition**

In most cases the Group continues to retain 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 P2P lenders. Similarly, the Group benefits from an interest spread and any extra default interest charged to defaulted borrowers when recovered. Consequently, the Group continues to recognise these as assets of the Group and, correspondingly, recognise the investments of peer-to-peer lenders as liabilities of the Group.

**Kuflink Group Plc**  
**Notes to the Accounts**  
**for the year ended 30 June 2020**

**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**

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

**Interest expenses and charges**

Interest expenses and charges include the interest payable to peer-to-peer and other lenders, cashback 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 lenders**

Kuflink operates an incentive scheme for retail P2P lenders 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 is offset against Liabilities held at amortised costs. The costs are then expensed to the P&L over the behavioural life of the investment.

**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.

**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.

## Kuflink Group Plc

### Notes to the Accounts

for the year ended 30 June 2020

The Group is developing its own internally generated platform and software to manage its operations and to create a platform that will give P2P lenders 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 line basis
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 statements of the parent company. 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.

## **Kuflink Group Plc**

### **Notes to the Accounts**

**for the year ended 30 June 2020**

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 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.

#### **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:

- 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.

- Impairment of assets held at 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 which impact the recoverable amount of the asset being assessed.

- 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.

- 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).

- Tax

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

- Value Added Tax

Kuflink Ltd charges fees for the funds it generated through its peer-to-peer platform to Kuflink Bridging Ltd (a fellow subsidiary). Kuflink Ltd does not have any other significant income from external sources. Kuflink Group's income is derived from the loans it generates and the income is deemed exempt for VAT purposes. This income is generated from Kuflink Bridging Limited (a 100% owned subsidiary).

**Kuflink Group Plc****Notes to the Accounts****for the year ended 30 June 2020****2. Analysis of interest income**

	2020	2019
	£	£
Loan interest receivable	4,487,277	3,070,672
Default Interest	518,444	361,781
Arrangement fees	745,315	503,434
Admin fees	37,093	14,896
Broker fees	56,299	37,084
Other Fees	5,566	2,496
	<u>5,849,994</u>	<u>3,990,363</u>

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

**3. Interest expense and charge**

	2020	2019
	£	£
Peer-to-Peer (P2P) interest:		
Interest	1,991,530	1,116,262
Cashback expenses	232,090	140,337
	<u>2,223,620</u>	<u>1,304,599</u>
Interest on Kuflink borrowings	533,094	546,059
Broker commission	337,080	277,470
	<u>3,093,794</u>	<u>2,128,128</u>

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

**4. Other income**

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

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

**Kuflink Group Plc**  
**Notes to the Accounts**  
**for the year ended 30 June 2020**

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

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

**5. Direct expenses**

	2020	2019
	£	£
Movement in impairment provision	(525,509)	457,612
Loans written-off	9,629	382,870
Total impairment expense	(515,880)	840,482
Other direct expenses	8,826	51,204
	<u>(507,054)</u>	<u>891,686</u>

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

**6. Administrative expenses**

	2020	2019
	£	£
Employee cost	1,626,031	1,631,011
General administrative expenses	2,008,011	2,275,178
	<u>3,634,042</u>	<u>3,906,189</u>

**7. Operating loss**

	2020	2019
	£	£
The operating loss of the Group is stated after charging:		
(Reversal of impairment) / Impairment of loans in the year	(515,880)	840,482
Depreciation of tangible fixed assets	117,788	102,857
Amortisation of intangible assets	296,554	232,868
Operating lease rentals - land and buildings	121,620	89,554
Auditor's remuneration for audit services - Company	14,728	47,880
Auditor's remuneration for audit services - Subsidiaries	103,920	109,770
Provision for VAT	-	290,000
Marketing expenses	876,729	414,967

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

# Kuflink Group Plc

## Notes to the Accounts

for the year ended 30 June 2020

### 8. Directors' emoluments

	2020	2019
	£	£
Emoluments	188,651	208,152
Bonus	1,689	480
Company contributions to defined contribution pension plans	417	208
	<u>138,893</u>	<u>216,425</u>

