

Registered number

09084634

Kuflink Group Plc

Annual Report and Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2021



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## **Officers and professional advisors' Information**

### **Directors**

Sukhdev Singh Dhillon  
Narinderjit Khattoare  
Balbir Singh Thind  
Satwinder Singh Binning  
Rawinder Singh Binning  
Tejwant Singh Chattha  
Hariharan Ramamurthy  
Nattalie Jane Weeks (Appointed 17 February 2021)  
Nayan Vithaldas Kisnadwala (Resigned 13 July 2021)

### **Secretary**

Balachandran Selvajith

### **Auditor**

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

### **Registered office**

21 West Street  
Gravesend  
Kent  
DA11 0BF

### **Registered number**

09084634

### **Bankers**

NatWest Bank Plc  
Metro Bank Plc

## Strategic Report

Kuflink Group PLC and its subsidiaries are pleased to present their strategic report for the year ended 30th June 2021.

### Kuflink's Purpose

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

### Kuflink's Business Model

The Group consists of the parent Company, Kuflink Group Plc, and 100% owned subsidiaries Kuflink Limited, Kuflink Bridging Limited and Kuflink Security Trustees Limited. Both Kuflink Limited and Kuflink Bridging Limited are authorised and regulated by the FCA.

Kuflink Limited 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. It 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 Limited receives an agreed income from Kuflink Bridging Limited.

Kuflink Bridging Limited is authorised to carry out credit broking, debt administration and collection. The loans that are originated by Kuflink Bridging Limited are then matched to 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 P2P lenders.

Kuflink Limited receives revenue from Kuflink Bridging Limited as compensation for costs incurred by it in relation to on-going development and operation of the P2P platform. In the medium term, Kuflink Bridging Limited will pay Kuflink Limited's fee. Further funding has been required from Kuflink Group Plc, which raised capital of £0.3m in 2021 (2020: £3.3m), the requirement has been dramatically reduced during the year and the Directors do not anticipate additional capital funding to be required going forward.

### Key Events during the year

- Kuflink reaches 5th spot in Peer to Peer & Online Lending funding in UK (source P2PMarketData.com (November 2020).
- Kuflink receives an Exceptional 3/3 4thWay PLUS Rating. (November 2020).
- Kuflink reaches £100m invested milestone. (December 2020).
- Kuflink reaches 4th spot in Peer to Peer & Online Lending funding in UK (Source P2PMarketData.com (January 2021).

## Strategic Report (continued)

### Key Events during the year (continued)

- Kuflink achieves a maximum 5-star Rating at Defaqto. (February 2021).
- Kuflink reaches 3rd spot in Peer to Peer & Online Lending funding in UK (Source P2PMarketData.com). (Mar 2021).
- Kuflink ® is a registered European Community trademark (No. 1553541 & 1553358) and a registered United States trademark (79295020 & 79295083) of Kuflink Group Plc (May 2021).
- Kuflink reaches 2nd spot in Peer to Peer & Online Lending funding in UK (Source P2PMarketData.com). (May-October 2021).
- Kuflink reaches £135m invested milestone (June 2021).

### Performance

The pandemic presented us with an opportunity to refine many elements within our business. The technology infrastructure allowed us to adapt to remote working quickly ensuring Business as Usual. An example of this is our new proprietary loan management system that has been introduced for greater transparency and efficiencies. All this has meant an increase in operating efficiencies across the Group along with a reduction in the Group's operating and marketing costs.

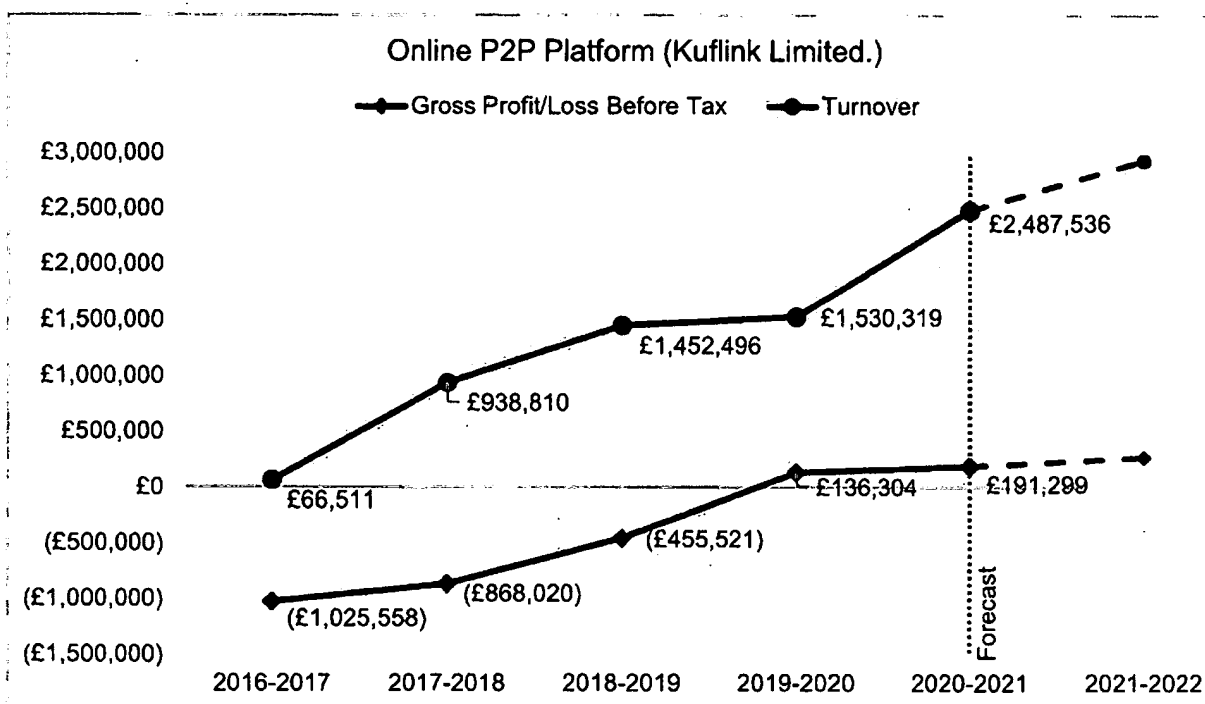
#### Kuflink Limited (Online P2P Platform)

