

Registered number
08460508

Kuflink Ltd

Annual Report and Financial Statements

For the year ended 30th June 2021



Kuflink Ltd
Report and accounts
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Officers and professional advisors' Information

Directors

Narinderjit Khattoare
Rawinder Singh Binning
Hariharan Ramamurthy

Auditor

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

Registered office

21 West Street
Gravesend
Kent
DA11 0BF

Registered number

08460508

Bankers

NatWest Bank Plc
Metro Bank Plc

Strategic Report

Kuflink Ltd is pleased to present its 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 Ltd 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 Ltd, Kuflink Bridging Ltd and Kuflink Security Trustees Ltd. 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. 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 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 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 Ltd 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 Ltd'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).
- 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).

Strategic Report (continued)

Key Events during the year (continued)

- Kuflink reaches £135m invested milestone (June 2021).

Performance

The Covid-19 pandemic presented the Company 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 Groups operating and marketing costs.

Kuflink Limited (Online P2P Platform)

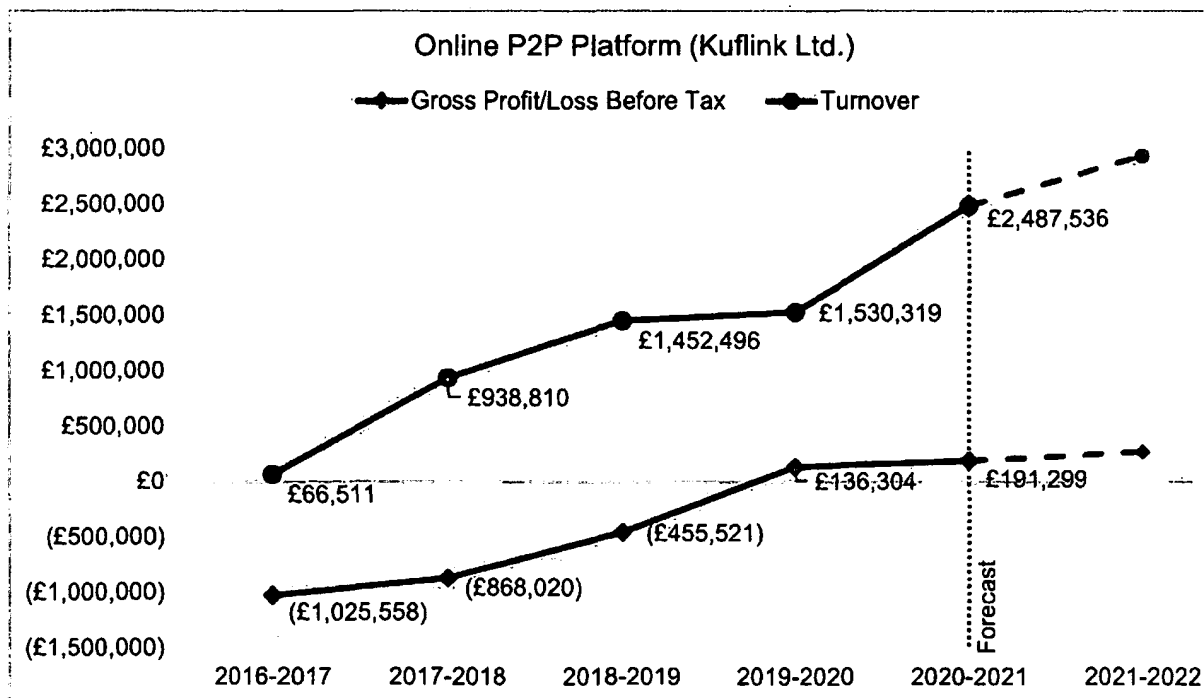
	Turnover	Gross profit/(loss) before tax
Forecast* 2021-2022	£2,935,052	£272,739
Audited 2020-2021	£2,423,952	£133,004
Audited 2019-2020	£1,530,319	£136,304
Audited 2018-2019	£1,452,496	(£455,521)
Audited 2017-2018	£938,810	(£868,020)
Audited (18 months) 2016-2017	£66,511	(£1,025,558)

*Forecast accounts

Period starts on 1st July to 30th June

Strategic Report (continued)

Performance (continued)



