Funding Circle Holdings plc
Annual Report and Accounts 2021

Registered number
07123934

Our mission

BUILD THE PLACE WHERE SMALL BUSINESSES GET THE FUNDING THEY NEED TO WIN.

How we do it

WE DELIVER AN AMAZING EXPERIENCE FOR SMALL BUSINESSES POWERED BY MACHINE LEARNING AND TECHNOLOGY.

Our story so far

£14BN
lent through our platform since 2010

>120,000
SMEs helped since 2010

£4.5BN
loans under management

#1
SME loans platform in the UK

Our year in brief

A year supporting SMEs as they drive the economic recovery

- £2.3 billion originated to over 27,000 SMEs across the UK and the US
- Small businesses accessed Funding Circle finance through our core loan product, marketplace offering and the government-guaranteed loan schemes in the UK and the US

We continued to reinvent small business lending through our technology

- 70% of applications in the UK now receiving instant decisions
- Application in six minutes, decision in as little as nine seconds and money in borrower's account in 24 hours
- Beta launched new product FlexiPay and developing FlexiPay Card in the UK to help solve more small business problems
- Launched an Application Programming Interface ("API") that enables UK partners to seamlessly offer Funding Circle loans to SMEs within their own website

Resilient funding and loan performance

- £2.5 billion investor capital raised in 2021 to lend to UK and US SMEs
- All investor cohorts expected to deliver positive returns in the UK and the US

Profitable in 2021

- **Group:** £91.8 million AEBITDA, £64.2 million operating profit
- **UK:** £61.9 million AEBITDA, £44.3 million operating profit
- **US**: £28.4 million AEBITDA, £18.5 million operating profit

Culture and diversity are fundamental to our success

- 86% would recommend Funding Circle as a place to work
- We recorded our highest-ever employee engagement score of 73% in our annual employee survey
- 34% of senior leadership positions are held by women and our gender pay gap is now at its lowest level to date

Our performance

Statutory financial

Total income

£206.9M

2020: £222.0m

Profit before tax

£64.1M

2020: £(108.1)m

APM

AEBITDA

£91.8M

2020: £(63.8)m

Operational

Loans under management

£4.5BN

2020: £4.2bn

Originations

£2.3BN

2020: £2.7bn

The Strategic Report was approved by the Board on 10 March 2022.

Lisa Jacobs
Chief Executive Officer

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Funding Circle at a glance

We help solve small business problems

At Funding Circle we deliver an amazing customer experience for small businesses using machine learning, technology and data.

A great customer experience is built on exceptional fundamentals and seamless technology.

Over the past decade, we've built a technology platform that is revolutionising SME lending. Thanks to our instant decision capabilities, small businesses can complete a loan application in minutes and receive a lending decision in seconds, accessing funding quickly and at an affordable rate.

Today, as a leading global platform for small business loans, we've helped over 120,000 SMEs access more than £14 billion. This finance is helping to create jobs and power the economy.

A virtuous circle drives innovation, improvements and competitive advantage

Our technology platform enables us to test, learn and adapt to provide better solutions for SMEs and help solve more small business problems. We innovate and iterate in a continuous feedback loop, committed to driving improvements in machine learning, technology and data

This feedback loop has resulted in strong customer satisfaction scores and high repeat rates, enabling us to grow alongside our small businesses.

As we get bigger and help more small businesses access the finance they need, we're building a stronger platform that drives a significant competitive advantage.

This in turn, creates a virtuous circle that ensures we continue to meet the borrowing and business finance needs of hundreds of thousands of SMEs.

New products

More customers

More operating leverage

More data

Better customer experience

Better machine learning models

100,000
jobs supported by UK SME borrowers[1]

£7BN
UK GDP contribution[1]

<2%
SME lending as a share of bank balance sheets[2]

1 Source: Funding Circle's 2021 impact, Oxford Economics, March 2022

2 Source: Bank of England, US Federal Reserve, FDIC

WHAT MAKES FUNDING CIRCLE UNIQUE

3.5%

UK market share

Proven business model and strong position in the UK
Largest UK lending platform with ten years' experience.

Read more on
P10

70%

of UK applications now getting instant decisions

World class technology that delivers superior customer experience
Technology and data science system delivering instant decisions and personalised journeys to customers – a first globally.

Read more on
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£91.8M

Group AEBITDA

Strong financials with healthy balance sheet
Profitable in 2021 and expect to be AEBITDA profitable going forward.

Read more on
P44

£305BN

Total addressable market in the UK and US

Significant addressable market
SMEs are underserved by traditional lenders and represent a significant addressable market.

Read more on
P20

Chair's statement

Continuing support for SMEs and consolidating our gains as the market begins to normalise

Andrew Learoyd
Chair

Last year, I reported on an extraordinary 2020 It started well for our business, a period of deep uncertainty and challenge then followed, yet it ended with Funding Circle established as a leading player in the provision of funding for SMEs in the UK and the US economies.

In 2021, the advantages we have in our online operating model and technology continued to result in a significantly enhanced market share for Funding Circle in the distribution of small business loans. In our core UK market, we successfully transitioned from one government-guaranteed loan product (CBILS) to another (RLS), while re-introducing our core loan product. It makes me very proud that with CBILS, RLS and PPP, Funding Circle has played a leading role in helping small companies drive the economic recovery both in the UK and the US. The pandemic has accelerated our evolution and I'm confident that the strengths we have shown and the position we have gained will be maintained as the market begins to normalise.

A decade of R&D now coming to fruition

2020 triggered a seismic shift in demand for online services and products, including online borrowing. This trend persisted in 2021, as SMEs continued to search for and access finance online. Small business owners have now come to expect a simpler, quicker way of borrowing; one that relies on technology rather than face-to-face meetings and committees.

Following a decade of investment in our technology platform, we're now able to meet these demands by offering loans to businesses in a matter of seconds, whereas other lenders can take weeks or even months. Today, through our ongoing investment in machine learning, 70% of our loan applications in the UK receive an instant decision. Already, more than two-thirds of our customers can receive funds into their account without having to speak to a member of staff, wait on a phone or visit a bank branch. At the same time, we continue to offer human contact as an option, with customers able to speak to our teams should they prefer.

These developments are an astonishing achievement when you consider how things used to be: business owners spending considerable time and effort trying to convince a bank manager to lend them money. Crucially, our technology is also getting the risk balance right; we're helping more and more borrowers while delivering consistently positive returns to our investors

Thanks to the team

In the past couple of years, we've taken huge steps forward during a period of ongoing challenges and uncertainty. None of this would have been possible without the commitment and dedication of our team of Circlers. Last year, I said how humbling it was to see the commitment of every Circler as we responded to the immediate challenge of the pandemic. Twelve months on, and I continue to be hugely impressed by the unwavering passion and energy of the team. On behalf of the Board, I want to congratulate and thank every single Circler within the Company.

CEO transition and the Board

As our Company evolves, so too does its board. After twelve years as CEO, Samir Desai has stepped back from the day-to-day running of the Company and continues as a Non-Executive Director. It's a testament to the succession planning work of the Nomination Committee and the Board that we've had such a seamless transition, with Lisa Jacobs becoming our new CEO in early January. Lisa has done a great job leading our UK business, and I believe as CEO she will take Funding Circle to the next level in this exciting new phase for the Company

During the pandemic, the Board has had to step up in what has been an incredibly dynamic environment, while managing a number of changes at Board level I'm hugely thankful to all who have served during this period We've successfully steered a constant and steady path towards fulfilling our Company mission while maintaining a happy, loyal team and strong business culture

Entering an exciting new phase

Last year, I ended my statement by referring to four core Funding Circle strengths that have been highlighted by the pandemic: our business and financial model; government commitment supporting SMEs; customer loyalty; and the ability of our team to deliver. This year, I will end by stating that those four strengths are still valid, but made more ambitious by our recently launched medium-term plan. Within this plan, our core strengths are enhanced by new products and capabilities in both the UK and the US. Starting with FlexiPay, our new short-term finance product for SMEs, I'm confident we will supplement the growth of our core product for many years to come.

Today, our business is the strongest it has ever been, yet clearly we remain misunderstood by some in the public markets. This is disappointing, especially given everything we've achieved over the past two years. We've proven our business model, significantly increased our market share, moved to profitability at least a year ahead of expectation, and we're generating cash with a robust balance sheet. We will continue to manage the business for the long-term. And we will continue to deliver on the value of the operational and financial leverage that is now so obviously within reach. I hope and expect that achievement of these goals will result in increased recognition and appreciation of this exciting, unique and great British success story.

A final word on the situation unfolding in Ukraine, by which I am deeply shocked and saddened by. It seems that the week I draft my reflections on Funding Circle's past year has a habit of coinciding with a period of pivotal uncertainty: in 2019 Brexit, and in 2020 the pandemic. These events are put into perspective by the very human tragedy of what is now happening in eastern Europe. Our thoughts and hopes are with the people of Ukraine. The security of their safety and future is far more important than whatever economic winds blow our way as a result.

Andrew Learoyd
Chair
10 March 2022

FROM STRENGTH TO STRENGTH

Mark Robinson
Just Strong

Women's "athleisure" brand Just Strong was launched by personal trainer Mark Robinson from his garage in 2017. A government-backed Funding Circle loan helped Mark take his business to the next level.

Back in 2017, Mark Robinson noticed how gym-goers were particularly loyal to small American brands. And inspired by UK phenomenon Gymshark, he decided to enter the fashion industry, printing and packing "athleisure" clothes from his home in Yorkshire.

In 2021, as more women began wearing "gym gear" while working from home, orders began to accelerate. But to meet increased demand, Just Strong required additional funding. Mark turned to Funding Circle, and Just Strong became the first small business to benefit from a Funding Circle loan through the Recovery Loan Scheme ("RLS").

Supporting the business' expansion plans, the loan helped Just Strong increase capacity and drive up sales The company now operates out of a 10,000 square foot warehouse, employs 23 people and ships to over 110 countries around the world. During 2021, Just Strong's turnover doubled, with the company reaching a landmark 200,000th order in just four years. The label also benefited from invaluable support on social media, including more than 350,000 Instagram followers. Just Strong keeps getting stronger.

Chief Executive Officer's statement

Funding Circle was founded during a crisis to help SMEs and power the economy

Samir Desai
Outgoing Chief Executive Officer

The pandemic has proven that our platform is an effective way of delivering funds to small businesses during a crisis – the very circumstance in which we started Funding Circle 12 years ago. I'm incredibly proud that, during the pandemic, we were able to provide support to SMEs when they needed it most, as the third-largest CBILS lender in the UK and through PPP in the US.

In 2021, as the UK shifted from crisis to recovery, SMEs continued to seek finance from Funding Circle, but this time with a view to growing their businesses and powering the economy. In the UK alone, our small business customers unlocked 100,000 jobs and contributed £7 billion to GDP – a huge impact. We provided support to these customers through a combination of core loans and government-guaranteed loan schemes. It was a monumental effort that wouldn't have been possible without the hard work and dedication of our Circlers.

Financial and operational overview

2021 was the year in which we proved the efficiency and profitability of our platform, with our market-leading technology enabling us to process high volumes of applications at speed. We originated £2.3 billion to over 27,000 small businesses across the UK and the US. We also continued to deliver resilient returns through the cycle and attracted record levels of capital – £2.5 billion – to the platform. This led to a total income of £206.9 million and loans under management of £4.5 billion.

Our focus for the past two years has been on profitable growth, and I am pleased to report that in 2021 we exceeded guidance and delivered AEBITDA of £91.8 million and operating profit of £64.2 million. We also ended the year with net assets of £288.0 million and a strong cash pile of £224.0 million. At the same time, we laid the foundations for the next stage of our exciting multi-product, multi-channel future. So, overall a very satisfying year for Funding Circle.

We've continuously evolved our tech infrastructure and it's revolutionising the way we operate

Funding Circle has spent the last decade in R&D, building a technology platform and advanced machine learning risk models, which have now been trained through a recession. This investment is beginning to reap rewards; the flexibility of our platform has enabled us to evolve our core term product while simultaneously developing new products and capabilities for our customers.

Our focus now is on embedding Funding Circle into the everyday lives of SMEs and helping them in more ways. We're working to achieve these goals through the launch of FlexiPay. As our first short-term finance product, FlexiPay gives greater flexibility to SMEs and has received extremely positive feedback so far.

We've also started to embed our services into partners' environments – a major development that's generating a lot of excitement here at Funding Circle. In the UK, we've created an API where partners can natively embed Funding Circle into their own websites, while in the US we're developing our Lending as a Service (LaaS) proposition. These developments will enable us to get closer to those spaces and moments in which our customers are organically transacting, providing increased opportunities for them to access our funding products and services.

Stepping back from day-to-day activities and handing over the reins to Lisa

After 12 years as CEO and Founder, and with the business in the strongest position it has ever been, in September 2021 I decided the time was right to take a step back. I'm convinced in the strength of the business, the exciting opportunities ahead of us, and, most importantly, in Lisa's abilities to take Funding Circle to the next level. I've worked with Lisa for almost ten years now, and I know she's the right person to take over as CEO and guide the business through its next phase.

Our focus now is on embedding Funding Circle into the everyday lives of SMEs and helping them in more ways.

Looking ahead, I'll no longer be overseeing day-to-day activities at Funding Circle, but will continue to use my experience and knowledge to support the business I'll continue to be involved as a Non-Executive Director, focusing on our new multi-product proposition and assisting the Global Leadership Team and fellow Board members I have full confidence in the team and in the future direction we're taking.

It's been a great journey so far, and I believe there is still so much more to come. With our new products and enhanced technological capabilities, 2022 will be the start of a new, dynamic and transformative period in Funding Circle's evolution. I think everyone across the business would agree, the future is very exciting.

Samir Desai
Outgoing Chief Executive Officer
10 March 2022

SUPPORTING BUSINESSES

GROWTH PLANS DISTILLED

Alex Jungmayr and Ellen Wakelam In The Welsh Wind Distillery

Founded in 2018, In The Welsh Wind Distillery, owned by couple Alex Jungmayr and Ellen Wakelam, implemented expansion plans following the lifting of Covid-19 restrictions.

In The Welsh Wind Distillery in Tan-y-groes – a hamlet north of Cardigan on the west coast of Wales – took off after opening for business in 2018. But plans for growth had to be put on hold as the pandemic hit.

With the lifting of restrictions, founders Alex and Ellen used a Funding Circle loan to make their dreams a reality. They hired 15 people and began to expand their "grain-to-grass" ethos, using only grain grown within 10 miles to make their whisky. Able now to implement their unique distillery model, Alex and Ellen are also committed to providing training and jobs and opening up local opportunities.

Despite the increase in online shopping, the couple recognises the value of purchasing face to face from small businesses. And by delivering a top-quality product made with pride and care, they're shaping a positive narrative that links to the local landscape and community

MEET THE CEO

Lisa Jacobs became Funding Circle's CEO on 1st January 2022. Now in her ninth year at the Company, Lisa has extensive experience first as Chief Strategy Officer and then running the UK business, the largest division within the Group. In this Q&A, Lisa explains how she will be taking Funding Circle to the next level in this exciting phase for the Company.

Lisa Jacobs
New Chief Executive Officer

Read Lisa Jacobs' bio **p68**

Q What first attracted you to Funding Circle?

As the daughter of SME owners, I've always been a very passionate small business advocate and acutely aware of the challenges that small businesses can face. When I joined Funding Circle nearly a decade ago, I was attracted to a purpose-driven business of brilliant people focused on using the latest technology to make small businesses' lives easier.

Fast forward ten years and that is still true today. We have grown from 40 people to over 800, but we continue to invest in our technology to build a superior customer experience for SMEs. Our impact is significant – we help small businesses and the broader economy win. In 2021, lending through Funding Circle supported 100,000 jobs and contributed £7 billion in GDP in the UK alone. That is an incredible achievement.

Q What will you bring to the CEO role?

It is a privilege to be stepping into this role to lead Funding Circle and our incredible Circlers As a part of the leadership team for nearly a decade, I know the business very well As Chief Strategy Officer, I led our capital raising and international expansion and launched our first institutional investor loan product in the UK As UK Managing Director, I led the UK business through the Covid-19 pandemic, supporting our customers, becoming accredited under the government loan schemes and executing against our strategic plan.

I am hugely proud of what we've achieved and the impact we've had so far. We have supported over 120,000 small businesses and provided over £14 billion of funding This has been down to the incredible dedication of our team of Circlers and the drive of Samir and the rest of the leadership team. It's an honour to be leading them through this next phase

Q How have you approached your first three months in the role?

I've spent the first three months listening and speaking to stakeholders internally and externally, building my knowledge of certain areas of the business, and refining and launching our new medium-term strategy.

Having been with the business for over a decade and coming from the UK MD role, I was already very close to the UK business, so I've spent time with our US Circlers in Denver and with the teams that are core to delivering our medium-term strategy as well as gaining some valuable external perspectives.

I have launched our new medium-term plan to the business recently and look forward to leading the team to deliver against it.

Q What is your strategy?

Over the last twelve years, we have invested in our technology and data infrastructure to revolutionise SME lending. As a result of this we have a product that our customers love, consistently achieving NPS of over 80 and delivering over £14 billion in lending to more than 120,000 businesses. We have also reached a milestone where 70% of loan decisions are now instant.

Our strategy is to continue our profitable growth, building on these core foundations to deliver three customer-focused pillars – attracting more businesses, saying yes to more businesses and being number one in new products.

We will attract more businesses through our direct channels, building on the tailwinds of further digitisation in the SME lending market and we will embed our instant decision lending technology into partners' environments, enabling them to deliver the same superior customer experience to their customers.

We will say yes to more businesses by creating personalised journeys and propositions; expanding our set of products to serve more businesses and deepening our marketplace integrations with other lenders to support more businesses with different products.

Finally, building on our core platform, we will launch new product categories for our customers. These products will deepen our engagement with our customers, allowing us to become a more frequent part of our customers' lives and solving some of their most difficult challenges enabling them to focus on running their businesses.

This strategy is underpinned by the continued focus on our foundations. We will continue our technology and data investment to enable innovation at pace; build scalable products and processes and high-performing teams who can execute brilliantly.

Q How would you describe your leadership style?

I'm very passionate about what we do at Funding Circle. It's a special place to work. We are mission-led, values-driven, inclusive and supportive and that enables our Circlers to get on and do what they do best – innovating and executing. In the early years of Funding Circle, I co-created our values – think smart, make it happen, be open, stand together and live the adventure. These are the guiding principles behind how we behave and drive the business and as a leader I am committed to role modelling these.

I have ambitious goals and high expectations but I lead by example. That means I'm not afraid to get stuck in and get my hands dirty, but I also aim to create an environment that empowers those around me to do their greatest work.

Q So corporate culture is an important area of focus for you?

Ours is a mission-led business and I believe culture is one of our most important assets. In an age of remote working, employees have a huge amount of choice in how and where they work and culture becomes hugely important. Funding Circle is a place where people genuinely enjoy working every day and are motivated by what we're trying to achieve. During the pandemic, in particular, as our customers struggled, I was humbled by their passion, dedication, talent and hard work. I'm looking forward to leading the team into our next phase.

Q What was it like leading the UK business during the pandemic? What were your biggest learnings?

It was a challenging period for us, like many of our customers and businesses around the world. However, it was also an opportunity to show the power of our platform. We pivoted quickly to support businesses – with payment plans and new lending under the government loan schemes. The speed and agility we have paid off as we were able to scale our monthly volumes to double pre-Covid levels. Alongside this, we proved the effectiveness of our risk modelling and servicing with resilient investor returns.

Q What are you most proud of as a Company in 2021?

When Funding Circle first started in 2010, it typically took three months for borrowers to get a loan. We announced our arrival by reducing that wait time to three weeks. A decade later, we've been able to bring our technology and data analytics to provide instant decisions for borrowers. This is a remarkable achievement in itself but also one that provides important foundations for us to build upon over the medium-term.

Q What are you most excited about going into 2022?

While we've made significant progress in leveraging our technology and data, we're just getting started. We are at the early stages of what we can do. I'm personally most excited about the opportunity we have to become the small business lending platform where a customer can not only borrow, but pay and spend as well. Key to this is the rollout of FlexiPay, and the feedback we've had from customers so far is really encouraging.

With our new products and capabilities, our customer journey to 2024 will see hundreds of thousands of SMEs using Funding Circle to meet their borrowing and business finance needs through a rich ecosystem of solutions. As such, I'm really excited about our next phase of growth and I believe our best is yet to come.

Small businesses are driving the economic recovery, but remain underserved

SMEs are vital to the global economy, creating jobs, stimulating growth and driving innovation. They account for 70% of private sector employment and 50–60% of the economic value created across the OECD region. But despite the crucial role they are playing in the post-pandemic recovery, SMEs continue to be underserved by traditional lenders and typically represent less than 2% of banks' balance sheets.

The economic recovery gathered pace in 2021

2021 was another challenging year for small businesses. In the UK, it started with a third national lockdown, and ended with cost pressures building on the horizon. However, yet again, SMEs demonstrated their resilience and ability to adapt, playing an integral role in driving the UK economic recovery as restrictions eased.

During the pandemic, we saw the emergence of three broad groups of SMEs which we've identified as Survivors, Hedgers and Thrivers. These groups were impacted by, and have responded to, the disruption and subsequent recovery in different ways.

Survivors, Hedgers and Thrivers

Survivors are those SMEs that were most affected by lockdown restrictions and social distancing rules. For example, those businesses in the retail, hospitality and leisure sectors that have struggled and had to borrow in order to cover cash flow shortfalls – typically through the Bounce Back Loan Scheme ("BBLS") in the UK. This group has reduced as the recovery gathered pace, with the share of SMEs in the UK reporting significant decreases in turnover halved. Similarly in the US, the share of SMEs reporting earning less than $500 per month is now more than four times smaller.[1]

Hedgers are those SMEs that have been only lightly impacted by the pandemic. They have borrowed under the government-guaranteed loan schemes in the UK to build a cash buffer. As confidence amongst SMEs increased throughout 2021, the share of SMEs holding cash reserves has started to decrease. The proportion of UK SMEs happy to use finance to meet their growth aspirations is also at its highest level since 2016.[2] And around 40% of UK SMEs expect to require finance in the next 12 months, primarily for growth or investment.[3]

Thrivers are those SMEs that continued to grow their business and adapt to the pandemic's challenges. Many businesses in this group have taken out a core loan product or borrowed through government-guaranteed loan schemes in the UK to support their growth plans and build for the future. This group has grown in size and the share of SMEs in the UK planning to grow has doubled since Q2 2020 and has now returned to pre-pandemic levels. In the US, over a quarter of SMEs are now reporting that the pandemic had little or no effect on their business overall, and 9% experienced a positive effect.[4]

Markets began to normalise

In the UK, while 2020 saw an injection of new lending, primarily through BBLS, in 2021 a similar amount was lent to SMEs as in 2019. However, this lending was weighted towards the first half of 2021 as the tail-end of the government-guaranteed loan schemes concluded

Small businesses are underserved by traditional lenders

SME loans as a % of banks' balance sheets[5]	<2%
SMEs as a % of GDP and employment[6]	50–70%

1. Source: United States Census Bureau's Small Business Pulse Survey.
2. Source: BVA BDRC
3. Source: Funding Circle's 2021 impact, Oxford Economics, March 2022
4. Source: United States Census Bureau's Small Business Pulse Survey.
5. Source: Bank of England, US Federal Reserve, FDIC.
6. Source: OECD SME and Entrepreneurship Outlook 2019.

With lending in the second half of the year lower than its pre-pandemic equivalent, there is still some way to go before the market fully normalises.

The end of the Coronavirus Business Interruption Loan Scheme ("CBILS") in March 2021 enabled lenders, including Funding Circle, to reintroduce their core loan product offerings alongside Recovery Loan Scheme ("RLS") loans. We were pleased to be the first lending platform to receive accreditation under RLS

Similarly in the US, having supported 14,000 businesses through the Paycheck Protection Program ("PPP"), we re-introduced our core loan product and expanded our marketplace lending following the closure of PPP in May 2021.

The pandemic has permanently changed how SMEs access finance

While we expect the UK and the US markets to continue to normalise in 2022, we will not be returning to things exactly as they were before The pandemic has driven a number of structural changes from which Funding Circle continues to benefit.

The events of the past two years have triggered a seismic shift in online adoption, with 40% of SMEs increasing their use of online banking services across the OECD region. This trend persisted in 2021, as SMEs continued to access finance online rather than revert to traditional ways of borrowing as the economic recovery began. 68% of SMEs are looking to manage more of their business via digital channels going forward.

We're also seeing increased appetite to borrow, with the financing needs of SMEs looking set to continue – particularly among SMEs that accessed finance for the first time during the pandemic and are now more comfortable with borrowing to support their business plans 60% of UK SMEs that took a Funding Circle loan in 2021 were first-time users of online finance

In addition, Funding Circle is benefiting from heightened expectations around customer service and ease of access, driven by SME online adoption. Over three-quarters of UK Funding Circle borrowers say they will come back to the platform first in future. We anticipate borrower demand to accelerate in 2022.

The increased need among small businesses for quick, flexible, just-in-time relationships with lenders has opened up new opportunities, shaping the development of new Funding Circle products and capabilities (see page 16).

SME success remains vital to the economic recovery

Access to finance will continue to be critical for SMEs as they look to invest and grow.

In the UK, we will continue to operate our core loan product and originate loans under RLS. We will also continue to roll out our new products and capabilities and expand our marketplace offering. In the US, we will continue to expand our core loan product and our marketplace offering.

We look forward to supporting new and existing SME customers, whose future success continues to be vital to the global economic recovery.

68%

of SMEs are looking to manage more of their business via digital channels going forward

96%

of SMEs wait over two weeks for a bank loan decision

40%

of SMEs expect to require finance in the next 12 months, primarily for growth or investment

60%

of SMEs that took a Funding Circle loan in 2021 were first-time users of online finance

A NEW CHAPTER IN BUSINESS DEVELOPMENT

David Wavre
A Great Read

David Wavre worked in publishing before launching A Great Read in 2007, taking inspiration from book clubs and the growth in e-commerce David took out a Funding Circle loan to help meet growing demand.

As bored Brits looked for distraction during the lockdowns of 2021, family business A Great Read saw an opportunity for growth. Taking out a Funding Circle loan, it set about improving its premises, expanding marketing, ramping up technology and increasing staff numbers.

As the name might suggest, A Great Read originally sold books. But as the pandemic took hold, it diversified into board games, jigsaw puzzles and colouring books for children and adults. The company, based in Wiltshire, also increased its range of educational books to support home schooling And with telephone support staff favoured over automation, A Great Read enabled customers to have "proper conversations" with real people.

Despite fierce competition from the online behemoths that dominate the market, A Great Read has seen its website turnover rise by 139%. In 2021, leveraging its Funding Circle loan, the company took over a large vacant warehouse to accommodate growth volumes, increasing capacity to almost 30,000 square feet. And during the year, the company hit more than one million sales and saw turnover skyrocket.

Small business lending powered by machine learning, technology and data

At Funding Circle, we're reinventing small business lending through machine learning, technology and data. By making sure we have the technology to help our customers win, we're also helping to power the economies in which we work.

SMEs struggle to get money from traditional sources

Lending to small businesses is complicated The small business population is diverse, presenting wide-ranging and complex risks and significant credit exposures. SME risk is also hard to assess as the data is fragmented and not easy to predict

Historically, banks have managed these challenges by focusing on specific segments and traditional banking solutions – for example, targeting larger companies with more available data, lending to existing bank customers only, and conducting 100% manual underwriting. This has led to poor outcomes for small businesses, with restricted access to finance, high decline rates, limited loan sizes, and cumbersome application processes – months of waiting and mountains of paperwork. Around 96% of SMEs that went to a bank first waited over two weeks to receive a lending decision

As a result, SMEs have struggled to access finance from traditional sources We know there is a better way for small businesses to get the funding they need to win, one that leverages technology and machine learning to make a real difference

Reinventing small business lending

Over the past ten years, we've built the capability for any SME in the UK to receive an automated decision – a first globally in SME term lending When we started in 2010, we were reliant on publicly available data only and our processes were quite manual. Since that time, we've accumulated significant amounts of data and gained extensive insights on small businesses. By constantly evolving our technology infrastructure, we've revolutionised the way we operate And today, through a fully automated process that caters for loans of any size and any risk, we're reinventing small business lending.

Thanks to our pioneering instant decision lending capabilities, 70% of UK loan applications are now instant. This means borrowers can apply for a loan in six minutes, receive a decision in as little as nine seconds and money in their account in 24 hours. This technology is world class. We've achieved this while retaining a human touch for borrowers who need it.

Our unique capabilities are shaped by:

10+ years of experience

£14bn lent to SMEs

>900,000 applications

26m businesses in our data lake

2bn data points

8th generation UK risk models

We know that some businesses still want to speak to someone – for example, regarding sophisticated cases or complex business structures.

By offering a variety of ways for customers to interact with us, we ensure we deliver the right experience for the right business at the right time.

Our 4D system

Our success is based on an end-to-end technology system that forms a key part of our overall technology platform. It is made up of four key components:

- Data accumulation
- Data engineering
- Data science
- Decision Engine platform

Together, these components integrate to help us gather, manage and leverage data to enhance our decision-making capabilities. We call it our "4D" system and it forms a deep moat around our business. This moat is fully defensible and very difficult to replicate, as we've acquired an extensive and unique set of SME data over ten years of innovation and investment.

Our 4D system

Data accumulation

Data engineering

Decision Engine platform

Data science

Technology and data continued

Here's how the 4D system works:

Data accumulation

Our system begins with learning, which we achieve through data collection and creation. This data is a combination of publicly available data and bespoke data we generate through customer engagement and analysis. Leveraging this accumulated data, we've created a unique knowledge base that provides us with information about customer engagement and their behaviours around taking on and repaying loans. This vital evidence underpins and informs our technology developments and decisions.

Data engineering

To make accurate risk decisions, a huge amount of data needs to be ingested, cleaned, managed and maintained. Thanks to our data engineering systems and tools, we're able to do this at speed, quickly absorbing incoming data, in real time, and channelling it into our data lake. We then convert this data into workable, digitised information. This process involves stitching together individual pieces of data we gather from different sources – P&Ls, balance sheets and bank statements – to create a precisely structured database from which our data scientists can work.