	Turnover	Gross profit/(loss) before tax
Forecast* 2021-2022	£2,935,052	£272,739
Audited 2020-2021	£2,423,952	£133,004
Audited 2019-2020	£1,530,319	£136,304
Audited 2018-2019	£1,452,496	(£455,521)
Audited 2017-2018	£938,810	(£868,020)
Audited (18 months) 2016-2017	£66,511	(£1,025,558)

\*Forecast accounts  
Period starts on 1st July to 30th June

## Strategic Report (continued)

### Performance (continued)



#### Kuflink P2P Platform

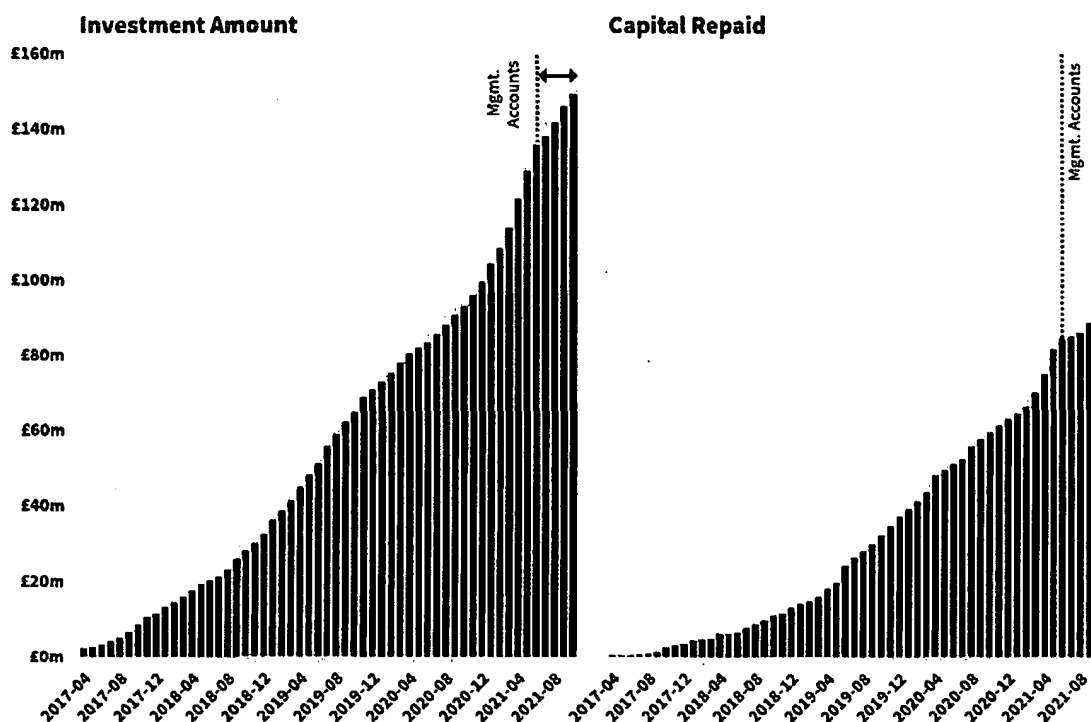
The Kuflink Platform has seen a record level value of £43 million deals (2020: £36m) go live in the year to 30 June 2021, bringing the total number of deals funded to 447 (2020: 349) and the number of active users has reached 6,670 in June 2021 (2020: 5,513). Cumulative investments on the platform have grown substantially, hitting key milestones along the way. This financial year saw Kuflink Peer-to-Peer (P2P) platform investments reach £135 million in June 2021 (2020: £83m). This does not incorporate redemption on maturity of investment. There has also been capital repayment of £84 million in June 2021 (2020: £51m).

The Directors expect to grow the Kuflink P2P platform and as this happens, there will be continued enhancement of our Internal control framework and risk assessment framework. The Technology team ensures it continues to innovate by adding new features to the Kuflink P2P platform, providing more lender solutions as feedback is received.

## Strategic Report (continued)

### Kuflink P2P Platform (continued)

## Total Amount Invested & Total Capital Repaid



**Strategic Report (continued)**

This report was approved by the board on 10 January 2022 and signed on its behalf by:



Narinderjit Khattoare  
Director



## **Directors' Report**

The Directors present their report and the financial statements of Kuflink Group Plc ('the Group') for the year ended 30<sup>th</sup> June 2021.

### **Directors**

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

Sukhdev Singh Dhillon

Narinder Khattoare

Balbir Singh Thind

Satwinder Singh Binning

Rawinder Singh Binning

Tejwant Singh Chattha

Hariharan Ramamurthy

Nattalie Jane Weeks (Appointed 17<sup>th</sup> February 2021)

Nayan Vithaldas Kisnadwala (Resigned 13<sup>th</sup> July 2021)

### **Results & Dividends**

The Group is reporting a profit before tax of £462,555 for the year 2021 (2020: Loss £128,592), and this is set out in Statement of Comprehensive Income on page 18. Our forecasts show that these profits will continue into financial year 2022 and thereafter.

No ordinary dividend was paid this year (2020: nil). The Directors do not recommend the payment of a final dividend

### **Risks and Uncertainties**

The Group identifies, analyses and controls risk through our Internal control and Risk assessment Frameworks

#### **Market risk**

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. A development committee has been set up (July 2021) to review all the development projects every week and when needed, we ask the borrowers to increase their equity in case we find that the costs are going beyond the original quote.

COVID-19 has affected almost every working sector. Therefore, it is no news that there has been an unexpected shortage of construction materials this year. Most people couldn't have predicted the storm that has swept across the development sector. The UK government's development goals are in jeopardy

## **Directors' Report (continued)**

### **Market risk (continued)**

because of material shortage which has been caused mainly due to COVID-19 and Brexit.

Shortage in construction materials can also be traced back to the increased home improvement and building activities in 2020, specifically during the first lockdown across the UK. In addition, adjusting for the pandemic led to slow production of the construction materials from factories, and ever since, the supply chain has remained stretched.

### **Financial risk management considerations**

#### **(i) Interest rate risk**

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

#### **(i) Interest rate risk (continued)**

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 (2020 not material).

