

Kin Group Plc
(Formerly Fitbug Holdings Plc)

Directors' report and financial statements

Registered number 04466195

For the year ended 31 December 2017

COMPANY INFORMATION

DIRECTORS	D Stewart L Mair J Taylor
COMPANY SECRETARY	L O'Donoghue
REGISTERED NUMBER	04466195
REGISTERED OFFICE	201 Temple Chambers 3-7 Temple Avenue London EC4Y 0DT
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REGISTRARS	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen B63 3DA
COMPANY WEBSITE	www.kingroupplc.com

Contents

Chairman's statement	1
Directors' report	4
Strategic report	8
Statements of Directors' responsibility	10
Independent Auditor's report	11
Statement of comprehensive income	14
Statement of financial position	15
Statement of changes in equity	16
Statement of cash flows	17
Notes to the financial statements	18

Chairman's statement

Overview

Kin Group Plc (the "Company") became a "Rule 15 Cash Shell" under Rule 15 of the AIM Rules on 30 August 2017. A new Board was appointed on 15 November 2017 on completion of a company voluntary arrangement for a composition in satisfaction of the Company's debts ("CVA") and a placing to raise a further £1m before expenses (the "Placing"). Since then the Directors have had discussions with numerous businesses interested in obtaining a listing through a reverse takeover ("RTO") as required by AIM Rule 15.

The Board are confident that the Company will deliver an exciting RTO for shareholders to consider in the next few months and is focusing its efforts on businesses with a credible high growth strategy primarily in the technology, software, media and IT sectors to maximise shareholder value. The Company has rejected a number of potential acquisitions, but is currently in on-going discussions with a number of businesses in the software sector and continues to receive approaches from interesting businesses.

2017 was a year that started with promise and a placing which raised £1million (before expenses) for the Company in January. However poor first half trading and the withdrawal of the Group's Loan Note facility with Belastock Capital L.P. ("Belastock") in July, resulted in the Group's principal trading subsidiary, Kin Wellness Limited ("Kin Wellness"), being placed in administration and selling its business and assets. The Company became an AIM Rule 15 Cash Shell and subsequently undertook the CVA and placing.

The CVA and Placing and a reorganisation of the Company's share capital were completed on 15 November and Anna Gudmundson, Richard Goodlad, Mark Ollila and Heidi Steiger resigned from the Board. Simultaneously John Taylor and Lindsay Mair joined the Board and the Board spent the last six weeks of the year looking at new businesses with which to conduct a RTO.

First Half Trading

The then Group was encouraged by the growing number of meetings, presentations and exhibitions it made in the "wellness" market during early 2017 although the Directors were disappointed that the first half of the year produced sales in the B2B sector of only £104,000.

As the Group's strategic partners had not delivered the results expected by the Directors, the Group rolled out a direct to client market entry strategy during first half of 2017, creating a significant increase in key pipeline metrics. However, given the long sales lead times, the Group's first half results did not reflect this greatly increased activity and the Group's growing pipeline of prospective clients.

Working Capital

On 15 May the Company announced that it had agreed to issue convertible unsecured loan notes to raise up to £1.125 million (before expenses) ("Notes"), to Belastock, an overseas based institutional investor. The Notes were to be issued at a 10% discount to nominal value in up to four tranches. The Company was also to issue Belastock a warrant for each share arising on conversion. The first £350,000 nominal of Notes was issued on 15 May, the net proceeds of which were £297,500.

The issue of subsequent tranches of Notes was conditional upon, among other things, a closing bid price threshold which was breached at the close of business on 12 June. Following discussions Belastock confirmed its ongoing support for the Company as announced on 13 June. The second tranche of Notes was due to be issued in mid-July.

On 18 July 2017 the Company announced that Belastock was not going to proceed with the three further tranches of the Notes which would have raised £765,000 (net) for the Company over the following four months. The Notes were a key part of the Company's plans for short term development capital and the withdrawal of this support meant the Company suffered a significant and unexpected shortfall in its available working capital. Consequently the Company suspended trading in its shares on AIM, pending clarification of its financial position.

Chairman's statement (continued)

The Board immediately attempted to secure replacement funding. Despite there being interest from a number of parties, the Directors could not procure a solution enabling the Group to continue in business. Although the Company was experiencing healthy interest in the Group's products, the Directors concluded that the length of time required to convert potential customers into sales had proved too long for the working capital resources available to the Group.

Administration and sale of Kin Wellness business

Kin Wellness then actively sought a purchaser for its business. To facilitate a sale of its business as a going concern, Kin Wellness appointed administrators with effect from 30 August 2017.

On 8 September 2017 the administrators completed the sale of the business and certain assets of Kin Wellness to SMG Investment Holdings Pty Limited, an Australian company based in Brisbane, for an aggregate cash consideration of £50,000.

AIM Rule 15

As a result of the appointment of administrators to Kin Wellness, the Company became a "Rule 15 Cash Shell" under Rule 15 of the AIM Rules on 30 August 2017.

Within six months of becoming a Rule 15 Cash Shell, the Company must make an acquisition or acquisitions which constitute(s) a reverse takeover under AIM Rule 14. If it does not do so, the London Stock Exchange will suspend trading in the Company's AIM securities pursuant to AIM Rule 40. The London Stock Exchange will cancel the admission of the Company's AIM securities pursuant to AIM Rule 41 where they have been suspended from trading for six months.

Creditors Voluntary Arrangement

On 5 October 2017 the Directors proposed a CVA. The CVA was approved by creditors on 23 October and by shareholders on 24 October. The Company received aggregate claims from creditors amounting to £2,302,003. Pursuant to the terms of the CVA and following the Consolidation (see below) the Company issued 4,604,006 New Ordinary Shares of 0.5p credited as fully paid at 50p per share to those creditors who made claims.

Placing

Simultaneously with the CVA and following the Consolidation (see below) the Company raised a further £1 million before expenses by placing 20,000,000 New Ordinary Shares of 0.5p at 5p per share ("Placing Shares"). In addition the Company issued 5,000,000 Warrants to the subscribers for the Placing Shares, being one Warrant for every four Placing Shares subscribed, exercisable at a price of 20p per warrant at any time up to three years from admission of the New Ordinary Shares to trading on AIM ("Admission").