Number of directors to whom retirement benefits accrued:	2020	2019
	Number	Number
Defined contribution plans	<u>2</u>	<u>1</u>

The highest paid director's emoluments were £131,791 (2019: £104,189) and bonus were £1,388 (2019: £250)

### 9. Staff costs

	2020	2019
	£	£
Wages and salaries	1,301,741	1,230,954
Social security costs	172,328	153,510
Other pension costs	20,632	13,809
Other staff cost	131,330	232,738
	<u>1,626,031</u>	<u>1,631,011</u>

Average number of employees of the Group including Directors during the year:	2020	2019
	Number	Number
Administration	22	16
Development	4	3
Marketing	8	5
Sales	9	10
	<u>43</u>	<u>34</u>

**Kuflink Group Plc**  
**Notes to the Accounts**  
**for the year ended 30 June 2020**

**10. Taxation**

	2020	2019
	£	£
<b>Analysis of (credit) / charge in period</b>		
Current tax:		
UK corporation tax (credit) / charge on (loss) / profit for the period	-	-
Adjustments in respect of previous periods	(103,303)	-
	(103,303)	-
Deferred tax:		
Origination and reversal of timing differences	-	-
	-	-
Tax (credit) / charge on loss on ordinary activities	(103,303)	-
	2020	2019
	£	£
Loss on ordinary activities before tax	(231,895)	(2,719,215)
Standard rate of corporation tax in the UK	19%	19%
	£	£
(Loss) on ordinary activities multiplied by the standard rate of corporation tax	(44,060)	(516,651)
Effects of:		
Expenses not deductible for tax purposes	1,275	60,218
Non-qualifying depreciation	53,750	51,763
Unused trading losses to carry forward	57,546	416,752
Trading losses brought forward and used against profits	(68,511)	(12,082)
Total tax (credit)/charge for period	-	-

The Group has tax losses arising in the UK of £5,336,809 (2019: £5,267,937) 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 table 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.

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

**Kuflink Group Plc**  
**Notes to the Accounts**  
**for the year ended 30 June 2020**

**11. Intangible assets**

<b>Group</b>	<b>Purchased licenses on acquisition £</b>	<b>Internally generated software £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 July 2019	93,032	1,183,344	1,276,376
Additions	-	716,315	716,315
At 30 June 2020	<u>93,032</u>	<u>1,899,659</u>	<u>1,992,691</u>
<b>Amortisation</b>			
At 1 July 2019	18,586	285,504	304,090
Provided during the year	9,303	287,251	296,554
At 30 June 2020	<u>27,889</u>	<u>572,755</u>	<u>600,644</u>
<b>Carrying amount</b>			
At 30 June 2020	<u>65,143</u>	<u>1,326,904</u>	<u>1,392,047</u>
At 30 June 2019	<u>74,446</u>	<u>897,840</u>	<u>972,286</u>
<b>Company</b>			
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 July 2019	93,032	-	93,032
At 30 June 2020	<u>93,032</u>	<u>-</u>	<u>93,032</u>
<b>Amortisation</b>			
At 1 July 2019	18,586	-	18,586
Provided during the year	9,303	-	9,303
At 30 June 2020	<u>27,889</u>	<u>-</u>	<u>27,889</u>
<b>Carrying amount</b>			
At 30 June 2020	<u>65,143</u>	<u>-</u>	<u>65,143</u>
At 30 June 2019	<u>74,446</u>	<u>-</u>	<u>74,446</u>

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 licences held by those entities.