#### **(ii) Credit risk**

The credit risk for the Group 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 policies aim to minimise the risk of credit losses through the performance of due diligence on the creditworthiness of each borrower prior to entering into a loan agreement and through the receipt of adequate collateral to act as security in the event of default.

The Group's maximum exposure to credit risk represents the aggregate carrying value of the loans held at amortised cost (see note 15), debtors (see note 16) and cash balances held by the Group at 30 June 2021.

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.

## Directors' Report (continued)

### Financial risk management considerations (continued)

#### (iii) Concentration risk

The largest loan in the portfolio has a carrying value of £3.0m (2020: £4.4m), representing 5% (2020:11%) of net loans. The largest 10 loans account for 32% (2020:45%) 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 to having insufficient liquid resources to make repayments of interest or capital to lenders as amounts fall due for payment. Management monitors the cashflow on a regular basis and any pinch point is identified months in advance and necessary action is taken. The table below shows the repayment profile of both interest and capital balances for the Group's existing borrowing portfolio:

Interest	Less than 1 year	More than 1 year	Total
	£	£	£
Peer-to-peer Investors	1,994,054	4,111,410	6,105,464
Kuflink Borrowing	73,878	-	73,878
<b>Interest payable on all borrowings in existence to maturity</b>	<b>2,067,932</b>	<b>4,111,410</b>	<b>6,179,342</b>

Capital Repayment	Less than 1 year	More than 1 year	Total
	£	£	£
Peer-to-peer Investors	35,523,201	13,373,581	48,896,782
Kuflink Borrowing	4,396,420	-	4,396,420
<b>Expected repayment of capital on all borrowings in existence to maturity</b>	<b>39,919,621</b>	<b>13,373,581</b>	<b>53,293,202</b>
<b>Expected repayment of capital from all loans in existence to maturity</b>	<b>51,686,654</b>	<b>7,078,789</b>	<b>58,765,443</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 investors do re-term, if this continued, the Group would have less of a liquidity mis-match even in the case of unforeseen delays from borrowers than detailed in the table above. The Directors continuously monitor liquidity mis-matches on a short-term basis.

The Group's other creditors are repayable on demand at balances that approximate to the carrying values shown in Note 19.

## **Directors' Report (continued)**

### **Financial risk management considerations (continued)**

#### **(v) Default rate risk**

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. 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 "Select Invest" loans, further mitigating the risk exposure to P2P lenders and demonstrating our commitment to originating high quality loans.

### **Governance**

Risk Assessments / Mitigations and updating our Internal Control Framework continues to be Kuflink's key drivers. The Directors have created a culture of meticulous governance and a controlled environment, which is required as the business grows as per the strategic forecast. The Group has increased governance through their committees which strengthens areas of the business such as Finance and Treasury, Credit, Collections and Compliance/Client Money Assets. Remuneration committee, Nomination committee, Audit committee, Asset & Liability committee (ALCO), Executive committee (EXCO), Wind Down planning committee and Development committee continue to meet regularly.

### **Statement of Directors' responsibilities**

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

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

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

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

## **Directors' Report (continued)**

### **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 Group's employees;
- (iii) the need to foster the Group's business relationships with suppliers, customers and others;
- (iv) the impact of the Group'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 Group 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

### **Going concern statement**

Upon assessment of the Group's financial position, 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 thereafter. The directors can reasonably confirm that the Group can continue in operational existence for the foreseeable future.

The impact of the ongoing Covid-19 pandemic has been assessed and 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. Having reviewed these, the directors consider the Group to have sufficient resources to continue normal trading activities for at least 12 months from the reporting period and do not consider there to be any material uncertainty.

### **Research & Development**

Within the business model, we continue to focus heavily on technology by further developing our proprietary loan management system, as well as our online P2P platform, bringing transparency, efficiencies and certainty to both borrowers and lenders. The Group believe that its track record of investment in technology provides Kuflink with a significant competitive advantage. Following on from last year, the investment into developing and improving our proprietary technology and IT infrastructure has not slowed down. We have continued to work on new products along with ensuring our platform security infrastructure remains at a high level. We continue to test, implement further enhancements, and

## Directors' Report (continued)

### Research & Development (continued)

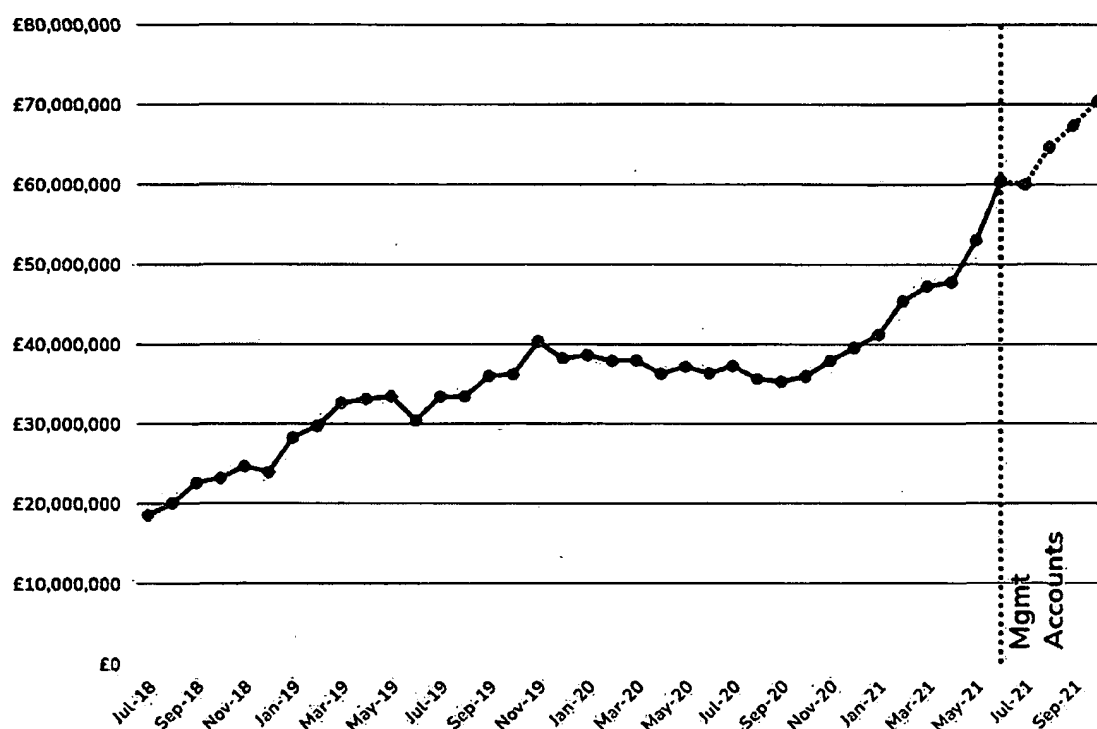
introduce protection measures for the infrastructure and our Lenders and Borrowers. Furthermore, Kuflink continues to be ISO 27001 Certified and Cyber Essentials Certified, showcasing our commitment to information security.