Kuflink P2P Platform

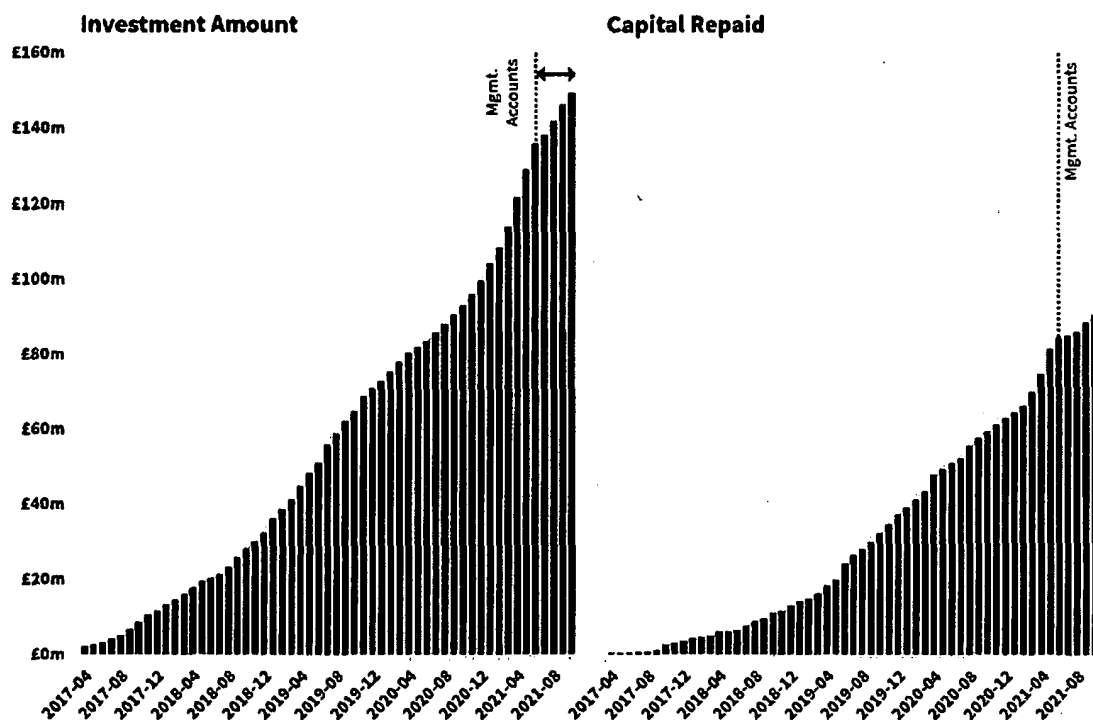
The Kuflink Platform has seen a record level value of £43 million deals (2020: £36m) go live in the year to 30 June 2021, bringing the total number of deals funded to 447 (2020: 349) and the number of active users has reached 6,670 in June 2021 (2020: 5,513). Cumulative investments on the platform have 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



Key Performance Indicators

Key performance indicators (KPIs) refer to a set of quantifiable measurements used to gauge a company's overall long-term performance. See below the loan book performance:

Loan book as of 30 June 2020 of £40.2m has grown to £58.8m as of 30 June 2021. The majority of the growth was in the last few months of the year as the UK economy continues to recover from the pandemic.

More than 80% of the Company's loans are made with 1st charge on the security.

About 43% of loans are made for developing or purchasing Residential property.

Geographical split of the Borrowers' security is concentrated in Southeast of England and Greater London area, but the rest is spread over the country.

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 Ltd ('the Company') for the year ended 30 June 2021.

Directors

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

Narinderjit Khattoare
Rawinder Singh Binning
Hariharan Ramamurthy

Results & Dividends

The company is reporting a profit after tax of £295,191 for the year 2021 (£239,607 for the year 2020) and this is set out in Statement of Comprehensive Income on page 14. 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 Company faces some Brexit related uncertainties with the new rules commencing from 1st January 2021. Principally, this relates to the health of the UK property market if the exit from the European Union and end of the transition period proves to be particularly disruptive and causes a sharp reduction in economic activity. The Company continues to monitor the status of the market and keeps these risks in mind when extending new loans and managing its existing loan portfolio. A development committee has been set up in 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 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

(i) Interest rate risk

The Company does not have any significant direct exposure to variances in interest rates. The Company's only asset that is subject to variable interest rates is the cash held at bank. None of the Company's other assets and liabilities are interest bearing. As a result, a 1% increase or decrease in interest rates would not have a material impact on the net assets or profit of the Group (2020: Nil).