**Kuflink Group Plc**
**Notes to the Accounts  
for the year ended 30 June 2020**
**12. Tangible fixed assets**

<b>Group</b>	<b>Leasehold improvement £</b>	<b>Fixtures and fittings £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 July 2019	424,318	133,949	558,267
Additions	5,520	25,543	31,063
At 30 June 2020	429,838	159,492	589,330
<b>Depreciation</b>			
At 1 July 2019	192,052	79,210	271,262
Charge for the year	85,784	32,004	117,788
At 30 June 2020	277,836	111,214	389,050
<b>Carrying amount</b>			
At 30 June 2020	152,002	48,278	200,280
At 30 June 2019	232,266	54,739	287,005
<b>Company</b>			
	<b>Leasehold improvement £</b>	<b>Fixtures and fittings £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 July 2019	-	-	-
Additions	-	2,175	2,175
At 30 June 2020	-	2,175	2,175
<b>Depreciation</b>			
At 1 July 2019	-	-	-
Provided during the year	-	360	360
At 30 June 2020	-	360	360
<b>Carrying amount</b>			
At 30 June 2020	-	1,815	1,815
At 30 June 2019	-	-	-

**Kuflink Group Plc**  
**Notes to the Accounts**  
**for the year ended 30 June 2020**

**13. Investments**

<b>Company</b>	<b>Investments in subsidiary undertakings £</b>
<b>Cost</b>	
At 1 July 2019	741,687
Additions	3,510,506
Impairment in the current year	(588,727)
At 30 June 2020	<u>3,663,466</u>
<b>Additions during the year</b>	<b>£</b>
Kuflink Bridging Limited	2,500,000
Kuflink Limited	1,000,000
Kuflink Luxembourg	€12,000 10,506
	<u>3,510,506</u>

<b>Company</b>	<b>Shares held</b>	<b>Ownership</b>
	<b>Class</b>	<b>%</b>
Kuflink Bridging Ltd	Ordinary	100
Kuflink Ltd	Ordinary	100
Kuflink Security Trustees Ltd	Ordinary	100
Kuflink Mini Bond Ltd	Ordinary	100
Kuflink Home Loans Ltd	Ordinary	100
Kuflink Finance No.1 Ltd	Ordinary	100
Kuflink Landlord Ltd	Ordinary	100
Kuflink Finance No.2 Ltd	Ordinary	100
Kuflink One Ltd	Ordinary	100
Kuflink Luxembourg	Ordinary	100

Investment in subsidiaries is shown at cost less the impairment. As the capital and reserve in some of the subsidiaries have a negative equity, Kuflink Group Plc carried out an impairment analysis and concluded that an impairment adjustment is necessary and impaired the investment by £588,727 (2019: £1,892,241).



**Kuflink Group Plc**
**Notes to the Accounts  
for the year ended 30 June 2020**
**14. Loans at amortised cost**

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

**15. Debtors**

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Amount owed by group undertakings	-	-	2,537	2,537
Other debtors	12,868	576,398	26	-
Prepayments	320,222	270,567	103,474	16,797
Tax recoverable	35,506	199,204	-	-
	368,596	1,046,469	106,037	19,334

Other debtors include nil (2019: £570,999) a high value motor vehicle. This asset was sold during the year.

**Kuflink Group Plc**
**Notes to the Accounts**
**for the year ended 30 June 2020**
**16. Financial liabilities held at amortised cost**

	2020	2019
	£	£
Opening value of loans (gross)	25,466,819	11,819,750
Additions	31,538,441	22,728,184
Repaid loans	(25,979,116)	(9,081,115)
Closing par value of investments	31,026,144	25,466,819
Opening Deferred Cashback	(628,384)	(314,342)
Additions	(341,943)	(404,430)
Amortisation	232,090	90,388
Closing par value of Deferred cashback	(728,237)	(628,384)
Opening KBL investments	7,994,561	6,006,076
Additions	7,573,404	7,277,988
Repaid loans	(10,879,033)	(5,289,503)
Closing par value of loans	4,688,932	7,994,561
Opening Bounce back loan	-	-
Additions	50,000	-
Repaid loans	-	-
Closing par value of loans	50,000	-
Opening Total financial liabilities	32,832,996	17,511,484
Additions	38,819,902	29,601,742
Repaid loans	(36,626,059)	(14,280,230)
Closing par value of loans	35,026,839	32,832,996
Of which:		
Due within one year	28,073,533	28,894,034
Due after one year	6,953,306	3,938,962