Data science

Funding Circle data scientists analyse our data in order to understand its patterns and characteristics, carrying out the following core activities:

- Diagnostic analysis
- Pattern analysis
- Predictive analysis
- Scenario simulations
- Decision optimisation
- Back-testing
- Validation
- Monitoring

These activities help us make sense of the data we've accumulated and develop accurate statistical and predictive models. These models, in turn, enable us to determine the likelihood of a customer responding to an offer or accepting a loan. They help us decide who we should accept from a risk perspective, which enhances our customer targeting.

Decision Engine platform

The brain of our platform, the Decision Engine, is the culmination of our technology systems and processes. It enables us to leverage our predictive models to make accurate and optimised decisions, in real time. The Decision Engine is the bridge between our machine learning and the borrower, helping us utilise the insights we've acquired to provide SMEs with the very best software and solutions.

Taking the complexity out of the borrower experience, it determines what the borrower needs to see in order to interact with Funding Circle. The Decision Engine generates bespoke application questions and facilitates a truly personalised customer journey.

Data science

Data lake

AI-powered decisions

Accurate statistical and predictive models

Pattern analysis

Predictive analysis

Back-testing

Validation

Enhance our customer targeting

Personalised experience

Driving value and deepening engagement

Through the transformation of our tech infrastructure and systems, we've acquired more information on SMEs than any other platform lender. This information means we can conduct granular customer risk analysis, leading to improved risk models, better understanding of credit performance and smarter decisions. In addition, our 4D system allows us to gather, manage and leverage data to enhance our decision making.

Together, these processes and components lead to:

Marketing optimisation

Predictive models lead to accurate targeting and relevant offers; this ensures our marketing is effective and efficient, so we don't waste time, energy or money.

Increased conversion rates

Targeted offers, informed by predictive analysis, increase the likelihood of converting leads into loans.

Strong investor returns

Through careful customer selection and tight risk parameters, we're able to ensure a good return on investment.

Long-term customer engagement

By personalising the customer experience, we increase the likelihood of repeat borrowing and product use, leading to deeper and longer-term relationships.

This world-class system powers the Funding Circle flywheel which drives innovation, improvements and a competitive advantage.

For borrowers, this means we provide a seamless experience, enabling speed, quality and ease of access, as well as increased customisation. The feedback loop results in strong customer satisfaction scores and higher repeat rates

For investors, this means we provide positive and secure returns. And it also helps us to grow alongside our customers, all part of a virtuous circle so that we can continue to meet the finance needs of hundreds of thousands of SMEs.

Scalability, agility and speed

At Funding Circle, we've built our technology systems to be scalable, flexible and fast. We use our Decision Engine and machine learning capabilities to operate multiple automated customer and product journeys via decision tree configurations The system interrogates the data at each step of the process to determine the next step for the customer. This means we can handle a wide range of existing customers, while leveraging our platform to create completely new types of funding products.

Our technology infrastructure also provides us with the flexibility to constantly test new ideas and ways of working. We learn, pivot and adapt to help solve more funding problems for small businesses, innovating in a continuous feedback loop to drive improvements in all areas.

And while we've always been a fast-moving organisation, the pace of innovation at Funding Circle is faster today than it has ever been. With our new technology platform, we now have the capability to build three to four different product propositions concurrently This speed comes from the quality of our data, which helps reduce the time it takes our engineers to get completed code into production, in turn, accelerating development and deployment.

Investing in our technology capabilities and culture

In 2021, we continued to invest in our technology capabilities. We grew our tech teams to ensure we can meet the needs of SMEs across multiple products and channels. Specifically, we focused on bringing in senior technology leaders to drive our scaling activities, honing our engineers' capabilities and tools, and investing in data engineering. We also embedded site reliability engineers into our delivery groups to enhance the testing and delivery of code.

What's really exciting is that we're still at the early stages of what we can do with this technology. Our journey to 2024 will see hundreds of thousands of SMEs using Funding Circle to meet their borrowing and business finance needs, through a rich ecosystem of solutions. Our multi-product proposition will cater to different frequencies of use and different depths of interaction and experience (see page 16).

In 2022, we will invest further in data analysts, scientists and strategists, while also making significant investments in data security. Above all, we'll continue to deliver on our commitment of building a genuine technology and data-focused culture, not just within our tech teams but across the Company as a whole.

80-90 NPS

in the UK and the US

CREATING NEW PRODUCTS TO HELP SOLVE MORE FUNDING PROBLEMS FOR SMALL BUSINESSES

We're constantly innovating and developing our technology to deliver easy, fast and flexible funding solutions to small businesses. In 2021, we beta launched an exciting new product, FlexiPay, and new capability enabling partners to offer Funding Circle loans within their own website via an API.

Our new short-term finance product, FlexiPay, and embedded finance solution are part of our strategic shift towards a multi-product, multi-channel proposition. Our ambition is to offer a broader set of products that cater to different frequencies of use and different depths of interaction and experience.

We see a future whereby we're able to be a more meaningful part of our customers' lives – supporting them daily, weekly and monthly as they borrow, pay and spend

FlexiPay

Small businesses require more flexibility than ever before. Increasingly, they need to transact at much shorter notice and engage with lenders on a just-in-time basis They also need to manage and control their cash flow and adapt to changing and challenging circumstances – as seen during the pandemic, which created a wave of purchases, investments and capital deployments among SMEs

FlexiPay, the first short-term finance product offered by Funding Circle in the UK, is designed to meet these evolving needs. It is a unique and innovative solution that empowers small businesses to control their own payments on any expense, anywhere.

FlexiPay enables businesses to spread any UK invoice or supplier payment over three months, with the initial payment made upfront on their behalf. It gives SMEs greater flexibility to negotiate with suppliers, deal with unexpected payments and cover ad-hoc business costs.

Flexibility and control

Businesses can apply within minutes for a credit facility of between £2,000 and £50,000 Approved customers can access their funds almost immediately, to make payments to suppliers of £100 and over

Businesses benefit from a transparent 3% flat fee on each transaction, with no interest or uncertainty about what they owe. What's more, all payments to suppliers are confidential and made in the business' name, so there's no sign of external assistance

Helping to smooth expenses into cash flow, FlexiPay can help businesses obtain discounts with their suppliers for timely or early payments and, in some cases, ultimately lower the overall costs. And unlike a term loan, it can be used as, when and how a customer wants

A closer customer relationship

FlexiPay creates a more intimate relationship between the customer and Funding Circle.

Putting us closer to the actual transaction needs of small businesses, it allows for more frequent customer interaction, helping us build deeper relationships on a "borrow-pay-spend" basis -- relationships that should encourage higher repeat rates over time.

We launched FlexiPay in beta in September 2021 to a selection of our existing customers in the UK Following hugely positive feedback, at the end of 2021 we expanded our efforts to make the product available to more existing customers. Early this year we launched FlexiPay in beta to new customers and plan to roll the product out further in 2022.

FlexiPay Card

As the next stage of the FlexiPay roll-out in the UK, we're also developing a business charge card, to help businesses settle monthly payments and meet daily expenditure needs.

FlexiPay Card will enable small businesses to spend money for up to 30 days interest free, with 1% cashback for those which repay their balance at the end of the month Card bills can also be rolled over into a three-month FlexiPay credit, providing an additional layer of flexibility We opened the FlexiPay Card wait list in late 2021. We expect to launch the product to a selection of our existing customers by the end of 2022, following the roll-out of FlexiPay in the first half of the year.

PAY

BORROW

SPEND

I applied for FlexiPay because customers were paying me late, which meant I was short on cash flow. I like the product as it helps me pay suppliers on time, keep a good reputation and manage cash flow. The application process was straightforward and it only took a few minutes to complete. I'd be happy to recommend FlexiPay to others.

Carl Whetstone-Veitch,
Director of Advanced Joinery

New products and capabilities continued

> I signed up to FlexiPay as I had a payment due to a supplier and it allowed me to buy extra supplies which I needed. FlexiPay is one of the best ideas for small businesses and I will definitely be using it on an ongoing basis and telling people about it. It is really clear how repayments work and how much I owe.

Paul Teather,
Director of P&W Waste Solutions

Embedded finance solution

Funding Circle is at the stage of maturity now where we can enable external partners to tap into our technology and machine learning for the benefit of their customers. As a sign of our confidence in the quality of our products and the strength of our technology platform, in December 2021 we launched a new embedded finance solution in the UK. Via a newly created Application Programming Interface ("API"), partners can now natively embed Funding Circle into their own websites, providing customers with fast and seamless access to small business loans. This new solution provides partners' customers with a frictionless way to apply for a loan of up to £500,000 in minutes, receive a decision in seconds, and have money in their account in 24 hours.

The business finance platforms Funding Options and Capitalise.com were the first to integrate with the new Funding Circle API, providing a blueprint for additional partnerships expected in 2022 and beyond.

And in the US, we will be launching our Lending as a Service ("LaaS") partnership programme with banks and other large SME providers who are looking to leverage our technology platform to provide small business loans to their customers Enabling a myriad of use cases and integrations, this pipeline will form part of a growing global market for API-driven embedded finance that's predicted to exceed $138 billion by 2026, according to Juniper Research[1] The market is expected to experience significant growth due to the increasing availability of APIs and their ease of integration

Increased reach and range

The embedded finance solution enables Funding Circle to shift from being a single point of acquisition to inhabiting those places where our customers organically transact. In this way, it helps to ensure we're offering the right product to the right business at the right time. It also allows us to look beyond our referral proposition to more online-driven partnerships.

By expanding our offer through partner platforms, we're extending Funding Circle's reach and exposing more customers to a broader range of services, giving them the just-in-time digital interactions they desire, and helping them access the funds they need to win.

New products

FLEXIPAY:

Enables businesses to spread any UK invoice or supplier payment over three months, with a one-off 3% fee, interest free.

Businesses can apply online within minutes and access a credit facility between £2,000 and £50,000 almost immediately.

FLEXIPAY CARD:

Enables businesses to pay for everyday expenses and get 1% cash back.

The card gives one month of free credit, with no annual or set-up fees.

Businesses can apply online within minutes.

New capabilities

EMBEDDED FINANCE:

Enables partners to offer Funding Circle loans to SMEs within their own website.

Businesses can apply online within minutes and access up to £500,000 almost immediately.

1 Source July 2021 study by Juniper Research "Why the Future of FinTech is Embedded Finance"

DECORATIVE DETAIL

Kai Price and Amanda Nelson
Att Pynta

Att Pynta is a Scandinavian-inspired homeware brand founded by Kai Price and Amanda Nelson, who used a government-backed Funding Circle loan to boost their working capital.

Founded in 2014, Att Pynta curates homeware collections from makers, designers and artisans from across Scandinavia and the UK. The focus is on pieces that are timeless, sustainably produced and made to last a lifetime In addition to a showroom in London, Att Pynta also offers interior design services and solutions.

Despite the initial challenges of lockdown, as people started working remotely their thoughts turned to home improvements. Consequently, orders began to ramp up at Att Pynta and the business had to adapt, outsourcing to a warehouse and scaling operations.

The homeware brand also started offering appointments over FaceTime to talk through customer needs and showcase items from the showroom. Att Pynta is now using a Funding Circle recovery loan to acquire more stock, pay suppliers and smooth cash flow, looking to maintain growth and leverage momentum.

A new period of transformation

In 2021, we continued to deliver on our mission of building the place where small businesses get the funding they need to win. To support this mission and our next phase of growth, during the year we developed our new medium-term plan.

We've achieved great things over the past ten years, building the capability for any SME in the UK to receive an instant lending decision – a first globally. But we're always looking at what we can do next to delight our customers and help them to keep on winning.

Despite our strong position, there are several opportunities we want to explore further – namely, expanding our distribution, optimising our conversion rates and deepening customer engagement.

Launched in January 2022, the new medium-term plan is designed to help us grasp these opportunities. Our most ambitious plan to date, it defines our strategic priorities and marks the start of a new and transformative period for Funding Circle.

The new medium-term plan is based on three strategic pillars:

- Attract more businesses
- Say yes to more businesses
- #1 in new products

And is underpinned by three core foundations:

- Technology and data to enable innovation at pace
- Scalable products and processes
- High-performing teams executing brilliantly

By delivering on our strategic priorities, we will transform Funding Circle into a multi-product, multi-platform Company.

Strategic pillars

The strategic pillars are the three core focus areas for our medium-term strategy:

Attract more businesses

Strengthen direct and indirect channels, and embed natively in more partner environments to attract businesses at the right time.

We're working on a number of areas, including growing and improving our existing distribution channels, and leveraging our market-leading technology. We're particularly excited about embedding our services into partners' environments in both the UK and the US

In the UK, we've created a new capability to enable partners to seamlessly offer Funding Circle loans to SMEs within their own website And in

We are in a strong position

Consistently high customer satisfaction with market-leading NPS

70% of UK applications now receiving instant decisions

Market leadership position in the UK

Increase in online adoption and new data sources (Open Banking)

Strong and diverse funding relationships

the US, we're developing our Lending as a Service ("LaaS") proposition.

Through these developments, we're deepening key relationships and increasing our distribution potential. It's a unique proposition that will help us extend our reach and attract more businesses in the UK and the US.

Say yes to more businesses

Develop a broader set of solutions, personalised to customers' needs, so we can support more businesses.

We aim to enable deeper and broader market integrations to deliver the right product to each applicant. We're creating an expanded set of Funding Circle term loans, supported by a diversified funding base including banks and asset managers. We're also expanding our marketplace offering, connecting borrowers with other lenders in the market, offering further products beyond our current range, such as larger loans, asset finance and invoice finance.

#1 in new products

Empower small businesses to not only borrow, but to pay and spend as well.

In 2022, we will continue the roll-out of FlexiPay, which enables businesses to spread any UK invoice or supplier payment over three months. It will be made available to all existing customers and new business prospects in the UK.

We will also launch FlexiPay Card in the UK to help SMEs settle monthly payments and meet daily expenditure needs. We expect to launch to a selection of our existing customers by the end of 2022, following the roll-out of FlexiPay in the first half of the year.

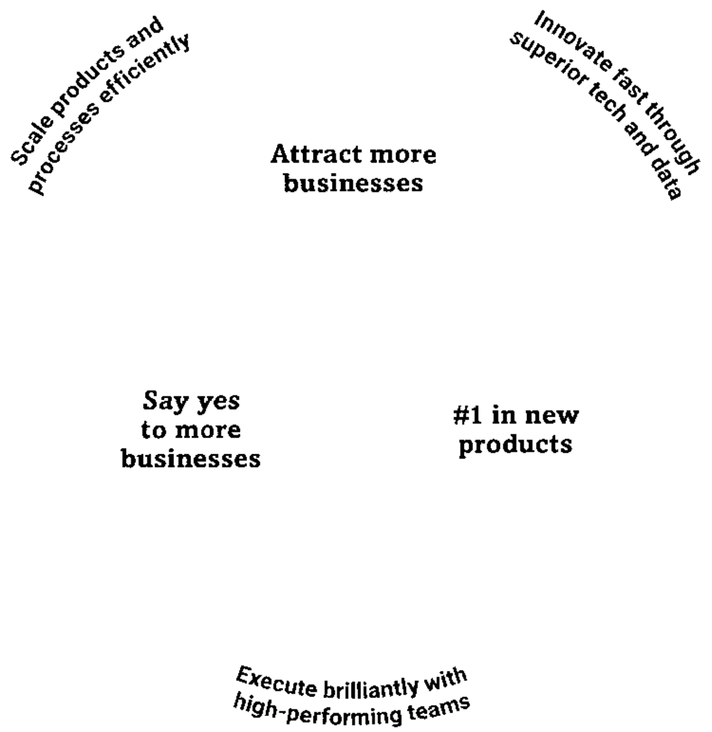
Core foundations

The core foundations are the primary enablers that will drive the delivery of our strategic pillars:

Technology and data to enable innovation at pace

Through ongoing investment in technology, we aim to continually improve our capacity to develop high-quality products, at pace, and execute our strategic priorities.

We will also continue to develop our data-centric culture and invest in the right tooling to enable advanced analytics. Simultaneously, we will enhance our automation by increasing support for data producers and analysts, ensuring they can curate and leverage data to optimise value for customers.



Scalable products and processes

Our aim is to lend, service, partner and innovate at scale for our customers. Over the next three years, we will continue to focus on putting the right processes and capabilities in place so that we can deliver our core product at scale efficiently, while remaining agile to deliver new products that delight customers.

These efforts will ensure we deliver the medium term plan with improved cost management, increased operational agility, enhanced predictability and greater, more efficient scaling potential.

High-performing teams that execute brilliantly

On our journey to 2024, we will continue to attract, retain and develop high-performing teams that have the knowledge and skills to enable fast delivery for our customers. We want to ensure we have the right talent and capabilities to deliver on our strategic goals, while continuing to maintain our unique Funding Circle culture. This process will involve:

- Building for the future: ensuring our organisational structure works and supports our future multi-product model
- Building skills for success: defining, acquiring and growing the right skills and capabilities to deliver our business requirements
- Building the Incredible: evolving our compelling Circler proposition to ensure we successfully compete for and retain top talent

Our model

How we create value

We continue to demonstrate the resilience of our unique model and remain the preferred way for SMEs to access finance.

Borrowers

Small businesses can access fast, affordable finance through our core loan product and new product, FlexiPay.

Our borrower base is highly diversified across regions and industries, which helps to deliver stable returns and mitigates the effects of adverse economic conditions.

See page 16 for more on our new products

New products

More customers

More operating leverage

More data

Better *customer* experience

Better machine learning models

Typical businesses that borrow through the platform:

- 11 years' trading history
- Eight employees
- ~£1 million revenue
- ~£80,000 loan size
- 50 months' average term
- Six-minute application and 24-hour turnaround

Marketplace borrowers

By connecting borrowers with other lenders in the market, we offer further products beyond our current range, such as larger loans, asset finance and invoice finance.

C.120,000

borrowers globally since 2010

Investors

Investors can earn resilient returns

Our original innovation ten years ago opened up the SME asset class to investors. The platform model enables investors to make incremental investments, and our investor base is deep, diverse and stable, including a wide range of institutions and public bodies

- 48% asset managers
- 35% banks
- 8% bond programme
- 5% retail funds
- 3% national entities
- 1% funds

£2.5BN

investor capital raised in 2021

Funding Circle

How we make money

As a company, Funding Circle makes money in two principal ways:

Operating income

- Transaction fee income from the fees we charge borrowers
- Servicing fee income from the fees we charge investors

Investment income

- The net interest income on loans invested within Funding Circle's investment vehicles

Value created

For borrowers

We provide SMEs with fast, flexible, affordable finance, delivering an amazing customer experience using machine learning, technology and data. This means they are free to get on with what they do best, growing their business while contributing to the local community and economy.

For investors

We provide investors with access to an attractive asset class, previously mostly held on bank balance sheets, that is of strategic importance to economies.

For employees

Our employees have the opportunity to "Build the Incredible", to make a positive lasting impact on a huge societal issue To help them achieve this, we've created a culture dedicated to learning and the personal growth of everyone who works here

£14BN

lent to businesses

5.0-6.0%

expected investor returns for loans originated in the UK in 2021

86%

would recommend Funding Circle as a place to work

Building an incredible place to work and learn, together

In 2021, the working lives of employees around the world continued to be impacted by the pandemic restrictions. We therefore continued to prioritise the health, safety and welfare of our Circlers. By listening to our people and responding to their needs, we introduced a "best of both" hybrid working model to support life in the "new normal" at Funding Circle.

We continue to invest in our people, focusing in particular on creating a safe, open and inclusive working environment where everyone can be themselves. We're extremely grateful for our employees' unwavering commitment during the challenges of the past two years. Their efforts and achievements have helped us understand more than ever that our culture is one of our greatest assets. We're stronger together. It's certainly something our Circlers believe, as they showed in our 2021 annual engagement survey, which recorded the highest scores we've ever seen.

Introducing a new hybrid model for working – the best of both

Throughout the year, we considered what the post-pandemic world might mean for our people, and for life at Funding Circle. In keeping with our values, we did not pretend to have all the answers and engaged directly with Circlers to elicit their views on the future of work. Employee ideas and opinions were therefore central to the development of our new working model, just as they are critical to our Circler proposition, Build the Incredible.

From the surveys and feedback sessions we conducted, it was clear Circlers wanted more flexibility in their working lives. At the same time, views on the pros and cons of remote working were evenly split. While many said they appreciated the advantages of working remotely, others placed great value on the creative and collaborative interaction that occurs in our offices. We therefore set out to combine the "best of both" in our new working model.

The new model empowers each Circler to work flexibly in a way that delivers the best of both for themselves professionally and personally, and the best of both for Funding Circle too. Our physical workspaces remain important to us, but we want Circlers to work dynamically in a way that makes sense for them and their team. Our time is now split between remote and office working, in whatever way works best for both Circlers and their teams in any given week.

Empowering flexibility is at the heart of this model, a model we'll continue to test, iterate and evolve during 2022.

Protecting the mental health and wellbeing of Circlers

In 2021, we continued to enhance our people promise, Build the Incredible. Having seen the power of culture and community during the pandemic, we felt it was important to maintain and strengthen who we are. In particular, we realised that supporting mental health and wellbeing is critical as the boundaries between work and life become blurred.

We therefore offered increased support to Circlers, including a professional mental health and wellbeing service. We also deployed additional training to our management population. And we ran panel discussions with senior leaders about their own wellbeing journey, helping to break down the barriers around mental health in the workplace.

More broadly, ensuring our managers and leaders are equipped with the skills they need to look after their teams is crucial. To this end, we continued to develop our manager programme, with new modules to support hybrid working. We also delivered our first-ever leadership development programme. The three month scheme, designed to hone leadership capabilities, was devised using direct feedback from our leadership population and deployed through one-to-one coaching, training, peer learning and informal leadership "cafés".

We're very proud of our managers and leaders at Funding Circle. Their centrality to our culture and success is reflected in the consistently high leadership scores we receive in our Circler engagement surveys.

Enhancing diversity, equity and inclusion

We want to ensure our Company is a place where everyone feels they belong and can give their best. In particular, we're committed to promoting gender equality, and we're pleased to report that our gender pay gap is now at its lowest level to date. Our mean pay gap has also fallen to 18.5% and the median to 27.1%.

We focus on recruiting and retaining senior female talent, as evidenced by the increased proportion of women in senior leadership positions, which is now at 34%. We also place a strong emphasis on developing our internal talent. We believe these commitments are key to driving long-term change across the industry, given the historical under-representation of women in this area.

Gender breakdown

as at 31 December 2021

All Circlers

2020:
41% Female

Female 44%
Male 56%

Senior Management

2020:
33% Female

Female 34%
Male 66%

Global Leadership Team

2020:
38% Female

Female 38%
Male 62%

Group Board

2020
20% Female

Female 30%
Male 70%

Pay gap

%

Mean pay gap	
2020	**21.4%**
2021	**18.5%**
Median pay gap	
2020	**32.2%**
2021	**27.1%**

Our people continued

Enhancing diversity, equity and inclusion continued

At Funding Circle, we want our Company to be as diverse as the small businesses we serve and the communities in which we operate, both of which are at the heart of what we do.

Over the past two years, we've come to understand just how powerful our culture can be By taking steps to support our culture, we know we can realise our potential.

One of the biggest developments has been the further empowerment of our people. Alongside our Diversity, Equity and Inclusion ("DEI") team, they have been a major driving force for positive change in the Company. We currently have five main Circler-led groups engaging and delivering initiatives they believe are important. In 2021, such initiatives included educational sessions on LGBT+ rights and prejudice at work, celebrations of Black History Month and Pride Month, and a stem cell donor initiative, to name but a few. We also continued our mentorship programme for schoolchildren with Future Frontiers. In addition, all groups collaborated on a series called "Open Circle", a discussion

OUR CULTURE

BUILDING A LEARNING CULTURE

One of the key goals of our Circler promise is to embed a learning mindset across the business and create a "career accelerator" for our people. We believe everyone should have the opportunity to learn, grow, develop and pursue the skills and careers they want To support this goal, we provide best-in-class training to all Circlers through our internal learning platforms and our peer-to-peer network, FC Academy Circlers also receive an annual learning allowance, enabling them to pursue training and development opportunities, alongside our formal professional training policy

In addition, it's important our working environment cultivates and nurtures a learning mindset Circlers join us at different stages of their careers For many, this is their first professional role, while others have been working for several years. As a result, Circlers are given the opportunity to gain valuable experience from each other and to learn on the job. We also have an active apprenticeship programme to provide young people with alternative routes to employment.

OUR VALUES

Think smart

Challenge assumptions, seek insights and make informed decisions Everyone has a voice, so be ambitious.

Make it happen

Be courageous and take ownership. Take small steps fast and commit to seeing it through.

Be open

Treat everybody with respect and be honest with each other Transparency and integrity build trust.

Stand together

Listen, understand and support each other. Win or lose as one

Live the adventure

Bring your passion with you every morning and have fun.

forum with diversity champions where panels openly discuss challenging questions around race, gender and sexual orientation.

Our policy for the employment of disabled persons is to provide equal opportunities to develop skills and secure roles relevant for them and their career ambitions. This includes making reasonable adjustments to the workplace to support this. Our recruitment process ensures all applications, including those from disabled persons, are treated equally and fairly

CIRCLER-LED GROUPS

Women @FC

To help Funding Circle be the best FinTech company for women to work for.

Let's talk about Race

To break the silence and remove the taboos about Race.

Circle of Pride

To champion an inclusive workplace for all through an LGBT+ lens.

FC Impact

To come together and give back.

Parents @FC

To provide a safe space and a network for parents.

We're incredibly proud of the inclusive environment we've created. Our Circlers feel the same 86% believe people from all backgrounds and identities have equal opportunities to succeed at Funding Circle, with 83% telling us they feel respected and can be themselves at work. We also reported 73% engagement in 2021, the highest ever reported at Funding Circle.

We believe our culture and talent are true differentiators and while there is always more we can do, we remain fully committed to building an incredible place to work and learn

OUR DEI STATEMENT

We're here to Build the Incredible at Funding Circle. We know we can only achieve this through an inclusive and diverse culture where Circlers of all backgrounds feel confident in bringing their whole selves to work, where they can contribute their ideas, have opportunities to be successful and their talents nurtured. Through empowering our people we are not only building something incredible for our customers, but an incredible place to work too.

We live by our Company values and cherish our diversity, whether that relates to culture, gender, race and ethnicity, sexual orientation, gender identity and expression, disability, marital status, age, nationality, religion, thought, belief, experience or expression. We Stand Together, as one.

GROWING DEI FROM WITHIN

Fanni Vilmanyi, Learning & DEI Lead at Funding Circle

I'm lucky enough to have watched Funding Circle grow from a young start-up to the exciting company it is today, while keeping its tight-knit, inspiring and welcoming culture. For me, the most incredible growth has been in the DEI space.

DEI can often be viewed as a box-ticking exercise; all too often this results in it becoming PR focused, rather than an intentional effort to foster inclusivity and progress. So it's a breath of fresh air to see Funding Circle genuinely growing DEI from within, with our Circlers taking a grassroots approach.

Three and a half years ago, I joined the People Operations team not recognising within myself the need to champion marginalised communities. I soon discovered the magic of our Circler-led groups and I've never looked back. I craved to make an impact through these groups both inside and outside of Funding Circle. Over time, volunteering, fundraising, educational awareness and building an inclusive workplace with Funding Circle became so integral to my everyday life that I turned these activities into my professional career!

Just a few years later and here we are, with 83% of Circlers saying that they can be their authentic selves at work, new Circler groups popping up full of driven people who want to drive positive change, and all our leaders backing our efforts wholeheartedly I'm proud to say I belong at Funding Circle.

Building a sustainable business

The integration of a robust environmental, social and governance ("ESG") framework within Funding Circle's business is key to achieving our mission and strategic objectives. We continue to strengthen our ESG best practices to improve stakeholder support and increase shareholder value.

We acknowledge the need for urgency in addressing ESG-related issues in society But we are also conscious of the inherent complexity of these issues and the challenges of putting in place robust practices to deliver positive outcomes. We will continue to pursue such outcomes through our ESG framework, while reviewing our goals and performance on an annual basis.

Funding Circle's corporate culture and values, strong governance practices and robust Enterprise Risk Management Framework ("ERMF") drive our approach to ESG. In 2021, we focused on developing our climate reporting to the standards set out by the Task Force on Climate-related Financial Disclosures ("TCFD"), specifically our reporting related to governance, strategy, risk management, metrics and targets and social impact. As part of our carbon strategy, for the first time ever we offset our operational carbon footprint – relating to our 2020 CO_2 emissions – through carbon credit projects. We also continued to enhance our diversity, equity and inclusion programme.

ESG framework

In 2019, our Board established the Funding Circle ESG framework to determine how we could contribute to the creation of a sustainable low-carbon economy, and to continue establishing a more diverse and inclusive working environment. The Board approved the expansion of the ESG framework in 2020, formalising our approach to ESG integration within our ERMF and in our day-to-day operations Our efforts to implement our ESG framework are focused around four key areas. carbon strategy; social impact; diversity, equity and inclusion, and governance and risk management.