The Company also issued warrants to its broker, Peterhouse and the Directors to subscribe for an aggregate of 10% of the enlarged issued ordinary share capital upon Admission exercisable at 5p per share at any time during the 12 months following Admission.

Capital Restructuring - Subdivision and Consolidation

In conjunction with the Placing, on 24 October the Company sub-divided its ordinary shares of 0.01p into ordinary shares of 0.0001p and C deferred shares of 0.0099p which, due to the rights attaching to them, have no economic value.

On 26 October 2017 the Company proposed to consolidate every 5,000 ordinary shares of 0.0001p into one New Ordinary Share of 0.5p ("New Ordinary Share") (the "Consolidation"). The Consolidation was approved by shareholders on 13 November 2017.

Chairman's statement (continued)

Those shareholders with fewer than 5,000 ordinary shares on 13 November 2017 ceased to be shareholders of the Company while those holding more than 5,000 ordinary shares, but a number not exactly divisible by 5,000, had their holdings rounded down to the nearest whole number of New Ordinary Shares.

Lifting of Suspension

The Company obtained a lifting of the suspension in trading in its shares and Admission at 8am on 15 November which also formally completed the Placing and CVA.

New Board

On Admission Anna Gudmundson, Richard Goodlad, Heidi Steiger and Mark Ollila resigned from the Board. Donald Stewart remained on the Board as Chairman and John Taylor and Lindsay Mair both joined the Board as Non-Executive Directors.

Financial Summary

Overall, total comprehensive loss for the year significantly decreased to £384,000 (2016: loss of £2,914,000), a 86.8% decrease on prior year. This is mainly due to the surplus as a result of the CVA of £2,281,000.

Current assets increased to £918,000 (2016: 70,000). Cash as at 31 December 2017 was £836,000 (2016: £8,000).

Trade payables at the year-end decreased to £104,000 (2016: £178,000) due to timing differences on when invoices were paid around the year end and due to the decreased activity.

Overall, at the year-end, net and total assets were £814,000 (2016: negative £927,000) and £918,000 (2016: £1,241,000), respectively.

Outlook

Since 15 November, when the new Board was appointed, the Company has had discussions with numerous businesses interested in obtaining a listing through a reverse takeover ("RTO").

The Board is focusing its efforts on businesses with a credible high growth strategy in the technology, software, media and IT sectors to maximise shareholder value. As well as exploiting the Directors' and the Company's advisers' knowledge and connections, the Company continues to receive unsolicited approaches from interested businesses.

The Company has rejected a number of potential acquisitions, but is currently in on-going discussions with a number of businesses in the software sector and continues to receive approaches from interesting businesses. The London Stock Exchange is expected to suspend trading in the Company's ordinary shares on AIM pursuant to Rule 15 of the AIM Rules at 7.30 am on 1 March 2018. In the event that no reverse takeover is completed by 30 August 2018, the London Stock Exchange will cancel the admission of the Company.

The Board remain confident that the Company will deliver a transformational RTO for shareholders to consider before 30 August 2018.

Donald Stewart
Chairman
27 February 2018

Directors' report

The directors present their report together with the audited financial statements for the year ended 31 December 2017.

Principal activity

As a result of the appointment of administrators to Kin Wellness, the Company became a "Rule 15 Cash Shell" under Rule 15 of the AIM Rules for Companies ("AIM Rules") on 30 August 2017. Previously, the principal activity was in developing and marketing innovative products and services in the global health and wellness sector.

Within six months of becoming a Rule 15 Cash Shell, the Company must make an acquisition or acquisitions which constitute(s) a reverse takeover under AIM Rule 14. If it does not do so, the London Stock Exchange will suspend trading in the Company's AIM securities pursuant to AIM Rule 40. The London Stock Exchange will cancel the admission of the Company's AIM securities pursuant to AIM Rule 41 where they have been suspended from trading for six months.

The London Stock Exchange is expected to suspend trading in the Company's ordinary shares on AIM pursuant to Rule 15 of the AIM Rules at 7.30 am on 1 March 2018. In the event that no reverse takeover is completed by 30 August 2018, the London Stock Exchange will cancel the admission of the Company's ordinary shares to trading on AIM pursuant to Rule 41 of the AIM Rules.

On 5th May 2017, the Company changed its name, by special resolution, from Fitbug Holdings Plc to Kin Group Plc.

Results and dividends

The results of the Company for the year ended 31 December 2017 are set out on page 14 and show a loss for the period of £384,000 (2016: £2,914,000). The directors do not recommend the payment of a dividend (2016:-£nil).

Financial instruments

Details of the use of financial instruments by the Company are contained in note 18 of the financial statements.

Substantial shareholders

On 31 December 2017 the following shareholders held an interest of 3% or more of the ordinary share capital of the Company:

	Ordinary shares of 0.5p	% of issued share capital
NW1 Investment Ltd	3,996,307	16.0%
Rodger Sargent	1,100,000	4.4%
Courtney Investments Limited	1,000,000	4.0%
Jon Hale	1,000,000	4.0%
David Evans	900,000	3.6%
Chris Akers	800,000	3.2%

As at 31 December 2017 no other person had reported an interest of 3% or more in the Company's ordinary shares.

Directors' report (continued)

Directors

The directors who held office during the year were as follows:

		Appointed	Resigned
A Gudmundson	Executive	-	15 November 2017
D Stewart	Non-Executive	-	-
R Goodlad	Executive	-	15 November 2017
H L Steiger	Non-Executive	-	15 November 2017
M Ollila	Non-Executive	-	15 November 2017
L Mair	Non-Executive	15 November 2017	-
J Taylor	Non-Executive	15 November 2017	-

Statement of compliance with the Corporate Governance Code

The Company complies with the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the QCA Code). This statement sets out how the Board has applied the QCA Code in its management of the business during the year ended 31 December 2017.

Since the appointment of the current Board on 15 November 2017, the Board has been actively working to achieve an acquisition or acquisitions which constitute(s) a reverse takeover under AIM Rule 14. It is the Board's intention to conclude such an acquisition as soon as possible and, in any event, by 30 August 2018 to prevent the cancellation of the admission of the Company's ordinary shares to trading on AIM. The Board is focusing its efforts on businesses with a credible high growth strategy in the technology, software, media and IT sectors to maximise shareholder value.