### Loan book origination

Although the Group had some loans that were affected by the Covid-19 pandemic, these were not significant, and the Group is now growing the loan book as loan origination continues to increase in line with expectations. 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 5<sup>th</sup> of July 2021, the loan pipeline had more than £23million of loans ready to complete with solicitors, and a further £31million of loans at enquiry stage of which £15million had been instructed for valuations.

Post year end, Kuflink's loan book has exceeded the £70million target, as of 30<sup>th</sup> October 2021.

### Loan Book



## **Directors' Report (continued)**

### **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 Group. A deed was executed indemnifying each of the Directors of the Group and/or its subsidiaries as a supplement to the Directors' and officers' insurance cover. The indemnities, which constitute a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, were in force during the 2021 financial year and remain in force for all current and past Directors of the Group.

### **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/she is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

## **Directors' Report (continued)**

### **Auditor**

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

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

This report was approved by the board on 10 January 2022 and signed on its behalf by:



Narinderjit Khattoare  
Director

## **Independent Auditor's Report to the Members of Kuflink Group Plc**

### **Opinion**

We have audited the financial statements of Kuflink Group Plc. (the "Parent Company") and its subsidiaries ("the Group") for the year ended 30<sup>th</sup> June 2021, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Parent Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Parent 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:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 30<sup>th</sup> June 2021, and Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

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

### **Other information**

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



## **Independent Auditor's Report to the Members of Kuflink Group Plc (continued)**

### **Other information (continued)**

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

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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

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

### **Responsibilities of the directors**

As explained more fully in the Director's Responsibilities Statement as set out on page 12, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## **Independent Auditor's Report to the Members of Kuflink Group Plc (continued)**

### **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:

- 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

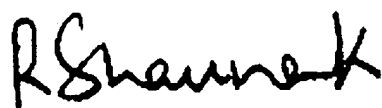
Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed 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.

**Independent Auditor's Report to the Members of Kuflink Group Plc (continued)**

**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

Date: 10 January 2022

**Kuflink Group Plc**  
**Consolidated statement of Comprehensive Income**  
**for the year ended 30 June 2021**

	Notes	2021	2020
		£	£
<b>Interest income</b>	3	6,141,158	5,849,994
Interest expense and charges	4	(3,276,707)	(3,093,794)
<b>Net Interest Income</b>		2,864,451	2,756,200
Other income	5	75,601	138,893
Direct expenses	6	142,640	507,054
Administrative expenses	7	(2,853,011)	(3,634,042)
<b>Operating profit/(loss)</b>	8	229,681	(231,895)
<b>Profit/(loss) on ordinary activities before taxation</b>		229,681	(231,895)
Taxation	11	232,874	103,303
<b>Profit/(loss) for the financial year</b>		462,555	(128,592)
Other comprehensive income		-	-
<b>Total comprehensive profit/(loss) for the year</b>		462,555	(128,592)


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 25 to 42 form an integral part of the financial statements.

**Kuflink Group Plc**  
**Consolidated statement of Financial Position**  
**as at 30 June 2021**

<b>Non-current assets</b>	<b>Note s</b>	<b>2021</b>	<b>2020</b>
		<b>£</b>	<b>£</b>
Intangible assets	12	1,369,479	1,392,047
Tangible fixed assets	13	90,388	200,280
Loans held at amortised cost falling due after more than one year	15	10,144,160	7,078,789
		<u>11,604,027</u>	<u>8,671,116</u>
<b>Current assets</b>			
Loans held at amortised cost	15	44,021,004	29,325,821
Debtors	16	797,403	368,596
Cash at bank and in hand	17	1,682,577	561,504
		<u>46,500,984</u>	<u>30,255,921</u>
<b>Current Liabilities</b>			
Financial liabilities held at amortised cost	18	(52,289,370)	(28,073,533)
Creditors	19	(2,610,547)	(1,574,024)
		<u>(54,899,917)</u>	<u>(29,647,557)</u>
<b>Net current (liabilities)/assets</b>		<u>(8,398,933)</u>	<u>608,364</u>
<b>Total assets less current liabilities</b>		<u>3,205,094</u>	<u>9,279,480</u>
<b>Non-current liabilities</b>			
Financial liabilities held at amortised cost	18	(50,010)	(6,953,306)
<b>Net assets</b>		<u>3,155,084</u>	<u>2,326,174</u>
<b>Capital and reserves</b>			
Called up share capital	20	52,157	2,146
Capital Redemption Reserve	21	50,000	50,000
Share premium	22	9,241,047	8,924,703
Profit and loss account	22	(6,188,120)	(6,650,675)
<b>Total shareholder's funds</b>		<u>3,155,084</u>	<u>2,326,174</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 10 January 2022.

  
Narinderjit Khattoare  
Director


The notes to the accounts on pages 25 to 42 form an integral part of the financial statements

**Kuflink Group Plc**  
**Parent Company Statement of Financial Position**  
**As at 30 June 2021**

	Notes	2021 £	2020 £
<b>Fixed assets</b>			
Intangible assets	12	55,840	65,143
Tangible fixed assets	13	1,275	1,815
Investments	14	3,663,466	3,663,466
		<u>3,720,581</u>	<u>3,730,424</u>
<b>Current assets</b>			
Debtors	16	46,897	106,037
Cash at bank and in hand	17	13,946	17,742
		<u>60,843</u>	<u>123,779</u>
<b>Creditors: amounts falling due within one year</b>	19	(1,190,744)	(1,488,519)
<b>Net current liabilities</b>		<u>(1,129,901)</u>	<u>(1,364,740)</u>
<b>Net assets/(liabilities)</b>		<u>2,590,680</u>	<u>2,365,684</u>
<b>Capital and reserves</b>			
Called up share capital	20	52,157	2,146
Capital Redemption Reserve	21	50,000	50,000
Share premium	22	9,241,047	8,924,703
Profit and loss account	22	(6,752,524)	(6,611,165)
<b>Total shareholder's funds</b>		<u>2,590,680</u>	<u>2,365,684</u>

Kuflink Group Plc (the parent Company incorporated and domiciled in the United Kingdom with registration number 09084634) has taken advantage of section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements. The Company's loss after tax for the year ended 30 June 2021 was £141,359 (2020: Loss £720,943).