Directors' Report (continued)

Financial risk management (continued)

(ii) Credit risk

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

(iii) Concentration risk

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

(iv) Liquidity risk

Given that the Company's revenue is entirely derived from Kuflink Bridging Limited, the Company's principal risks relate to the credit default and liquidity risks associated with receipt of income on a timely basis from this counterparty. Kuflink Bridging Limited is reliant on Group funding to facilitate these payments. The risk of default and the need to maintain sufficient liquidity is managed through regular review of the affiliated undertaking (Kuflink Bridging Limited) and the Group's ability to pay through future capital raise. The Directors of the Group are aware of the need to support Kuflink Ltd in its growth journey. This would ensure that the Company maintains sufficient working capital to meet its FCA requirement of liquid assets and financial resources. These levels are monitored for compliance on a regular basis through the Wind down Planning committee (May 2021) which monitors Kuflink's Well-being metrics within the business. The Company holds a minimum liquidity buffer of £703,000 with effect from May 2021 in a segregated account.

(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 Company continues to co-invest up to 5% alongside P2P lenders on some "Select Invest" loans, further mitigating the risk exposure to P2P lenders and demonstrating our commitment to originating high quality loans.

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 Company 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.

Directors' Report (continued)

Directors' responsibilities (continued)

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

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

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

Directors' disclosures under s172(1)

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

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

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

Going concern statement

Upon assessment of the Company'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 company 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 company 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.

Directors' Report (continued)

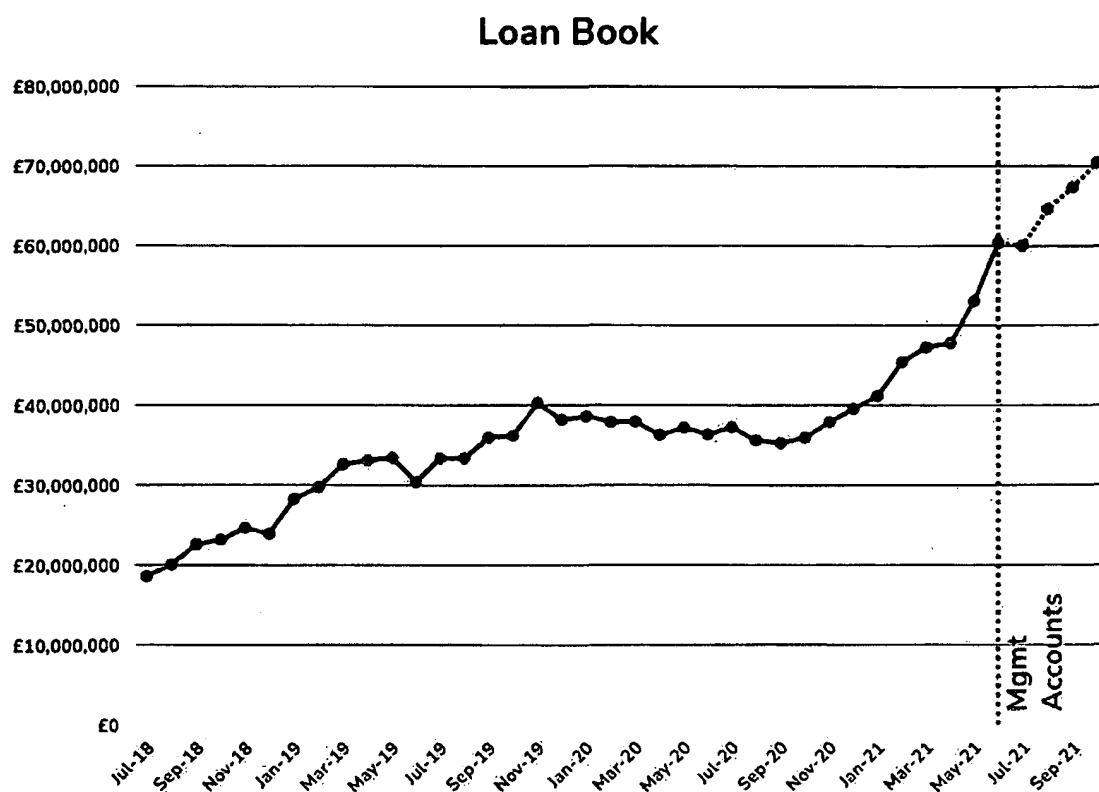
Research & Development

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 company 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 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 5th 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 exceed the £70million target, as of 30th October 2021:



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 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 2021 financial year and remain in force for all current and past Directors of the Company.