The Board currently comprises three non-executive directors each of whom is considered independent. Each has a very different professional background and skill set which Chairman believes will bring the necessary functional and sector skills and experience to identify and negotiate a suitable reverse takeover for the Company within the time available. The current Directors are:

Donald Stewart – Chairman

Appointed in November 2015, Donald is a solicitor and has practiced corporate law, particularly focused on smaller quoted companies, for almost 30 years. Between April 2013 and July 2015 he was on the board of Progrility Plc and, before that, had been a corporate partner in the London office of a global law firm. He is a former director (and past chairman) of the Quoted Companies Alliance, the UK not-for-profit organisation dedicated to promoting the cause of smaller quoted companies.

John Taylor

John is an adaptable business turnaround consultant with a flair for execution and motivating teams to make positive and impactful change. Since July 2015, John has worked on the turnaround of Northern Aerospace, a leading supplier of precision machined parts to the aerospace industry. Prior to that he spent over 20 years in the military, commanding attack helicopter formations and advising senior government ministers at the strategic level. Between 2013 and 2015 he was senior strategic communications officer for the Ministry of Defence responsible for Army matters. Between 2009 and 2013 he was regimental second in command and acting commanding officer of 3 Regiment Army Air Corps following 3 years as an attack helicopter squadron commander with 4 Regiment Army Air Corps.

Lindsay Mair

Lindsay is an experienced investment banker with extensive capital markets experience in a broad range of sectors acquired over a thirty year career in the City. He is a director of corporate finance at SP Angel Corporate Finance LLP and previously worked in the corporate finance departments of a number of City firms including Sanlam, Astaire Securities (as managing director) and Daniel Stewart and Corporate Synergy (both as head of corporate finance).

Directors' report (continued)

During a normal year there is a minimum of ten scheduled Board meetings with other meetings being arranged at shorter notice as necessary. From the appointment of the current Board on 15 November 2017 until the year-end there were two scheduled Board meetings both of which were fully attended. In addition, the Board met as required at least once a week to meet with other businesses and investors to discuss and pursue business opportunities. The Board agenda is set by the Chairman in consultation with the other Directors.

Under the provisions of the Company's Articles of Association all Directors are required to offer themselves for re-election at least once every three years. In addition, under the Articles, any Director appointed during the year will stand for election at the next following annual general meeting, ensuring that each Board member faces re-election at regular intervals.

All of the Directors have access to the advice and services of the Company's legal counsel.

Board Committees

The Board has two principal standing committees: the Audit Committee and the Remuneration Committee, each with specific terms of reference.

Audit Committee

The Audit Committee comprises Lindsay Mair (Chair), John Taylor and Donald Stewart.

It meets a minimum of twice a year and its remit is to review the annual and interim accounts and the appropriateness of accounting policies, to review the internal controls and financial reporting, and to make recommendations on these matters to the Board. It also considers the appointment and fees of the external auditor, the resulting auditor reports and discusses the action taken on problem areas identified by Board members or in external audit reports. The Chairman of the Audit Committee reports the outcome of the Audit Committee meetings to the Board and the Board receives the minutes of all Audit Committee meetings.

Remuneration Committee

The Remuneration Committee comprises John Taylor (Chair), Donald Stewart and Lindsay Mair. It meets a minimum of twice a year.

Report of the Board of Directors on remuneration

The terms of reference of the Remuneration Committee are to review and make recommendations to the Board regarding the terms and conditions of employment of the Directors, including any proposed allocations of share options under the Company's share options schemes and other benefits.

Remuneration Policy

Where appropriate, the Remuneration Committee has been actively involved in assessing salary levels for Directors and implementing the Company's share option schemes. The remuneration policy is determined by a number of factors including individual performance, the need to attract, motivate and retain Directors and other senior employees and remuneration levels in comparative companies.

Remuneration

The amounts of remuneration for each Director are in note 8 below. These include basic salary, bonus and the estimated monetary value of benefits in kind.

Directors' report (continued)

Director's interests

The beneficial interests of the directors of the Company in the ordinary share capital of the Company and options and warrants to purchase such shares were:

Director	31 December 2017				31 December 2016	
	Shares	Options	5p Warrants†	Placing Warrants‡	Shares**	Options**
A Gudmundson*	480	-	-	-	480	11,082
D Stewart	156,400	-	250,103	25,000	400	2,955
R Goodlad*	-	-	-	-	-	2,216
H L Steiger*	24,717	-	-	-	-	-
M Ollila*	6,488	-	-	-	400	2,216
J Taylor	60,000	-	500,205	15,000	-	-
L Mair	250,000	-	250,103	62,500	-	-

Notes:

* A Gudmundson, R Goodlad, M Ollila and H Steiger all resigned from the board on 15 November 2017.

** Share and option numbers as at 31 December 2016 have been restated as if the 5,000 for one consolidation, which took effect on 15 November 2017, had taken effect.

† Warrants exercisable at a price of 5p per ordinary share at any time until 15 November 2018.

‡ Warrants exercisable at a price of 20p per ordinary share at any time until 15 November 2020.

The market price of the shares on 31 December 2017 was 6.12p (2016: 0.17p) and the range during the financial period was 0.05p to 7.63p (2016: 0.17p to 0.975p).

Going concern

The directors consider that the Company will have adequate resources to continue in operational existence for the foreseeable future. Consequently, they have continued to adopt the going concern basis in preparing the financial statements.

Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information.

The directors are not aware of any relevant audit information of which the auditors are unaware.

By order of the Board

Donald Stewart
Chairman
27 February 2018

Strategic report

The Directors present their Strategic Report on Kin Group Plc (the "Company") for the year ended 31 December 2017.

Business review

Since the appointment of the current Board on 15 November 2017, the Board has been actively working to achieve an acquisition or acquisitions which constitute(s) a reverse takeover under AIM Rule 14. It is the Board's intention to conclude such an acquisition as soon as possible and, in any event, by 30 August 2018 to prevent the cancellation of the admission of the Company's ordinary shares to trading on AIM. The Board is focusing its efforts on businesses with a credible high growth strategy in the technology, software, media and IT sectors.

Key Performance Indicators

In considering the performance of the business following any potential reverse takeover, the Directors will use the KPIs most appropriate to the acquired business.