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 10 January 2022.

  
Narinderjit Khattoare  
Director

The notes to the accounts on pages 25 to 42 form an integral part of these financial statements

**Kuflink Group Plc**  
**Consolidated Statement of Changes in Equity**  
**for the year ended 30 June 2021**

	Share capital £	Share premium £	Capital redemption reserve £	Profit and loss £	Total £
<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>
 <b>At 1 July 2020</b>	 2,146	 8,924,703	 50,000	 (6,650,675)	 2,326,174
Total comprehensive loss for the financial year	-	-	-	462,555	462,555
Shares issued*	50,011	316,344	-	-	366,355
<b>At 30 June 2021</b>	<u>52,157</u>	<u>9,241,047</u>	<u>50,000</u>	<u>(6,188,120)</u>	<u>3,155,084</u>

\* During the year £366,355 valued shares were issued (2020: £3,385,076) (Notes 20 and 22).

The notes to the accounts on pages 25 to 42 form an integral part of the financial statements.

**Kuflink Group Plc**  
**Parent Company Statement of Changes in Equity**  
**for the year ended 30 June 2021**

	Share capital £	Share premium £	Capital redemption Reserve £	Profit and loss account £	Total £
<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>
<b>At 1 July 2020</b>	2,146	8,924,703	50,000	(6,611,165)	2,365,684
Total comprehensive loss for the financial year	-	-	-	(141,359)	(141,359)
Shares issued*	50,011	316,344	-	-	366,355
<b>At 30 June 2021</b>	<u>52,157</u>	<u>9,241,047</u>	<u>50,000</u>	<u>(6,752,524)</u>	<u>2,590,680</u>

\* During the year £366,355 valued shares were issued (2020: £3,385,076) (Notes 20 and 22).

The notes to the accounts on pages 25 to 42 form an integral part of the financial statements.



**Kuflink Group Plc**  
**Consolidated Statement of Cash Flows**  
**for the year ended 30 June 2021**

	2021	2020
	£	£
<b>Operating activities</b>		
Profit/(loss) for the financial year	229,681	(231,895)
Adjustments for:		
Depreciation	113,279	117,788
Amortisation of intangible fixed assets	377,719	296,554
Decrease in current assets	-	570,999
Increase in loans held at amortised cost		
Additions	(52,489,867)	(41,221,572)
Repayments	34,886,459	34,978,484
Write offs	(157,146)	(515,879)
Increase in debtors	(443,424)	(57,124)
Increase in funding	17,312,531	2,143,843
Increase in creditors	1,402,878	3,682,741
	<u>1,232,110</u>	<u>(236,061)</u>
Corporation tax received	247,491	267,001
Cash generated from operating activities	<u>1,479,601</u>	<u>30,940</u>
<b>Investing activities</b>		
Payments to acquire intangible fixed assets	(355,151)	(716,315)
Payments to acquire tangible fixed assets	(3,387)	(31,063)
Cash used in investing activities	<u>(358,538)</u>	<u>(747,378)</u>
<b>Financing activities</b>		
Proceeds from new loans	10	50,000
Cash generated by financing activities	<u>10</u>	<u>50,000</u>
Net increase/(decrease) in cash equivalents	1,121,073	(666,438)
Cash and cash equivalents at start of the period	561,504	1,227,942
Cash and cash equivalents at end of the period	<u>1,682,577</u>	<u>561,504</u>
Cash and cash equivalents comprise:		
Cash at bank	<u>1,682,577</u>	<u>561,504</u>

The notes to the accounts on pages 25 to 42 form an integral part of the financial statements.

**Kuflink Group Plc**  
**Consolidated Analysis of Net Debt**  
**for the year ended 30 June 2021**

	<b>At 1 July 2020</b>	<b>Cash flows</b>	<b>At 30 June 2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	561,504	1,121,073	1,682,777
Debt due after more than one year	(6,953,306)	6,903,296	(50,010)
Debt due within one year	(28,073,533)	(24,215,837)	(52,289,370)
Operating leases	(105,444)	39,000	(66,444)
	<u>(34,570,779)</u>	<u>(16,152,468)</u>	<u>(50,723,047)</u>

The notes to the accounts on pages 25 to 42 form an integral part of the financial statements

**Kuflink Group Plc**  
**Notes to the financial statements**  
**for the year ended 30 June 2021**

**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 Limited, Kuflink Finance No.1 Limited, Kuflink Finance No.2 Limited, Kuflink Home Loans Limited, Kuflink Landlord Limited, Kuflink Mini Bond Limited & Kuflink Security Trustees Limited 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 2021. All of these subsidiaries were not trading during the year, whereas Kuflink Finance No.2 Limited, Kuflink Mini Bond Limited & Kuflink Security Trustees Limited were dormant.

**Going concern**

Upon assessment of the Group's financial position, 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 thereafter. The directors can reasonably confirm that the Group can continue in operational existence for the foreseeable future.

The impact of the ongoing Covid-19 pandemic has been assessed and 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. Having reviewed these, the directors consider the Group to have sufficient resources to continue normal trading activities for at least 12 months from the reporting period and do not consider there to be any material uncertainty.

**Loan recognition**

In most cases the Group continues to retain up to 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 loans of peer-to-peer lenders as liabilities of the Group.

**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.

## **1. Summary of significant accounting policies (continued)**

### **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 lenders, cashback cost and commission payable to brokers. The accounting for cashback is based on the assumption that they are EIR'd over a 4-year term.

### **Direct and administrative expenses**

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

### **Cashback Incentives paid to P2P lenders**

Kuflink operates an incentive scheme for retail P2P lenders with an aim to increase the longevity of the lender funds 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.