In 2021, we began to implement our approach to ESG risk management, made progress on our carbon strategy, added to our voluntary membership commitments to help inform our ESG practices and began to build on our approach to supporting positive and sustainable social impact. As part of this process, we:

▶ **Began to implement our approach to ESG Risk Management**

- Integrated ESG components into our risk taxonomy
- Conducted a preliminary ESG risk assessment
- Established baseline internal ESG management information and reporting

▶ **Became a signatory to the UN-supported Principles for Responsible Investment ("PRI"), focusing in particular on private debt**

▶ **Began a strategy review to better understand the commercial landscape for ESG-related products and customer-facing initiatives**

▶ **Conducted employee engagement surveys regarding our social impact programme**

▶ **Became a signatory in February 2022 to the UN Global Compact to formalise our alignment with the Compact's Ten Principles on human rights, labour, the environment and anti-corruption**

▶ **Progressed our carbon strategy, gaining support from a leading climate industry expert, progressing our journey to understanding our full carbon footprint and offsetting our operational emissions for the first time for 2020**

OUR ESG ROADMAP

2019

- Board established the Funding Circle global ESG framework

2020

- Board approved the expansion of the ESG framework and set up Board-level ESG Committee
- Our carbon strategy includes plans for achieving carbon neutrality for our operational boundary emissions by 2023 and net zero by 2030

2021

- Began to implement our approach to ESG risk management and focused on developing our climate reporting to the standards set out by the Task Force on Climate-related Financial Disclosures ("TCFD")
- Became signatory to the Principles for Responsible Investment ("PRI")
- **Carbon strategy:** started work with external provider to support the verification of our Scope 1 and 2, and Scope 3 (business travel and waste) GHG emissions, with the aim of reaching carbon neutrality for our operational boundary emissions by 2023
- **Carbon strategy:** for the first time we offset our operational carbon footprint (relating to our 2020 emissions for Scope 1 and 2, and Scope 3 (business travel and waste), through carbon credit projects (for 900 tCO_2e)
- **Social impact:** conducted employee engagement survey to inform our social impact approach
- Started a strategy review to better understand the commercial landscape for ESG-related products and customer-facing initiatives

2022 and beyond

- Joined UN Global Compact
- Intention to produce an annual carbon transition plan mapping our journey to net zero by 2030

Other

- Women in Finance Charter: signatory since 2018
- Member of FTSE4Good Index

Task Force on Climate-related Financial Disclosures ("TCFD")

Funding Circle remains committed to the full implementation of the TCFD recommendations, with the goal of enhancing our understanding of the risks and opportunities presented by climate change and of keeping our stakeholders fully informed about such risks and opportunities. In addition to the TCFD disclosure included in this section, consistent with requirements recently announced by the UK Government, from 2022 Funding Circle intends to produce an annual carbon transition plan mapping our journey to net zero by 2030. Our strategy sets ambitious but achievable goals designed to address our environmental impacts, including through targeted carbon reduction and offsetting strategies across our value chain, which we plan to develop further in 2022 as part of our carbon transition plan.

Task Force on Climate-related Financial Disclosures ("TCFD") continued

The following table sets out Funding Circle's current TCFD disclosure, including those areas in which we will look to more consistently align with the TCFD recommendations during 2022 and beyond.

Governance	Disclosure
Describe the Board's oversight of climate-related risks and opportunities	The Board retains ultimate responsibility for providing the strategic focus, support and oversight of the implementation of the Group's ESG strategy, including climate change-related risks and opportunities. The Board delegates certain matters to the ESG Committee, including management and oversight of the Group's ESG strategy and framework, ensuring compliance with relevant legal and regulatory requirements, and ensuring appropriate management of ESG risks and opportunities. Climate change, social impact and diversity, equity and inclusion each have a dedicated ESG Committee member Board champion. These Board champions work with the Global Leadership Team ("GLT") and other senior leaders in the business to progress the Group's ESG strategy and framework. The Board and the ESG Committee have substantial and varied experience with ESG related issues, and climate change in particular. Within the ESG Committee, Matthew King is the Board champion in connection with our carbon strategy and brings experience as a Non-Executive Director of other more resource intensive industries where climate-change is of critical focus. Within the wider Board, Eric Daniels has been on the Advisory Board of the Smithsonian Tropical Research Institute ("STRI") for the past ten years. STRI is recognised as one of the premier scientific institutions in the fields of tropical life sciences and sustainability. Eric Daniels has also been an active supporter of the Atkinson Center for Sustainability at Cornell University. Geeta Gopalan currently also serves as Non-Executive Director and Chair of the risk committee for Virgin Money plc where she has gained substantial experience in respect of ESG related risk management, including climate related risk in the banking sector. We have also sought expert advice on our carbon management strategy and provided presentations to the ESG committee through internal and external providers to increase their awareness and understanding of our carbon strategy as well as more technical topics such as carbon foot printing and offsetting. The Board has reviewed and approved our ESG framework and a formal carbon strategy. Please also see "Risk management" on pages 51 to 54, "Principal risks and uncertainties" on pages 55 to 56, the report of the Risk and Compliance Committee on page 92 and the report of the ESG committee on page 93 for more information on Board oversight of climate-related risks, the ESG Committee of the Board, and incorporation of these risks in Principal Risks within our Enterprise Risk Management Framework ("ERMF").
Describe management's role in assessing and managing climate related risks and opportunities	The GLT is responsible for implementing our ESG framework, with direct management responsibility held by our General Counsel. ESG risks are directly supervised and managed by the leadership team of each Business Unit and reviewed at the Executive Risk Committee. A working group of senior leaders and other Circlers is responsible for the implementation of our environmental and carbon strategy on a day-to-day basis. In late 2021, we began a strategy review to better understand the commercial landscape for ESG related products and customer facing initiatives, including business opportunities related to climate change. Please also see "Remuneration" on page 96 for more information on how climate-related factors are considered as a component of executive compensation.

Strategy	
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	In 2021, we carried out a risk assessment of climate related risks and opportunities over the short (one year or less), medium (one to five years) and long (more than five years) terms. Generally, in the short to medium-term, the transition to a low-carbon economy presents more material risks and opportunities for Funding Circle, as compared to the physical risks of climate change over that time period. Examples of the types of climate-related risks and opportunities faced by Funding Circle include the following: **Transition risks (short to long-term)** ▸ **Reputation:** short to medium-term failure to comply with climate change-related regulations or to achieve goals may negatively impact our public perception, and therefore our business prospects ▸ **Strategic:** short to medium-term lack of SME climate-related data or changes in customer demand for green-finance products, or increases in carbon offset or transition costs may adversely impact the business ▸ ***Funding:*** *medium to long-term changing investor demand or available capital as a result of climate-related policies may impact platform liquidity* ▸ **Credit:** medium to long-term impact on higher carbon-emitting industries due to climate-related regulations, carbon taxes, carbon pricing or transition costs, or inadequate climate-related stress testing **Physical risks (long-term)** ▸ **Credit:** climate change-related environmental damage may impact SME borrowers' operational and credit performance, or availability of financing to SMEs more generally ▸ **Funding:** investor demand may be impacted acutely or more generally in respect of risk appetite regarding borrowers potentially significantly impacted by physical effects of climate change, and overall investor liquidity may be impacted by acute or chronic adverse environmental events **Opportunities (short to medium-term)** ▸ **Strategic:** green finance products to help to finance SME transition ▸ ***Funding:*** Investor demand for green or sustainable loan portfolios In late 2021 we began a strategy review to better understand the commercial landscape for ESG-related products and customer-facing initiatives, including in respect of climate-related opportunities. As part of our approach to achieving carbon neutrality and net zero, in 2022 we also will develop a carbon transition plan that will look at opportunities related to a reduction of our GHG emissions. To date we have not quantified the potential short, medium or long-term financial impacts in respect of transition or physical risks and opportunities associated with climate change.

Strategy continued

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	To date, the impact of climate related risks and opportunities on our business and strategy has been limited and our efforts in this regard are at an early stage and limited in scope. The financial impact on our business of climate related risks and opportunities has been limited, as has the budgeting and financial planning impact The financial impact primarily relates to fees and costs linked to carbon foot-printing and verification, neutrality certification, offsetting and reporting These costs are likely to increase in future (in particular in respect of emissions reductions or offsets related to Scope 3 emissions), however, we do not believe they will be material in the short to medium-term and we have yet to carry out a detailed forecasting of these costs We are in the process of carrying out a commercial strategy assessment in respect of climate-change related opportunities, which we expect to complete in 2022; however, to date climate-change related opportunities have not been considered a material opportunity in respect of business strategy or financial planning, and we do not expect such opportunities to form a material component of the business strategy in the short to medium-term. We assessed the materiality of climate change related impacts to Funding Circle using a risk classification matrix to prioritise, classify and escalate risks and issues The matrix assesses risks by evaluating the likelihood and impact It assesses controls by evaluating design and effectiveness The classification matrix is applicable to all risk types and risk issues with a detailed methodology for the score computation. Ultimately, risk exposure is reduced by the control sufficiently such that residual risk is considered to be within risk appetite. This methodology ensures a consistent approach to rating and prioritising key risk exposures across the Company We applied a simple rating of low, medium or high in regard to materiality, impact and likelihood to cause an actual or potential material negative impact on Funding Circle's financial performance or reputation. To date, our materiality assessment of climate-related risks and opportunities has been a qualitative assessment based on anecdotal observation rather than a quantitative assessment based on data metrics
Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario	We have not yet carried out a detailed climate-related scenario analysis. We have started to engage with external advisers regarding market practice and standards related to such scenario analysis and will continue to review this during 2022 Qualitatively, we believe our strategy should be resilient under different climate-related scenarios, including a 2°C or lower scenario Given the nature of our business, we believe that the longer-term risks identified in connection with more severe climate related risk scenarios are not currently material considerations for the business in light of our relatively short to medium-term time horizons Our online platform model allows us to have a limited physical presence, and our relatively short-term and data-driven products allow us to implement changes to our products, credit strategy, marketing and contractual terms relatively quickly This means we can adapt to shifts resulting from climate change and rapidly shift out of, or assist in the transition of, impacted industries Our loan products are relatively short in duration (with a maximum term of up to six years and, given the effects of portfolio composition by term, loan size, defaults and prepayments, our portfolio of loans under management has a weighted average life of approximately 10 to 24 months, varying by product type and vintage year of origination) In addition, our loan products are unsecured; therefore, we do not currently focus on certain longer-term climate-related risks, including physical risks that could adversely affect various forms of security, such as real estate, or which are currently beyond our strategic or risk planning time horizon Our SME borrower customer base is comprised of a large number of borrowers in connection with loans of relatively small size (i e. is highly granular), broadly distributed by industry sector and geography, and largely not in industries considered as significantly affected by transition risk or physical risks Given this lack of concentration risk, except in extreme scenarios, our overall borrower portfolio should be resilient to transition risks, such as increased costs or regulation, or the localised or regional impacts of physical risks Lastly, we draw on a diverse pool of investors to fund our loan products and we are able to adapt quickly to changing investor needs, which improves our funding resiliency.

Risk management

Describe the organisation's processes for identifying and assessing climate related risks	Our ERMF describes our risk management approach and supports clear accountability for managing risk across the Company. A core principle of our ERMF is that all Circlers are accountable for identifying, escalating and debating the risks we face. Currently, ESG related risks, including climate-related risks, are incorporated in our ERMF as a strategic risk, owned by the CEO, and adhere to the "evaluate, respond and monitor" format described on page 54. In 2021 we reviewed our ERMF risk appetite statement and risk taxonomy regarding environmental risks We identified climate-related risks within our existing principal risk areas, primarily related to funding, strategy, reputation, and credit risk We conducted working sessions to assess the risks and opportunities that could impact the business in the short, medium and long-term These sessions helped to inform our views on the applicable materiality for each impacted category, and to align with relevant ESG disclosure standards, in particular TCFD
Describe the organisation's processes for managing climate-related risks	We are at a relatively early stage in our management of climate related risks. As an initial step, we have formalised Board ownership of the overall ESG risk agenda, including climate-related risks, and are clarifying ownership of ESG related risks directly supervised and managed by the leadership team of each Business Unit and reviewed at the ERC. We have also developed a carbon strategy that includes plans for achieving carbon neutrality in respect of our operational emissions by 2023 and net zero by 2030 at the latest. We are in the process of carrying out a strategic commercial review to consider other strategic actions related to ESG practices including related to short to medium-term climate related risks and opportunities. We anticipate this review to complete in early 2022 with actions anticipated to follow in due course. As part of our ERMF review we identified a number of areas for further development, which we intend to progress in due course including: ▶ Further embedding ESG and climate related risks and opportunities into day-to-day practices and first line teams ▶ Updating our risk appetite statement to specifically identify climate-related risks and opportunities ▶ Training for Circlers in climate related risks and ESG generally ▶ Improving data sources and quality for the monitoring and reporting of climate-related risks In 2022, we will develop a carbon transition plan to address near, medium and long term goals for the reduction and offsetting of our various sources of emissions See also "Risk Management" in this Annual Report for more information about the integration of ESG related risks, including climate-related risks.

Sustainability continued

Task Force for Climate-related Financial Disclosures (TCFD) continued

Risk Management continued	
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	In 2021, we began to incorporate climate-related risks into our ERMF, with a view to identifying, measuring and monitoring these risks within our business. The Enterprise Risk Management team reports to the Board and GLT on this subject. Additional work is needed to integrate climate related risk management into our first and second line teams, for example by embedding climate related risks into our product development, strategy and training. In respect of our loan products, we have started work to understand methodologies for identifying and assessing climate related risks in respect of loan products, our borrowers and our investors. Poor data quality or absence of data related to the impact of climate change on our business customers presents a significant challenge in managing and addressing certain climate-related risks with respect to our loans under management or in respect of new product offerings. In particular, emissions data linked to SMEs and goods and services, and data on investor climate risk mitigation measures are generally lacking or limited in quality. In 2022, we intend to continue to develop our understanding of available data sources in respect of borrowers and related loan products, and improve and deepen the integration of climate related risks into our processes and overall risk management in respect of the business more generally
Metrics and targets	
Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process	In 2021, we began to identify and to a limited extent monitor climate-related intensity metrics for our loans under management by industrial classification code, which provides only limited information. It is too early for us to draw any meaningful conclusions from this data, but we believe it will help to inform our understanding of climate related risks and opportunities as more and better data becomes available. We do expect to continue to develop further metrics during the course of 2022 to monitor climate related risks and opportunities in respect of our loans under management, however, we believe this will be part of a longer-term process as more and better data hopefully becomes available and our understanding and sophistication with this data improves. In respect of our general business operations, we anticipate developing further metrics and targets in respect of our own operations emissions and reductions plans during the course of 2022 (in particular in connection with our carbon transition plan). The identified climate-related risks and opportunities will be monitored and assessed in line with our standard ERMF practices Our energy and GHG emission metrics are disclosed on pages 33 to 34
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions and related risks	Our 2021 Scope 1 and 2, and limited Scope 3 (business travel and waste) GHG emissions are disclosed on page 33
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	In 2021, we began our journey to net zero by 2030. Currently our targets are more qualitative than quantitative, including a goal to carbon neutrality prudently but quickly. We have not yet set specific targets related to climate-related risks and opportunities, which we plan to do during 2022 in connections with the development of our carbon transition plan. In 2022, as part of our wider Scope 3 emissions reporting and carbon transition plan, we expect to better understand the climate-related risks and opportunities we face. We will also begin to set more specific targets around reducing emissions, improving our data collection, and engaging with more strategic initiatives. Funding Circle's carbon strategy sets out our approach to climate related risks and opportunities in our business. It includes the following short, medium and long-term goals: ▶ Achieve carbon neutrality by 2023 and net zero by 2030. We are on track with our carbon neutrality goal in respect of our Scope 1 and 2 (and limited Scope 3) emissions for our operational boundary, with wider Scope 3 emissions work to be progressed in 2022 ▶ Offset difficult-to-reduce Scope 1 and 2 emissions starting in 2021. This goal was partially achieved as we offset our 2020 direct Scope 1 and 2 (and limited Scope 3) emissions during the year and intend to offset 2021 Scope 1 and 2 (and limited Scope 3) emissions during 2022 ▶ We have begun to measure and verify Scope 3 emissions, and hope to complete this process during 2022 ▶ Offset difficult to-reduce Scope 3 emissions, starting in 2023 at the latest

Our climate impact

This section includes our mandatory reporting of greenhouse gas emissions in line with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Streamlined Energy and Carbon Reporting ("SECR") under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Required to show an intensity ratio, we have determined that the most appropriate for our business is tonnes of CO_2 equivalent (tCO_2e) per £m of total income. Our GHG emissions reporting period is 1 January to 31 December and is aligned with our financial reporting year.

The GHG accounting follows the methodology set out by the WRI/ WBCSD Greenhouse Gas Protocol We have used the UK Government conversion factors for company reporting (published by BEIS) in our calculations. For CE electricity emissions we have used the International Energy Agency ("IEA") international conversion factors for location-based measures and AIB Residual Emissions Mix for market-based measures. For US emissions we have used regional data from Environmental Protection Agency e-Grid and Green-e® Residual Mix Emissions Rates. The selected boundary includes Funding Circle's Scope 1, Scope 2 and Scope 3 categories, covering waste generated in operations and business travel. In accordance with the SECR, we report our emissions data using an operational control approach to define our organisational boundary in respect of the energy consumption and emissions for which we are responsible

In line with our environmental reporting criteria, we report on all significant sources of GHG emissions from our business that are under our operational control Our emissions disclosure methodology remains largely consistent with 2020; however, we have added additional fields to more closely track relevant guidance. We did not undertake any specific measures to reduce our emissions during 2021; however, we did begin to address GHG emissions within our ESG framework, and our 2021 footprint is the chosen baseline for our carbon neutrality commitment.

Global GHG emissions data for period 1 January to 31 December

		2021 tCO_2e	2020 tCO_2e[4]	2019 tCO_2e[5]
Scope 1[1]		**129**	132	147
Scope 2[2] – location based		**300**	378	493
Scope 2[2] – market based		**371**	437	–
Scope 3 (business travel and waste)[3]		**112**	222	–
Total gross emissions (Scope 1 and 2)	**– location based**	**429**	509	640
	– market based	**500**	569	–
Total gross emissions (Scope 1, 2 and 3)	**– location based**	**541**	731	–
	– market based	**612**	790	–
Full-time employee ("FTE") (average over the applicable reporting period)		**904**	1,002	–
Total income (£m)		**206.9**	222.0	177.3
Intensity ratio (Scope 1 and 2): tCO_2e/ FTE	– location based	**0.47**	0 51	–
	– market based	**0.55**	0.57	–
Intensity ratio (Scope 1 and 2): tCO_2e/ £m	**– location based[6]**	**2.07**	2.29	3 61
	– market based[6]	**2.42**	2 56	–
Intensity ratio (Scope 1, 2 and 3): tCO_2e/ FTE	– location based	**0.60**	0.73	–
	– market based	**0.68**	0.79	–
Intensity ratio (Scope 1, 2 and 3): tCO_2e/ £m	**– location based[5]**	**2.62**	3 29	–
	– market based[6]	**2.96**	3 56	–

1 Scope 1 includes combustion of fuels and operation of facilities principally natural gas related to our leased office space

2 Scope 2 includes electricity purchased for use in connection with our leased office space

3 Scope 3 includes business travel and waste generated in operations No waste data was available for our San Francisco office, however, this is not considered to be material given the office size and very low occupancy during 2021

4 Following a review of our emissions data and calculation methodologies in 2021, we identified a small number of inaccuracies in the data provided or calculations applied to the data in our 2020 Annual Report, which we have updated in the figures shown in this report, which we do not believe are material to the overall information provided

5 Limited emissions data was collected and reported prior to 2020; information for 2019 has been provided for comparison to most recent reporting period not subject to Covid 19 impacts

6 We are required to show an intensity ratio and have determined that the most appropriate for our growing business is tonnes of CO_2 equivalent ("tCO_2e") per £m of total income

Sustainability continued

Regional breakdown of energy consumption data for period 1 January to 31 December

(Kilowatt-hour equivalent – kWhe)	Scope 1			Scope 2		
	2021	2020[2]	2019[1]	**2021**	2020[2]	2019[1]
Region						
UK	**554,366**	349,552	380,719	**359,638**	326,315	954,078
US	**79,469**	295,981	421,159	**469,443**	686,193	855,662
CE (Germany and Netherlands)	**NA[3]**	NA[3]	NA[3]	NA[3]	72,132	132,506
Total	***633,835***	*645,533*	*801,878*	***829,081***	*1,084,640*	*1,942,246*

1 Limited emissions data was collected and reported prior to 2020, information for 2019 has been provided for comparison to the most recent reporting period not subject to Covid-19 impacts

2 Following a review of our emissions data and calculation methodologies in 2021, we identified a small number of inaccuracies in the data provided or calculations applied to the data in our 2020 Annual Report, which we have updated in the figures shown in this report, which we do not believe are material to the overall information provided

3. Information was not available 2019 and 2020, and we ceased to hold office space in Germany from the end of 2020 and in the Netherlands during 2021 (although the office was unoccupied for all of 2021).

Our climate impact continued

In 2021 we continued to engage with industry experts to accurately measure and verify our in-scope emissions and to develop strategies to reduce or offset these emissions. We are working with a leading climate change advisory firm to measure, verify and certify our 2021 Scope 1 and Scope 2 emissions, as well as limited Scope 3 emissions (related to waste and business travel) in accordance with the GHG Protocol and ISO 14064 in order to support a statement of carbon neutrality in respect of our operational boundary (excluding our wider Scope 3 emissions), which we hope to complete in Q2 2022. We intend to use 2021 as our baseline year for purposes of tracking our subsequent carbon reduction efforts. Our aim is to reach a solid understanding of our material Scope 3 measurements by the end of 2022. In late 2021, we also began the process to measure and verify our full Scope 3 emissions, including Scope 3 emissions related to our loan products (for example pursuant to certain industry standard methodologies currently being developed in the banking industry).

As part of our more in-depth review of our emissions data in 2021, we also reviewed our 2020 emissions data, however, we did not seek verification of our 2020 emissions and we felt that 2020 was not an appropriate baseline year given the reduction in office use and business travel due to Covid-19 safety measures. Although we have chosen not to seek verification for this data, we have offset those emissions through the purchase of carbon credits for 900 tCO_2e in two emissions avoidance and removal projects that are independently audited and validated, and verified to recognised global standards: Mississippi Valley Reforestation, USA (ACR), and Solar Water Heating, India (CDM and Gold Standard)

In 2021, the ongoing pandemic restrictions led to a substantial reduction in the use of our offices, resulting in overall lower carbon emissions for the business compared to the immediate pre-pandemic period. The majority of our people continued to work remotely in 2021, with Circlers gradually returning to the office in early 2022, but with typically limited numbers of days in the office. We have not yet measured or calculated employee home working within our Scope 3 emissions, which we intend to undertake in 2022.

Our Scope 1, 2 and 3 emissions decreased compared to 2020, largely as a result of our San Francisco office moving to a smaller space during 2021, and the termination of leases for our Berlin and Amsterdam offices, in addition to slightly improved quality of data available from our third party providers. Our business air travel increased in 2021 compared to 2020, although it remained lower than pre-pandemic activity, and we expect this item to increase as international business travel becomes more normalised going forward. Overall, data quality available in respect of our GHG calculations is relatively low reflecting a lack of standardised processes to capture this data from third parties suppliers or in respect of office space where we comprise a small portion of a given building.

Social impact

In addition to the positive economic impact of our SME lending activities, we are working to drive more positive social outcomes through our Company and employees. Despite the limitations imposed by the pandemic, in 2021 we continued to support a number of causes and initiatives in each of our geographies. Please see Our people on page 24 for more details We continued to offer Circlers two paid volunteer "Impact Days" a year to positively contribute to issues they feel passionately about

In 2021, we began a review of our social impact strategy to identify ways for the business to continue to support Circler-led initiatives and also explore areas where we can contribute positively as a business in our communities. As described above, social impact forms a core component of our ESG framework, with Board ownership and oversight through the ESG Committee. As with our carbon strategy, there is a dedicated Board champion for social impact and we have been developing our social impact strategy, which we hope to expand on in 2022 In 2021, we conducted an employee survey to better understand drivers to employee engagement and to inform our social impact programme, and we also began an ESG strategy review to better understand the commercial landscape for ESG-related products and customer-facing initiatives, including in respect of our social impact programme.

Public policy and responsible lending

Our aim is for Funding Circle to continue to be a trusted and reputable Company, working with government, regulators and industry to uphold the highest industry standards. To this end, we actively engage with local, national, federal and supra-national government agencies, legislators, policy makers and industry groups. This engagement helps us develop insight and policy leadership on issues affecting small businesses, investors and the wider FinTech industry. We also submit position papers and participate in expert hearings, consultations and other forms of policy engagement.

In both the UK and US, Funding Circle supported businesses during the pandemic by providing loans through government SME guarantee programmes and a variety of forbearance measures. In the UK, we continued our membership with UK Finance, the trade association for the financial services sector, and the Confederation of British Industry, a broader business advocacy group Through our membership of industry body Innovate Finance, we also helped to amplify the important role FinTech plays in the UK

FINANCIAL INCLUSION

US criminal decline referral programme

In the US, people with criminal records, especially people of colour, face major barriers when reintegrating into society. Entrepreneurship can decrease the likelihood of recidivism, but most *small business lenders have policies* that prohibit lending to applicants with criminal histories.

In 2021, Funding Circle launched a *unique referral programme with the* Association of Enterprise Opportunity ("AEO") in the US. Through this initiative, we refer US loan applications declined on criminal grounds to AEO and its Community Development Financial Institution ("CDFI") partners. These partners underwrite the loans using R3Score, a new platform that assesses the risks of lending to applicants with a criminal record. AEO will analyse the repayment data on loans made through CDFI, with a view to shaping more enlightened lender decline policies.

Public policy and responsible lending continued

In the US, Funding Circle is a member of the Responsible Business Lending Coalition ("RBLC"), a network of non-profit and for-profit lenders, investors and small business advocates. Members of the Coalition share a commitment to innovation and responsible behaviour in small business lending. We are also a signatory of the Small Business Borrowers' Bill of Rights ("BBOR"), the first cross-sector consortium supporting the rights of small business, and we are a member of the Innovative Lending Platform *Association ("ILPA"). Finally, in 2021 we* were appointed to the US Consumer Financial Protection Bureau ("CFPB") Small Business Regulatory Enforcement Fairness Act advisory review panel.

Other commitments

As part of our broader commitments as a responsible Company, we have made a number of voluntary commitments and take a stand on the following issues:

- We have joined the UN Global Compact to formalise our alignment with its Ten Principles on human rights, labour, the environment and anti-corruption We look forward to integrating the UNGC principles into *our ESG programme and leveraging* this framework to help guide our efforts in the future
- We are a signatory to the Principles for Responsible Investment ("PRI"), which we believe is an important signal to our investors and shareholders and we hope will drive positive engagement and outcomes with these and other stakeholders

Human rights

- We respect and promote human rights through our employment policies and practices
- We apply these policies and commitments equally to everyone who works at, or is part of, Funding Circle

Modern slavery

- We have a zero-tolerance approach to modern slavery and human trafficking
- We have published a Modern Slavery Act Transparency Statement in compliance with section 54 of the Modern Slavery Act

- As part of our procurement process we ask suppliers for their Modern Slavery Statement

Code of Conduct

- We are dedicated to implementing and maintaining the highest standards of behaviour, ethics and integrity among our workforce
- We have created a culture where adherence to these standards is recognised and rewarded
- Our Code of Conduct establishes these standards and addresses subjects such as integrity, conflicts of interest and non-discrimination. Employees are trained annually on our Code of Conduct rules
- We have whistleblowing policies and procedures and dedicated whistleblowing officers in each of our geographies

Anti-money laundering, anti-corruption and anti-bribery

- We recognise that our reputation for integrity and trustworthiness is critical to our success
- We uphold all laws relevant to countering bribery and corruption in each of our jurisdictions in accordance with our global anti-bribery and corruption policy
- Circlers are trained and evaluated annually on bribery and corruption risks

Data protection and information security

- As an online lending platform, we understand the importance of data protection, data privacy and information security, and we seek to comply with all applicable data protection laws
- All employees complete data protection, data privacy and information security training at least once a year, and extra training may be required for people who handle data more frequently or handle more sensitive data

Procurement

- We request significant suppliers to share their environmental policies or targets and their approach to corporate social responsibility with responses factored into the overall supplier rating

We actively engage with all our stakeholders

We are committed to building open and constructive relationships with all our stakeholders. Our shared mission with borrowers, investors and our people is to ensure that a vital, historically underserved part of our economy can access the funding it needs to win.

In 2021, we engaged with our stakeholders in a variety of ways to ensure they continued to feel connected and supported at all times.

Borrowers

SMEs are the growth engine of the economy, and it is our mission to help them fulfil their ambitions.

How we engage

- Constant monitoring of customer feedback, including customer satisfaction surveys
- Regular focus groups with SME borrowers around product changes and new marketing campaigns
- The Board reviews strategy and monitors performance in light of customer feedback, with the aim of meeting the needs of borrowers more effectively
- Throughout 2021, we provided regular email updates and communications, including on the launch of our new products, the reintroduction of our core term loan product and our accreditation under RLS

Outcomes of engagement

- We achieved a NPS of 80–90 for borrowers in the UK and the US

Investors

Providing resilient returns to a wide range of investors is a central part of our strategy.

How we engage

- We provide bi-annual reporting on loan performance including on our website. This is updated in line with our full and half-year results
- We provide information and support to retail investors in a range of accessible formats. As part of our regular engagement, in 2021 our Chief Risk Officer provided frequent updates on our strategy to help ensure strong returns
- Active engagement with investors on their direct lending and investment products, as well as engagement with the wider investment community

Outcomes of engagement

- We onboarded a number of new institutional investors, including banks and asset managers, further diversifying our investor base and funding sources
- £2.5 billion investor capital raised in 2021

FLOURISHING THROUGH FUNDING

Flower Station

Leading UK florist Flower Station creates lovingly hand-crafted bouquets. Its Director and Founder, David Cohen, used his Funding Circle business loan to launch new brands and grow his business.

David set up Flower Station over 20 years ago as a drive-through florist at a disused petrol station. He now runs several flower shops, with a flagship store in North London providing a 24/7 delivery service to customers all over the capital.

During lockdown, with his stores having to close, David pivoted the company's operations online. As a result, business quadrupled, more than making up for Flower Station's shop closures Inspired, David put as much money as he could into his online operations and branched out into new services, such as weddings and office plant contracts He also began providing guaranteed same-day delivery on orders up to 6p.m. in London.

The company used a Funding Circle loan to support these expansion activities and develop new brands – for example, the new Love Rose website, which sells high-end preserved roses, and Letterbuds, a subscription service for home-delivered budded flowers The funds also enabled the completion of an online flower school, which provides video lessons on flower arranging. Business is blooming.