For forward looking performance measurement, the Board will seek to assess the various engagements with new business prospects, and the level and speed of their progress.

Principal risks and uncertainties

The board places a high emphasis on being risk aware. We continuously track risks and uncertainties that can impact the performance of Kin Group, some of which are beyond the control of the Company. These are reviewed at monthly board meetings where the Company's performance is assessed against budget. This enables the board to determine and mitigate the Company's risk environment, which includes:

Commercial risks

The principal commercial risk for the Company is that it is unable to conclude a reverse takeover by 30 August 2018 resulting in the cancellation of the admission of the Company's ordinary shares to trading on AIM. The Board is focusing its efforts on businesses with a credible high growth strategy in the technology, software, media and IT sectors.

Human Resources

The Company relies on its directors to operate and expand its business. Our reliability to recruit, retain and motivate suitably qualified and experienced staff is central to our future success.

Liquidity Risks

The Company monitors cash flow as part of its day to day control procedures. The board regularly assesses cash flow projections and ensures that appropriate resources are available to be drawn on, as necessary.

To manage the working capital needs of the business, and to finance our growth plans, the Company relies on being able to arrange and maintain sufficient financing, and to comply with applicable conditions of relevant facilities once established.

Employment without discrimination

The Company is committed to employ on the basis of aptitude and ability. We hire and promote our people regardless of gender, orientation, origin, creed, disability or any other inappropriate discrimination.

Strategic report (continued)

Environmental and social

In our day to day business, we commit to comply with applicable environmental laws, and the direct impact of our operations is low. We also look to tread lightly through good housekeeping practices such as reducing energy consumption, using sustainable resources and recycling waste.

Directors, senior managers and employees

At 31 December 2017, there were three male directors of the Company and the Company had no other employees. Please see page 5 for details of the biographies of the directors.

Approved by the Board of Directors and signed on its behalf by

Donald Stewart
Chair and Director of Kin Group Plc
27 February 2018

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the 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 and as required by the AIM Rules of the London Stock Exchange, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and applicable law. 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 year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union; 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Independent Auditor's report

Opinion

We have audited the financial statements of Kin Group Plc (the 'Company') for the year ended 31 December 2017, which comprise the statement of comprehensive income, statement of financial position, statement of cash flows, 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 as applied to listed entities, 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality, which we used to determine the extent of testing needed, to reduce to an appropriately low level that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We establish materiality for the financial statements as a whole to be £28,000, which is 1.5% of the value of the total assets. Key audit risks were identified as revenue recognition; investment impairment; and the restructuring of finance during the year.

Independent Auditor's report (continued)

An overview of the scope of our audit

In arriving at our opinions set out in this report, we highlight the following risks that in our judgement had the greatest effect on the financial statements.

Audit Risk

How we responded to the risk

Investment impairment

During the year the wholly owned trading subsidiary sold its trade and assets to a third party and following this the Company liquidated its subsidiaries. The brought forward carrying value of the subsidiaries were significant in value and we therefore identified the impairment of investments as a risk that required particular audit attention.

Our audit work included but was not restricted to:

- Substantive testing of the component parts of the loss arising on impairment to supporting information.
- Analytical review of revenue and expenses arising from investments to the date of impairment; and
- Review of when the impairment took place and disclosures in the financial statements.

Restructuring of finance during the year

During the year, the Company converted all of its outstanding debt into shares. We therefore identified the refinancing in the year as a risk that required particular audit attention.

Our audit work included but was not restricted to:

- Substantive testing of the conversion to supporting information; and
- Review of the value of shares issued and any surplus arising on debt exchanged for them.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Independent Auditor's report (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 10, 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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Scott Lawrence (Senior Statutory Auditor)
For and on behalf of Hazlewoods LLP, Statutory Auditor
Windsor House
Bayshill Road
Cheltenham
GL50 3AT
Date: 27 February 2018

Statement of comprehensive income
for the year ended 31 December 2017

	Note	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Gross profit		-	-
Operating and administrative expenses – normal	5	(231)	(292)
Operating and administrative expenses – exceptional	7	(117)	(2,421)
Operating loss		(348)	(2,713)
Finance costs	9	(36)	(201)
Loss before taxation		(384)	(2,914)
Taxation	10	-	-
Loss for the year and total comprehensive expense		(384)	(2,914)
Loss per share – basic and diluted (pence)	4	(0.02)	(0.00)

The above results derive from continuing activities.

The notes on pages 18 to 33 form part of these financial statements.

Statement of financial position
as at 31 December 2017

	Note	31 December 2017 £'000	31 December 2016 £'000
Non-current assets			
Investments	11	-	1,171
		-	1,171
Current assets			
Trade and other receivables	12	82	62
Cash and cash equivalents	13	836	8
		918	70
Total assets		918	1,241
Non-current liabilities			
Borrowings	15	-	(1,915)
		-	(1,915)
Current liabilities			
Trade and other payables	14	(104)	(178)
Borrowings	15	-	(75)
		(104)	(253)
Total liabilities		(104)	(2,168)
Net assets/(liabilities)		814	(927)
Equity			
Share capital	16	4,417	3,764
Share premium	16	15,010	13,543
Retained deficit	16	(18,618)	(19,292)
Share-based payment reserve	17	-	1,058
Warrant reserve	17	5	-
Total equity		814	(927)

The financial statements on pages 14 to 33 were approved by the board of Directors on 27 February 2018 and signed on its behalf by:

Donald Stewart
Chairman of Kin Group Plc

The notes on pages 18 to 33 form part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Retained deficit £'000	Share-based payment reserve £'000	Warrant reserve £'000	Total equity £'000
Balance as at 1 January 2016	2,815	4,715	(16,378)	1,183	-	(7,665)
Loss and total comprehensive income for the year	-	-	(2,914)	-	-	(2,914)
Issue of shares	949	8,985	-	-	-	9,934
Costs of raising funds	-	(157)	-	-	-	(157)
Share-based payments	-	-	-	(125)	-	(125)
Balance as at 31 December 2016	3,764	13,543	(19,292)	1,058	-	(927)
Loss and total comprehensive income for the year	-	-	(384)	-	-	(384)
Issue of shares	653	1,595	-	-	-	2,248
Costs of raising funds	-	(128)	-	-	-	(128)
Share-based payments	-	-	-	-	5	5
Reversal of share-based payment charges for forfeited/waived options	-	-	1,058	(1,058)	-	-
Balance as at 31 December 2017	4,417	15,010	(18,618)	-	5	814

The notes on pages 18 to 33 form part of these financial statements.