Disclosure of information to the auditor

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

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

Auditor

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

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 by its order.



Narinderjit Khattoare
Director

Independent Auditor's Report to the Members of Kuflink Ltd

Opinion on the financial statements

We have audited the financial statements of Kuflink Ltd (the "Company") for the year ended 30 June 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Kuflink Ltd (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Director's Report and the Strategic Report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the Directors were not entitled to prepare the financial statements in accordance with the small company regime and take advantage of the small companies' exemptions in preparing the Director's Report and from the requirement to prepare a strategic report.

Responsibilities of the Directors

As explained more fully in the Director's Responsibilities Statement as set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent Auditor's Report to the Members of Kuflink Ltd (continued)

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

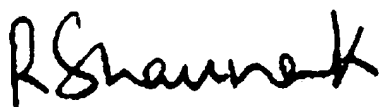
- enquiry of management, those charged with governance, around actual and potential litigation and claims;
- enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- performing audit work over the risk of management override of controls, 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

10 January 2022

Kuflink Ltd
Statement of Comprehensive Income
for the year ended 30 June 2021

	Notes	2021	2020
		£	£
Turnover	3	2,423,952	1,530,319
Cost of sales	4	(1,066,442)	(707,682)
Gross profit		1,357,510	822,637
Administrative expenses	5	(1,224,506)	(686,333)
Operating profit	6	133,004	136,304
Profit on ordinary activities before taxation		133,004	136,304
Taxation	9	162,187	103,303
Profit for the financial year		295,191	239,607
Other comprehensive income		-	-
Total comprehensive profit for the year		295,191	239,607

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

The notes to the accounts on pages 17 to 25 form an integral part of the financial statements.

Kuflink Ltd
Statement of Financial Position
as at 30 June 2021

Registered number
08460508

	Notes	2021 £	2020 £
Non-current assets			
Intangible assets	10	1,170,806	1,212,680
Tangible fixed assets	11	47,397	98,469
		<u>1,218,203</u>	<u>1,311,149</u>
Current assets			
Debtors	12	4,434,359	1,257,254
Cash at bank and in hand	13	1,105,957	157,918
		<u>5,540,316</u>	<u>1,415,172</u>
Creditors: amounts falling due within one year	14	<u>(4,432,228)</u>	<u>(695,231)</u>
Net current assets		<u>1,108,088</u>	<u>719,941</u>
Total assets less current liabilities		<u>2,326,291</u>	<u>2,031,090</u>
Creditors: amounts falling due after more than one year	15	<u>(50,010)</u>	<u>(50,000)</u>
Net assets		<u>2,276,281</u>	<u>1,981,090</u>
Capital and reserves			
Called up share capital	16	4,225,100	4,225,100
Profit and loss account	17	<u>(1,948,819)</u>	<u>(2,244,010)</u>
Total shareholder's funds		<u>2,276,281</u>	<u>1,981,090</u>

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



Narinderjit Khattoare
Director

The notes to the accounts on pages 17 to 25 form an integral part of the financial statements.

Kuflink Ltd
Statement of Changes in Equity
for the year ended 30 June 2021

	Share capital	Profit and loss account	Total
	£	£	£
At 1 July 2019	3,225,100	(2,483,617)	741,483
Total comprehensive profit for the financial year	-	239,607	239,607
Shares issued	1,000,000	-	1,000,000
At 30 June 2020	<u>4,225,100</u>	<u>(2,244,010)</u>	<u>1,981,090</u>
At 1 July 2020	4,225,100	(2,244,010)	1,981,090
Total comprehensive profit for the financial year	-	295,191	295,191
At 30 June 2021	<u>4,225,100</u>	<u>(1,948,819)</u>	<u>2,276,281</u>

The notes to the accounts on pages 17 to 25 form an integral part of the financial statements.

Kuflink Ltd
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 and under the historical cost convention in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') and the Companies Act 2006.

Going concern

Upon assessment of the Company'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 company 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 company 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.

Turnover

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

Administrative expenses

Expenses incurred are recognised on an accrual basis.