Engaging our stakeholders continued

Section 172(1) statement

The Directors recognise that they have a duty to promote the success of the Company in accordance with s 172(1) of the Companies Act 2006. Further details on how the Board operates and the way in which it reaches decisions, including the matters discussed and debated during the year, are set out in the Governance section on pages 67 to 79. Some examples of how the Directors have had regard to the factors set out in section 172(1)(a)–(f) when discharging their duties are on pages 75 and 76

Shareholders

We maintain transparent and open engagement with our shareholders. This enables the Board to clearly communicate its strategy, provide updates on our performance and receive regular feedback.

How we engage

- Regular shareholder communications such as full and half-year results, and ad-hoc trading statement updates
- Analyst and investor meetings and presentations/investor roadshows, as well as ad-hoc meetings and events with larger shareholders and prospective shareholders
- 2021 AGM was once again open to shareholders, as we returned to in-person, business-as-usual shareholder engagement. Our proposed Remuneration Policy was approved, following open engagement with major shareholders
- The Chair, Chief Executive Officer, Chief Financial Officer and Director of Investor Relations regularly communicate with larger shareholders and analysts as required and provide regular reports to the Board on shareholder interactions
- Announcement in September that our CEO and Founder, Samir Desai, would be stepping back from his day-to-day activities and transitioning to a Non-Executive Director role on the Board from 1 January 2022. At the same time, we announced that Lisa Jacobs, UK Managing Director, would be succeeding Samir as CEO Following this news, Samir and Lisa met with all key shareholders to discuss the transition

Outcomes of engagement

- Incorporated our shareholders' opinions throughout the year into the shaping of Company strategy and other key developments

Circlers

Our people are our business. We are committed to creating a culture where Circlers thrive and share in our mission, values and ambition.

How we engage

- Regular all-hands meetings for all Circlers, including our weekly Local and monthly Global Gatherings, and our bi-annual Full and Half Circle events These meetings provide an opportunity for Circlers to share information and interact with senior management to hear about the Company's performance
- Frequent meetings between Helen Beck, our workforce engagement Non-Executive Director, and employee groups. Employee representatives provide updates on those meetings to the Board and, in turn, update Circlers on feedback from the Board
- Circler group FC Impact coordinates our internal volunteering and charity initiatives
- Regular culture surveys, with results shared with the Board, along with diversity reports and updates on diversity and inclusion initiatives

Outcomes of engagement

- We further embedded our new Circler promise, Build the Incredible. We also recorded our highest ever employee engagement score of 73% in our annual employee survey

Communities

The SMEs we serve are at the centre of our communities. We are passionate advocates of charitable causes and issues related to social impact and community engagement.

How we engage

- Continual development and implementation of our ESG strategy. This process includes shaping our understanding of, and priorities for, engagement with our various stakeholders
- Regular meetings with investors including discussions regarding their ESG investment criteria as they apply to our loans and loan-backed investment products
- Circler group FC Impact coordinates our internal volunteering and charity initiatives
- Our charitable and community engagement activities resumed in 2021 following a pause during the first year of the pandemic

Outcomes of engagement

- Progressed our new ESG strategy, which sets out a formal framework for operating as a responsible business and is overseen by our ESG Committee. As part of our carbon strategy, for the first time ever we offset our operational carbon footprint – relating to our 2020 CO_2 emissions – through carbon credit projects. These projects have a positive community impact and contribute to the UN Sustainable Development Goals ("UN SDGs")
- Became a signatory to the UN Global Compact, expressing our support for the Compact's Ten Principles on human rights, labour standards, the environment and anti-corruption
- Held a combination of virtual and in-person initiatives through the FC Impact team. These included holding employment skills training sessions for young adult wheelchair users, a Christmas toy drive for children's hospitals and a canal-clean up, as well as raising money for charity through walking and eco-challenges

Government and regulators

Our goal is for Funding Circle to always be known as a trusted and reputable Company, and to work with regulators and industry to ensure best practice.

How we engage

- Engagement with local, national, federal and supra-national government agencies, including regulators, legislators, policy makers and industry groups. These interactions provide insight and leadership on policy and rulemaking related to issues affecting SME borrowers, investors or lending in the FinTech industry
- Contribution to the discourse and debate on industry issues, including submitting position papers and participating in expert hearings, consultations, forums and other policy engagement initiatives
- Board ensures it uses the results of the above engagement, as well as key legal and regulatory changes affecting the business, to inform its strategy and decision making

Outcomes of engagement

- Worked with the British Business Bank in the UK to become the first lending platform to be accredited under RLS. We also worked with industry and the UK Government to help shape the scheme, as well as priority areas of The Kalifa Review of UK FinTech to maintain our industry's global reputation
- In the US, we continued to participate in PPP and launched the forgiveness portion of the programme with more than 70% of PPP loans facilitated by us fully forgiven by the end of 2021

How we measure our performance

Financial | Statutory

Total income (£m)

2019	177.3
2020	222.0
2021	206.9

Definition

The Group generates total income principally from: transaction fees earned from originating loans with borrowers; servicing fees from servicing of loans under management; and investment income net of investment expense from Funding Circle sponsored (ABS) programmes.

1 2 3 4

Profit/(loss) before tax (£m)

2019	(84.2)
2020	(108.1)
2021	64.1

Definition

Profit/(loss) before tax is defined as net income after taking into account all operating expenses and finance income, costs and share of profit/(loss) of associates.

1 2 3 4

Basic earnings/(loss) per share (pence)

2019	(24.4)
2020	(31.2)
2021	17.4

Definition

Basic earnings/(loss) per share is defined as the profit/(loss) for the year attributable to ordinary equity holders of the Parent Company divided by the weighted average number of ordinary shares in issue during the year.

1 4

Operational

Loans under management (£m)

2019	3,731
2020	4,214
2021	4,457

Definition

This represents the total value of outstanding principal and interest to borrowers. It includes amounts that are overdue but excludes loans that have defaulted and loans originated through marketplace referrals to other lenders.

1 2 3 4

Originations (£m)

2019	2,350
2020	2,742
2021	2,296

Definition

This represents the monetary value of loans originated through the Group's platform or through marketplace referrals in any given year. This is a key driver of both transaction fees and future expected servicing fees and loans under management.

1 4

Marketing costs (%)

of operating income

2019	42
2020	30
2021	28

Definition

This represents the total cost of third-party marketing expenditure in any particular year divided by the operating income earned in that year.

1 4

Financial | Alternative performance measures ("APMs")

Adjusted EBITDA (£m)

2019	(27.5)
2020	(63.8)
2021	91.8

Definition

Adjusted EBITDA represents the operating profit/(loss) before depreciation and amortisation, share-based payments and associated social security costs, foreign exchange gains/(losses) and exceptional items. This is the principal profit measure used by the Directors in assessing financial performance in the Group's three geographical segments.

1 2 3 4

Free cash flow (£m)

2019	(49 4)
2020	15.4
2021	82.8

Definition

Free cash flow represents the net cash flows from operating activities less the cost of purchasing intangible assets, property, plant and equipment, lease payments and interest received. It excludes the warehouse and securitisation financing and funding cash flows The Directors view this as a key liquidity measure and is the net amount of cash used or generated to operate and develop the Group's platform each year

1 4

Focus areas relevant to our KPIs

1 Attract more businesses and say yes to more businesses

2 #1 in new products

3 Technology and data to enable innovation at pace

4 Scalable products and processes and high-performing teams that execute brilliantly

Our performance was above expectations

The financial year has seen significant growth in net income and operating profit compared to the previous year. The Group's operating profit of £64.2 million compared to a loss of £106.3 million in 2020.

Oliver White
Chief Financial Officer

2021 overview

During the first half of 2021 we continued to provide loans through SME government-guarantee schemes in both the UK and US:

- The Coronavirus Business Interruption Loan Scheme ("CBILS") in the UK ended on 31 March 2021 with applications received by that date continuing to be processed until June 2021.
- The Paycheck Protection Program ("PPP") through the Small Business Administration ("SBA") in the US closed on 4 May 2021

Following the end of these schemes, in the UK we relaunched our core product alongside the Recovery Loan Scheme ("RLS"), a new 80% government-guaranteed scheme introduced following CBILS. RLS is expected to cease in June 2022 and we will transition to operating solely our core product by the end of H1. In the US we also relaunched our core product for SMEs following the completion of PPP.

As a result of these schemes running through 2021, originations for the year were weighted towards the first half of the year. Following the relaunch of core loans in both the UK and US, we saw continued growth quarter on quarter from June 2021.

Originations

	H1 £m	H2 £m	**2021 FY £m**	H1 £m	H2 £m	2020 FY £m
United Kingdom	1,381	591	**972**	662	1,449	2,111
United States	247	69	**316**	410	171	581
Developing Markets	7	1	**8**	40	10	50
	1,635	661	**2,296**	1,112	1,630	2,742

The loans under each of the government schemes have different characteristics, and therefore the income that Funding Circle earns on them is different.

- CBILS – for loans issued under this scheme, the British Business Bank ("BBB") provided an 80% guarantee to lenders, should the loan default, in exchange for a fee from the investors The BBB paid the origination fees on behalf of borrowers together with the interest due on the loans for the first year No principal repayments were required in the first year. Thereafter borrowers pay the interest and principal repayments. Investors continue to pay servicing fees. No principal repayments were required in the first year. Thereafter borrowers pay the interest and principal repayments. Investors continue to pay servicing fees

- RLS – for loans under this scheme, the BBB continued to provide a guarantee to lenders to ensure that there was sufficient availability from lenders to support small businesses, again in exchange for a fee from the lenders (which in Funding Circle's case, as with CBILS, was shared proportionately among Funding Circle and its applicable investors, with Funding Circle's share of both the loan amounts and fee being approximately 1% of the total). The loans then had characteristics similar to the core loan product with borrowers paying the origination fees, interest and repayments and investors paying the servicing fees.
- PPP – the loans issued under the PPP scheme have very different characteristics to those under CBILS or RLS. Under this scheme, Funding Circle earns an origination fee, paid by the SBA but there are no servicing fees associated with the loans. This is because borrowers are allowed to apply for the loans to be forgiven by the SBA if the funds are used to pay eligible expenses such as payroll costs of employees.

Loans under management were £4,457 million at 31 December 2021, up 6% on the prior year. This was driven by the strong origination performance in the UK during the year, especially in H1. The loans under management in the US declined in the year as previously originated loans continued to repay during the year and borrowers who had taken out PPP loans were applying for and getting forgiveness of those loans.

Loans under management

	31 December 2021 £m	31 December 2020 £m	Change
United Kingdom	**3,944**	3,271	21%
United States		759	(44%)
Developing Markets	**88**	184	(52%)
	4,457	4,214	6%

Financial review continued

Geographic highlights

Net income/(loss)	2021 United Kingdom £m	2021 United States £m	2021 Developing Markets £m	2021 Total £m	2020 United Kingdom £m	2020 United States £m	2020 Developing Markets £m	2020 Total £m
Fee income ("operating income")	**137.7**	**25.1**	**2.7**	**165.5**	123.9	25.7	6.1	155.7
Net investment income	**21.7**	**19.7**		**41.4**	29.0	37 3	–	66 3
Total income	**159.4**	**44.8**	**2.7**	**206.9**	152.9	63 0	6.1	222.0
Fair value gains/(losses)	**10.5**	**18.1**	**–**	**28.6**	(43.8)	(74.5)	–	(118 3)
Net income/(loss)	**169.9**	**62.9**	**2.7**	**235.5**	109.1	(11 5)	6.1	103.7

Segment profit	2021 United Kingdom £m	2021 United States £m	2021 Developing Markets £m	2021 Total £m	2020 United Kingdom £m	2020 United States £m	2020 Developing Markets £m	2020 Total £m
Adjusted EBITDA	**61.9**	**28.4**	**1.5**	**91.8**	6 5	(62.4)	(7.9)	(63.8)
Depreciation and amortisation	**(9.7)**	**(4.1)**	**(0.1)**	**(13.9)**	(9.4)	(6.5)	(1.3)	(17.2)
Share-based payments and social security costs	**(7.6)**	**(1.3)**	**–**	**(8.9)**	(5 0)	(1.2)	(0 4)	(6.6)
Foreign exchange losses	**(0.3)**	**(0.6)**	**–**	**(0.9)**	–	–	–	–
Exceptional items	**–**	**(3.9)**	**–**	**(3.9)**	–	(13.5)	(5.2)	(18.7)
Operating profit/(loss)	**44.3**	**18.5**	**1.4**	**64.2**	(7 9)	(83.6)	(14.8)	(106.3)
Operating AEBITDA[1]	**29.7**	**(9.4)**	**1.5**	**21.8**	21.4	(25.3)	(7.9)	(11 8)
Investment AEBITDA[1]	**32.2**	**37.8**	**–**	**70.0**	(14.9)	(37 1)	–	(52.0)

1 Investment AEBITDA is defined as investment income, investment expense and fair value adjustments, and operating AEBITDA represents AEBITDA excluding investment AEBITDA

United Kingdom

During the year, the UK originated £1,972 million (2020: £2,111 million), with loans under management growing by 21% to £3,944 million. Whilst transaction fees were 7% lower than 2020, in line with originations, the strong growth in loans under management drove higher servicing fees and resulted in operating income of £137.7 million (2020: £123 9 million).

Investment income was lower than in 2020, driven by the continuing paying down of loans in the investment vehicles and in November 2021 the UK sold the loans held within its warehouse vehicle, crystallising c.£32 million of cash after paying off the bank debt associated with the vehicle.

The SME loans that are held in the investment vehicles are carried on the balance sheet at fair value. With improved actual performance and prospects for small businesses, as the economy has opened up, compared to the expectations at 31 December 2020 when the country was still under a full lockdown, the fair value of the loans has improved materially resulting in a fair value gain of £10.5 million (2020: loss of £43.8 million) This helped drive net income to £169.9 million (2020: £109.1 million).

Marketing costs remained at similar levels to 2020 of c.29% of operating income, with other costs remaining consistent year on year. The UK generated adjusted EBITDA of £61.9 million (2020: £6.5 million) and an operating profit of £44.3 million (2020: loss of £7.9 million).

United States

The US had a strong first six months of trading in 2021 as it continued to originate PPP loans before reverting to its core product in June 2021 as PPP ended.

In July 2020, the US business was granted access to the use of the Federal Reserve's PPP liquidity facility ("PPPLF") although PPP was paused between September and December 2020 in the run up to the US elections, before relaunching in January 2021.

Using the PPPLF allowed for lending to be undertaken with funds coming directly from this facility. Prior to that date, all PPP lending was done through our marketplace (referral) model for which we earned reduced origination fees. Accordingly, whilst total origination in 2021 totalled £316 million compared to £581 million in 2020, operating income for the US business remained at consistent levels to 2020 at £25.1 million.

Consistent with the UK, the investment vehicles continued to amortise down and in June 2021, the US business sold loans held in the US warehouse for c.£38 million of net cash proceeds. Together these led to investment income reducing to £19.7 million (2020: £37.3 million).

The improved economic outlook in the US compared to the view as at 31 December 2020, together with the strength and resilience of our borrowers, led to material improvements in fair value with a fair value gain of £18.1 million (2020: loss of £74.5 million) and drove investment AEBITDA (being investment income and fair value gains/(losses)) to £37.8 million (2020: loss of £37.1 million). Operating profit was £18.5 million (2020 loss of £83 6 million).

In the prior year, the Group announced that it was restructuring the US operations, downsizing the premises in San Francisco and reducing the headcount across the business.

This, coupled with reduced investor incentives paid in the early stages of PPP, led to reduced costs of c.£13 million and an improvement in the operating AEBITDA loss, reducing to a loss of £9.4 million compared to a loss in 2020 of £25.3 million. The reduction in loss was also impacted by a stronger pound with the average $:£ exchange of $1 37:£1 in 2021 compared to $1.28:£1 in 2020.

Finance review

Overview

The financial year has seen significant growth in net income and operating profit compared to the previous year. The Group's operating profit of £64.2 million compared to a loss of £106 3 million in 2020.

The drivers for this are strong originations, record loans under management, cost actions and the quality of our underwriting coming through. The results also benefited from the improved economic outlook and the positive impact this has had on the value of the SME loans held on balance sheet and the corresponding fair value gains/(losses). The prior year included one-off exceptional items following the reorganisation of the US and Developing Markets businesses.

Profit and loss

	2021			2020		
	Before exceptional items £m	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m
Transaction fees	**115.0**	**–**	**115.0**	122.5	–	122.5
Servicing fees	**47.0**	**–**	**47.0**	30.2	–	30.2
Other income	**3.5**	**–**	**3.5**	3 0	–	3.0
Fee income ("operating income")	**165.5**	**–**	**165.5**	155.7	–	155.7
Investment income	**53.7**	**–**	**53.7**	89.0	–	89.0
Investment expense	**(12.3)**	**–**	**(12.3)**	(22.7)	–	(22.7)
Total income	**206.9**	**–**	**206.9**	222.0	–	222 0
Fair value gains/(losses)	**28.6**	**–**	**28.6**	(118.3)	–	(118.3)
Net income	**235.5**	**–**	**235.5**	103.7	–	103.7
People costs	**(77.7)**	**–**	**(77.7)**	(81.3)	(4.0)	(85.3)
Marketing costs	**(46.9)**	**–**	**(46.9)**	(46.8)	–	(46.8)
Depreciation, amortisation and impairment	**(13.9)**	**(3.9)**	**(17.8)**	(17.2)	(13.7)	(30.9)
Loan repurchase credit/(charge)	**0.1**	**–**	**0.1**	(6 2)	–	(6.2)
Other costs	**(29.0)**	**–**	**(29.0)**	(39.8)	(1.0)	(40.8)
Operating expenses	**(167.4)**	**(3.9)**	**(171.3)**	(191.3)	(18.7)	(210.0)
Operating profit/(loss)	**68.1**	**(3.9)**	**64.2**	(87.6)	(18.7)	(106.3)

Total income, which consists of operating income and investment income less investment expense, totalled £206.9 million (2020: £222.0 million). The reduction was principally due to the reduced net investment income.

Operating income, which includes transaction fees, service fees and other income, was £165.5 million (2020: £155.7 million).

- Transaction fees, being the fees Funding Circle earns on originations, were £115 0 million compared to £122.5 million in 2020. This small reduction reflects the seven months of CBILS originations in 2020 from May 2020 onwards compared to five months during 2021 up until May 2021.

  The yields on CBILS loans in the UK were set at 4 75% and yields on subsequent UK lending have been at similar levels.

  The yields on the US PPP loans were nearly 9% in 2021 driven by i) the use of the PPP liquidity facility to originate loans directly rather than referring them to our partners for a referral fee; and ii) following the extension of the programme, PPP loans in 2021 were generally lower value loans which attracted a higher yield Yields post-PPP in the US have normalised to c.4.50%.

Financial review continued

Finance review continued

Profit and loss continued

- **Servicing fees**, being the annual fees for servicing loans under management, increased to £47.0 million following the strong origination levels in the UK which increased loans under management. Servicing yields on CBILS loans were fixed at 1.25% although there are no servicing fees earned on PPP loans.
- **Other income** represents a fee premium we receive from certain institutional investors in respect of buying back defaulted loans under a historical loan purchase commitment together with collection fees where we are able to charge a fee to investors for recovering monies on defaulted loans. Other income remained consistent with 2020

Net investment income represents the investment income, less investment expense, on loans invested within Funding Circle's investment vehicles. No new loans were originated in the securitisation vehicles during the year and the net investment income earned has continued to reduce as loans paid down Additionally the reduction was accelerated following the monetisation of the warehouse vehicles through selling of the loans and the repayment of the associated bank debt.

Fair value gains/(losses) represent the gains or losses arising on the Group's investments in SME loans held on balance sheet that are carried at fair value The investments are valued using discounted cash flows that take into account projected cash flows from the underlying SME loans including principal and interest repayments, prepayment rates and expected levels of defaults and recoveries.

At 31 December 2020, the UK was still in lockdown with significant uncertainties for the prospects of SME businesses. Since then, there has been an overall improved view of the economic outlook and accordingly there has been a more favourable view on the expected default levels and recoveries with consequential improvements to the valuation of the loans held on balance sheet. As a result, fair value gains in the year were £28.6 million (2020: loss of £118 3 million)

Net income, defined as total income after fair value adjustments, was £235.5 million (2020: £103 7 million).

Operating expenses

Operating expenses have reduced overall by £38.7 million to £171 3 million Some of this reduction is caused by reduced exceptional costs. When these costs are excluded, operating expenses have dropped by £23 9 million. This reduction was largely a result of the annualisation of cost savings following the reorganisation of the US and Developing Markets businesses in 2020.

People costs (including contractors) remain the Group's largest cost. Before capitalised development spend is taken into account, the total wage bill (including contractors) was £85.9 million (2020. £94.7 million) This reduction was a result of savings from the reduced headcount following the reorganisation of the US and Developing Markets during 2020. This was a further reduction from 2019 when people costs totalled £104 6 million People costs includes share-based payments of £8.9 million (2020. £5.6 million).

	2021 £m	2020 £m	Change %
People costs	**85.9**	94.7	(9%)
Less capitalised development spend ("CDS")	**(8.2)**	(9.4)	(13%)
People costs net of CDS	**77.7**	85 3	(9%)
Average headcount (incl contractors)	**929**	1,002	(7%)
Year-end headcount (incl. contractors)	**979**	863	13%

Marketing costs, which consist of online and direct mail, TV and brand campaigns and broker commissions, remained flat year-on-year with overall marketing spend just under 30% of operating income.

Depreciation, amortisation and impairment costs were £17.8 million (2020: £30 9 million). This includes impairments of the right-of-use property-related assets in the US and Developing Markets following the reorganisations. Once these are excluded, the charge was £13.9 million (2020: £17.2 million), the reduction being caused by the downsizing of the San Francisco office

Loan repurchase charges relate to the Developing Markets, where Funding Circle entered into arrangements to buy back certain defaulted loans from certain financial institutions under a loan purchase commitment. In return, the business received a fee premium (reflected in other income)

Under IFRS 9 this commitment is accounted for under the expected credit loss model. Following the impact of Covid-19 in 2020, the loan repurchase charge in the prior year was £6 2 million reflecting the increased likelihood that there would be further defaulted loans to buy back No further charge was required in 2021.

Other costs, which include cost of sales, data and technology costs and property costs, reduced from £40.8 million to £29.0 million, largely due to additional cost of sales and investor incentives that were required in 2020 in the early stages of the PPP programme but were not required in 2021.

Balance sheet and investments

Following the strong trading performance during the year, coupled with improvements in the economic outlook for SMEs compared to those expected at 31 December 2020, the net asset of the Group have increased from £217.6 million to £288.0 million.

With the monetisation of the warehouses in the UK and US during the year, the Group now holds £224.0 million of cash, of which £24.6 million is restricted in use, principally as it is held within the securitisation SPVs. Additionally the Group has £70 million of net equity in the remaining investment vehicles. The following table sets out the split of the Group's net equity:

	31 December 2021						31 December 2020
	Operating business £m	Investment in trusts and co-investments £m	Securitisation SPVs £m	PPP loans £m	Other investments £m	Total £m	Total £m
Investment in SME loans	**5.8**	**39.1**	**148.1**	**71.6**	**9.2**	**273.8**	558.8
Cash	**208.3**	–	**14.4**	**1.3**	–	**224.0**	103.3
Other assets/(liabilities)	–	–	**(0.8)**	**0.3**	–	**(0.5)**	11.1
Borrowings/bonds	–	–	**(140.3)**	**(73.2)**	–	**(213.5)**	(489.8)
Cash and investments	**214.1**	**39.1**	**21.4**	–	**9.2**	**283.8**	183.4
Other assets	**67.9**	–	–	–	–	**67.9**	109.0
Other liabilities	**(63.7)**	–	–	–	–	**(63.7)**	(74.8)
Equity	**218.3**	**39.1**	**21.4**	–	**9.2**	**288.0**	217.6

Our investment in the securitisation SPVs is split between two types:

i) The vertical tranches where we are required by regulation to retain a 5% equal participation in all classes of bonds issued. These have continued to pay down and are now valued at £6 million (2020: £12 million)

ii) The horizontal tranches – once loans are securitised, we held the residual horizontal tranches with the intention to sell once seasoned. These tranches have the potential to earn the greatest returns, but they also absorb losses first. As the loans are valued at fair value using discounted cash flow forecasts, improved economic assumptions have increased the value of the horizontals and they are now valued at £16 million (2020: £4 million).

As part of our participation in the CBILS and RLS programmes we are required to co-invest c.1% alongside institutional investors. As the underlying SME loans are 80% guaranteed our exposure is limited. The growth in these investments has been driven by the strong originations during the year

Financial review continued

Finance review continued

Cash flow

The Group had strong cash generation during 2021 with the cash position at 31 December 2021 at £224.0 million (2020: £103.3 million), with unrestricted cash of £199 4 million (2020: £59.1 million) This was driven by strong operational performance and cash generation from the investment vehicles, as well as monetisation of both the UK and US warehouses.

Free cash flow represents the net cash flows from operating activities less the cost of purchasing intangible assets, property, plant and equipment, lease payments and interest received It excludes the warehouse and securitisation financing and funding cash flows.

Free cash flow has principally improved due to cash flows from operating and investment income with costs down year-on-year, together with the working capital benefit of receiving net £27 million of fees due at 31 December 2020 which were subsequently received in February 2021.

In addition to the paydown of investments in both the warehouses and securitisation vehicles and the subsequent sale of the loans in the UK and US warehouses, the Group's investment in associates has also reduced as capital has been paid back to investors, including Funding Circle.

As with the previous year, the Group continued to co-invest in the CBILS loans and subsequently the RLS loans at c.1%.

	2021 £m	2020 £m
Adjusted EBITDA	**91.8**	(63.8)
Fair value adjustments	**(28.6)**	118.3
Purchase of tangible and intangible assets	**(9.4)**	(10.3)
Net payment of lease liabilities	**(7.9)**	(7 8)
Working capital/other	**36.9**	(21.0)
Fee cash flow	**82.8**	15 4
Net investment in associates	**3.9**	2.3
Net investment in trusts and co-investments	**(18.8)**	(20.9)
Net investment in warehouses	**63.8**	(234.0)
Net investment in securitisations	**(10.4)**	176.1
Other	**(1.5)**	0 2
Effect of foreign exchange	**0.9**	(0 3)
Movement in the year	**120.7**	(61.2)
Cash and cash equivalents at the beginning of the year	**103.3**	164.5
Cash and cash equivalents at the end of the year	**224.0**	103 3

Subsequent events

Changes to retail lending:

In March 2022, the business confirmed to customers the permanent closure of the retail platform for new investments Retail lending represents only c.5% of Funding Circle's total loans under management and has been closed since March 2020.

Retail investors in the UK will continue to receive repayments of interest and principal every month and can withdraw these funds at any time Since launch in 2010, retail investors have earned average net returns (after fees and bad debts) of c 5% annually lending to businesses on the platform

Our customers know there's no reward without risk

Jerome Le Luel
Global Chief Risk Officer

In 2021, we have continued to navigate an uncertain macroeconomic environment caused by the Covid-19 crisis Our small business customers experienced several waves of public restrictions affecting their business operations and modifying the behaviour of their clients. Government programmes supporting small businesses – like government-backed loans or subsidised furlough – also evolved rapidly, with various effects on small businesses' cash flow and confidence in their long-term prospects In this difficult context, one could have feared a surge in business bankruptcies and adverse financial performance for lenders.

Funding Circle actually experienced a strong credit recovery in 2021. The vast majority of customers who requested payment plans in 2020 at the start of the Covid-19 crisis resumed repayments and gradually cured arrears of their loans. Despite further lockdowns and trading challenges, we have also not seen any new spike in loan delinquencies throughout 2021.

During 2021, up to 98% of our borrowers in the United Kingdom and 93% of our borrowers in the United States were repaying their Funding Circle loan on time Our latest financial estimates suggest that our investors will earn a positive net return on every cohort of loans we historically originated, despite the impact of the Covid-19 crisis. Beyond the remarkable resilience of small business entrepreneurs, this success reflects the credit quality of the loan portfolio we originated before the crisis, as well as the trusted relationship we have built with our customers and the effectiveness of our collections activities.

In addition, we are pleased to see that Funding Circle credit capabilities have proven to be highly adaptable to the changes in the credit environment and to the evolution of the government-backed lending programmes, with multiple adjustments in product features and credit parameters implemented within days, enabling us to support small businesses continuously through this crisis. The portfolio of government-backed loans originated since 2020 shows very low levels of fraud incidence and credit risk performance well within expectations. As we restarted core lending outside government-guarantees in 2021, we have also originated loans that are proving to perform well so far. This demonstrates that our risk models and fraud defences continue to perform and adapt through a crisis and that our change management and testing capabilities are effective.

The credit environment is likely to remain uncertain and volatile in 2022, with gradual improvements as the pandemic is being contained, and we will maintain a very focused and prudent approach to credit risk management in this context. Given our positive experience in 2021, we are confident that our products and processes are resilient and adapted to continuously supporting small businesses through 2022 and helping the economy recover

Beside the intense activities involved in managing credit risk, we have also been able in 2021 to make further progress with the strengthening of our broader risk management and control environment, notably:

- we implemented a new technology platform for loan originations that improves the borrower experience whilst enabling further automation of lending decisions and key controls;
- enhanced quality controls were also implemented in our loan issuance department to ensure full compliance with government-backed lending programmes, translating into 100% of guarantee claims being accepted so far;
- we continued to strengthen our defences against cyberattacks and ransomware;
- we remained vigilant on client money controls and reporting;
- we continued to monitor and strengthen financial crime controls and ensured compliance with anti-money laundering and sanctions regulation; and
- we have continued to implement our ESG strategy, identifying, evaluating and monitoring ESG risk within our Enterprise Risk Management Framework.

Risk management continued

As we head into 2022, there are significant headwinds and uncertainty in the macroeconomic environment that may be further exacerbated by the Ukraine crisis. Funding Circle does not have any direct exposure to Russia or Ukraine, but the crisis may have indirect implications for the UK and US economies. We remain vigilant in monitoring the macroeconomic environment and will adjust our business and risk strategy as required.

Overall, we are proud of the good work accomplished in 2021 across the organisation to keep our employees, borrowers and investors safe and contribute to supporting society and the economy towards recovery. The future is still uncertain, but we are confident we can successfully navigate some level of uncertainty with focus and determination.