Statement of cash flows
for the year ended 31 December 2017

	2017	2016
	£'000	£'000
Cash flows from operating activities		
Loss after taxation	(384)	(2,914)
Adjustments for:		
Directors' remuneration waived	52	-
Share-based payments	3	(125)
Finance expense	36	201
CVA surplus	(2,281)	-
	<hr/>	<hr/>
Cash flows from operating activities before changes in working capital and provisions	(2,574)	(2,838)
(Increase)/decrease in trade and other receivables	(20)	11
Increase in trade and other payables	2	16
Impairment of intercompany	1,156	2,546
Impairment of investment	1,171	-
	<hr/>	<hr/>
Net cash generated by/(used in) operations	(265)	(265)
 Cash flow from investing activities		
Inter-company loans advanced	(1,156)	(2,546)
	<hr/>	<hr/>
Net cash flow used in investing activities	(1,156)	(2,546)
 Cash flow from financing activities		
Issue of ordinary shares for cash	2,000	1,535
Costs directly related to issue of shares	(126)	(157)
Loan advances	375	1,076
Finance expense	-	(91)
	<hr/>	<hr/>
Net cash generated from financing activities	2,249	2,363
 Increase/(decrease) in cash and cash equivalents in the year	828	(448)
 Cash and cash equivalents at beginning of year	8	456
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	836	8
	<hr/>	<hr/>

The notes on pages 18 to 33 form part of these financial statements.

Notes to the financial statements

1 General information

Kin Group Plc (the "Company") became a "Rule 15 Cash Shell" under Rule 15 of the AIM Rules for Companies ("AIM Rules") on 30 August 2017 as a result of the appointment of administrators to Kin Wellness Limited, the Company's principal trading subsidiary.

Within six months of becoming a Rule 15 Cash Shell, the Company must make an acquisition or acquisitions which constitute(s) a reverse takeover under AIM Rule 14. If it does not do so, the London Stock Exchange will suspend trading in the Company's AIM securities pursuant to AIM Rule 40. The London Stock Exchange will cancel the admission of the Company's AIM securities pursuant to AIM Rule 41 where they have been suspended from trading for six months.

The London Stock Exchange is expected to suspend trading in the Company's ordinary shares on AIM pursuant to Rule 15 of the AIM Rules at 7.30 am on 1 March 2018. In the event that no reverse takeover is completed by 30 August 2018, the London Stock Exchange will cancel the admission of the Company's ordinary shares to trading on AIM pursuant to Rule 41 of the AIM Rules.

The company is a public limited company which is admitted to trading on the Alternative Investment Market (AIM) of the London Stock Exchange and is incorporated and domiciled in the UK. The address of the registered office is 201 Temple Chambers, 3-7 Temple Avenue, London, EC4Y 0DT.

The registered number of the company is 04466195.

2 Basis of preparation and significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretation Committee (IFRIC) interpretations as endorsed by the European Union ("IFRS-EU"), and those parts of the Companies Act applicable to companies reporting under IFRS.

These financial statements have been prepared under the historical costs convention, as modified for the fair value of certain financial instruments.

Going concern

The financial statement have been prepared on a going concern basis which assumes that the Company will be able to continue trading for the foreseeable future.

New standards, amendments and interpretations

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company. Management anticipates that all of the pronouncements will be adopted by the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below and based on a preliminary assessment the Company believes that their adoption will not have a significant impact on its results or financial position.

The following standards have been endorsed by the EU but are effective subsequent to year-end:

- IFRS 15 "Revenue from Contracts with Customers" (effective in accounting periods beginning 1 January 2018)

IFRS 15 is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition. This supersedes IAS 18 Revenue and the core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company has considered the implications of IFRS 15 to have an immaterial impact.

Notes to the financial statements (continued)

2 Basis of preparation and significant accounting policies (continued)

The EU does not yet endorse the following standards/amendments to standards:

- IFRS 16 "Leases"

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. It eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the lessee is required to recognise assets and liabilities for all material leases that have a term of greater than a year. The Company has considered the implications of IFRS 16 to have an immaterial impact.

- IFRS 2 "Share-based payments"

There are a number of changes and clarifications affecting IFRS 2, including various clarifications emphasising that vesting conditions, other than market conditions, are taken into account in determining the number of instruments expected to vest and not in determining the values of the individual instruments.

- IAS 12 "Income taxes"

This clarification is intended to reduce the diversity in practice in the accounting for deferred tax assets arising on unrealised losses. The amendments clarify that in order to compute a temporary difference, the carrying amount is compared to its tax base. In doing so, the entity should not consider how the related assets will be recovered (such as through sale), or the probability that any resulting deferred tax asset will be recoverable.

- IAS 7 "Statement of Cash Flows"

This amendment arising from the disclosure initiative results in changes in liabilities arising from financing activities being analysed between five categories.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Notes to the financial statements (continued)

2 Basis of preparation and significant accounting policies (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the Statement of Financial Position date. Deferred tax is charged or credited in the Statement of Comprehensive Income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting year, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Valuation of investments

Investment in subsidiary undertakings are stated at cost less and permanent diminution.

Impairment of fixed asset investments

An impairment review of fixed asset investments is conducted annually and any resulting impairment loss is measured and recognised on a consistent basis.

Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Notes to the financial statements (continued)

2 Basis of preparation and significant accounting policies (continued)

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial liabilities and equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Trade payables are measured at amortised cost using the effective interest method, less any impairment. Interest payable is recognised by applying the effective interest rate, except for short-term payables when the recognition of interest would be immaterial.

Debt for equity swaps

Where equity shares are issued in settlement of outstanding debt, the equity issued is valued at fair value with any difference between the fair value of equity issued and carrying value of debt taken to profit or loss.

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the Statement of Financial Position, bank overdrafts are shown within borrowings in current liabilities.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and are subsequently measured at amortised cost, using the effective interest method. Interest is recognised in the Statement of Comprehensive Income.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share or options are shown in equity as deduction net of tax, before proceeds.