The Group is developing its own internally generated platform and software to manage its operations and to create a platform that will give borrowers and P2P lenders an enhanced 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.

**Kuflink Group Plc**  
**Notes to the financial statements**  
**for the year ended 30 June 2021**

**1. Summary of significant accounting policies (continued)**

**Intangible assets (continued)**

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 licences 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 licences	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 Group. Any impairment is recognised in the Statement of Comprehensive Income. They are reviewed for impairment at least annually or whenever events or circumstances indicate that the carrying amount may not be recoverable.

Impaired investment is written down to its recoverable amount which is the higher of its value in use and fair value less costs to sell.

**Financial assets**

Recognition and classification

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

Loans

Loans made to borrowers by the Group that have fixed or determinable repayment terms and that are not quoted in an active market are classified as loans and receivables and are measured at amortised cost, less any impairment. The amortised cost of a loan represents the expected future cash flows discounted at the original effective interest rate.

Impairment of financial assets

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

**Kuflink Group Plc**  
**Notes to the financial statements**  
**for the year ended 30 June 2021**

**1. Summary of significant accounting policies (continued)**

**Impairment of financial assets (continued)**

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.

**1. Summary of significant accounting policies (continued)**

**Foreign currency translation (continued)**

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.

**2. 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.

**Kuflink Group Plc**  
**Notes to the financial statements**  
**for the year ended 30 June 2021**

**2. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)**

• Value Added Tax

Kuflink Limited charges fees for the funds it generated through its peer-to-peer platform to Kuflink Bridging Limited (a fellow subsidiary). Kuflink Limited 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).

**3. Analysis of interest income**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Loan interest receivable	4,734,841	4,487,277
Default Interest	606,270	518,444
Arrangement fees	694,199	745,315
Admin fees	36,829	37,093
Broker fees	66,628	56,299
Other Fees	2,391	5,566
	<b>6,141,158</b>	<b>5,849,994</b>

All turnover is from services provided in the United Kingdom in respect of the Group's principal activity. Fee income that is 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.

**4. Interest expense and charge**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Peer-to-Peer (P2P) interest:		
Interest	2,315,876	1,991,530
Cashback expenses	331,689	232,090
	<b>2,647,565</b>	<b>2,223,620</b>
Interest on Kuflink borrowings	292,751	533,094
Broker commission	336,391	337,080
	<b>3,276,707</b>	<b>3,093,794</b>

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 P2P lending increasing, while broker commission increase is due to growth of the loan origination.



**Kuflink Group Plc**  
**Notes to the financial statements**  
**for the year ended 30 June 2021**

**5. Other income**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Exit fees	65,746	32,153
Other fees	8,376	13,604
Sundry income	1,479	93,136
	<u>75,601</u>	<u>138,893</u>

Exit fees are fees charged on development loans at redemption. During the year the Group had a greater number of development loans redeemed.

**6. Direct expenses**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Movement in impairment provision	(1,992,931)	(525,509)
Loans written-off	1,835,785	9,629
Total impairment expense	<u>(157,146)</u>	<u>(515,880)</u>
Other direct expenses	14,506	8,826
	<u>(142,640)</u>	<u>(507,054)</u>

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

**7. Administrative expenses**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Staff costs (note 10)	1,101,531	1,626,031
Premises costs	131,564	174,847
Investor promotions	490,091	566,350
Telephone and computer charges	81,032	119,432
Information technology and software	122,991	98,482
Marketing expenses	83,971	310,379
Depreciation	113,279	117,788
Amortisation	377,719	296,554
General administrative expenses	350,833	324,179
	<u>2,853,011</u>	<u>3,634,042</u>

Platform costs are recharged to the Group by Kuflink Limited as per agreed service level agreement in place. Employee costs were reduced through streamlining the business along with support through the Coronavirus Job Retention Scheme (CJRS).

**Kuflink Group Plc**  
**Notes to the financial statements**  
**for the year ended 30 June 2021**

**8. Operating profit/(loss)**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
The operating profit/(loss) of the Group is stated after charging/(crediting):		
Reversal of impairment of loans in the year	(157,146)	(515,880)
Depreciation of tangible fixed assets	113,279	117,788
Amortisation of intangible assets	377,719	296,554
Operating lease rentals - land and buildings	69,833	121,620
Auditor's remuneration for audit services - Group	9,900	14,728
Auditor's remuneration for audit services - Subsidiaries	94,200	103,920
Marketing expenses	574,062	876,729

**9. Directors' emoluments**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Emoluments	149,169	188,651
Bonus	4,020	1,689
Group contributions to defined contribution pension plans	457	417
	<u>153,646</u>	<u>190,757</u>

Number of directors to whom retirement benefits accrued:

	<b>2021</b>	<b>2020</b>
	<b>Number</b>	<b>Number</b>
Defined contribution plans	<u>1</u>	<u>2</u>

The highest paid director's emoluments were £72,718 (2020: £131,791) and bonus were £1,800 (2020: £1,388)

**10. Staff costs including directors' remuneration**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Wages and salaries	906,740	1,301,741
Social security costs	153,666	172,328
Other pension costs	20,381	20,632
Other staff cost	20,744	131,330
	<u>1,101,531</u>	<u>1,626,031</u>

**Kuflink Group Plc**  
**Notes to the financial statements**  
**for the year ended 30 June 2021**

**10. Staff costs including directors' remuneration (continued)**

Average number of employees of the Group including directors during the year:	<b>2021</b>	<b>2020</b>
	<b>Number</b>	<b>Number</b>
Administration	11	22
Development	6	4
Marketing	5	8
Sales	9	9
	<u>31</u>	<u>43</u>

**11. Taxation**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<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	(232,874)	(103,303)
	<u>(232,874)</u>	<u>(103,303)</u>
Deferred tax:		
Origination and reversal of timing differences	-	-
	<u>-</u>	<u>-</u>
Tax credit on profit/(loss) on ordinary activities	<u>(232,874)</u>	<u>(103,303)</u>
	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Profit/(loss) on ordinary activities before tax	<u>229,681</u>	<u>(231,895)</u>
Standard rate of corporation tax in the UK	19%	19%
	<b>£</b>	<b>£</b>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax	43,639	(44,060)
Effects of:		
Expenses not deductible for tax purposes	98	1,275
Non-qualifying depreciation	43,922	53,750
Unused trading losses to carry forward	27,800	57,546
Trading losses brought forward and used against profits	(115,459)	(68,511)
Adjustments to tax credit in respect of previous periods	(232,874)	(103,303)
Total tax credit for period	<u>(232,874)</u>	<u>(103,303)</u>

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**11. Taxation (continued)**

The Group has tax losses arising in the UK of £4,862,479 (2020: £5,336,809) 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 of £6,463 (2020: £8,164) 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%.