Risk management overview

Risk management sits at the heart of our business. We recognise that effective management of all key risks is critical to meet our strategic objectives and to achieve sustainable long-term growth. These key risks need to be identified, understood and appropriately addressed to protect our Company, shareholders, customers, fellow Circlers, community and the environment.

At Funding Circle all employees, regardless of their position, play their part in managing risk within the business. A strong risk culture enables us to manage the risks inherent in our business activities seamlessly, every day, through the active participation of all. Our Enterprise Risk Management Framework ("ERMF") defines a common approach to risk management, with clear roles and responsibilities, and provides the foundations for a strong control environment.

Our approach to risk management consists of:

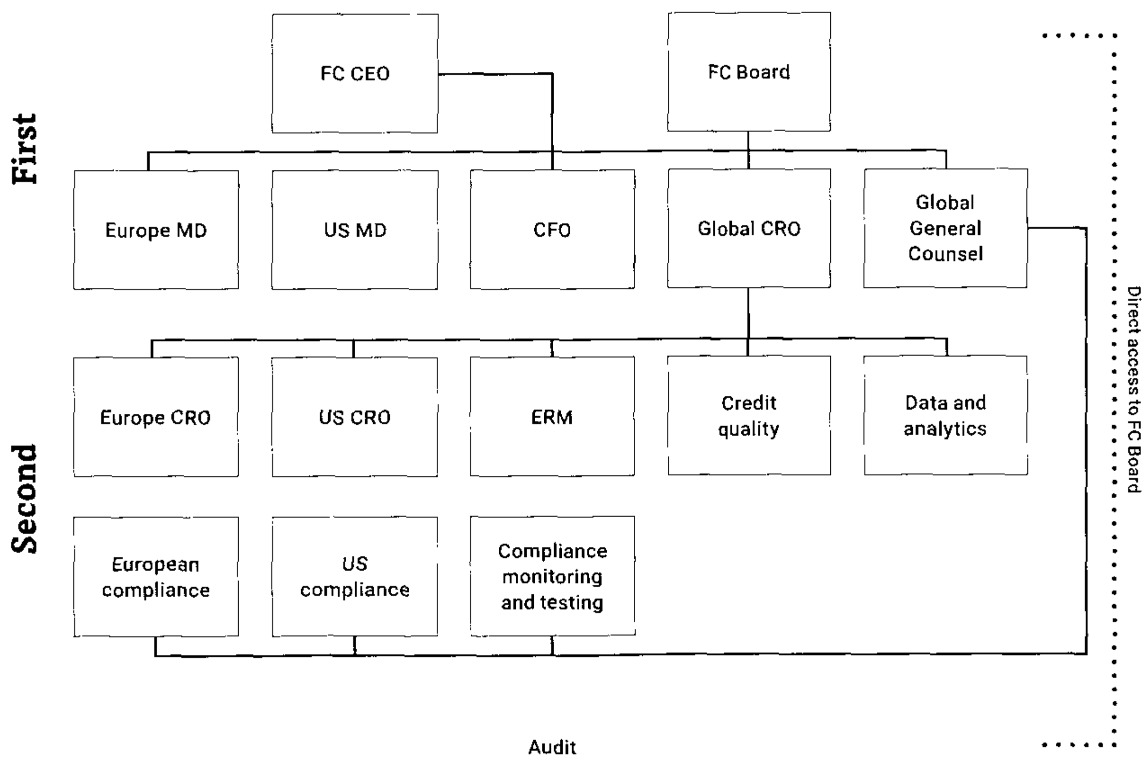
- putting our culture at the heart of everything we do;
- investing in robust risk capabilities, including advanced data and risk analytics; and
- doing the right thing for our customers, shareholders and employees.

As part of the second line of defence, the Risk team oversees risk management across the Company, in conjunction with the Legal and Compliance teams. We also support our first line of defence colleagues in their risk management activities – for example by providing training and expert support for centralised risk information management or complex credit analysis.

Risk culture

At Funding Circle, we believe that an open and strong risk culture encourages ethical behaviour and professional conduct. We promote our risk culture as

Three lines of defence



part of our ongoing effort to reinforce our Company values and have a global programme of "Doing the Right Thing" every day for our customers, employees, environment, community and other stakeholders.

Board role

The Board is responsible for setting the strategy, corporate objectives and risk appetite. The Board has delegated responsibility for reviewing the effectiveness of the risk management framework to the Board Risk and Compliance Committee ("RCC"). On the advice of the RCC, the Board approves the level of risk acceptable under each principal risk category, whilst providing oversight to ensure there is an adequate framework in place for reporting and managing those risks.

Chief Risk Officer and the Risk function

Our Global Chief Risk Officer ("CRO") leads the Risk function, which is independent from the business and has a direct reporting line to the Board. He is responsible for developing, maintaining and implementing the ERMF. He is also responsible for providing assurance to the Board that the principal risks are appropriately managed and that Funding Circle is operating within risk appetite.

Risk management policies

We have formalised and implemented risk management policies defining mandatory requirements to mitigate the principal risks that we face, with clear risk limits and requirements to monitor risks and adherence to limits. The Risk and Compliance teams regularly review these policies and controls to verify compliance and to adapt to changes in the business environment.

Risk appetite

Our risk appetite is defined as the level of risk that we, as a company, are prepared to accept whilst pursuing our core business strategy, recognising a range of possible outcomes as business plans are implemented. The Board sets the risk appetite and reviews the Company risk profile against risk appetite. Risk appetite provides a guideline for shaping business strategies and defining the level of controls needed. It also provides a basis for ongoing dialogue between management and the Board with respect to Funding Circle's current and evolving risk profile, allowing strategic and financial decisions to be made on an informed basis.

Risk governance

Funding Circle has a risk governance framework that is documented in the ERMF. Responsibility for defining and approving the ERMF lies with the Board. The risk governance framework includes delegations of authority from the Group Board, the UK Board and Principal Risk Committees as appropriate.

We operate a Three Lines of Defence model across all markets in which we operate. Funding Circle's Three Lines of Defence model and risk governance structure have been designed to manage our principal risks in a consistent manner across the Group, as set out below.

Risk governance structure

Board Committees

Funding Circle Holdings Board

Funding Circle Holdings Board Audit Committee

Funding Circle Holdings Board Environmental, Social and Governance Committee

Funding Circle Ltd Board Risk and Compliance Committee

Group Committees

Executive Risk Committee

Balance Sheet Management Committee

Disclosure Committee

Business Unit Committees

Regulatory, Reputation and Conduct Risk Committee

Credit Risk Committee

Operational Risk Committee

Technology Security and Risk Sub-Committee

Risk culture continued

Risk governance continued

The Board Risk and Compliance Committee ("RCC") is supported by the Executive Risk Committee ("ERC"), comprising the members of the Global Leadership Team. The ERC has sub-committees focused on each principal risk, as set out below.

Executive Risk Committee

The ERC reviews all principal risks across the Group. Strategic risks and environment, social and governance risks are managed by the leadership team of each Business Unit and reviewed at the ERC

Balance Sheet Management Committee

The Balance Sheet Management Committee is responsible for oversight of funding risk and Group balance sheet risk.

Credit Risk Management Committee

The Credit Risk Management Committee's focus is on ensuring that the credit risk of each Business Unit's loan portfolio is adequately managed.

Regulatory, Reputation and Conduct Risk Committee

The Regulatory, Reputation and Conduct Risk Committee focuses on the management of regulatory, reputation and conduct risks, and oversees new product approvals.

Operational Risk Committee

The Operational Risk Committee's focus is to ensure that operational controls are effective and that operational and financial crime risks are adequately managed in each Business Unit

Disclosure Committee

The Board has delegated to the Disclosure Committee responsibility for overseeing the disclosure of information by Funding Circle to meet its obligations under the Financial Conduct Authority ("FCA") Market Abuse Regulations, Listing Rules and Disclosure and Transparency Rules.

Risk assessment framework

A standard risk assessment framework is used to evaluate risks at both the Business Unit and Group levels, enabling consistent measurement. Risk assessments are carried out by those individuals, teams and departments that are *best placed to identify and assess potential risks. They are supported in this process* by our Risk and Compliance teams

We typically follow the evaluate/respond/monitor methodology

1

Enterprise risk management

3 **2**

1. Evaluate

- Identify key risks
- Set risk appetite
- Assess adequacy of existing controls
- Estimate residual risk

2. Respond

- Design control improvement plans
- Prioritise remediation work and *assign responsibilities*

3. Monitor

- *Track business performance vs* risk appetite
- Report, analyse and escalate risk incidents
- Identify new or emerging risks
- Track delivery of agreed control improvements

Evaluate

As part of its responsibilities under the ERMF the Board has formally *recognised a series of risks that are* continuously present at Funding Circle and can materially affect the *achievement of Funding Circle's* objectives. These risks have been organised under a consistent and simple taxonomy with a hierarchy of risk categories, which facilitates risk management and oversight. The management of these risks is assigned to designated business owners who formally assess on a regular basis the level of these risks, the adequacy of controls and the need for further mitigations.

Respond

The appropriate risk response ensures *that risks are within appetite. At Funding* Circle we have four types of possible risk responses:

- accept the risk;
- take mitigation actions (such as additional risk controls) to reduce the risk,
- stop the existing activity/do not start the proposed activity to remove the risk; or
- *continue the activity and transfer the* risk to another party (e.g. insurance)

Monitor

Monitoring and reporting on Funding Circle's risk exposures are undertaken through risk governance structures The RCC receives a consolidated risk report no less than three times a year detailing the risks facing the Group and mitigation plans, as well as risk outlook. The RCC is also provided with metrics and regular reports about the activities of the Risk and Compliance functions.

Risk assurance

Assurance on the management of risk is provided by the Three Lines of Defence model including the Internal Audit function. We also execute external annual controls assurance reports (e.g United Kingdom ISAE 3402) certified by auditors in various geographies in which we operate.

The Board confirms that throughout 2021 a robust assessment of the principal risks facing Funding Circle was completed. A comprehensive list of Group-wide risks and emerging risks was reviewed and monitored throughout the year. The most significant risks and uncertainties faced by Funding Circle are listed in the table below, categorised by principal risk:

Strategic risk

Strategic risk is defined as the failure to build a sustainable, diversified and profitable business that can successfully adapt to environment changes due to the inefficient use of Funding Circle's available resources.

Risk appetite Funding Circle will make efficient use of its available resources to build a sustainable, diversified and profitable business that can successfully adapt to environment changes including in connection with environmental, social and governance ("ESG") issues. In respect to climate change, Funding Circle is committed to managing the transition and physical risks faced today and under future scenarios and managing the risks associated with the strategic commitment to align to net zero.

Key risks	Management of risk	Change in risk in year
Strategic risk		
The risk that Funding Circle does not achieve its key business objectives and maintain its competitive advantage and business operations.	The Global Leadership Team ("GLT") manages the strategic planning process based on risk appetite, financial considerations, strategic themes and economic assumptions. At Funding Circle, we manage strategic risk by: ▶ performing an in-depth business strategy review at least once a year; ▶ reviewing financials, strategic plans for new products/initiatives, and other management information; ▶ reviewing the strategic risk implications of new products, business expansion, entry into new markets and other Company initiatives; and ▶ in addition, the Board provides oversight of strategic risk and approves business strategic plans at least annually.	↗ Strategic risk remains high with Covid-19 and there is a higher level of SME market uncertainty that may lead to fluctuations in borrower and investor demand. Additionally, there are potential changes in borrower behaviour and preferences in the wake of the government guarantee schemes and the broader adoption of online lending. There is also a level of uncertainty in the interest rate environment and from inflation, which may affect investor return expectations and the pricing of Funding Circle loans Funding Circle has also launched new products such as FlexiPay for which performance and demand may be uncertain until they reach scale. Funding Circle is monitoring these trends carefully and is continuously adjusting product offerings to fit market conditions and meet evolving demand.

Principal risks and uncertainties continued

Strategic risk continued

Key risks	Management of risk	Change in risk in year
Economic environment		
Financial risk that is associated with macroeconomic or political factors that may affect Funding Circle's financial and/or credit performance.	We continually monitor the health of our loan portfolios and perform stress test simulations to help ensure that investor returns remain resilient in the context of risk volatility. Key mitigating actions include (but are not limited to): ▶ annual stress testing of loan portfolios in each market; ▶ resilient credit strategy and continuous tuning of risk and pricing parameters to correct for possible deviations in returns; ▶ independent validation and continuous monitoring of the performance of credit risk models, ▶ monthly monitoring of internal and external signals as part of the Credit Risk Management Committee meetings, ▶ agile capability to rapidly deploy pricing and credit strategy adjustments deemed necessary, ▶ experienced in-house collections and recoveries capabilities with built-in scalability; and ▶ with regard to government-backed programmes, controls and audits of scheme guarantee eligibility criteria.	→ Although the Covid-19 impact on credit losses has been moderate so far, the crisis continues to be a high risk to the overall economy with new variants causing further disruptions. The UK and US economies seem to be recovering with high GDP growth and unemployment rates are at pre-Covid levels, but new risks have emerged, with higher inflation and supply chain disruptions causing concerns. In this context, we are continuously adjusting our credit strategies and using government guarantees when available to minimise downside risks, whilst gradually restarting standard unsecured lending. Overall, we are satisfied with the credit performance experienced so far on loans originated through the Covid-19 crisis. The current inflationary environment may also lead to an increase in the risk-free rate. Funding Circle will continue to engage with our institutional investors, to ensure that pricing and returns of loan originations remain aligned with investors' expectations.
Environmental, social and governance risk		
Environmental, social and/or governance characteristics could cause an actual or potential material negative impact on Funding Circle's financial performance or reputation.	▶ Our approach to managing ESG is outlined in our ESG framework as approved by the Board ▶ The Board has established an ESG Committee with direct responsibility for setting the strategic direction on how we manage ESG, and Diversity, Equity and Inclusion at Funding Circle. ▶ ESG risks are identified, evaluated and monitored in accordance with the ERMF ▶ We are monitoring the FC loan portfolio to assess potential ESG risks. **Climate Change Risk** Funding Circle is committed to addressing the impact of climate change. Climate change risk has been formally recognised as part of our enterprise risk management framework and is assessed as part of our risk assessment programme. As a first step, the Board has reviewed and approved a formal carbon strategy. Our strategy sets ambitious but achievable goals to align our business to The Paris Agreement goals to target carbon reduction and offsetting strategies for our full value chain in line with the science based target level of decarbonisation required to limit global warming to 1.5°C, and striving for net-zero emissions by 2030 – at the latest	→ We are integrating ESG risks as part of our ERMF and continue to mature our ESG framework. We continue to assess our ESG risks and opportunities.

Funding and balance sheet risk

Funding and balance sheet risk is defined as the risks associated with platform funding (matching borrower demand and investor cash supply), capital commitments and corporate liquidity through normal and stress scenarios.

Risk appetite Funding Circle will make efficient use of its balance sheet and optimise and diversify funding and liquidity sources to enable a balanced funding strategy whilst limiting downside risk

Key risks	Management of risk	Change in risk in year
Funding risk		
The risk that demand from borrowers for loans cannot be met when and where they fall due or can only be met at an uneconomic price. This risk varies with the economic attractiveness of Funding Circle loans as an investment, the level of diversification of funding sources and the level of resilience of these funding sources through economic cycles.	Funding Circle's business model is to be a lending platform that efficiently matches the supply of capital to the demand of SME borrowers. We carefully manage this matching by: ▶ building long-term relationships with investors and developing a forward-looking pipeline of new investors; ▶ actively managing concentration risk and diversifying sources of funding; ▶ managing Funding Circle's lending activities whether through direct lending capacity, securitisation capacity or investment fund lending vehicles; ▶ monitoring a broad range of management information and key performance indicators at the Balance Sheet Management Committee, RCC and Board level; and ▶ leveraging a seasoned team for Capital Markets sales and transactions structuring.	↘ Despite the Covid-19 crisis, we experienced good demand from institutional investors to fund new loans. This demonstrates the trust our funding partners place in the soundness of our risk management, and the experience they had with previous investments that delivered positive returns despite the Covid-19 crisis. During this crisis, we also onboarded a range of new investor relationships from banks through to asset managers – and our future funding needs are well covered with long-term funding commitments As CBILS and RLS lending is not available to retail investors, new loans are 100% funded by institutional investors.
Balance sheet risk		
The risk that Funding Circle investment positions reduce in value or cannot be exited at an economically viable price. **The risk that Funding Circle liabilities cannot be met when and where they fall due or can only be met at an uneconomic price.**	We carefully manage this risk by: ▶ setting clear guardrails for Funding Circle balance sheet exposures and following a set of agreed investment principles to guide capital allocation; ▶ maintaining a prudent level of liquidity to cover unexpected outflows to ensure that we are able to meet financial commitments for an extended period, including under stress scenarios; ▶ considering a broad range of management information and key performance indicators at the Balance Sheet Management Committee and RCC level; and ▶ leveraging a dedicated and experienced Balance Sheet Management team.	↘ Our overall approach to having a robust balance sheet and prudent management of liquidity remains unchanged Some investment positions held by Funding Circle in 2020 were exited in 2021 at an economically viable price, reducing our balance sheet risk exposure and augmenting our disposable cash resources. More cash was generated through operating performance in the year We have sufficient disposable cash to cover our liquidity needs, including when tested against stressed liquidity scenarios.

Principal risks and uncertainties continued

Credit risk

Credit risk is the risk of financial loss to an investor should any borrower fail to fulfil their contractual repayment obligations. Credit risk management is the sum of activities necessary to deliver a risk profile at portfolio level in line with Funding Circle *management's expectations, in terms of net loss rate, risk-adjusted rate of return and its volatility through economic cycles.*

Risk appetite Whether or not Funding Circle owns any credit risk, credit risk of loans will be managed with the utmost care and attention to deliver credit performance and returns in line with expectations

Key risks	Management of risk	Change in risk in year
Credit risk		
Credit performance and returns of new loans can deviate from expectations due to several factors: changes in credit quality of incoming applications, calibration of risk models or strategy parameters, and control gaps in processing loan applications. **Credit performance and returns of existing portfolio can deviate from expectations due to several factors: deterioration of credit environment, increased competition driving higher prepayment rates, effectiveness of portfolio monitoring, collections and recoveries.**	Funding Circle's aim is for well balanced loan portfolios that generate positive returns for investors through the economic cycle. *We are actively managing credit risk by:* ▶ formulating credit risk policies (covering credit assessment and risk grading, portfolio monitoring and reporting, collections and recoveries) and ensuring adherence to these policies; ▶ recruiting, training and managing expert risk professionals with the adequate skills, objectives and capacity; ▶ establishing the formal mandates and authorisation structure for setting risk parameters and approving loans; ▶ performing independent quality control of credit decisions, ▶ limiting concentration risk to counterparties and industries; ▶ actively monitoring the performance of the loan portfolios and the market trends that could affect performance, ▶ implementing adequate procedures and controls for model risk (including the independent validation and monitoring of credit scoring models); ▶ performing annual stress tests with high-quality standards; and ▶ with regards to government programmes, tightly controlling adherence to eligibility criteria.	↘ We have observed a significant improvement in the performance of our loan portfolio following the initial delinquency spike in Q2 2020. Investor returns on our historical loan portfolios trended better in 2021 than originally estimated in 2020 Also, early risk read on loans originated during the pandemic shows performance well in line with expectations A lot of focus was placed on ensuring compliance with government-guarantee loan scheme rules, which so far has led to high pay-out ratios of claims filed in the UK and the US. Funding Circle is entering 2022 in a strong position from a credit risk standpoint, with proven risk tools and resilient portfolios. We also benefit from enhanced in-house collections capabilities. ▶ adequately staffed and well trained Collections and Recoveries department; ▶ forbearance tools and policies fully integrated in the customer life cycle management, and ▶ robust controls and customer-oriented culture (vulnerable people process, treating customers fairly, complaints management and other customer-centric programme improvements).

Regulatory, reputation and conduct risk

Regulatory, reputation and conduct risk is defined as engaging in activities that detract from Funding Circle's goal of being a trusted and reputable company with products, services and processes designed for customer success and delivered in a way that will not cause customer detriment or regulatory censure.

Risk appetite Funding Circle will not engage in activities that detract from its goal of being a trusted and reputable financial services company with products, services and processes designed for customer success and delivered in a way that will not cause customer detriment or regulatory censure.

Key risks	Management of risk	Change in risk in year
Regulatory risk		
The risk that Funding Circle's ability to effectively manage its regulatory relationships is compromised or diminished, that the Group's governance and controls framework is not satisfactory given business growth, or that there is business interruption by reason of non-compliance with regulation or the introduction of business-impacting regulation.	▶ We remain vigilant to proposed changes affecting our business and we engage with policy makers where relevant. We have continued to invest time and resources in external relations, including educating policy makers, regulators and other influencers on the features, benefits and impact of platform lending. ▶ We continue to implement and maintain business practices and controls focused on regulatory risk, including controls designed to comply with the Senior Managers and Certification Regime. ▶ We have expanded our teams, focusing on governance and controls, and continue to train all employees in such matters as are relevant to their role ▶ We have increased our focus on ESG-related risks, including TCFD regulatory disclosure; we have hired an ESG Project Manager and are working with a service provider to assist with emissions foot printing, verification and disclosure.	→ There is continued regulatory attention regarding the viability of firms and the possible consumer harm in the event of firm failure. Prolonged pause of retail investor product and resulting level of client money held continue to be of interest to regulators. Platform investment continues to be perceived as high risk. Forbearance options implemented have proven to support borrower recovery. Proactive engagement with the regulators continues. ESG-related risk is an area of expected increased regulation, for example in the form of mandatory disclosures (including on net zero transition plans reporting by companies). Proactive monitoring continues as this area evolves.
Reputation risk		
Operational or performance failures could lead to negative publicity that could adversely affect our brand, business, results, operations, financial condition or prospects.	We continue to implement and maintain business practices and controls focused on reputation management, including ▶ ensuring RCC consideration of new or iterated products and initiatives; ▶ engaging fully with regulators in relation to any such new or iterated products and initiatives that might impact on customer outcomes; ▶ undertaking specific projects to address identified risk topics and issues, and ▶ updating and refining our approach to issue and risk identification and management.	→ Forbearance measures implemented in 2020 continue to operate in 2021, and have proven to support borrower recovery. Quality assurance testing and training have also been refined in our Collections and Recoveries department, enabling further improvements.
Conduct risk/treating customers fairly		
Funding Circle's activities (or the failure to satisfactorily perform its activities) could impact the delivery of fair customer outcomes.	▶ We have improved the way in which loan performance is reported and additional oversight and controls have been implemented. ▶ Conduct rules training has been developed and rolled out across the UK business. ▶ Capacity of Compliance Monitoring and Testing and Internal Audit functions have been further improved ▶ A dedicated Complaints Handling Team has been embedded and a Business Support function has been created.	→ Complying with applicable laws and regulations and ensuring positive customer outcomes continue to be fundamental priorities for Funding Circle. Despite the challenges of oversight and monitoring of employees and controls in a remote/hybrid environment, we do not consider this risk to have increased

Principal risks and uncertainties continued

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Risk appetite Funding Circle will operate well managed processes with reliable performance and effective controls preventing significant and non-anticipated operational risk losses

Key risks	Management of risk	Change in risk in year
Process risk		
Failure to originate and service loans in line with Funding Circle internal policies, investor guidelines and third party loan guarantees (e.g. the British Business Bank and Small Business Administration) may result in Funding Circle repurchasing loans from investors. ***The risk of operational incident could impact the ability to originate new loans or the ability to service loans through collections from borrowers and return of money to investors.***	We actively manage process risk by: ▶ continuing to automate key controls; ▶ performing robust first line quality assurance and secondary checks on manual processes; ▶ monitoring and testing of key controls; ▶ reviewing key risk indicators as part of the Business Unit Operational Risk Committee; ▶ reporting, reviewing and resolving operational errors; ▶ performing independent quality control checks and ensuring highlighted issues are resolved; ▶ implementing adequate policies and procedures; ▶ providing training and education on risk culture and risk management; and ▶ performing supplier due diligence and undertaking ongoing performance monitoring of key suppliers.	→ Funding Circle implemented a new technology platform for loan originations and launched a new product (FlexiPay) in 2021. The new global platform for loan originations has improved the borrower experience and lending process and automated certain key controls. However, there is potential operational risk associated with the platform migration and the introduction of new processes as we continue to evolve our loan processing. We also onboarded new suppliers and outsourced selective functions which increases Funding Circle's supplier dependency. We have a supplier risk management framework in place that ensures adequacy of suppliers and continuous performance monitoring. We have robust controls as well as independent quality checks to ensure that all loans originated (unsecured and government schemes) are compliant with loan eligibility requirements. PwC tested internal controls over the loan servicing processes of Funding Circle Ltd ("FCL") for the year ended 30 September 2021. This is part of the annual International Standard on Assurance Engagements (ISAE) 3402 Controls Report which is shared with institutional investors. The report was unqualified with only two exceptions reported as a result of FCL's well established control environment over those services.

Operational risk continued

Key risks	Management of risk	Change in risk in year
Information security		
Failure to protect the confidential information of Funding Circle's borrowers, investors and IT systems may lead to financial loss, reputational damage and regulatory censure.	▶ Our Director of Information Security is responsible for managing information security by: identifying threats and protecting Funding Circle client information and assets; detecting security threats before they disrupt operations; responding to alerts; and ensuring we have the ability to recover from incidents. ▶ Information security is a priority for Funding Circle as a technology-driven Company. As such we maintain in-depth defence with a multi-layered control infrastructure ▶ Information security has a direct line of sight to the Board via the Technology Security and Risk *Sub-Committee, Operational Risk Committee and* Executive Risk Committee which feed into the Board Risk and Compliance Committee	→ Information security risk remains high as we transition back to hybrid office/home working. We continue to remain vigilant to changes in the threat landscape. We have implemented robust tooling and processes as part of our vulnerability management programme and have conducted a ransomware table top exercise to assess our cyberattack readiness, with identified findings being tracked and remediated. We are embarking on a wider information security improvement programme to further enhance our control environment for further risk reduction. We continue to build preventative, detective and procedural controls through technology, people and process improvements across our estate.
Technology risk		
Failure of the technology platform could have a material adverse impact on Funding Circle's business, results of operations, financial condition or prospects.	▶ We have robust risk governance structures in place with direct oversight for technology risk to ensure that they are within risk appetite – Board Risk and Compliance Committee, Executive Risk Committee, Operational Risk Committee and Technology Security and Risk Sub-Committee ▶ We invest significantly in the Group's technology infrastructure to ensure that the platform is resilient and scalable to support business growth.	→ Technology risks did not materially increase as a result of moving to a remote workforce, since the capability to do so was already largely in place before the pandemic. There is, however, increased reliance on technology with remote working arrangements. We continued to progress our automation roadmap during 2021, and at the same time adapted systems to enable Funding Circle participation in government-backed lending schemes and the introduction of new products. To meet these needs, we made extra investments in the reliability and maintainability of our technology platform.

Operational risk continued

Key risks	*Management of risk*	*Change in risk in year*
Data risk		
Failure in our ability to acquire, use secure and transform our data assets could result in adverse material impacts across Funding Circle.	▶ Our data risk management framework is aligned to the Funding Circle ERMF. ▶ We developed and implemented a data risk management policy and data governance structure. ▶ Data risks are escalated to the Business Unit Operational Risk Committee	↗ Data risk remains a key risk for Funding Circle and remains high. In 2022, we will continue to invest in technology to systematically measure the quality of our critical data assets. We continue to mature and embed our data governance framework and organisational structure to manage all data risks
Financial crime		
Risk of regulatory breach, financial loss or reputational damage arising from a failure to adequately manage or prevent money laundering, terrorist financing, bribery and corruption, or to comply with sanctions regulations.	▶ Complying with the laws and regulations designed to counter money laundering, terrorist financing, corruption and bribery is fundamental to Funding Circle's operations ▶ The Board has adopted policies to address financial crimes that have been implemented by Business Units through formal standards and procedures. ▶ We have a dedicated Financial Crime Operations team within the first line of defence that is advised, challenged and monitored by the second line Financial Crime Compliance team	→ Due to the speed and nature of the government-backed loan schemes, roll-out there is heightened industry risk that fraudsters could attempt to exploit these schemes As an accredited lender in the UK and an approved PPP lender in the US, we continued to undertake rigorous fraud, anti-money laundering ("AML") and Know Your Customer ("KYC") checks as part of the schemes' application process. We have also chosen not to participate in sections of programmes that could present elevated fraud risks (e.g. BBLS loans to new customers). So far, we have not identified a material proportion of loan defaults that would be related to fraudulent applications and we continue to monitor this risk very carefully

Operational risk continued

Key risks	Management of risk	Change in risk in year
Client money risk		
Failure of Funding Circle to adequately protect and segregate client money may lead to financial loss, reputational damage and regulatory censure.	Funding Circle holds funds for retail and institutional investors in segregated client money bank accounts in line with the Financial Conduct Authority's CASS regulations. We continue to manage the risk through: ▶ a monthly CASS governance sub-committee focused on providing oversight and challenge regarding the effectiveness of client money controls, making decisions in relation to client money and reviewing management information and regulatory returns, as well as reviewing risks and mitigating controls when introducing new product cash flows into client money framework; ▶ oversight from the Funding Circle Ltd Board including an Annual Report and quarterly management information, prepared for and approved by the Senior Manager with responsibility for the firm's compliance with CASS, that reviews client money arrangements and highlights key risks and steps to mitigate; ▶ specific compliance monitoring activity; ▶ periodic internal audit reviews covering governance and control over client assets, and ▶ annual CASS external audit providing an opinion on compliance with the CASS rules.	→ In 2021, we have maintained a robust control environment in relation to payment creation, payment authorisation, reconciliation review and monthly reporting. New controls were created in 2020 for the money flows related to trust structures needed to participate in the UK Government schemes (CBILS and BBLS), and these controls have been embedded and applied to additional trust structures needed for participation in the new government schemes in 2021 (RLS). To assist borrowers through the pandemic we also increased our range of forbearance options, which meant that we revised our policy in 2020 to accept partial payments. The enhancements required for our payment systems to process partial payments from borrowers on payment plans were deployed in Q4 2020, with new controls implemented and monitoring continuing throughout the period to ensure a robust controls environment. The FCA's increased focus on client assets continued during 2021 and the considerations given to the published "Dear CEO" letters, addressing the increased client money balances and adequate client asset arrangements, continued to be monitored by the UK Board. Proactive contact continued to be made with our retail investors to create awareness of funds available to withdraw to reduce the balance held throughout 2021.