Notes to the financial statements (continued)

2 Basis of preparation and significant accounting policies (continued)

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted.

As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period. Where equity instruments are granted to persons other than employees, the income statement is charged with fair value of goods and services received.

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Pounds Sterling (£) which is also the Company's functional currency, rounded to the nearest thousand.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

3 Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Share-based payments

In order to calculate the charge for share-based compensation as required by IFRS 2, the Company makes estimates principally relating to the assumptions used in its option-pricing model as set out in note 17.

Impairment review

Impairment testing is carried out for all non-current assets at the year-end date or where there is an indication that impairment exists. For the purposes of impairment testing, the carrying amounts of the non-current assets are reviewed and an impairment loss is recognised where the carrying amounts exceed the assets recoverable amount.

Notes to the financial statements (continued)

4 Loss per share

The loss per share is based upon the loss of £384,000 (2016: loss of £2,914,000) and the weighted average number of ordinary shares in issue for the year of 25,010,280 (2016: 701,905,343).

There are 7,561,028 (2016: nil) shares that could potentially be issued pursuant to the exercise of warrants as described in note 18 that will potentially dilute future earnings per share.

The 7,561,028 warrants is comprised of 5,000,000 warrants exercisable at 20p per share for three years from 15 November 2017 and 2,501,028 warrants exercisable at 5p for one year from 15 November 2017. Belastock have 60,000 warrants where one third is exercisable at 10.52p per share, one third is exercisable at 6.975p per share and the remainder is exercisable at 4.5p per share.

As the Company is loss making, in 2017 the warrants are currently anti-dilutive, and therefore basic and diluted loss per share are the same.

5 Loss for the year

	2017	2016
	£'000	£'000
<i>The loss for the year has been arrived at after charging:</i>		
Auditors' remuneration	12	19
	12	19

6 Auditors' remuneration

	2017	2016
	£'000	£'000
<i>The loss for the year has been arrived at after charging:</i>		
Fees payable to the Company's auditors in respect of:		
The auditing of accounts of the Company pursuant to legislation	12	19
Audit of the Company's subsidiaries pursuant to legislation	-	13
Other services in relation to taxation	2	6
	14	38

7 Exceptional items

	2017	2016
	£'000	£'000
Share-based payment (note 17)	3	(125)
CVA surplus	(2,281)	-
CVA costs	68	-
Intercompany loan write off	1,156	2,546
Impairment of investment	1,171	-
Total exceptional items	117	2,421

The withdrawal of the then Group's Loan Note facility with Belastock Capital L.P. in July, resulted in the then Group's principal trading subsidiary, Kin Wellness Ltd, being placed in administration and selling its business and assets. Following this the Company entered into a CVA to enable it to continue trading as a Rule 15 Cash Shell.

As a result of the impairment of the investment and intercompany loans, the prior year numbers have been reclassified, with no overall effect on the Company's results or reserves.

Notes to the financial statements (continued)

8 Remuneration of directors

	2017 £'000	2016 £'000
Emoluments	157	296

Highest paid director:

Emoluments	75	192
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Directors' remuneration above relates to remuneration which the directors received from any previous Group company for the periods for which they were directors. During the year, there were no directors who accrued benefits under defined contribution pension schemes (2016: 2).

The directors consider that the key management comprises the directors of the company, and their emoluments are set out below:

	2017			2016
	Salary & Fees Contractually Entitled £'000	Less Salary Waived £'000	Salary & Fees Actually Paid £'000	Total £'000
Executive Directors				
A Gudmundson	158	(83)	75	192
R Goodlad	105	(55)	50	10
Non-Executive Directors				
D Stewart	46	(26)	20	52
D Turner	-	-	-	3
A Fisher	-	-	-	3
T Tarr	-	-	-	10
H Steiger	7	(4)	3	4
M Ollila	7	(4)	3	22
J Taylor	3	-	3	-
L Mair	3	-	3	-
Total	329	(172)	157	296

Average number of directors and employees	4	5
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The unpaid salaries of the board were dealt with within the CVA.

Notes to the financial statements (continued)

9 Finance costs

	2017	2016
	£'000	£'000
Other interest payable	7	-
Interest payable on loan from major shareholder	29	201
Total finance expenses	36	201

10 Taxation

Reconciliation of effective tax rate

Tax assessed for the year is lower than (2016: lower than) the standard rate corporation tax of 19.25% (2016: 20%). The differences are explained below:

	2017	2016
	£'000	£'000
Loss before tax	(384)	(2,914)
Tax using the UK corporation tax rate of 19.25% (2016: 20.00%)	(73)	(554)
Share based payment disallowed	3	(125)
Expenses not deductible for tax purposes other than goodwill amortisation and impairment	34	(1)
Other reconciling items	36	680
Total tax charge	-	-

The Company has tax losses of approximately £3,167,000 (2016: £2,783,000) to carry forward against future taxable profits. However, it is unlikely that the losses will be available to be carried forward due to a major change in trade and expected reverse acquisition.

No deferred tax asset has been recognised in relation to the trading losses available for offset against future taxable profits. The Company has not recognised deferred tax asset due to there being insufficient evidence of short-term recoverability.

Notes to the financial statements (continued)

11 Investments

	Investments in subsidiaries £'000
Cost	
At 1 January 2017 and 31 December 2017	1,171
Impairment	
At 1 January 2017	-
Charge	(1,171)
At 31 December 2017	(1,171)
Net book value	
At 31 December 2017	-
At 31 December 2016	1,171

The companies in which the Company had an interest in, which were written off during the year, were:

Name	Country of incorporation	Principal activity	Percentage of shareholding
Kin Wellness Ltd (formerly Fitbug Ltd) (in administration)	England & Wales	Provision of online health and well-being services	100%
Fitbug Inc.	United States	Provision of online health and well-being services	100%

The accounts are not prepared on a consolidated basis as Kin Group does not have control over its subsidiary due to Kin Wellness Ltd being in administration. The shareholding in Fitbug Inc. is held indirectly through Kin Wellness Ltd.

The impairment charge in the accounts relates to the two investments, Kin Wellness Ltd and Fitbug Inc.. Please refer to note 7 for further details.