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**12. 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 2020	93,032	1,899,659	1,992,691
Additions	-	355,151	355,151
At 30 June 2021	<u>93,032</u>	<u>2,254,810</u>	<u>2,347,842</u>
<b>Amortisation</b>			
At 1 July 2020	27,889	572,755	600,644
Provided during the year	9,303	368,416	377,719
At 30 June 2021	<u>37,192</u>	<u>941,171</u>	<u>978,363</u>
<b>Carrying amount</b>			
At 30 June 2021	<u>55,840</u>	<u>1,313,639</u>	<u>1,369,479</u>
At 30 June 2020	<u>65,143</u>	<u>1,326,904</u>	<u>1,392,047</u>
<b>Parent Company</b>			
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 July 2020	93,032	-	93,032
At 30 June 2021	<u>93,032</u>	<u>-</u>	<u>93,032</u>
<b>Amortisation</b>			
At 1 July 2020	27,889	-	27,889
Provided during the year	9,303	-	9,303
At 30 June 2021	<u>37,192</u>	<u>-</u>	<u>37,192</u>
<b>Carrying amount</b>			
At 30 June 2021	<u>55,840</u>	<u>-</u>	<u>55,840</u>
At 30 June 2020	<u>65,143</u>	<u>-</u>	<u>65,143</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.

The Company is developing its own internally generated platform and software to manage its operations and to create a platform that will give investors a differentiated customer experience. Costs in relation to these system developments are capitalised as incurred.

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**13. Tangible fixed assets**

<b>Group</b>	<b>Leasehold improvement £</b>	<b>Fixtures and fittings £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 July 2020	429,838	159,492	589,330
Additions	-	3,387	3,387
At 30 June 2021	<u>429,838</u>	<u>162,879</u>	<u>592,717</u>
<b>Depreciation</b>			
At 1 July 2020	277,836	111,214	389,050
Charge for the year	85,968	27,311	113,279
At 30 June 2021	<u>363,804</u>	<u>138,525</u>	<u>502,329</u>
<b>Carrying amount</b>			
At 30 June 2021	<u>66,034</u>	<u>24,354</u>	<u>90,388</u>
At 30 June 2020	<u>152,002</u>	<u>48,278</u>	<u>200,280</u>
<b>Parent Company</b>			
	<b>Leasehold improvement £</b>	<b>Fixtures and fittings £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 July 2020	-	2,175	2,175
Additions	-	-	-
At 30 June 2021	<u>-</u>	<u>2,175</u>	<u>2,175</u>
<b>Depreciation</b>			
At 1 July 2020	-	360	360
Provided during the year	-	540	540
At 30 June 2021	<u>-</u>	<u>900</u>	<u>900</u>
<b>Carrying amount</b>			
At 30 June 2021	<u>-</u>	<u>1,275</u>	<u>1,275</u>
At 30 June 2020	<u>-</u>	<u>1,815</u>	<u>1,815</u>

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**14. Investments**

<b>Group</b>	<b>Investments in subsidiary undertakings £</b>
<b>Cost</b>	
At 1 July 2020	3,663,466
Additions	-
At 30 June 2021	<u>3,663,466</u>

<b>Group</b>	<b>Shares held</b>	<b>Ownership</b>	<b>Equity</b>
	<b>Class</b>	<b>%</b>	<b>£</b>
Kuflink Bridging Limited (active)	Ordinary	100	2,005,583
Kuflink Limited (active)	Ordinary	100	2,276,281
Kuflink Security Trustees Limited (dormant)	Ordinary	100	(1,561)
Kuflink Mini Bond Limited (dormant)	Ordinary	100	(1,015)
Kuflink Home Loans Limited (dormant)	Ordinary	100	(3,528)
Kuflink Finance No.1 Limited (dormant)	Ordinary	100	(1,018)
Kuflink Landlord Limited (dormant)	Ordinary	100	(22,226)
Kuflink Finance No.2 Limited (dormant)	Ordinary	100	(12)
Kuflink One Limited (dormant)	Ordinary	100	(5,236)
Kuflink Lux S.a.r.l. (dormant)	Ordinary	100	EUR 6,986.30

Investment in subsidiaries is shown at cost less the impairment, as Kuflink Bridging Limited £1,682,058, Kuflink Limited £1,981,090, all other subsidiaries £318 at 30 June 2021.

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 no impairment adjustment is necessary (2020: £588,727).

The registered office of all Group companies is 21 West Street, Gravesend, Kent. DA11 0BF except Kuflink Lux S.a.r.l which is registered at 45, Avenue de la Liberte, Luxembourg, L-1931. Luxembourg

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**15. Loans at amortised cost**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Opening value of loans (gross)	40,162,479	33,866,607
Additions	46,809,376	36,108,668
Repaid loans	(34,886,459)	(34,978,484)
Loans written off	(1,835,785)	(9,629)
Interest and charges	8,515,832	5,175,317
<b>Closing par value of loans</b>	<b>58,765,443</b>	<b>40,162,479</b>
Opening value of Unearned income	(1,340,072)	(1,277,659)
Movement	(2,835,341)	(62,413)
<b>Closing value of Unearned income</b>	<b>(4,175,413)</b>	<b>(1,340,072)</b>
Opening value of Impairment provision	(2,417,797)	(2,943,305)
Movement	1,992,931	525,508
<b>Closing value of Impairment provision</b>	<b>(424,866)</b>	<b>(2,417,797)</b>
Opening value of Loans (Net)	36,404,610	29,645,643
Summary of movement	17,760,554	6,758,967
<b>Closing value of Loans (Net)</b>	<b>54,165,164</b>	<b>36,404,610</b>
<b>Of which:</b>		
Due within one year	44,021,004	29,325,821
Due after one year	10,144,160	7,078,789

**16. Debtors**

	<b>Group</b>		<b>Parent Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Amount owed by group undertakings	-	-	2,537	2,537
Other debtors	202,437	12,868	423	26
Prepayments	587,724	320,222	43,937	103,474
Tax recoverable	20,889	35,506	-	-
	<u>797,403</u>	<u>368,596</u>	<u>46,897</u>	<u>106,037</u>

Prepayments include prepaid broker fees of £358,102 (2020: £106,714). Amounts owed by group undertakings are unsecured, interest free and repayable on demand.