Viability statement

In accordance with the UK Corporate Governance Code (the "Code"), the Directors have assessed the future prospects and viability of the Group for a period significantly longer than 12 months from the approval of the financial statements.

Assessment of prospects

The Directors have determined that a three-year period to 31 December 2024 constitutes an appropriate period over which to perform the assessment as:

- it is consistent with the Group's medium-term planning process;
- it represents a period over which there is a reasonable degree of confidence in the reliability and accuracy of forecasts notwithstanding the disruption to SME businesses and to the lending of our core loan products caused by Covid-19 and the government stimulus programmes due to end during 2022; and
- periods beyond this point in a high-growth business like Funding Circle are significantly harder to predict accurately.

The Group's overall strategy and business model, as set out on pages 20 to 23, are fundamental in driving the growth of the business and therefore its future prospects. The key factors that are likely to affect the future prospects of the Group, aside from macroeconomic factors, include the ability to:

- transition away from the current government stimulus packages and the recommencement of our core lending products;
- develop and introduce new lending products;
- grow awareness of the Funding Circle brand in order to attract more businesses to our platforms,
- diversify and increase funding from a variety of investors in order to meet future borrower demand; and
- continue to invest in data analytics and technology leading to innovation, expanded datasets, enhanced credit models, better customer experience and a greater conversion rate of applicants

Funding Circle's future prospects are assessed through the Group's strategic planning process. The strategic planning process involves a detailed review of the medium-term plan by the CEO and CFO This is done in conjunction with the Global Leadership Team, consisting of regional and functional leaders, together with a review and discussion at the Board.

The strategic plan starts with the Group's 2022 annual budget which is subject to reforecasting periodically through the year The budget is extended into the second and third year of the plan using the Group's various drivers and expected growth rates experienced across the Group

Progress against the financial budget and forecasts is then reviewed each month by the Global Leadership Team and reported to, and challenged by, the Board.

Key assumptions

The key assumptions underpinning the strategic plan (before severe but plausible scenarios) include:

- levels of marketing spend, the number of applications, conversion rates, average loan sizes and mix of product channels which drive originations and loans under management ("LuM"),
- levels of repayments, prepayments, defaults and recoveries which drive movements in LuM;
- expected yields on loans originated and service fee charges which drive fee income;
- interest income receipts and interest expenses related to our investment vehicles which drive net *investment income*;
- costs across geographies with specific focus on fixed costs and those that fluctuate with income such as marketing costs;
- headcount consideration across functions and departments given it is the Group's largest cost,
- an assumption of continued investment in the Group's IT infrastructure and its product set but with the expectation of no fundamental breakdown in the IT infrastructure or major data loss;
- an orderly transition in 2022 away from government-backed products with the growth of the Group's core lending products; and
- a continued Covid-19 economic stress into 2022 and therefore tighter credit boxes until mid-2022

Following the disruption to all SMEs over the last two years caused by Covid-19, we expect that the economy and SMEs will recover from the current market conditions. We also assume that Brexit does not result in long-lasting negative implications on SMEs in the UK

We have therefore not assumed further government stimulus packages over the medium term, although longer-term stimulus packages would likely improve the Group's financial prospects further given the move to online that the Covid-19 pandemic has driven

Assessment of viability

The output of the medium-term plan reflects the Directors' best assessment of the future prospects of the Group over the next three years

As part of this assessment, the Directors have considered and carried out a robust assessment of the principal risks as set out on pages 55 to 63. They have also considered the potential impact of the risks on the viability of the Group with specific focus on shorter-term liquidity needs and its availability, including liquidity currently tied up in investment products, noting that there has been a large amount of monetisation of these products in 2021 such that the Group now holds almost £200 million of unrestricted cash.

The financial plan was then subject to differing scenarios to assess those risks and quantify the financial impact on the Group. The Group also operates liquidity and capital guardrails that it monitors which are of particular importance in the shorter term.

The scenario that represented the most severe but plausible scenario was modelled as described below. This sensitivity took into account the likely mitigating actions of the operations. The scenario is hypothetical and severe but designed to stress the business model and the viability of the Group

Severe but plausible scenario

A severe global downturn impacts originations in our geographies. Under this scenario we have assumed that there would not be additional government intervention as this would likely improve the Group's performance as in that instance we would expect to be originating loans under government stimulus schemes

Under a severe downturn it is expected that:

- there would be a short-term period in year 1 where there would be limited transaction fees earned as the Group moves to only originating core loan products once the RLS scheme ends;
- following a further severe global downturn there would again be a significant increase in the number of borrowers defaulting impacting LuM and our invested capital cash flows;
- the returns for investors would be negatively affected resulting in a withdrawal of funding; and
- this in turn would reduce the level of originations below pre-pandemic levels unless higher incentives were offered to investors to continue funding.

A further subset of risks, including the reduction in trust from both borrowers and investors, has also been considered within this scenario.

The mitigating actions that would be taken by management include a reduction in the overall marketing spend, a tightening of the credit models to improve the levels of return for investors and increased costs of borrowing for SMEs.

Links to principal risks and uncertainties

- Strategic risk
- Credit risk
- Liquidity risk

Going concern and viability

The stress testing confirmed that the Group's forecast net cash position remained positive and that none of the scenarios would threaten the viability of the Group over the assessment period or the Group's financial covenants and regulatory capital requirements.

In all cases including the severe scenario above, with appropriate management actions, the scenarios were controllable to mitigate the impact on the Group's liquidity for the broader assessment of the Group's viability.

The shorter-term projections within the Group's strategic plan are also used to assess the Group's ability to operate as a going concern As at 31 December 2021, the Group had net assets of £288 million, together with unrestricted cash of £199 million and £70 million of invested capital, some of which could be monetised if liquidity needs arise. At all times during the assessment, and after stress scenarios are modelled, the Group retains sufficient financial resources.

The Group has financial covenants with institutional investors for servicing agreements for which there are unrestricted cash, tangible net worth and debt to tangible net worth ratios. At all times through the forecast period, and after stress scenarios, the Group remains within the required levels.

There may be significant uncertainty in the macroeconomic environment exacerbated by the Ukraine crisis. Funding Circle does not have any direct exposure to Russia or Ukraine, but the crisis may have indirect implications for the UK and US economies. While not incoporated into the stress scenario above, the impact of the crisis is not considered to impact the conclusions regarding the going concern or viability of the Group.

Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities and obligations as they fall due over the period to 31 December 2024 as well as for at least the next 12-month period from the date of this Annual Report.

CORPORATE GOVERNANCE

Chair's introduction

A robust and pro-active system of governance

Andrew Learoyd
Chair

I am pleased to introduce Funding Circle's Corporate Governance Report for the financial year ended 31 December 2021.

In this report you will find further information on our corporate governance arrangements including the structure of our Board and its Committees and how we have applied the UK Corporate Governance Code 2018. The Board practices high standards of corporate governance to support the Group in the way it conducts its business and to ensure decisions have a positive impact on the wider community. We believe that good governance is not simply a matter of regulatory compliance but about instilling the right behaviours and culture throughout the organisation

In my time as Chair, Funding Circle has truly embraced the value and importance of building a strong corporate culture and is firmly focused on the pursuit of inclusion and diversity at all levels. It is important to the Board that we continue to invest in Circlers and nurture an environment where everyone can be themselves. Culture remains one of the Company's greatest assets and I am proud to see that this has shone through in Funding Circle's annual engagement survey this year which recorded the highest scores that the Company has ever seen. For full details please see the Our people section on page 24 and the engagement with Circlers on page 40. I believe that this strong culture, which is led from the top and supported by a robust governance and control framework, provides a strong foundation for a successful, sustainable business that benefits all our stakeholders.

During the pandemic, the Board and its Committees have had to adapt to constant change, new challenges and demands. The Board's role as it emerges from the pandemic is to oversee and challenge the Group's medium-term plan, with a focus on long-term sustainability, taking into account the interests of all our stakeholders. We understand that for the Company to be successful it is important that it continues to strengthen its engagement with all stakeholders, giving consideration to their needs and interests in the decision making process. In this report we explain how the directors have considered various stakeholder groups when making decisions and in doing so, complied with their duties under section 172 of the Companies Act 2006. Reports from the Chairs of each of our Board Committees provide further detail on their delegated responsibilities and how they work together with the Board to generate value and fulfil Funding Circle's purpose.

Last year I reported that the Board decided to establish an ESG Committee to ensure that we had a dedicated forum for agreeing, setting and implementing our ESG goals. New to our corporate governance section this year is our ESG Committee report which details the progress made towards ensuring our ESG strategy is closely aligned to the Company's purpose, values and culture There is more to be done on this in 2022 and I look forward to reporting on our progress with ESG in our 2022 report

I have been impressed with the effectiveness of our succession planning, led by the Nomination Committee, which was successfully demonstrated in 2021 with a smooth CEO transition, successful appointments to the Board and changes to the GLT. We officially welcomed Helen Beck and Matthew King as independent Non-Executive Directors to the Board and both have brought a wealth of knowledge and invaluable insight to the work of the Board and its Committees this year Ensuring Board appointments and succession planning at the highest levels align with Funding Circle's culture is crucial, and the Committee continues to focus on promoting diversity of gender, social and ethnic backgrounds, cognitive and personal strengths across senior appointments. For full details on the changes to the Board, please see our Nomination Committee report on page 81.

For the first half of 2022, the Board will be focused on supporting Lisa Jacobs as she takes up the mantle as CEO from Samir Desai. Following a successful transition period since September 2021, the Board are confident that Lisa will bring exceptional leadership strength in her new role as previously demonstrated in her role as UK Managing Director. Furthermore, the Board is looking forward to continuing to benefit from Samir's knowledge, passion and energy as he takes up a Non-Executive Director seat at the Board table.

The Board and I are excited to see what the next phase planned for the Company is going to bring and I would like to thank the Board and all of our Circlers for their work and contribution during 2021.

Andrew Learoyd

Chair
10 March 2022

Board of Directors

1 2 3 4

5 6 7 8

9 10 11

1. Andrew Learoyd

N R E D

Chair of the Board

Term of office: Appointed to the Board as a Non-Executive Director in February 2010 and became Chair of the Board in May 2016

Independent: On appointment.

Skills and experience: Andrew spent 23 years working in investment banking as a research analyst, in corporate finance, equity capital markets and finally as Chief Operating Officer of the Equities Division in Europe of Goldman Sachs. He retired as a Managing Director of Goldman Sachs in 2006. Andrew has been involved as an angel investor, Non-Executive Director and consultant to several start-up businesses.

External appointments: Andrew is also an independent Non-Executive Director of Funding Circle Ltd. He is currently a Non-Executive Director of Threshold Sports Limited, which creates and delivers outdoor events for the public, corporate and charity sectors. Andrew is also a director of WLG Learning Ltd which provides educational services for children with special learning disabilities.

2. Lisa Jacobs

D

Chief Executive Officer

Term of office: Lisa was appointed to the Board as Chief Executive Officer on 1 January 2022.

Independent: Not applicable

Skills and experience: Lisa joined funding circle in 2017 and was previously UK Managing Director, responsible for the overall strategic direction and day-to-day operation at Funding Circle UK. She has also previously held the role of Chief Strategy Officer, where she was responsible for developing and launching new product propositions, international expansion and incubating new business areas. Prior to Funding Circle, Lisa worked as a consultant, both independently and for the Boston Consulting Group. She has advised national and multinational companies, from a variety of industries, on strategic and operational initiatives covering growth, new product development, reorganisation and transformation, amongst others. In addition, she has worked for NGOs in Tanzania and India.

External appointments: None

3. Samir Desai CBE

Founder, Non-Executive Director (as at 1 January 2022)

Term of office: Samir co-founded Funding Circle in 2010, and was appointed to the Board as Chief Executive Officer in January 2010. Samir decided to step down as CEO effective from 31 December 2021 and transition into a Non-Executive Director role.

Independent: No

Skills and experience: Prior to founding Funding Circle, Samir was a Management Consultant at the Boston Consulting Group and an Investment Executive at Olivant, a private equity firm that invests in financial services businesses in Europe, the Middle East and Asia. In 2015, Samir was awarded a CBE for services to financial services.

External appointments: None

4. Oliver White

D

Chief Financial Officer

Term of office: Oliver was appointed to the Board as Chief Financial Officer on 15 June 2020.

Independent: Not applicable

Skills and experience: Oliver has spent the majority of his 30 years' experience working in financial services, payments and lending. He joined from Vanquis Bank where he served as Chief Financial Officer. He was formerly the Chief Financial Officer at Barclaycard, where he managed a global business with combined assets of £40 billion, £5 billion of revenues and £1.6 billion of profits. Oliver is a chartered management accountant and holds an MBA from Warwick Business School.

External appointments: None

5. Eric Daniels

(RC) A

Non-Executive Director

Term of office: Eric was appointed to the Board as a Non-Executive Director in September 2016. He became Chair of the Risk and Compliance Committee in September 2018

Independent: Yes.

Skills and experience: Eric was previously Group Chief Executive Officer of the Lloyds Banking Group, the FTSE 100 listed banking group, retiring in 2011 Prior to joining Lloyds in 2001, he spent 25 years with Citigroup in a range of management positions

Eric holds a Master of Science in Management from the Massachusetts Institute of Technology and a Bachelor of Arts in History from Cornell University.

External appointments: Eric currently holds a range of appointments which include as a Non-Executive Director of Russell Reynolds Associates and membership on the Advisory Board of the Smithsonian Tropical Research Institute He also advises on a number of private companies.

6. Geeta Gopalan

(A) RC N R D

Senior Independent Director

Term of office: Geeta was appointed to the Board as a Non-Executive Director in November 2018. She became Chair of the Audit Committee in November 2018 Geeta was appointed as Senior Independent Director to succeed Bob Steel when he stepped down at the AGM in May 2021

Independent: Yes

Skills and experience: Geeta has over 25 years of experience of financial services and retail banking, particularly payments and digital innovation. Geeta was formerly Executive Chair of Monitise Europe Among the many roles in her career, Geeta was Director of Payment Services with HBOS plc and previously Managing Director, UK Retail Bank and Business Development Head EME at Citigroup She is a chartered accountant

External appointments: Geeta serves as Non-Executive Director of Virgin Money UK PLC (formerly CYBG plc) (where she is Chair of the risk committee), Wizink Bank S.A (where she is Chair of the risk committee) and Ultra Electronic Holdings plc (where she is Chair of the remuneration committees). Geeta is also a Trustee for the Old Vic Theatre

7. Hendrik Nelis

RC

Non-Executive Director

Term of office: Hendrik was appointed to the Board as a Non-Executive Director in September 2013

Independent: No

Skills and experience: Hendrik joined Accel in 2004 and focuses on software, FinTech and consumer internet companies He led Accel's investments in KAYAK (NASDAQ. KYAK, acquired by Priceline), Showroomprive (EPA SRP), Funding Circle (LON. FCH), Callsign, Celonis, CHECK24, Instana, Miro and WorldRemit.

Hendrik started his career in Silicon Valley as an engineer at Hewlett Packard before founding a venture-backed software company. He is from the Netherlands and graduated from Harvard Business School and Delft University of Technology

External appointments: Hendrik serves as Manager, Partner Director and/or Member at a number of Accel entities, as well as a Director or supervisory board member of several other companies.

8. Neil Rimer

E

Non-Executive Director

Term of office: Neil was appointed to the Board as a Non-Executive Director in March 2011

Independent: No

Skills and experience: Neil is a Co-Founder and Partner of Index Ventures Before starting Index Ventures, he spent four years with Montgomery Securities in San Francisco Neil was previously a Director of Photobox Holdco Limited, Supercell Oy and The Climate Corporation

External appointments: Neil is currently a Director on various boards of companies based in the UK, Europe, the Cayman Islands and the US including Prodigy Investments Limited, Raisin GmbH, Nexthink SA, Pitch Software GmbH, Sofia Holdings Limited, Taxfix GmbH and Typeform S L He is also the Co Chair of Human Rights Watch

9. Helen Beck

(R) N E

Non-Executive Director

Term of office: Helen was appointed to the Board as a Non-Executive Director in June 2021

Independent: Yes

Skills and experience: Helen has over 25 years of experience in financial services, particularly in remuneration design, regulation and human resources. Helen was formerly a Partner at Deloitte and, among her previous roles in her career, Helen was Global Head of Reward at Standard Bank, Head of McLagan Europe (part of Aon) and held roles in human resources at Fidelity International

External appointments: Helen serves as Non-Executive Director of Ashmore Group PLC (where she is Chair of the remuneration committee), Governor of the University of Bedfordshire, Court Governor of the John Whitgift Foundation and independent member of the remuneration committee for The British Olympic Association

10. Matthew King

A E

Non-Executive Director

Term of office: Matthew was appointed to the Board as a Non-Executive Director in May 2021

Independent: Yes.

Skills and experience: Matthew has over 36 years of experience in financial services. Having qualified as a solicitor with Slaughter and May, Matthew held a number of risk management positions with HSBC over a 15-year period across Asia, Australia, the Americas and Europe

External appointments: Matthew is also the Chair of Funding Circle Ltd's Board Matthew is currently a Non-Executive Chair of Savannah Resources plc, an AIM-listed mining and exploration company.

11. Lucy Vernall

(D)

Company Secretary, General Counsel and Chief People Officer

Term of office: Lucy was appointed Company Secretary in July 2014.

Independent: Not applicable

Skills and experience: Lucy is responsible for the Legal, Compliance and People functions of the business, in addition to being Company Secretary Prior to joining Funding Circle, Lucy was one of the founder members of Kemp Little LLP, a technology focused City law firm. She was managing partner of the firm from 2009 until 2011, when she became Wonga's first General Counsel.

External appointments: Lucy serves on the Board of the charities Bardhan Research and Education Trust of Rotherham and The Emerson Trust

Board Committees

- **A** Audit Committee
- **R** Remuneration Committee
- **N** Nomination Committee
- **RC** Risk and Compliance Committee
- **E** ESG Committee
- **D** Market Disclosure Committee
- ◯ Committee Chair

Corporate governance report

Corporate governance code compliance

The Board believes that a robust corporate governance framework is essential to deliver the high standards of governance and long-term investment that the Company needs to thrive and fulfil its purpose to help small business win. With that in mind, the Board applies the principles and provisions of the UK Corporate Governance Code 2018 (the "Code") available at www.frc.org.uk. The Board utilises the associated guidance to help it achieve long-term sustainable success and its wider objectives.

During the financial year ended 31 December 2021, the Company has applied the principles and believes it has complied with the provisions of the Code. In this report we have explained the following areas where we recognise that there may be views that are not universally accepted or that will not be compliant in 2022:

Provisions 9 and 19 – Chair's independence and tenure: Although the Board has always considered that Andrew's tenure should reset on IPO, it recognises this is not a view that is universally accepted; details are set out in Chair's performance and tenure in the Nomination Committee Report on page 83.

Provision 11 – At least half of the Board excluding the Chair should be independent: The Company complied with this provision as at 31 December 2021; however, the Board recognises that from 1 January 2022 this will no longer be the case. The Board has explained its position in Board composition and independence in the Nomination Report on page 82.

Below we have provided some examples of how the spirit of the Code has been applied, with cross-references to other sections of this Annual Report

Board leadership and Company purpose

As highlighted throughout the Annual Report, the Board complied with Provision 5 through the appointment of a designated Non-Executive Director. This role is now held by Helen Beck and has proven effective in improving engagement with the workforce as demonstrated through the results of employee engagement surveys Please see our People on page 24 and Engaging with our Stakeholders on page 40

Division of responsibilities

The Board was delighted to make several new independent Director appointments in 2021 as well as the appointment of Geeta Gopalan as Senior Independent Director, giving due consideration to the requisite principles and provisions of the Code. A document detailing the role of each of the Chair, CEO and Senior Independent Director can be found on our website here. https://corporate.fundingcircle com/who-we-are/corporate-governance/board-responsibilities/.

Composition, succession and evaluation

The Nomination Committee demonstrated the success of its work on succession planning especially in relation to the smooth transition of the CEO appointment. The strategic approach that the Committee took has proven that its members take Board composition seriously, ensuring that the Board works efficiently and effectively with the right level of experience and diversity. For further details, see succession planning and changes to the Board in the Nomination Committee Report on page 82

Purpose, values and culture

Our purpose is to help small business win. When small businesses succeed, they create jobs, support local communities and drive the economy forward, which is why we focus on helping them to win Our borrowers are at the centre of everything we do and our employees work together to build the next chapter.

We have defined our values to deliver our purpose, which will guide the decisions we take Our values define what it means to be part of Funding Circle and represent who we are and how our team behaves The five values Circlers live by can be found in the Our people section on page 26.

We consider our employees and culture fundamental to the success of our business and in 2021 we continued to invest in our people by ensuring a safe, open and inclusive working environment where people feel they belong and can be themselves. Our team consists of a talented group of individuals who have a strong alignment with our mission and share the same drive and passion as our customers. We believe that creating the right culture is crucial for both retaining and attracting talent. In 2021 we continued to enhance our people promise, Build the Incredible, having realised the value of culture and community during the first year of the pandemic. Supporting mental health and wellbeing became even more important in a hybrid working environment where the boundaries between work and life are increasingly blurred.

Through our employee share plans, all Circlers have the opportunity to become shareholders in the Company, which helps to ensure they are aligned with our mission, vision and objectives. Our "Equity for All" share plan, which operates as a share incentive plan and was launched in 2020, had an 89 5% take-up in 2021 The Board regularly receives reports on people-related matters, including results from our culture, engagement and wellbeing surveys, which have enabled the Board to monitor employee engagement, satisfaction and wellbeing, as well as to understand how our employees have adapted to hybrid working. The Directors also spend time with employees, for example by participating from time to time in our local and global gatherings or as part of the workforce engagement programme run by Helen Beck in her role as the designated Non-Executive Director for workforce engagement. For more details on the Board's engagement with the workforce, please see the Engaging our stakeholders section on page 40.

Significant progress was made with the new ESG strategy led by the ESG Committee. The Committee carried out its first full year cycle of meetings dedicated to ensuring the Group operates responsibly from an environmental, social and governance perspective and remains on track with commitments to offsetting/ reducing our operational carbon footprint. Directors continue to complete training, along with other Circlers, covering issues such as unconscious bias For further information relating to our commitment to sustainability and ESG work, please see pages 28 and 93.

Matters reserved for the Board and role of the Committees

The Board has adopted a formal schedule of matters reserved for its approval and delegated other specific responsibilities to the Committees. The matters reserved for the Board are reviewed annually and include:

- Group strategy, which is reviewed by the Board and management regularly during the year
- The Group's annual operating budget
- Major investments, acquisitions and capital projects
- Financial reporting
- Internal controls and risk management
- Material contracts and expenditure
- Certain shareholder communications
- Board membership and other appointments
- Corporate governance matters
- Remuneration of Directors and the Global Leadership Team
- The Group's environmental, social and governance policy, framework and reporting

Each Board Committee has written Terms of Reference defining its role and responsibilities as summarised in the table below, which are reviewed and updated as necessary as part of an annual review. Further details regarding the role and activities of each of the Board Committees can be found in the Committee reports. The schedule of matters reserved for the Board and Board Committees' Terms of Reference are also available on the Group's corporate website: corporate.fundingcircle.com/investors/governance.

Nomination Committee

Key objectives

Reviewing the structure, size and composition of the Board, responsible for succession planning and making recommendations on appointments to the Board.

Membership

Andrew Learoyd (Chair)
Geeta Gopalan
Helen Beck

Nomination Committee Report – page 81

Principal responsibilities

- Leads the process for Board appointments and makes recommendations to the Board
- Reviews the structure, size and composition of the Board and makes recommendations to the Board about any changes
- Considers plans and makes recommendations to the Board for orderly succession for appointments to the Board and the Global Leadership Team
- Keeps the Executive and Non-Executive leadership needs of the Group under review
- Evaluates the combination of skills, knowledge, experience, independence and diversity on the Board
- Reviews the results of the Board performance evaluation process, where they relate to the composition of the Board
- Makes recommendations to the Board about the re-election of Directors

Audit Committee

Key objectives

Overseeing the financial and corporate reporting and internal financial controls of the Group, managing internal and external audit procedures and reviewing and overseeing the Group's procedures in relation to whistleblowing, bribery, fraud, money laundering and other financial crime.

Membership

Geeta Gopalan (Chair)
Eric Daniels
Matthew King

Audit Committee Report – page 85

Principal responsibilities

- Monitors the integrity of the Company's financial statements
- Reviews and reports to the Board on significant financial reporting issues and judgements
- Assesses the effectiveness of the Group's financial reporting procedures
- Monitors and keeps under review the adequacy and effectiveness of the Group's internal financial controls and (in conjunction with the Risk and Compliance Committee) internal control and risk management systems
- Reviews and approves the role and mandate of the Group's Internal Audit function and monitors and reviews the effectiveness of its work
- Oversees the relationship of the Company with the external auditors, recommends their appointment and reviews their effectiveness, fees, terms of engagement and independence and approves the provision of non-audit services by the external auditors

Corporate governance report continued

Matters reserved for the Board and role of the Committees continued

Risk and Compliance Committee

Key objectives

Reviewing and making recommendations to the Board in relation to the Group's internal control and risk management systems and compliance with the Group ERMF, the Group's compliance with legal and regulatory requirements and policies and the effectiveness and appropriateness of the Group's corporate governance framework.

Membership

Eric Daniels (Chair)
Hendrik Nelis
Geeta Gopalan

Risk and Compliance Committee Report – page 91

Principal responsibilities

- Assesses the emerging and current principal risk exposure of the Group and advises the Board on those risk exposures and future risk strategy
- Advises the Board on the Group's overall risk appetite, tolerance and strategy for the purpose of achieving its long-term strategic objectives
- Reviews the Group's capability to identify and manage new risk types
- Monitors and keeps under review the adequacy and effectiveness of the Group's internal control and risk management systems, in conjunction with the Audit Committee
- Considers and approves the remit and effectiveness of the Risk Management and Compliance functions
- Provides advice and challenge necessary to embed and maintain a supportive risk and compliance culture throughout the Group
- Monitors and keeps under review the policies and overall process for identifying and assessing strategic, platform funding and liquidity, operational, credit and regulatory, reputational and conduct risks and managing their impact on the Group
- Considers and approves the annual compliance monitoring and testing plan

Remuneration Committee

Key objectives

Determining the remuneration of the Directors and the Global Leadership Team and determining the policy for the Executive Directors as well as monitoring and reviewing its ongoing appropriateness and relevance.

Membership

Helen Beck (Chair)
Andrew Learoyd
Geeta Gopalan

Directors' Remuneration Report – page 96

Principal responsibilities

- Determines the remuneration of the Chair, the Executive Directors and the Global Leadership Team (the "Executive Group")
- Considers, monitors and reviews the ongoing appropriateness and relevance of the Remuneration Policy (including its level and structure) and consults with significant shareholders and other stakeholders as appropriate
- Promotes long-term shareholdings by Executive Directors that support alignment with long-term shareholder interests and develops a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares
- Considers, determines and approves the provisions of the service agreements of the Executive Group and ensures that any payments that may be made under such provisions are fair to the individual and the Company, or the relevant member of the Group (as appropriate)
- Reviews workforce remuneration and related policies and the alignment of incentives and rewards with culture and takes these into account when determining the remuneration of the Executive Group
- Reviews and approves the policy for authorising claims for expenses from the Directors
- Reviews the design of any new share incentive schemes for approval by the Board and, as required, the Company's shareholders

Market Disclosure Committee

The Board has delegated to the Market Disclosure Committee responsibility for overseeing the disclosure of information by the Company to meet its obligations under the Market Abuse Regulation, the Financial Conduct Authority's Listing Rules and the Disclosure and Transparency Rules The Market Disclosure Committee is chaired by the Company Secretary and comprises the Chair of the Board, the Chair of the Audit Committee, the CEO, the CFO and the CRO. The Committee has at least three scheduled meetings a year and meets more frequently on an as needed basis. In 2021, the Committee met six times

ESG Committee

The Board has delegated to the ESG Committee responsibility for overseeing and monitoring the implementation of the Company's environmental, social and governance policy and framework, as approved by the Board. The Committee also oversees the Board's workforce engagement in conjunction with the designated workforce engagement Non-Executive Director. The Committee is chaired by the Chair of the Board, who is joined by Helen Beck (Workforce Engagement Director), Neil Rimer and Matthew King. See the ESG Committee Report on page 93.

Global Leadership Team

Day-to-day management of the Group, including the implementation of the Group's business plan and strategy, is delegated by the Board to the Global Leadership Team, chaired by the CEO. The Global Leadership Team is responsible for managing the business, delivering the strategy, managing risk, ensuring regulatory compliance, establishing financial and operational targets and monitoring performance against those targets.

Board activity

Board meetings are planned around the key events in the corporate calendar, including the half-year and full-year results and the Annual General Meeting ("AGM"), and a strategy meeting is held each year. The Board also receives a monthly management financial report. The Chair and Non-Executive Directors have had the opportunity to have regular discussions without Executive Directors present.

The table below sets out attendance at Board meetings in 2021, including the strategy meeting held in October 2021. The Company Secretary attended all of the Board meetings in 2021. The attendance for the Committee meetings are detailed in each of the Committee reports.