12 Trade and other receivable

	2017 £'000	2016 £'000
Prepayments and accrued income	10	7
Other debtors	72	55
	82	62

13 Cash and cash equivalents

	2017 £'000	2016 £'000
Cash and cash equivalents	836	8

Notes to the financial statements (continued)

14 Trade and other payables

	2017	2016
	£'000	£'000
Trade payables	71	23
Other payables	4	-
Taxation and social security	1	-
Accruals and deferred income	28	155
	104	178

15 Borrowings

	2017	2016
	£'000	£'000
Shareholder loans	-	1,915
Directors' loans	-	75
	-	1,990

The loans owed to the shareholders and the directors were settled in full by way of shares issued pursuant to the CVA.

During the year, the Company secured up to £1,125,000 worth of funding (before expenses) via a convertible loan agreement with Belastock Capital L.P. They were issued at a 10% discount to nominal value in up to four tranches. If the Notes are converted into new ordinary shares in the Company, the Company will also issue the Investor with one warrant for each Conversion Share.

The first tranche of Notes has a nominal amount of £350,000 and a subscription price of £315,000 and the second, third and fourth tranches each have a nominal amount of £300,000 and a subscription price of £270,000.

Each Warrant may be exercised within three years from 15 May 2017 at the lesser of (a) 90% of the lowest closing bid price for the Company's ordinary shares for the three consecutive trading days ending prior to service of the relevant exercise notice and (b) 125% of the price at which the relevant Notes were converted into Conversion Shares resulting in such Warrant becoming exercisable.

One of the conditions attaching to the issue of subsequent Notes, which can be waived by Belastock, is that the closing bid price of the Company's ordinary shares falls below £0.001 (0.1 pence) for any five (5) consecutive trading days on or prior to the relevant issue date, otherwise the funding would be withdrawn.

Belastock converted £225,000 Notes into 300,000,000 ordinary shares with a nominal value of 0.01 pence during the year. However, the funding was withdrawn in July 2017 due to failing to meet the conditions set above.

Notes to the financial statements (continued)

16 Share capital and share premium

Allotted, called up and fully paid	Ordinary 0.1p shares	Ordinary 0.01p shares	Ordinary 0.0001p shares	Ordinary 0.5p shares	Issue price	Ordinary shares	Share premium
	No.	No.	No.	No.	£	£'000	£'000
At 31 December 2016	1,231,366,968				0.0825	3,764	13,543
Issue of shares for equity	500,000,000				0.002	500	500
Subtotal		1,731,366,968			-	4,264	14,043
Loan note conversion		100,000,000			0.001	10	90
Loan note conversion		100,000,000			0.0008	10	65
Loan note conversion		100,000,000			0.0005	10	40
Subtotal			2,031,366,968		-	4,294	14,238
Issue of shares for equity			3,032		0.000001	-	-
Consolidation			(2,031,370,000)		-	-	-
Consolidated amount				406,274	-	4,294	14,238
Issue of shares for equity				20,000,000	0.05	100	900
Issue of shares for equity (CVA)				4,604,006	0.05	23	-
Costs of issuing shares					-	-	(128)
As at 31 December 2017				25,010,280		4,417	15,010

On 2 February 2017, the Company issued 500,000,000 new ordinary shares of 0.1p each at a subscription price of 0.2p per share.

During the year, Belastock Capital converted £225,000 of Notes into 300,000,000 ordinary shares of 0.01p each at a subscription price of 0.1p, 0.075p and 0.05p per share.

On 15 November 2017, the Company issued 20,000,000 new ordinary shares of 0.5p each at a subscription price of 5p per share.

Also on 15 November 2017, the Company issued 4,604,006 new ordinary shares of 0.5p in relation to the CVA agreement.

During the year, the Company announced that each ordinary share has been subdivided from 0.1p to 0.01p to 0.0001p.

The Company issued 1,731,366,968 B deferred shares of 0.09p each on 5 May 2017 when the 0.1p ordinary shares were subdivided into 0.01p ordinary shares. This class of deferred shares do not have voting rights attached and are not entitled to dividends.

The Company issued 2,031,366,968 C deferred shares of 0.0099p each on 24 October 2017 when the 0.1p ordinary shares were subdivided into 0.0001p ordinary shares. This class of deferred shares do not have voting rights attached and are not entitled to dividends.

Furthermore, on 13 November 2017 the Company issued an additional 3,032 ordinary shares of 0.0001p and reorganised its share capital so that every 5,000 ordinary shares of 0.0001p were consolidated into one New Ordinary Share of 0.5p each. This consolidation was completed prior to the issue of 20m shares to raise £1m before expenses and 4.6m shares to satisfy claims pursuant to the CVA.

Holders of the ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Notes to the financial statements (continued)

16 Share capital and share premium (continued)

All ordinary shares are equally eligible to receive dividends and the repayment of capital and represent equal votes at meetings of shareholders.

The following describes the nature and purpose of each reserve within owner's equity:

Share capital: Amount subscribed for shares at nominal value.

Share premium: Amount subscribed for share capital in excess of nominal value, less costs of share issue.

Retained deficit: Cumulative realised profits less cumulative realised losses and distributions made, attributable to the equity shareholders of the Company.

Share-based payment reserve: The share-based payment reserve comprises the cumulative expense representing the extent to which the vesting period of share options has passed and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest.

Warrant reserve: The warrant reserve comprises the cumulative expense representing the extent to which the vesting period of warrants has passed and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest.

17 Share-based payment

Options

The Company operates two equity-settled share-based remuneration schemes for employees, one is the Enterprise Management Incentive ("EMI") Scheme and the other is an unapproved scheme for executive directors and certain senior management.

A condition attached to both schemes is for the option holder to remain in employment until exercised otherwise the options become forfeited. In addition, the options will lapse if the individual does not exercise the options within 10 years.

	2017		2016	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding at the beginning of the year	27,949	0.37	1,739	9.00
Granted during the year	2,216	0.33	30,156	0.37
Forfeited/waived during the year	(30,165)	0.28	(3,946)	9.00
Total	-	-	27,949	0.37

The numbers in the above table refer to ordinary shares of 0.5p each for comparison purposes.