**Kufflink Group Plc**  
**Notes to the Accounts**  
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**17. Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade creditors	339,766	327,548	174,721	5,562
Amounts owed to group undertakings	-	-	1,036,055	1,069,093
Other taxes and social security cost	216,769	55,251	213,843	4,382
Other creditors	155,092	481,980	-	-
Accruals and deferred income	862,397	411,580	63,900	54,967
	<u>1,574,024</u>	<u>1,276,359</u>	<u>1,488,519</u>	<u>1,134,004</u>

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

**18. Share capital**

	<b>Nominal value</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>
	<b>each share</b>	<b>Number</b>	<b>£</b>	<b>£</b>
Allotted, called up and fully paid:				
Ordinary shares	£0.00001	174,704,734	1,747	1,634
Growth shares	£0.00001	39,929,900	399	323
Deferred shares			-	-
			<u>2,146</u>	<u>1,957</u>

Post year end deferred shares worth £50,000 was issued.

	<b>Nominal value</b>	<b>2020</b>	<b>2020</b>
	<b>each share</b>	<b>Number</b>	<b>£</b>
Shares issued during the period:			
Ordinary shares	£0.00001	11,283,334	113
Growth shares	£0.00001	7,582,700	76
			<u>189</u>

**Kuflink Group Plc**  
**Notes to the Accounts**  
**for the year ended 30 June 2020**

**19. Capital redemption reserve**

	Nominal value each share	2020 Number	2020 £	2019 £
Capital redemption reserve:				
Deferred shares*	£0.0000001	500,000,000,000	50,000	50,000
			<u>50,000</u>	<u>50,000</u>

\*Deferred Shares with nominal value amounting to £50,000 were cancelled. This was allocated to Capital redemption reserve.

**20. Share premium**

	2020 £	2019 £
At 1 July 2019	5,539,816	4,609,847
Shares issued	3,384,887	929,969
At 30 June 2020	<u>8,924,703</u>	<u>5,539,816</u>

	value each share	Number	Amount £
Shares issued during the period			
Ordinary shares	£0.29999	11,283,334	3,384,887

**21. Financial commitments**

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

	Land and buildings	
	2020 £	2019 £
Amount due within one year	51,000	48,000
Amount due within two to five years	54,444	101,786
	<u>105,444</u>	<u>149,786</u>

**22. Related party transactions**

At the year end, an amount totalling £6,626,284 (2019: £6,228,104) was outstanding on loans to Directors or related parties of Kuflink Group Plc and its subsidiaries. £5,321,689 (2019: £4,537,292) of these loans were funded through the peer-to-peer platform, split between "Select" product funding of £Nil (2019: £3,091,922) and "pool" product funding of £5,321,689 (2019: £1,445,370). The balance funded by Group's balance sheet.

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

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

## Kuflink Group Plc

### Notes to the Accounts

for the year ended 30 June 2020

During the year, the Group's trade with suppliers who are controlled by Directors or related parties amounted to £Nil (2019: £321,217).

An amount of £Nil (2019: £76,921) was reimbursed to the director for payments made to these IT companies on behalf of Kuflink.

At 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 £8,704,982 (2019: £8,306,802).

#### 23. Remuneration of key management personnel

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

	2020	2019
	£	£
Wages	431,622	602,077
Bonus	4,458	1,750
Pension	2,697	932
	<u>438,777</u>	<u>604,759</u>

#### 24. Functional and presentation currency

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

#### 25. Legal form of entity and country of incorporation

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

The reduction of share capital during the previous 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 Act 2006 and was an administrative error. The error was remedied post year end 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.

## **Kuflink Group Plc**

### **Notes to the Accounts for the year ended 30 June 2020**

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.

#### **26. Principal place of business**

The address of the Company's principal place of business and registered office is:

21 West Street

GravesendKent

DA11 0BF

#### **27. Events after the reporting period**

##### Covid-19:

Post the balance sheet date, macro-economic uncertainty has arisen due to the COVID-19 pandemic, which has impacted financial and the UK property markets.

##### Guarantees:

Directors have provided securities as guarantees to cover some of the impaired loans (see Note 25).

##### Equity raise:

Also after the balance sheet date £316k of equity capital have been raised to further improve the net asset position of the Group.