Director	No. of meetings	Attendance
Andrew Learoyd	7/7	100%
Samir Desai	7/7	100%
Oliver White	7/7	100%
Eric Daniels	7/7	100%
Geeta Gopalan	7/7	100%
Hendrik Nelis	7/7	100%
Neil Rimer	6/7	86%
Helen Beck (appointed 1 June 2021)	4/4	100%
Matthew King (appointed 19 May 2021)	5/5	100%
Cath Keers (resigned 19 May 2021)	2/2	100%
Bob Steel (resigned 19 May 2021)	2/2	100%
Ed Wray (resigned 19 May 2021)	2/2	100%

The Board and Board Committee meeting schedule for 2022 has been approved by the Board and the Committees and the Board will meet formally at least six times during the year, including a Board strategy meeting. Ad hoc meetings may be called as and when appropriate, as was the case in 2021. The Audit Committee will continue to hold four meetings as in 2021 to ensure the Committee continues to provide appropriate oversight of the Group's control environment and evolving business with additional products.

The Board's activities throughout the year are underpinned by our external reporting calendar and our internal business planning processes. A rolling annual agenda ensures that all important topics receive sufficient attention. Standing items provide an anchor to the strategy and provide the Board with a consistent view of progress during the year, whilst sessions on priority topics allow deeper insight. A summary of the Board's key activities during 2021 is set out on the next page. In addition, some examples of key decisions taken by the Board in 2021, in the context of its section 172 duties, are set out on page 75

Corporate governance report continued

2021 Board activities

Q1 2021

- Full-year results announcement
- Annual Report and Accounts
- US business deep dive
- Balance sheet strategy
- 2021 forecast
- Investor relations
- Review of key policies
- Evaluation of the Chair
- Board effectiveness
- Succession planning

Q2 2021

- UK business deep dive
- Growth initiatives and technology platform
- People/employee engagement
- Investor relations
- ESG Committee update and Terms of Reference established
- Appointment of Matthew King and Helen Beck to the Board
- Approval of restricted share awards to Executive Directors
- AGM
- Appointment of Geeta Gopalan as Senior Independent Director

Q3 2021

- Appointment of Geeta Gopalan to the Remuneration Committee
- Half-year results
- CEO transition

Q4 2021

- Strategy meeting
- Investor relations
- Medium-term plan discussion and approval
- 2022 budget and plan
- FlexiPay deep dive

In addition, at each Board meeting the standing agenda includes

- Approval of minutes (circulated to all Directors in advance for comment) and review of outstanding actions
- Corporate governance and Committee reports
- Report from the CEO, including key developments in the Group's business and trading updates
- Financial and operational review

Agendas and accompanying papers are distributed to the Board and Committee members well in advance of each Board or Committee meeting These include reports from Executive Directors, other members of senior management and external advisers, as appropriate All Directors have direct access to senior management should they require additional information on any of the items to be discussed.

The Audit Committee and the Risk and Compliance Committee receive further regular and specific reports to allow the monitoring of the adequacy of the Group's systems of internal controls (described in more detail in the Audit Committee Report on page 85 and the Risk and Compliance Committee Report on page 91)

Board decision making and Section 172 duties

As set out in the Section 172(1) Statement on page 40, the Directors are fully aware of their section 172 duties (and receive training on their duties on an annual basis). In discharging these duties, the Directors have regard to the factors set out in section 172(1)(a)-(f) of the Companies Act 2006, as well as to other factors which they consider relevant to the decision being made (for example, the views of regulators). While the Board accepts that not every decision it makes will result in a positive outcome for all of the Company's stakeholders, by considering the Company's purpose, mission and values together with its strategic priorities and having a process in place for decision making, the Directors aim to make sure the Board's decisions are consistent and predictable. Some examples of how the Directors have had regard to the matters set out in section 172(1)(a)-(f) when discharging their duties during the year are set out below.

Principal decision	Key stakeholders considered	Board's decision making process
Becoming an accredited lender under RLS	Borrowers Investors Community Government	Having ensured that Funding Circle was able to use its unique position to support as many small businesses as possible during the first year of the pandemic through facilitating CBILS lending in the UK and PPP in the US, the Board made sure that the Group was able to continue this support into 2021, becoming the first FinTech lender to be accredited for the Recovery Loan Scheme. The Board (in conjunction with the Risk and Compliance Committee) carefully considered proposals to reintroduce core lending to lower risk borrowers in both the UK and the US , oversaw the transition from CBILS to RLS and continued to oversee the implementation of robust controls and continued monitoring of the government guaranteed loans.
Supporting Circlers through the pandemic and return to office and hybrid working	Employees	Ensuring a continued focus on the health and wellbeing of Circlers remained of critical importance to the Board as the pandemic continued to impact ways of working. The Board received updates on the results of wellbeing and engagement surveys and direct feedback from workforce engagement sessions and considered plans for the implementation of return to office and hybrid working.
Balance sheet strategy	Investors Shareholders	In order to promote long-term success of the Company for the benefit of shareholders and other stakeholders, the Board reviewed its previous balance sheet strategy coupled with the experience of Covid-19 and approved management's proposal of investment principles and provided feedback on the application of the proposed principles. The Board considered how balance sheet investment fit within the wider funding strategy and governance with the proposed principles identifying a clear framework within which to operate to strengthen the platform and benefit shareholders. As part of its ongoing review of investments held for sale by Funding Circle, the Board approved sales of portfolios of loans held in US and UK warehouses which reduced investment income but significantly improved the Group's cash position.
Appointment of Matthew King and Helen Beck to replace retiring Non-Executive Directors	Borrowers Investors Community Employees	Following the decision of Bob Steel, Ed Wray and Cath Keers to step down from the Board at the Annual General Meeting on 19 May 2021, the Board agreed that it was in the best interests of the Group and its stakeholders to appoint two independent Non-Executive Directors. Following a thorough recruitment process (for full details see our 2020 Annual Report and 2021 Nomination Committee Report on page 81) it was agreed that the appointment of Matthew King and Helen Beck was in the best interests of the Company's employees and investors and necessary to maintain the high standards of business conduct at Funding Circle and promote the success of the Company in the long term.
ESG Committee Terms of Reference and strategy approved	Community Borrowers Investors Employees Regulators	The Board is committed to ensuring the impact of the Company's operations on the community and the environment is a positive one. The Board approved a new ESG framework in December 2020, the implementation of which was delegated to the ESG Committee. In 2021, the ESG Committee completed its first full year cycle of meetings which included the creation of Terms of Reference and an ESG strategy that would address environmental, social and governance as well as diversity, equity and inclusion ("DEI") issues effectively. For more information relating to the work of the ESG Committee see page 93.

Corporate governance report continued

Board decision making and Section 172 duties continued

Principal decision	Key stakeholders considered	Board's decision making process
Appointment of Lisa Jacobs as CEO	Community Borrowers Investors Suppliers Employees Regulators	The Nomination Committee had delegated responsibility for overseeing a CEO succession planning project which came to fruition in 2021 following Samir's decision to step back from the day-to-day activity of running Funding Circle Following an extensive process to appoint a successor, the Board decided to appoint Lisa Jacobs as Chief Executive Officer of Funding Circle effective from 1 January 2022. Lisa held the title of CEO designate from September to December 2021 and worked alongside Samir to ensure a smooth CEO transition process. The Board's decision to appoint Lisa Jacobs as CEO was made with regard to the interests of the Company's employees and the Company's business relationships with suppliers, customers and others Lisa demonstrated the core strengths and qualities that the Board was looking for and had the benefit of understanding Funding Circle well.
Appointment of Samir Desai as Non-Executive Director	Community Borrowers Investors Employees Regulators	In addition to appointing Lisa Jacobs as Samir's successor, the Board also made the decision to appoint Samir as a Non-Executive Director to the Funding Circle Board with effect from 1 January 2022 More information regarding the terms of Samir's appointment to the Board can be found in the Nomination Committee Report on page 81. As a major shareholder and founder, Samir's appointment as Non-Executive Director to the Board will help to support a smooth transition of leadership and was in the best and long-term interests of all stakeholders.
Medium-term plan approved with strategy set up to 2024	Community Borrowers Investors Employees Regulators	A medium-term plan was prepared for Board discussion with the objective of providing a baseline set of financials for 2022 – 2025, ensuring the plan is appropriate for the Group, to set direction and targets for the 2022 budget, develop KPIs and further strategic discussion. Furthermore, the decision to approve the medium-term plan and strategy took into consideration the desirability of the Company maintaining a reputation for high standards of business conduct and the likely long-term consequences and success of the Company
Monitoring the progression of our instant decision making capabilities and the roll out of FlexiPay	Community Borrowers Investors Suppliers Employees Regulators	Enhancing our offerings to our borrowers is a key area of priority for the Board. Following a strategic decision to diversify Funding Circle's product set to introduce FlexiPay at the end of 2020 (made possible by the development and roll-out of our new technology platform), the Board continued to review and monitor its roll-out taking into account the interests of all stakeholders The Board discussed the development of the FlexiPay product and the proposal for the FlexiPay product at meetings and strategy sessions during the year, providing challenge and insight on aspects of the proposition and approving guard rails for the initial launch of FlexiPay to subsets of existing borrowers. The Board focused particularly on the interests of customers, ensuring that borrower feedback was sought and considered throughout the development of the product.

How we are organised

There is a clear division of responsibilities between the Chair and the CEO (which has been set out in writing and approved by the Board) and these responsibilities, as well as the role of the Senior Independent Director and other members of the Board, are set out below:

Chair

Responsible for:

- The leadership and overall effectiveness of the Board and for upholding high standards of corporate governance throughout the Group and particularly at Board level
- Setting the Board agendas with the Company Secretary and CEO and the recommendation of an annual Board and Committee meeting schedule
- Promoting a culture of openness and debate, in particular by facilitating the effective contribution of Non-Executive Directors, and ensuring constructive relations between Executive and Non-Executive Directors
- Ensuring effective communication with shareholders, including in relation to governance, remuneration and strategy

Chief Executive Officer

Responsible for:

- Leadership of the Global Leadership Team in the executive management of the Group
- The delivery of the Group's strategy as set by the Board
- The development of the annual budget and business plans and commercial objectives with the Board
- Setting an example and communicating to the Group's employees the expectations of the Board in relation to the Group's culture, values and behaviour
- Ensuring appropriate, timely and accurate information is disclosed to the market
- Managing the Group's risk profile in line with the extent of risk identified as acceptable by the Board and ensuring appropriate internal controls are in place.

Senior Independent Director

Responsible for:

- Being available to shareholders if they have concerns, which contact through the normal channels of the Chair, CEO or other Executive Directors has failed to resolve
- Attending meetings with and listening to the views of major shareholders as required
- Providing a sounding board for the Chair and acting as an intermediary for shareholders when necessary
- Meeting other Non-Executive Directors without the Chair present once a year to appraise the Chair's performance

Chief Financial Officer

Responsible for:

- All aspects of finance including financial planning, tax, treasury and procurement
- Investor relations
- Working with the CEO to develop and implement the Group's strategic objectives, annual budget and business plan
- Ensuring effective financial compliance and control

Non-Executive Directors

Responsible for:

- Providing objective and constructive challenge to management
- Assisting with the development of strategic proposals
- Scrutinising and monitoring financial and operational performance and the Group's risk management framework

Company Secretary

Responsible for:

- Being available to all Directors to provide advice and assistance on all governance matters
- Advising Directors on their duties
- Ensuring compliance with the Board's procedures and with applicable laws and regulations

Board effectiveness performance evaluation

The Board takes its continuous improvement and development very seriously and, at the end of 2021, conducted an internal effectiveness review. A thorough questionnaire was devised and distributed to all Directors on the Board and the Company Secretary. The Company Secretarial team consulted with the Chair to determine the topics covered by the questionnaire and, as the neutral party, oversaw the process of collecting responses and analysing and presenting the outcomes. Effectiveness reviews for the Committees of the Board were also conducted and details of these evaluations are provided in the Committee reports as follows: Nomination Committee on page 84, Remuneration Committee on page 107, Audit Committee on page 90 and Risk and Compliance Committee on page 92.

In compliance with the Code, the evaluation asked respondents to consider the Board's composition and diversity and how effectively members work together to achieve objectives. Having identified some areas in need of review, the questionnaire was developed to comprise eight sections covering the following areas: lessons learned from the past 12 months, leadership and purpose, division of responsibility and composition, meeting process, boardroom behaviours, development and support, risk and controls, and stakeholders and culture. A summary of what each section covered and the outcomes agreed by the Board can be found below:

Section 1 – The past 12 months

This section required respondents to provide comments regarding the Board's learning from the past 12 months and to reflect on how the Board could use the experience of the past 12 months to improve effectiveness.

Section 2 – Leadership and purpose

The questions in this section asked respondents to evaluate how the Board complies with statutory obligations in regard to section 172 of the Companies Act 2006, the effectiveness of the existing combination of executive and Non-Executive Directors, the effectiveness of the Chair's leadership, Commitment of Board members to their roles and challenge in the boardroom.

Section 3 – Division of responsibility and composition

This section asked respondents to assess the composition of the Board in relation to whether it reflects sufficient diversity of gender, social and ethnic backgrounds and cognitive and personal strengths. The combination of skills, experience and knowledge of Board members was also evaluated.

Section 4 – Meeting process

Questions addressed the quality and timeliness of information received by the Board, the appropriateness of the length of Board meetings to discuss substantive matters and the quality of debate and the effectiveness of existing processes to inform the Board of material matters between meetings.

Section 5 – Board behaviours

Respondents were asked to evaluate boardroom behaviours which included rating the extent to which the Board embodies the purpose, vision, values and desired culture of Funding Circle and whether individual Board members arrive prepared for meetings.

Section 6 – Board development and support

This section reviewed the quality of support provided by the Company Secretarial team and the quality of reporting from Committees up to the Board. Non-Executive Directors were also asked to evaluate the support and training opportunities provided to them and whether this was sufficient for them to carry out their roles.

Section 7 – Risk and controls

Questions intentionally addressed the requirement of Principle O of the Code and asked Board members to evaluate the appropriateness of the Board's focus on risk and risk management, the framework of controls used by the Board to assess and manage risk and the Board's strategy for dealing with and reporting on principal and emerging risks

Section 8 – Stakeholders and culture

This section evaluated the extent to which the Board understood the views of the Company's stakeholders, the consideration of ESG issues, workforce policies and practice and whether the Company's mission, values and strategy were aligned with the Company's culture.

Outcomes

There were good ratings across all sections of the evaluation, demonstrating confidence that the Board was working effectively with strong Company Secretarial support in place and Board members demonstrating behaviours that embodied and reflected the purpose, mission, values and desired culture at Funding Circle. In regard to risk and controls, there was confidence that the Board had good procedures and frameworks in place.

In addition, the evaluation identified some areas for improvement which the Board has committed to addressing in 2022, which include but are not limited to:

- CEO and Chair to review the Board agenda plan for 2022, including the length of meetings to optimise the Board meeting time and ensuring the right amount of time is spent on contentious and critical areas. Carry out a continual review throughout the year to confirm effectiveness
- Identify actions that the Board can take in 2022 to improve engagement with all stakeholders
- Further discuss Board composition and determine whether additional skills are required on the Board
- Ensure sufficient time for Committee reports and for Non-Executive Directors to meet without management present

External evaluation

The Board recognises the value of an externally facilitated evaluation in helping to recognise its strengths and weaknesses and ensure continuous improvement of both its own performance and the performance of the Company. In 2022, Funding Circle will start to focus strategically on the recovery phase from the Covid-19 pandemic with a new leadership structure in place. Once the new Board members, in particular the CEO, have embedded in their new roles, the Board will consider the engagement of an external evaluator to review, take stock, and think about how the Board can improve even further and continue to Build the Incredible.

Audit, risk and internal control

The Board has delegated to the Audit Committee responsibility for overseeing the financial and corporate reporting and internal financial controls of the Company and its subsidiaries This includes reviewing the content of the Annual Report and Accounts and advising the Board on whether, taken as a whole, it is fair, balanced and understandable. Details of this process and the focus of the review and of the Audit Committee's role, activities and relationship with the external auditors are on pages 85 to 90 of the Report of the Audit Committee.

Responsibility for preparing the Annual Report and Accounts

The Board is responsible for maintaining adequate accounting records and seeks to ensure compliance with statutory and regulatory obligations. An explanation from the Directors about their responsibility for preparing the financial statements is on page 123 in the Statement of Directors' Responsibilities. The Company's external auditors explain their responsibilities on page 130.

Risk management and internal control systems

The Board is responsible for promoting the long-term success of the Company for the benefit of shareholders, while taking into account the interests of our other key stakeholders including our people, borrowers, investors in our loans and the communities in which we operate. This includes ensuring that an appropriate system of risk governance is in place throughout the Group To discharge this responsibility, the Board has established frameworks for risk management and internal control using a "Three Lines of Defence" model and reserves for itself the setting of the Group's risk appetite In 2021, the Board and management completed a Three Lines of Defence exercise which was effective in ensuring alignment between management and the Board For further details on the Three Lines of Defence model, please see page 52.

The Board oversees the Group's risk management and internal control system and is responsible for reviewing its effectiveness. During the year, the Board carried out a robust assessment of the principal risks and uncertainties facing the Group, which are described in more detail on pages 55 to 63 of the Strategic Report and the Reports of the Risk and Compliance and Audit Committees.

The Board retains ultimate responsibility for the Group's systems of internal control and risk management but has delegated in-depth monitoring of the establishment and operation of prudent and effective controls in order to assess and manage risks associated with the Group's operations to the Risk and Compliance and Audit Committees. The Risk and Compliance Committee also monitors compliance with the ERMF. More information on the ERMF is provided on page 54

Members of the Global Leadership Team are responsible for the application of the ERMF, for implementing and monitoring the operation of the systems of internal control and for providing assurance to the Risk and Compliance and Audit Committees and the Board. Risk management and compliance constitute the second line of defence in the "Three Lines of Defence" model. The Risk Management function is accountable for the quantitative and qualitative oversight and challenge of the identification, measurement, monitoring and reporting of principal risks and for developing the ERMF. The Compliance function supports and advises the business on the identification, measurement and management of its regulatory and conduct risks. It is accountable for maintaining the compliance standards and framework within which the Group operates, and monitoring and reporting on its compliance risk profile The third line of defence is Internal Audit, which is provided by an in-house team led by an experienced Head of Internal Audit, with co-source specialist support from Deloitte as required. The Internal Audit function provides independent and objective assessment on the robustness of the ERMF and the appropriateness and effectiveness of internal controls to the Risk and Compliance and Audit Committees and the Board. More information on the Internal Audit function is set out in the Audit Committee Report on page 89.

Report of the Nomination Committee

Andrew Learoyd
Chair of the Nomination Committee

Members and attendance

Member	Meetings	Attendance
Andrew Learoyd (Chair)	4/4	100%
Geeta Gopalan (appointed 19 May 2021)	3/3	100%
Helen Beck (appointed 1 June 2021)	3/3	100%
Bob Steel (resigned 19 May 2021)	1/1	100%
Cath Keers (resigned 19 May 2021)	1/1	100%

On behalf of the Board, I am pleased to present the Nomination Committee's Report for the year ended 31 December 2021.

2021 has been a year of change and the Committee has had the opportunity to demonstrate the importance of robust succession planning, having overseen a smooth CEO transition and changes to the independent Non-Executive Directors. The Committee met frequently to ensure that all areas under its remit have been properly carried out in accordance with the Committee's Terms of Reference and that appointments to the Board and changes to the Global Leadership Team have been carefully considered before recommending to the Board.

2021 highlights

- After 12 years as CEO, Samir Desai decided to step back from day-to-day activities The Committee reviewed Samir's suitability to continue on the Board as a Non-Executive Director and recommended his transition to this role with effect from 1 January 2022.
- In line with the Committee's succession plan, the members assessed the suitability of Lisa Jacobs succeeding Samir as CEO and on 9 September 2021, we announced her succession to the role with effect from 1 January 2022.
- Following the decision of Bob Steel to retire from the Board, the Committee recommended the appointment of Geeta Gopalan as Senior Independent Director.
- Ed Wray and Cath Keers also retired from the Board leaving vacancies for two additional independent Non-Executive Directors. Having carefully considered potential candidates for the role (as detailed in our Annual Report 2020) the Committee recommended the appointment of Helen Beck as an independent Non-Executive Director to the Board and as Chair of the Remuneration Committee on 1 June 2021. Helen was also appointed as a member of the Nomination Committee and ESG Committee and replaced Andrew Learoyd as the designated Non-Executive Workforce Director.
- The Committee reviewed the suitability of Matthew King as an independent Non-Executive Director to the Board and recommended his appointment on 19 May 2021. Matthew was also recommended to be appointed as a member of the Audit Committee and a member of the ESG Committee. He continues to serve as the Chair of our regulated UK board, Funding Circle Ltd ("FCL"), the FCL Audit Committee, and the FCL Risk and Compliance Committee. As Chair he holds the Senior Management Function and spends a significant amount of time with the UK business.

2022 priorities

- Oversee the appointment of Lisa Jacobs as CEO and supporting her as she takes on her new role.
- Refresh and developing the Board, GLT and senior management succession plans in light of the CEO transition and growth plans for the Company.
- Continue to review the structure, size and composition of the Board, taking into account the skills and qualities required for the Board and its Committees to deliver the Company's long-term strategy, considering the external environment, and to allow continual refreshing of the Board

Report of the Nomination Committee continued

Role of the Committee

For information regarding the Committee's role and key responsibilities, please see page 71 of the Corporate Governance Report and the Terms of Reference on our website at corporate.fundingcircle com/who-we-are/corporate-governance/board-committees/.

Board composition and independence

As at 31 December 2021, the Directors considered the Board to be compliant with the UK Corporate Governance Code 2018 (the "Code") in respect of Director independence with all Non-Executive Directors, other than Hendrik Nelis and Neil Rimer, being considered independent. However, the Committee recognises that from 1 January 2022, with Samir moving to a non-executive role and Lisa joining the Board, this will no longer be the case The Committee believes that the current composition of the Board, despite technical non-compliance with the Code, is appropriate to provide consistency and support to the management team following the CEO transition and considers that the non-independent Non-Executive Directors bring significant knowledge and expertise to the Board which is currently positive for the Company and its stakeholders. However, the Committee plans to continue to review the composition of the Board alongside the existing balance of skills and knowledge and focus on succession planning to enable it to meet both diversity and independence expectations to discharge its responsibilities and support the Company's medium-term plan and future development

The Committee reviewed Directors' independence in 2021 which included looking at share options held by Andrew Learoyd and Eric Daniels that had been awarded pre-IPO and were fully vested. Prior to listing, the Company granted options to some Non-Executive Directors under the Company's share option plans but no options have been granted to them since IPO and all options held by Non-Executive Directors have vested. It is the Board's position that the historical granting of options does not impair the independence of those Non-Executive Directors. For further details regarding the Chair's independence, please see the section on Chair's performance and tenure below

For further information on the roles of the Board please see page 77 of the Corporate Governance Report.

Diversity and inclusion

This year, the Company has made huge strides in ensuring it provides and maintains a diverse and inclusive culture, free from discrimination of any kind. Diversity, equity and inclusion ("DEI") is a priority which extends across the Company at all levels to ensure all individuals feel represented, treated fairly with equality of opportunity and included To ensure this, we have a Group-wide diversity policy and a Company DEI statement which extends to Board appointments. The policy sets out the Company's commitment that all candidates are considered fairly regardless of gender, race, age, sexual orientation and academic or professional background. The Company ensures all Circlers receive diversity and inclusion training, as well as the Board and the FCL Board.

DEI is a key component of the ESG framework which was approved by the Board in 2020 and rolled out this year alongside a new diversity and inclusion engagement plan to help ensure the delivery of our objectives. A full cycle of ESG Committee meetings took place in 2021 to monitor the implementation and delivery of the framework and the Nomination Committee provided further governance structure to support and oversee the implementation of diversity goals. As part of this work, Helen Beck also took over the role of dedicated Non-Executive Workforce Director. For further information on the progress of our work on DEI and sustainability please see pages 27, 28 and 95.

The Committee recognises the benefits of having a diverse Board in its broadest sense and when reviewing the structure, size and composition of the Board, as well as making appointments to the Board, the Committee takes into account diversity in its widest sense. The Committee is particularly pleased that the Board currently exceeds the targets in the Parker review on ethnic diversity and that the recruitment of Helen Beck and Lisa Jacobs has improved female representation on the Board. As at 31 December 2021, the Board had 22% female representation With Lisa joining the Board from 1 January, the representation has increased to 30%. The Committee recognises that this does not meet the Hampton Alexander review target of 33% and will continue to review and improve female representation on the Board. The Committee plans to maximise the opportunity for potential Board candidates from diverse backgrounds by ensuring short lists include those from diverse gender, social and ethnic backgrounds that reflect the diversity at Funding Circle and the wider community.

Furthermore, the Company still plans to achieve its target of 40% female representation across senior levels by 2025. For further information about our Women in Finance target and current figures on senior female leadership representation please see the Our People section on page 25.

Succession planning and changes to the Board

The Committee continues to develop and maintain a succession plan for Board and senior management roles that promotes diversity of gender, social and ethnic backgrounds and cognitive and personal strengths. The succession plans for Executive Directors and senior management roles are prepared on both short and long-term bases, whilst those for Non-Executive Directors reflect the need to refresh the Board regularly.

The succession plan for independent Non-Executive Director replacements for Bob Steel, Cath Keers and Edward Wray was implemented following the Annual General Meeting ("AGM") in May with the appointment of Matthew King and Helen Beck to the Board. The appointments were approved following a rigorous process (as detailed in our 2020 report) to ensure they were aligned with the desired composition of the Board. The decision was also made, following the resignation of Bob Steel, to appoint Geeta Gopalan as his successor to the role of Senior Independent Director.

Ongoing discussions by the Committee throughout the year have acknowledged that there could be consideration of further changes to the Board to improve diversity and ensure additional independence as well as to enhance the skills and knowledge around the Board table.

Most significantly, the transition of Lisa Jacobs to succeed Samir Desai as CEO and the transition of Samir to Non-Executive Director have demonstrated the effectiveness of the Committee's development and implementation of the succession plan for the role of CEO. As mentioned in previous Annual Reports, the Committee engaged with Egon Zehnder in regard to long-term planning for a diverse pipeline of talent which included succession planning in the event that Samir decided to step back from his executive role as CEO. It was of critical importance to the Committee and the Board that the right successor be appointed to the CEO role and so Egon Zehnder completed some work to identify suitable external candidates alongside internal candidates that had been identified by the Committee as appropriate successors. Following extensive candidate mapping and in-depth executive development plans for the potential internal candidates, it was determined by the Committee that the internal candidates were stronger and therefore it would be in the best interests of the Company to recommend them for consideration by the Board. The succession plan was then implemented and used to develop the terms of the CEO transition to ensure an organised changeover of leadership. This culminated in the Committee's decision to recommend the appointment of Lisa Jacobs, who had demonstrated exceptional leadership strength as UK Managing Director, particularly throughout the pandemic, to the role of CEO and to the Board with effect from 1 January 2022 and to recommend the transition of Samir Desai to a non-executive role (subject to the standard NED appointment terms) with effect from 1 January 2022.

The Committee was also required to implement the succession plan for the role of UK Managing Director to replace Lisa Jacobs. The Committee consulted with Egon Zehnder to evaluate internal candidates alongside external ones and a thorough and rigorous evaluation and interview process was followed to identify the right successor for the role. Following this process, the Committee made a recommendation to the Board to appoint an internal candidate, Alexander Allen, to the role of UK Managing Director.

Chair's performance and tenure

As explained in our 2020 report, Andrew was appointed to the Board in 2010 and took on the role of Chair in May 2016 prior to Funding Circle going public. As set out in previous reports, the Board has always considered that Andrew's tenure, for the purposes of the Code, should reset on IPO. The Board also recognises that this view is not one that is universally accepted and thus the requirement of a maximum tenure of nine years as prescribed by the Code may not be fulfilled. The Directors strongly believe that it is critical and in the best interests of the Company and its stakeholders that Andrew remains as Chair to provide continuity and stability of leadership and support throughout the CEO transition and to deliver the medium-term plan as the Company emerges from the pandemic. In the meantime, the Committee will continue to develop a suitable succession plan for the Board, including the role of the Chair, with support from a third party (as it did for the CEO succession plan) in due course.

The review by the Board of the Chair, which was facilitated by me as Senior Independent Director, was very positive and Andrew was recognised for very ably steering the Company through arguably challenging times. The Committee recommended unanimously that Andrew continue in post as Chair of the Board at this critical time. The Board supports this recommendation and is satisfied that Andrew continues to demonstrate objective judgement, promote constructive challenge amongst other Board members and actively seeks counsel of other independent Non-Executives".

Geeta Gopalan
Senior Independent Director

Report of the Nomination Committee continued

Commitment and interests

The Committee reviewed the commitment of all Directors to the Board both in regard to dedication to the role and time available to carry out their duties, which included consideration of existing directorships. It concluded that all Directors were dedicated and able to commit appropriate time to their roles and that none of the Directors' external commitments created a conflict of interest.

Board induction and training

Both Matthew King and Helen Beck received comprehensive induction programmes on appointment which took place over several months to help them familiarise themselves with the business. Director induction programmes are designed to provide Directors with a mixture of written material (through a dedicated Board portal) and face to face interaction with key members of staff.

In addition to a comprehensive induction programme, Directors are also asked to complete e-learning (which includes annual refresher training) on key topics to keep their knowledge current and enhance their experience, such as training on their duties and responsibilities as directors of a listed company and on diversity, equity and inclusion. During the year the Board was also given various presentations by the Company's advisers, brokers and senior management. Directors who are also appointed to the Board of Funding Circle Ltd ("FCL"), an FCA regulated entity, also undertake training on the protection of client assets and money (CASS) and the Senior Managers and Certification Regime ("SMCR").

The Committee, with the support of the Company Secretary, considers the development areas and training needs of Directors that are relevant to the business, including those that arise out of the year-end evaluations.

Committee effectiveness

The Committee undertook an effectiveness review for 2021 by completing a self-assessed questionnaire which had been created by the Secretariat to enable the Committee to compare and contrast its performance with the previous year The questions evaluated the constitution, composition and set-up of the Committee, the process of the meetings including whether there was sufficient time dedicated to discussions and the core focus of the work of the Committee.

Overall, the outcomes of the effectiveness review were positive and showed improvement from the previous year which, in part, was attributed to the new composition of the Committee. The questionnaire revealed that the succession plan for both the Board and senior management was good and would continue to be developed in 2022 The process of setting and meeting diversity objectives and strategies for Funding Circle alongside the ESG Committee was working seamlessly and Committee members were pleased with the progress made. The evaluation also highlighted the value of completing a deeper dive on succession planning for senior management over the next 12 months in light of the changes due to take place in 2022.