On 14 June 2017, H Steiger was granted 11,082,303 options over ordinary shares of 0.01p each under the unapproved scheme. The options vested over a three year period from the grant date and expired on the 10th anniversary of the grant date. The only other vesting condition was that the director remained in the Company's employment. The exercise price had three requirements, one third of the options were exercisable at 0.25p per share, one third at 0.35p per share and the remainder at 0.5p per share. As H Steiger resigned during the year, these options were subsequently forfeited. The options granted had the same conditions as the options granted last year.

Notes to the financial statements (continued)

17 Share-based payment (continued)

The remaining unapproved and EMI options in existence in 2017 were forfeited during the year due to all employees and directors leaving the Company other than Donald Stewart who waived his remaining options.

Warrants

	2017	Weighted Average Exercise Price	2016	Weighted Average Exercise Price
	Number		Number	
Outstanding at the beginning of the year	-		-	
Granted during the year	7,501,028	0.55	-	
Forfeited/cancelled during the year	-		-	
Total	7,501,025	0.55	-	

The exercise price of the warrants outstanding at 31 December 2017 is 0.55p (2016: nil) and their weighted average contractual life was 2 years (2016: nil).

Of the 7,501,025 warrants issued, Donald Stewart holds 275,103 warrants, John Taylor holds 515,205 warrants and Lindsay Mair holds 312,603 warrants as disclosed in the Directors Remuneration Report on page 7 above.

The Black-Scholes model was used for calculating the cost of warrants. The model inputs for each of the warrants issued were:

	Belastock Warrants			Placing Warrants	5p Warrants
	30 May 2017	3 July 2017	20 July 2017	15 November 2017	15 November 2017
Share price at grant date	10.45p	7.25p	5p	5p	5p
Exercise prices	10.52p	6.98p	4.5p	20p	5p
Expected volatility	43.71%	47.08%	46.76%	52.38%	52.38%
Contractual life	3 years	3 years	3 years	3 years	1 year

The charge for the year for the share-based payment amounted to £5,000 (2016: nil), of which, £3,000 was charged to the statement of comprehensive income whilst the remaining £2,000 was charged to the share premium account.

The share-based remuneration expense (note 7) comprises:

	2017	2016
	£'000	£'000
Equity-settled schemes	-	(125)
Warrant-based	3	-

Notes to the financial statements (continued)

18 Financial instruments

In common with other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in note 2.

Policies and risks

The Company's financial instruments comprise equity investments and cash. Equity is used to raise finance for the Company's operations and acquisitions.

The Company has not entered into any derivative transactions. The equity investments held by the Company are susceptible to changes in value arising from market factors. The performance of each investment is constantly monitored by the directors and the Company's advisers.

The Company is exposed to interest rate risk and fair value risk on its borrowings as set out in note 18 which are subject to a variable rate of interest. Currency risk is described below.

Liquidity risk is described in note 2 to the financial statements and below.

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

	Receivables	
	2017	2016
	£'000	£'000
Current financial assets		
Trade and other receivables	82	62
Cash and cash equivalents	836	8
Total current financial assets	918	70
Principal financial instruments		
	Financial liabilities	
	measured at amortised cost	
	2017	2016
	£'000	£'000
Current financial liabilities		
Trade and other payables	104	178
Borrowings	-	75
	104	253
Non-current financial liabilities		
Long term borrowings	-	1,915
Total financial liabilities	104	2,168

There is no significant difference between the fair value and the carrying value of financial instruments.

Notes to the financial statements (continued)

18 Financial instruments (continued)

General objectives, policies and processes

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board receives regular reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Risk management

The Company's Board of Directors has responsibility for the establishment and oversight of the Company's risk management framework.

Capital risk management

The Company considers its capital to comprise its ordinary share capital, share premium and retained deficit as its equity capital. In managing its capital, the Company's primary objective is to provide a return for its equity shareholders through capital growth and future dividend income. Going forward the Company will seek to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or the issue of debt, the Company considers not only its short-term position but also its long term operational and strategic objectives.

Equity has been exhausted by cumulative losses to date.

Details of the Company's capital are disclosed in the Statement of Changes in Equity.

There have been no other significant changes to the Company's management objectives, policies and processes in the year nor has there been any change in what the Company considers to be capital.

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Currency risk

The Company is not exposed to any significant currency risk. The Company also manages its currency exposure by retaining the majority of its cash balances in sterling.

Liquidity risk

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. However, the Company continues to absorb cash in its operations for the time being and management recognises the risk of insufficient cash and capital to carry on its activities and safeguard the Company's ability to continue as a going concern.

The Board receives cash flow projections on a regular basis, which are monitored regularly. The Board will not commit to material expenditure in respect of its ongoing development programme prior to being satisfied that sufficient funding is available to the Company to finance the planned programmes. Regular reviews will ensure that further steps will be taken to cut additional overheads if necessary.

Notes to the financial statements (continued)

18 Financial instruments (continued)

Interest rate risk and fair value risk

There is no significant interest rate risk in respect of temporary surplus funds invested in deposits and other interest-bearing accounts with financial institutions as the operations of the Company are not dependent on the finance income received.

The Company was, however, exposed to interest rate risk on the loan from NW1 Investments Limited, which attracted a rate of interest of 2.5% and 4% above the base lending rate of the Bank of England from 30 July 2016 until the completion of the CVA on 15 November 2017. The Company is subject to fair value risk on fixed interest loans, which total £nil (2016: £1,915,000). The Board does not undertake hedging arrangements.

Credit risk

Credit risk arises principally from the Company's other receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk equals the carrying value of these items in the financial statements.

Credit risk with cash and cash equivalents is reduced by placing funds with banks with high credit ratings.

Other receivables

The fair value of other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the Statement of Financial Position date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the Statement of Financial Position date if the effect is material.

19 Related parties

At the year-end the company owed no money to former directors D Turner £nil (2016: £25,000) and A Fisher £nil (2016: £50,000). Interest of £nil (2016: £2,000) and £nil (2016: £4,000) was payable on the loans respectively. Interest on the loans was payable from 1 January 2016 and was accrued at a rate of 8%.

Loans from and transactions with NW1 Investments Limited, a company in which the family of D Turner and A Fisher have a material interest, are disclosed in note 15 to the financial statements.

For further information, please see note 15.

During the year, the Company loaned funds to its then trading subsidiary, Kin Wellness Ltd. Please see note 7 for further details.

20 Post balance sheet events

There were no significant post balance sheet events to note.