Intangible assets

Intangible assets are measured at cost less accumulative amortisation and any accumulative impairment losses.

An internally generated asset arising from the Company's development is recognised only if all the following conditions are met:

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

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

Intangible assets

over 4 years - straight line basis

Tangible fixed assets

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

Leasehold and improvements

over 5 years - straight line basis

Fixtures, fittings, and equipment

over 4 years - straight line basis

Kuflink Ltd
Notes to the Financial Statements
for the year ended 30 June 2021

1. Summary of significant accounting policies (continued)

Debtors

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

Creditors

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

Cash at bank and in hand

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

Dividends

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

Foreign currency translation

Transactions in foreign currencies are initially recognised at the rate of exchange ruling at the date of the transaction.

At the end of each reporting period foreign currency monetary items are translated at the closing rate of exchange. Non-monetary items that are measured at historical cost are translated at the rate ruling at the date of the transaction. All differences are charged to statement of comprehensive income.

Taxation

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

Provisions

Provisions are recognised when there is an obligation at the reporting date because of a past event, it is probable that economic benefit will be transferred to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, considering relevant risks and uncertainties.

Kuflink Ltd
Notes to the Financial Statements
for the year ended 30 June 2021

2. Judgements in applying accounting policies and key sources of estimation uncertainty

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

i) Provisions

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

ii) Impairment of assets held at cost

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

iii) Impairment of intangible assets

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

iv) Amortisation of intangible assets

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

v) Tax

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

Kuflink Ltd
Notes to the Financial Statements
for the year ended 30 June 2021

3. Analysis of turnover

	2021	2020
	£	£
Platform fees	2,421,561	1,524,753
Other Income	2,391	5,566
	<u>2,423,952</u>	<u>1,530,319</u>

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

Platform fees are paid to Kuflink Ltd by Kuflink Bridging Ltd (an affiliate Company) for the development and maintenance of the P2P platform, as well as for investor promotion.

Other income includes the bank interest income and fees relating to secondary market sales, ISA transfer out and other platform related transaction fees.

4. Cost of Sales

	2021	2020
	£	£
Investor promotion	469,159	707,682
Cashback	597,283	-
	<u>1,066,442</u>	<u>707,682</u>

Investor promotion includes advertising and direct marketing expenditures. Cashbacks represent the cost of promotional incentives offered to investors. Since July 2020, Kuflink Ltd has borne the cost and then recharged these costs to Kuflink Bridging Limited.

5. Administrative expenses

	2021	2020
	£	£
Employee costs	482,692	373,738
General administrative expenses	741,814	312,595
	<u>1,224,506</u>	<u>686,333</u>

6. Operating loss

	2021	2020
	£	£
The operating profit of the Company is stated after charging:		
Depreciation of fixed assets	51,072	50,765
Amortisation of intangibles	356,908	281,497
Operating lease rentals - land and buildings	48,000	48,000
Auditor's remuneration for audit services	14,599	72,960

Kuflink Ltd
Notes to the Financial Statements
for the year ended 30 June 2021

7. Directors' emoluments

	2021	2020
	£	£
Emoluments	149,264	80,093
Bonus	3,775	662
Company contributions to defined contribution pension plans	1,183	-
	<u>154,222</u>	<u>80,755</u>

8. Staff costs

	2021	2020
	£	£
Wages and salaries	482,199	362,991
Social security costs	-	303
Other pension costs	-	77
Other employee costs	493	10,367
	<u>482,692</u>	<u>373,738</u>

Average number of employees during the year

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

9. Taxation

	2021	2020
	£	£
Analysis of charge in period		
Current tax:		
Corporation tax credit for the current year	-	-
Adjustments in respect of previous periods	(162,187)	(103,303)
Tax credit on loss on ordinary activities	<u>(162,187)</u>	<u>(103,303)</u>

Kuflink Ltd
Notes to the Financial Statements
for the year ended 30 June 2021

9. Taxation (continued)

Factors affecting tax charge for period

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

	2021	2020
	£	£
Profit on ordinary activities before tax	133,004	136,304
Standard rate of corporation tax in the UK	19%	19%
	£	£
Loss on ordinary activities multiplied by the standard rate of corporation tax	25,271	25,898
Effects of:		
Expenses not deductible for tax purposes	-	22
Capital allowances for period in excess of depreciation	28,792	42,591
Trading losses brought forward and used against profits	(54,063)	(68,511)
Adjustments to tax credit in respect of previous period	(162,187)	(103,303)
Total tax credit for period	(162,187)	(103,303)

The Company has tax losses arising in the UK of £170,751 (2020: £184,496) against which a Deferred tax asset has not been recognised. These losses are available indefinitely for offset against future taxable profits of the company. However, as the Company cannot accurately forecast the quantum and timing of the future taxable profit, a Deferred tax asset has of £2,612 (2020: £6,913) not been recognised in respect of these losses.