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**17. Cash at bank and in hand**

	<b>Group</b>		<b>Parent Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank	1,682,577	561,504	13,946	17,742

None of the Group's cash balances are held in restricted accounts.

**18. Financial liabilities held at amortised cost**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Opening value of loans (gross)	31,026,144	25,466,819
Additions	51,253,681	31,538,441
Repaid loans	(33,383,043)	(25,979,116)
<b>Closing par value of investments</b>	<b>48,896,782</b>	<b>31,026,144</b>
Opening Deferred Cashback	(738,237)	(628,384)
Additions	(597,284)	(341,943)
Amortisation	331,689	232,090
<b>Closing par value of Deferred cashback</b>	<b>(1,003,832)</b>	<b>(738,237)</b>
Opening KBL investments	4,688,932	7,994,561
Additions	5,040,374	7,573,404
Repaid loans	(5,332,886)	(10,879,033)
<b>Closing par value of loans</b>	<b>4,396,420</b>	<b>4,688,932</b>
Opening Bounce back loan	50,000	-
Additions	10	50,000
<b>Closing par value of loans</b>	<b>50,010</b>	<b>50,000</b>
Opening Total financial liabilities	35,026,839	32,832,996
Additions	55,696,781	38,819,902
Repaid loans	(38,384,240)	(36,626,059)
<b>Closing par value of loans</b>	<b>52,339,380</b>	<b>35,026,839</b>
Of which:		
Due within one year	52,289,370	28,073,533
Due after one year	50,010	6,953,306

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**19. Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Parent Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade creditors	183,715	339,766	166	174,721
Amounts owed to group undertakings	-	-	1,073,784	1,036,055
Other taxes and social security cost	46,676	216,769	43,284	213,843
Other creditors	331,011	155,092	-	-
Accruals and deferred income	2,049,145	862,397	73,510	63,900
	<u>2,610,547</u>	<u>1,574,024</u>	<u>1,190,744</u>	<u>1,488,519</u>

Accruals and deferred income includes P2P interest for pool investments and compound interest on select investments of £1,298,010 (2020: £497,418). Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

**20. Share capital**

	<b>Nominal value</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>
	<b>each share</b>	<b>Number</b>	<b>£</b>	<b>£</b>
Allotted, called up and fully paid:				
Ordinary shares	£0.00001	175,759,250	1,758	1,747
Growth shares	£0.00001	39,929,900	399	399
Deferred shares			50,000	-
			<u>52,157</u>	<u>2,146</u>

	<b>Nominal value</b>	<b>2021</b>	<b>2021</b>
	<b>each share</b>	<b>Number</b>	<b>£</b>
Shares issued during the period:			
Ordinary shares	£0.00001	1,054,516	11
Deferred shares	£0.01	5,000,000	50,000
			<u>50,011</u>

Share capital includes 175,759,250 fully paid up ordinary shares which give full voting rights, rights to participate in all dividends and right to participate in capital distributions including winding up.

**21. Capital redemption reserve**

	<b>Nominal value</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>
	<b>each share</b>	<b>Number</b>	<b>£</b>	<b>£</b>
Capital redemption reserve:				
Deferred shares*	£0.0000001	500,000,000,000	50,000	50,000
			<u>50,000</u>	<u>50,000</u>

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**22. Reserves**

Share Premium	Group		Parent Company	
	2021	2020	2021	2020
	£	£	£	£
At 1 July	8,924,703	5,539,816	8,924,703	5,539,816
Share issued	316,344	3,384,887	316,344	3,384,887
At 30 June	<u>9,241,047</u>	<u>8,924,703</u>	<u>9,241,047</u>	<u>8,924,703</u>

	value	Number	Amount
	each share		£
Shares issued during the period			
Ordinary shares	£0.29999	1,054,516	316,344

Retained earnings	Group		Parent Company	
	2021	2020	2021	2020
	£	£	£	£
At 1 July	(6,650,675)	(6,522,083)	(6,611,165)	(5,890,222)
Profit/(loss) for the financial year	462,555	(128,592)	(141,359)	(720,943)
At 30 June	<u>(6,188,120)</u>	<u>(6,650,675)</u>	<u>(6,752,524)</u>	<u>(6,611,165)</u>

**23. Financial commitments**

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

	Land and buildings	
	2021	2020
	£	£
Amount due within one year	18,444	51,000
Amount due within two to five years	48,000	54,444
	<u>66,444</u>	<u>105,444</u>

The Parent Company had no financial commitments at 30 June 2021 (2020: £Nil)

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**24. Related party transactions**

At the year end, an amount totalling £4,530,979 (2020: £6,626,284) was outstanding on loans to Directors or related parties of Kuflink Group Plc and its subsidiaries. Out of this amount £4,208,556 (2020: £5,321,689) of the funding came from the peer-to-peer platform, split between Select invest product funding of £nil (2020: £nil) and Auto Invest product funding of £4,208,556 (2020: £5,321,689). The balance funded by Group's balance sheet.

Also, at the year-end an amount totalling £703,648 (2020: 680,002) was outstanding on borrowing from Directors or related parties or companies controlled by the Directors.

During the year, the Group's trade with suppliers who are controlled by Directors or related parties amounted to £Nil (2020: £Nil).

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.

The Parent Company had no related party transactions during the year to 30 June 2021 (2020: £Nil)

**25. Remuneration of key management personnel**

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

	2021	2020
	£	£
Wages	448,670	431,622
Bonus	9,925	4,458
Pension	2,553	2,697
	<u>461,148</u>	<u>438,777</u>

**26. Functional and presentation currency**

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

**27. Legal form of entity and country of incorporation**

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

**26. Principal place of business**

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

21 West Street  
 Gravesend  
 Kent  
 DA11 0BF