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

Kuflink Ltd
Notes to the Financial Statements
for the year ended 30 June 2021

10. Intangible assets

£

Cost

At 1 July 2020	1,779,681
Additions	315,034
At 30 June 2021	<u>2,094,715</u>

Amortisation

At 1 July 2020	567,001
Amortisation charge for the year	356,908
At 30 June 2021	<u>923,909</u>

Carrying amount

At 30 June 2021	<u>1,170,806</u>
At 30 June 2020	<u>1,212,680</u>

11. Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings, and equipment £	Total £
Cost			
At 1 July 2020	224,300	24,853	249,153
Additions	-	-	-
At 30 June 2021	<u>224,300</u>	<u>24,853</u>	<u>249,153</u>
Depreciation			
At 1 July 2020	141,875	8,809	150,684
Charge for the year	44,856	6,216	51,072
At 30 June 2021	<u>186,731</u>	<u>15,025</u>	<u>201,756</u>
Carrying amount			
At 30 June 2021	<u>37,569</u>	<u>9,828</u>	<u>47,397</u>
At 30 June 2020	<u>82,425</u>	<u>16,044</u>	<u>98,469</u>

12. Debtors

	2021 £	2020 £
Amounts owed by group undertakings	4,275,814	1,136,627
Tax Recoverable	71,141	103,303
Prepayments	87,404	9,622
Other debtors	-	7,702
	<u>4,434,359</u>	<u>1,257,254</u>

Other debtors above include the advance payments made to suppliers.

Kuflink Ltd
Notes to the Financial Statements
for the year ended 30 June 2021

13. Cash at bank and in hand

	2021	2020
	£	£
Cash at bank	<u>1,105,957</u>	<u>157,918</u>

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

14. Creditors: amounts falling due within one year

	2021	2020
	£	£
Trade creditors	71,813	59,456
Amounts owed to group undertakings	4,077,403	346,062
Other taxes and social security costs	2,926	2,926
Other creditors	(192,010)	153,144
Accruals and deferred income	472,096	133,643
	<u>4,432,228</u>	<u>695,231</u>

Other Creditors include a provision for VAT liability of £13,962 (2020: £153,009). 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.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

15. Creditors: amounts falling due after one year

	2021	2020
	£	£
Bank loans	<u>50,010</u>	<u>50,000</u>

The Bank Loan is a government-backed guaranteed Bounce Back Loan Scheme, that was taken in June 2020. No repayment or interest is due during the first 12 months and payable over 6 years at an interest rate of 2.5% per annum. The Company repaid the Bounce Back Loan in July 2021.

16. Share capital

	Nominal value	2021 Number	2021 £	2020 £
Allotted, called up and fully paid:				
Ordinary shares	£1 each	4,225,100	4,225,100	4,225,100

Ordinary shares were issued to the 100% owned parent Kuflink Group Plc, and consideration received for the allotment of these shares during the year was £1m.

Kuflink Ltd
Notes to the Financial Statements
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17. Profit and loss account

	2021	2020
	£	£
At 1 July	(2,244,010)	(2,483,617)
Profit for the financial year	295,191	239,607
At 30 June	<u>(1,948,819)</u>	<u>(2,244,010)</u>

18. Related party transactions

During the year, the Company has traded with suppliers who are controlled by Directors of the Group amounting to £8,000 (2020: £7,996).

Directors or related parties had an investment amounting to £129,666 (2020: £61,476) in the Kuflink P2P platform. The terms and conditions for these investments are the same for any other investors in the platform.

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

The Company has also taken the advantage of the exemption allowed by FRS102 not to present a Statement of Cash Flows.

19. Controlling party

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

20. Functional and presentation currency

The functional and presentational currency for the entity is Sterling.

21. Legal form of entity and country of incorporation

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

22. Principal place of business

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