Re-election

The position of each Board member was closely reviewed during the year as part of the consideration of succession arrangements and the Board and Committee evaluation process The Committee is satisfied that there is a good balance of skills and experience on the Board to support the Company's future development and, accordingly, recommended to the Board that each Director stand for re-election at the forthcoming AGM

Andrew Learoyd
Chair of the Nomination Committee
10 March 2022

Report of the Audit Committee

Geeta Gopalan
Chair of the Audit Committee

Members and attendance

Member	Meetings	Attendance
Geeta Gopalan (Chair)	4/4	100%
Eric Daniels	4/4	100%
Ed Wray (resigned 19 May 2021)	1/1	100%
Matthew King (appointed 19 May 2021)	3/3	100%

In 2021 with the pandemic not yet abated the Company's financial process and controls were tested with systems and processes having to adapt rapidly. Together with learnings from 2020, the Company continues to be managed well with the control environment maturing suitably. The Committee has been busy ensuring that as the business evolves with new product launches, and platform and technology developments designed to help our customers win, they are done so with appropriate focus on risk-based controls. The key highlights of the Committee's work this year can be found below.

Key highlights 2021

- The Committee has reviewed the integrity of financial statement reporting for both the Half Year and Annual Report and Accounts, ensuring that they were fair, balanced and understandable, taking into account significant accounting judgements, estimates and disclosures, the impact of the macro-environment on valuation of loan assets and bond liabilities, expected credit losses, liquidity, financial covenants and the Group's ability to continue as a going concern, together with its viability disclosures.
- The Committee discussed and challenged the appropriateness of the accounting treatment of significant transactions, including disposals, along with scrutinising the valuation of the Group's assets.
- The Committee closely monitored the impact of Covid-19 on key accounting matters and judgemental areas of focus for the Company.
- The Committee received and discussed reports from the Internal Audit team, with particular focus on any control weaknesses identified and control improvements completed. It also approved and monitored delivery of, and changes to, the 2021 Internal Audit plan and reviewed and approved the 2022 Internal Audit plan and financial budget
- The Committee evaluated the effectiveness of the Group's in-house Internal Audit team which completed its first full 12-month cycle of internal audits The evaluation assessed the team's independence, objectivity, reporting and overall effectiveness and concluded that the function was well managed and effective.
- The Committee recommended the reappointment of the external auditors to the Group Board.
- The Committee discussed, evaluated and approved the scope of the External Auditors' non-audit services including the approval of the non-audit service fees in line with the Group's policy.
- The Committee reviewed the adequacy and security of the Group's whistleblowing arrangements which included additional signposts to Circlers highlighting the importance of speaking up and speaking out. The Committee received regular whistleblowing updates and provided reports to the Board where appropriate.

Report of the Audit Committee continued

Key highlights 2021 continued

- The Committee reviewed and oversaw (in conjunction with the Risk and Compliance Committee) the Group's procedures and policies for detecting and preventing fraud and its systems and controls for preventing bribery and money laundering
- The Committee also considered the practical implications of the BEIS consultation "Restoring trust in audit and corporate governance proposals on reforms".

2022 priorities

- Continue to assess accounting judgements and estimates, particularly in relation to valuations of loans associated with SMFs which are heavily impacted by the prevailing macroeconomic environment and the accounting treatment in respect of the new loan products as new lending schemes are rolled out and core lending restarts.
- Continue to review the Group's internal financial controls and control systems to ensure these are developed to reflect the Group's evolving business, including the impact of hybrid working on the control environment, the extension of government-guaranteed loans, the continuation of term loan products and controls on balance sheet and funding management
- Oversee, in conjunction with the Risk and Compliance Committee and the Internal Audit team, activities to further mature the Group's Enterprise Risk Management Framework and IT general control environment.
- Continue to oversee the performance and independence of the Internal and External Audit teams.

Committee composition, skills and experience

The Audit Committee complies with the Code's Provision 24 in regard to requirements for a minimum membership of two independent Non-Executive Directors that does not include the Chair of the Board All members of the Committee have relevant financial experience across banking and financial services. To keep up to date with the Company's evolving business and regulatory news, the Committee receives regular updates from senior management and the External Auditors All Committee members demonstrate competency relevant to the sector in which Funding Circle operates.

Role of the Committee

For information regarding the Committee's role and key responsibilities, please see page 71 of the Corporate Governance Report and the Terms of Reference on our website at corporate fundingcircle.com/who-we-are/corporate-governance/board-committees/.

At the end of each Committee meeting, the Committee members have an opportunity to privately discuss matters with the External and Internal Auditors without management present.

Operating rhythm of the Committee

The Committee met four times during 2021 and the attendance is detailed in the table at the beginning of this report. Meetings are also attended by invitation by representatives of the external auditors, the Head of Internal Audit, the CFO, the CEO, the Chair and, when deemed appropriate, other members of the senior management team The Committee received information on a timely basis and meetings were scheduled to allow members to have the appropriate discussions on the agenda items.

As Funding Circle Ltd ("FCL") is authorised and regulated by the Financial Conduct Authority, it has its own Audit Committee, chaired by the Chair of the FCL Board, Matthew King. The FCL Audit Committee meets at the same time as the Committee and Matthew King attends in his capacity as both member of the Committee and Chair of the FCL Audit Committee

The external auditors and the Head of Internal Audit attended all Committee meetings in the year and the Committee also met with them separately without management present.

Significant issues considered in relation to the financial statements

The Committee assessed the quality and appropriateness of, and adherence to, the Group's accounting policies and principles. It reviewed whether the accounting estimates and judgements made by management were appropriate. The significant issues and accounting judgements considered by the Committee in respect of the half year ended 30 June 2021 and year ended 31 December 2021 are set out below.

Reporting issue	Audit Committee action
Principal risks and viability As a listed company, the Directors must satisfy themselves, and make a statement in the Annual Report, on the going concern and viability of the Group. The period over which the Directors have determined the viability assessment is three years. The continued impact of Covid-19 on the macroeconomic environment and the uncertainty it has created have led to increased importance of clear disclosure and transparency with respect to risks, going concern and viability.	The Committee reviewed reports from management that set out its view on both the shorter-term going concern and longer-term viability of the Group. These included: ▶ Reviewing the Group's principal risks as set out on pages 55 to 63 ▶ Assessing and reviewing the adherence to the risk appetite set by the Risk and Compliance Committee to track the Group's capital, liquidity and exposures of its funding products ▶ Reviewing the Group's short and medium-term plan, its cash, capital and liquidity ▶ Reviewing the outcomes of stress testing after applying a severe but plausible scenario aligned to the principal risks ▶ Reviewing the risk, going concern and viability disclosures with regard to the clarity surrounding scenarios, uncertainties, sensitivities and management actions with regard to Covid-19 in particular Having challenged and considered the outcomes of management's assessment, the Committee concluded to recommend the Viability Statement to the Board for approval and considers that related disclosures are sufficiently clear and transparent.
Valuation of financial instruments The Group holds significant levels of financial instruments at fair value on its balance sheet. These instruments are valued using valuation estimation techniques including discounting cash flow analysis and valuation models and these values are sensitive to the assumptions underpinning the cash flows leading to increased estimation uncertainty.	The Committee received and reviewed papers from management that included the assumptions and methodologies used to value the financial instruments together with the level of sensitivity to those assumptions. The Committee also considered the views of the external auditors on the valuation approach and the assumptions, including benchmarking the assumptions with the external auditors' internal valuations team. The Committee considered the disclosures within the Annual Report and after due challenge concluded that the valuations were reasonable and the disclosures were appropriate.
Carrying value of investments in the Parent Company The Group considered the carrying values of the investments in subsidiaries held in the Parent Company for indicators of impairment. In the previous year following a strategic reset of the US business, along with an update to the Group's income and cost forecasts, the underlying projected cash flows of the US business cash-generating unit were insufficient to cover the carrying value of the Parent Company's investment in the US and it was significantly impaired. The Parent Company's investment in the US business was assessed for impairment again in the year. It was concluded there remained sufficient headroom in the Parent Company accounts in respect of the investments.	As members of the Board, all Committee members received updates on the financial performance of the Group and its medium-term plan as part of the 2022 budget process. The Committee also reviewed papers from management during the year which set out the key assumptions underpinning the impairment assessment and the level of headroom and sensitivity to those assumptions, the financial projections of which were based on the medium-term plan. The Group's external auditors provided their view of the assessment to the Committee, including their challenge of the discount rates and management's medium-term plan assumptions. After due challenge and discussion, the Committee was comfortable that there remained sufficient levels of headroom over the carrying values of the assets associated with the cash-generating units and that the remaining investments in the Parent Company accounts were supportable.

Report of the Audit Committee continued

Significant issues considered in relation to the financial statements continued

Reporting issue	Audit Committee action
Exceptional items The Group has a defined accounting policy for the treatment and presentation of non-recurring and material items as exceptional. These exceptional items are also presented in a columnar fashion on the consolidated statement of comprehensive income in order to increase transparency and understanding for readers. The impairment of the right-of-use asset and the associated fixed assets in the US, following the sublet of the San Francisco lease, totalling £3.9 million has been disclosed as an exceptional item. This follows the restructuring of the US and European businesses in 2020 for which exceptional items totalled £18.7 million, of which £13.7 million was in respect of impairment of goodwill and right-of-use assets and £5.0 million was for other restructuring costs.	The Committee received papers from management setting out the analysis of the exceptional items and the rationale for their inclusion. The Committee received the views of the external auditors on the items that management had included within these costs. The Committee considered and challenged the appropriateness of presenting the impairment separately from other costs. It noted that the disclosure as exceptional was consistent with the Group's accounting policy and with prior year presentations, and concluded that the amounts and this presentation were appropriate.
Alternative performance measures ("APMs") The Group uses APMs in its reporting of adjusted EBITDA for the Group. These measures are defined within the segmental information note on page 151 and in the glossary on page 193. The Group uses these measures as they provide an insight into the underlying performance of the business and how it is managed. They also provide a closer approximation to cash generation which is key to the business	The members of the Committee, also being Board members, received management and operational information about the Group's underlying performance which included these key measures. The Committee considered the other measures used by the Group, including loans under management and originations, and agreed that these were significant drivers of fees earned by the Group and, in turn, its financial performance and as such required sufficient disclosure to explain the revenue performance. The Committee considered the appropriateness of these APMs in providing meaningful information about the underlying performance of the business and obtained the view of the use of these APMs from the external auditors The Committee concluded that these APMs should continue to be used in the Group's external reporting, noting that these had not been given undue prominence relative to statutory measures and that an appropriate reconciliation to statutory measures was provided.
Fair, balanced and understandable reporting The Board is required to report as to whether the contents of the 2021 Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable.	At the request of the Board, the Committee has assessed the information contained within the Annual Report. This assessment included discussions with management on the underlying financial processes, and confirmation from the management team that the information contained within the Annual Report is fair, balanced and understandable. The Committee also discussed the contents of the Annual Report with the external auditors. Having considered all of the available information including previously published information about the business and press releases through the year, it has concluded that, in its judgement, the 2021 Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable.

Internal controls

Throughout the year the Committee has monitored and kept under review the adequacy and effectiveness of the Group's internal controls, by receiving regular reports from management, Internal Audit and External Audit on matters in relation to control including the effectiveness and testing, discussing and challenging the same.

The Committee receives updates on the findings of Internal Audit's investigations at each meeting; see "Internal Audit" below for more details of the reviews that took place in the year.

PwC tested internal controls over the loan servicing processes of FCL for the year ended 30 September 2021. This is part of the annual International Standard on Assurance Engagements (ISAE) 3402 Controls Report which is shared with institutional investors.

The scope of the report was expanded to include the new Recovery Loan Schemes ("RLS") as part of the overall whole and partial loan services. The report was unqualified with only two exceptions reported as a result of FCL's well established control environment over those services. The Audit Committee reviewed and was kept informed of the progress of this report which was released on 14 December 2021.

Internal audit

Throughout 2021 the Internal Audit plan was regularly reassessed to ensure it remained focused on the Group's key risks and priorities. All proposed audit plan adjustments were reviewed, challenged and approved by the Committee. Areas reviewed by the Internal Audit team during 2021 included:

- RLS originations control framework
- IT general controls
- Enterprise Risk Management Framework maturity
- Borrower interest and repayment calculations
- Balance sheet management governance and stress testing
- Enterprise data governance

In addition to the assurance work highlighted above, the Head of Internal Audit facilitated a "three lines" review and challenge session, giving Directors helpful insights regarding overall assurance activities across the Group.

The Internal Audit plan for 2022 was approved by the Committee in December 2021 and aligns to areas of highest inherent risk and continued strategic, operational and regulatory focus, including:

- Credit model build, test and ongoing validation
- Sales team operational and conduct controls
- Transaction and loans under management fee calculation and application
- FlexiPay operational scaling and control
- IT asset management
- Anti-money laundering control frameworks

The Committee approved the Internal Audit 2022 financial budget and reviewed the adequacy of Internal Audit team capacity and the capability and use of external expertise where required.

An effectiveness review was conducted by the Committee to evaluate the performance of the in-house Internal Audit team after the first full year cycle of in-house internal audits since the team was created.

The review evaluated the overall effectiveness of the Internal Audit team including: understanding of the business, governance processes, risk environment and internal control framework; quality of reporting; interaction with the Committee and other areas of the business, support of strategic priorities; and independence and objectivity.

A separate assessment confirmed that there was good alignment between Internal Audit arrangements and the best practice recommendations contained in the Institute of Internal Auditors' publication "Guidance on Effective Internal Audit in Financial Services".

The outcomes of the evaluation were discussed by the Committee along with the Head of Internal Audit where actions and objectives were agreed for the forthcoming year. Overall, the Committee was satisfied that the Internal Audit team remained independent, objective and effective, with sufficient resources available to provide the necessary assurance across the Group.

Whistleblowing

The Company takes whistleblowing seriously and wants all employees to feel able to raise concerns freely. This year, the Committee reviewed and approved the whistleblowing policy. The Code of Conduct for all employees which was adopted in 2020, emphasises the importance of employees speaking up and speaking out. The Committee will continue to review the policy annually to ensure it is in line with legal requirements and expectations.

The whistleblowing process is well advertised to all employees, who are made aware of the importance of it. There was one potential whistleblowing incident that was investigated in 2021 and it was concluded that there were no areas of regulatory violation that required reporting

Report of the Audit Committee continued

External auditors

First appointed. 2015.

Length of tenure: six years.

PwC were appointed as External Auditors in 2015 following a formal tender process The lead audit partner, Nick Morrison, has held the position for three years

The Committee is of the opinion that the independence and objectivity of the External Auditors and the effectiveness of the audit process are safeguarded and remain robust. The Committee has taken into account the assurances provided by the auditors confirming that all their partners and staff involved with the audit are independent. The Committee last undertook a formal assessment of PwC's effectiveness during 2020 and it will carry out its next assessment in Q2 2022.

The Committee recommends that PwC be reappointed as the Company's External Auditors for the financial year ending 31 December 2022. A resolution recommending the appointment of PwC as External Auditors of the Company will be put to shareholders at the Company's AGM in June 2022. The external audit contract will be put out to tender at least every ten years post-IPO in accordance with the Competition and Markets Authority order and EU legislation.

The Committee confirms that the Group is in compliance with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Non-audit services

The engagement of the External Audit firm to provide non-audit services to the Group can impact on the independence assessment, and the Company has, therefore, adopted a policy which requires Committee approval for non-audit services This policy is in line with PwC's internal policies and the FRC's Revised Ethical Standard, and gives me, as Chair of the Committee, delegated authority from the Committee to approve individual non-audit services items of up to £50,000 per service.

All fees paid to PwC for non-audit services have been approved by the Committee or the Chair (in accordance with the non-audit services policy), with a summary of all non-audit services being provided at each Committee meeting.

During the year ended 31 December 2021, PwC were engaged to provide non-audit services relating to the following:

Description	£000
Interim review of half year results announcement	135
CASS reporting	90
ISAE 3402 controls assurance	115
Other	3
Total	**343**

The Audit Committee concluded that it was in the best interests of the Group to purchase these services from PwC on the basis that they were able to provide them more efficiently than an alternative provider (or, in some cases, they were required to be performed by the External Auditors).

PwC are prohibited from providing certain non-audit services to safeguard auditor objectivity and independence, including but not limited to internal audit work, valuations work and tax-related work

Audit fees payable to PwC for the year ended 31 December 2021 were £768,500.

PwC have confirmed to the Committee that they remained independent during the year.

Committee effectiveness

The Committee completed an effectiveness review for 2021. A questionnaire was distributed to all the members of the Committee and the CFO and the answers were analysed by the Company Secretarial team to create a report that provided the Committee with recommendations for actions and objectives in 2022.

The questionnaire addressed the composition and set-up of the Committee, the timeliness and quality of the papers, the work of the Committee and whether it sufficiently reviews and challenges the activities and findings of the internal and External Auditors The questionnaire also assessed whether the Committee sufficiently safeguarded auditor independence and objectivity.

Overall, the results of the evaluation were positive with the Committee agreeing that the composition and set-up of the Committee and meetings were satisfactory and there was good support from the Company Secretarial team. The Committee agreed that, amongst other things, it would give further focus to changes required in annual reporting for 2022

Geeta Gopalan
Chair of the Audit Committee
10 March 2022

Report of the Risk and Compliance Committee

Members and attendance

Member	Meetings	Attendance
Eric Daniels (Chair)	3/3	100%
Geeta Gopalan	3/3	100%
Hendrik Nelis	2/3	66%

Eric Daniels
Chair of the Risk and Compliance Committee

On behalf of the Board, I am pleased to present the Report of the Risk and Compliance Committee for the year ended 31 December 2021.

The Committee has continued to carry out its role of monitoring and reviewing risk for the Group including the nature and extent of principal and emerging risks against an uncertain macro environment. For in-depth information relating to the Group's approach to risk and identification of principal and emerging risks for 2021, please refer to the Strategic Report on page 51.

I have been very happy to see the continued development of the Group's risk management capabilities and the overall control environment, with a number of material changes successfully navigated including the transition to the Recovery Loan Scheme and the relaunch of core lending in both the US and the UK.

Highlights from 2021

- The Committee closely monitored the risks relating to Covid-19 including strategic risk, reputational risk, operational risk and credit risk, ensuring that they were managed and mitigated appropriately. Following unprecedented activity in collections, the Committee oversaw a transformation plan for the Collections, Recoveries and Litigation team, receiving updates on how Funding Circle monitored, managed and mitigated risk, with a focus on forbearance, borrower outcomes and feedback and vulnerable borrowers.
- The Committee approved updates to the Enterprise Risk Management Framework ("ERMF") and improvements to the controls library, which all contributed to an increasingly robust control environment. In 2021, the Group achieved a "mature" level of use of the ERMF. Commitment to demonstrating further integration of the framework will be continued in 2022.
- The Committee approved further progression through milestones established for further development of the technology platform. The Committee has kept tight guardrails on this project to manage risk prudently and the continued automation of processes and execution of the plans is a key highlight for the year.
- The Committee oversaw the successful launch of the trial of the FlexiPay product and will continue to monitor and mitigate the risks associated with this product throughout 2022 as it grows.
- Initial integration of ESG risk into the ERMF and development of a forward looking view of emerging risks.
- The Committee received regular reports on information security and technology risk with the Group's move into a multi-product environment.
- The Committee oversaw further improvements in model risk management with continued enhancements made to model controls.
- The Committee approved a new balance sheet stress scenario with updated risk appetite limits as stress test assumptions were revisited and updated.

Report of the Risk and Compliance Committee continued

Highlights from 2021 continued

- The Committee participated in a Three Lines of Defence exercise which evaluated the effectiveness of the Group's approach to risk management and enhanced alignment between management and the Board on risk for the Group as a whole
- Further clarity on government guaranteed loan programmes, which included an extension of RLS through to June 2022, enabled the Committee to oversee stabilisation of risk and positive changes around funding plans for the UK
- Approval of the annual risk and control self-assessment approach and approval of proposed risk scenarios for the purpose of year-end fair value adjustments.

2022 priorities

- The Committee recognises that as the Company continues to grow and embrace new products and further automation of processes, the way in which it monitors and reviews risk management will also need to flex and change One of the Committee's priorities will be to continue tracking the development and growth of the business alongside its risk management protocols and control frameworks to ensure processes continue to enable achievement of the Board's long-term strategic objectives.
- One of the most significant risks is people and, as the phrase "the great resignation" continues to ring true for so many businesses, the Committee is cognisant of the impact of this on achieving the Group's long-term strategic objectives. The Committee will ensure that people risk remains a priority, with a focus on retention, talent acquisition, wellbeing and continuing a diverse and inclusive culture.
- The Committee will continue to monitor the risks relating to Covid-19 as they emerge and ensure these risks are managed appropriately.
- The Committee will continue to develop and monitor emerging risks, including in relation to inflation and increase in interest rates.
- The Committee will apply further scrutiny to information security and technology risk and ensure vulnerabilities are flagged and prioritised quickly.
- The Committee will continue to discuss and determine the extent of the ESG risk (specifically climate related) to the Group and work with the ESG Committee to further identify and mitigate this through deeper integration with the ERMF.

Committee composition, skills and experience

The Risk and Compliance Committee was established by the Board to have delegated authority for reviewing and making recommendations in relation to, inter alia, the Company's appetite for risk and future risk strategy, risk management and compliance systems and monitoring of the implementation and integration of the ERMF.

Two out of three members of the Committee are independent Non-Executive Directors and, combined, the members bring a wealth of risk management experience to the meetings relevant to the sector within which the Group operates. In addition to the members of the Committee, the CRO, CEO, CFO, Chair of the Board, Company Secretary and Head of Internal Audit are invited to attend Committee meetings.

Role of the Committee

For information regarding the Committee's role and key responsibilities, please see page 72 of the Corporate Governance Report and the Terms of Reference on our website at corporate.fundingcircle com/who-we-are/corporate-governance/board-committees/.

Other matters

Committee effectiveness

An effectiveness review of the Committee's performance was completed at the end of the year. The review comprised an extensive questionnaire that evaluated the Committee's overall performance, composition and set-up and, importantly, the work of the Committee including its role in reviewing and challenging the Group's control, risk management and compliance systems and appetite for risk. The questionnaire was completed by members of the Committee and the CRO.

The outcomes of the review were positive overall with most areas addressed scoring high ratings. The questionnaire identified ESG and especially climate-related risks as emerging risks that should be focused on during 2022. Additional agenda items of note for the next 12 months (that would require more in-depth monitoring and review) included new products such as FlexiPay and continued focus on technology and infrastructure risk.

In addition to the Committee's own effectiveness review, the Board also evaluated its oversight of risk as part of its effectiveness review. All members of the Board were satisfied that the Board has sufficient focus on risk and risk management as it pertains to the Group's strategy and that a framework of prudent and effective controls was in place which enabled risk to be assessed and managed appropriately. For further information on the outcomes of the annual Board evaluation please see page 78.

Eric Daniels
Chair of the Risk and Compliance Committee
10 March 2022

Report of the ESG Committee

Andrew Learoyd
Chair of the ESG Committee

Members and attendance

Member	Meetings	Attendance
Andrew Learoyd (Chair)	4/4	100%
Matthew King	4/4	100%
Neil Rimer	4/4	100%
Helen Beck	2/2	100%

The ESG Committee completed its first full cycle of meetings in 2021 and continues with an approach that seeks to be authentic and balanced with buy-in across the business including at the top levels of management. In developing its approach to ESG matters, the Committee has taken steps to understand the varying opportunities and challenges presented by ESG issues across the Group.

I'm pleased with the progress the Group has made this year towards implementation of the agreed ESG framework, in particular our efforts to integrate ESG factors into our risk management processes and taking initial steps in assessing the potential business implications of climate change pursuant to the Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations.

While the Committee recognises that there is much more work to be done, we have seen significant progress on our key pillars of carbon management, social impact and DE&I and towards ensuring that our ESG strategy is closely aligned to Funding Circle's goals and values.

Key highlights from 2021

- Established a strong, effective structure of the Committee with each Non-Executive Director member taking responsibility, together with a representative from senior management, for championing each of the following areas: environmental, social, DEI and workforce engagement.
- Drew up Terms of Reference to define the structure and purpose of the Committee which were approved by the Board.
- Appointed a permanent, dedicated ESG Project Manager to provide oversight and project management to all things ESG related at Funding Circle. The ESG Project Manager works with relevant members of the Committee/management
- Continued engagement with the workforce through the Non-Executive Director appointment for workforce, Helen Beck. For further details on our workforce engagement work please see pages 40 and 70.
- Integrated ESG components into our risk taxonomy and conducted an ESG risk assessment as part of ESG-related risk integration into the ERMF.
- Obtained signatory status to the UN-supported Principles for Responsible Investment ("PRI").
- Engaged a leading climate change advisory firm to measure, verify and certify 2021 Scope 1 and Scope 2 emissions as well as limited Scope 3 emissions.
- Approved the Company joining the UN Global Compact– it was determined by the Committee along with management that this was the most meaningful sustainability framework for the business.

2022 priorities

- Achieve carbon neutrality certification, and progressing carbon strategy towards net zero by 2030, with a focus on Scope 3 emissions and carbon transition planning.
- Progress ESG-related strategy objectives and opportunities, with respect to internal and external stakeholders.
- Assist in the integration of ESG-related risks into ERMF and into business processes and overall risk management, in particular for climate-related risks.
- Progress the development and implementation of the social impact framework, with a focus on employee and wider community engagement.

Report of the ESG Committee continued

Role and composition of the Committee

The Committee is responsible for ensuring the Group has an ESG strategy and framework that are regularly reviewed and remain fit for purpose It is designed to provide oversight of ESG matters and compliance with the relevant legal and regulatory requirements. The Committee ensures that both short and long-term objectives for ESG activities are developed, implemented and measured appropriately. The Committee assists in identifying ESG risks and seeks out opportunities that enable Funding Circle to engage with the community or other stakeholder groups in a positive way that benefits society and protects the long-term value of the Company. It also has responsibility for ensuring the workforce is engaged with and aware of the ESG objectives of the Group

The Committee met four times in 2021, as it was newly formed, and will meet three times in 2022.

There are four Non-Executive Director members of the Committee, each with a responsibility for championing the areas covered. Andrew Learoyd is Chair of the Committee and responsible for DEI, Matthew King focuses on carbon strategy, Neil Rimer champions community engagement, and Helen Beck was appointed as workforce engagement Non-Executive Director.

Environmental

The Committee defines the "E" as the Group's impact on the natural environment and its adaptation to climate change including climate-related risks and opportunities In 2021, the Committee has overseen progress made on the Group's carbon strategy in partnership with an external climate change consultant and focused on reporting in line with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations

Working closely with an external climate change consultant, the Committee has a short-term objective to achieve carbon neutral status and a long-term goal of being net zero by 2030, aligning with the Paris Agreement goal of 1.5°C In regard to carbon offsetting, the Committee is keen to ensure that any initiatives are meaningful in themselves and to the workforce and therefore continues to engage with Circlers to further develop this topic.

In-depth discussions have taken place throughout 2021 to understand what the best approach might be for Funding Circle in regard to the Group's carbon strategy and understanding the climate-related impact of its lending activities

Social

Social is defined by the Committee as the Group's interactions with employees, customers, suppliers, other stakeholders and the communities in which it operates and the role of the Group in society including through workplace policies, ethical procurement, financial product safety, privacy and data security, responsible investment and other social opportunities.

At the start of 2021, the Committee identified the "S" of ESG as needing additional focus and a clear strategic approach. To ensure it was driving the strategy on "social" in the right direction, the Committee sought input from Circlers through a social impact survey to identify engagement areas that resonated with staff and where impact could potentially be magnified. To continue developing the approach to social, the Committee has allocated budget and dedicated resource to further develop and implement a framework and themes in 2022.

Governance

Whilst overall responsibility for corporate governance is a matter reserved for the Board, the Committee has delegated authority to lead on ethical conduct of the business and approach to good corporate behaviour in connection with ESG-related matters. The Committee's work in this area has extended to supporting the integration of ESG-related risks into the Group's ERMF, receiving regular updates on the latest regulatory and compliance requirements and ensuring the requirement in the UK Corporate Governance Code to engage with the workforce is satisfied.

Diversity, equity and inclusion (DEI)

In 2021, the Committee made a lot of progress on DEI. At Funding Circle, DEI is comprised of the following parts: diversity is the representation of all varied identities and differences (be that race, ethnicity, gender, sexual orientation, gender identity and expression, disability, marital status, age, nationality, religion, thought, belief, experience or expression), collectively or as individuals; equity seeks to ensure fair treatment, equality of opportunity, and fairness in access to information and resources for all; and inclusion builds a culture of belonging by actively inviting the contribution and participation of all people and cultivating a workplace where all unique talents, skills, and perspectives are valued and utilised.

The Committee sought to obtain better data to measure diversity. Whilst the Group continued its internal campaign to obtain diversity data from Circlers themselves, the Committee was conscious that there were other ways of measuring success in achieving diversity. Understanding how the size of the organisation could impact data and thinking about ethnicity pay gap and beyond were key parts of the Committee's discussions.

A full proposition was developed to ensure the organisation was joined up on overall goals and coordination between geographies. The framework was centred around three core objectives and a DEI statement and will be used to continue to make progress in 2022.

The Committee has utilised Circler groups to enhance the conversation on DEI which include Women@FC, Circle of Pride, Let's Talk About Race and FC Impact. Further details about these groups can be found on page 27.

Committee effectiveness

As a new Committee, it was decided that a full effectiveness review will be carried out in 2022 and on an annual basis thereafter.

Andrew Learoyd
Chair of the ESG Committee
10 March 2022

Directors' remuneration report

Helen Beck
Chair of the Remuneration Committee

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2021. I want to thank my predecessor, Cath Keers, for her leadership of the Remuneration Committee, and Ed Wray (who resigned from the Board in May 2021) for his years of service on the Committee. I'd also like to thank the other Committee members, Andrew Learoyd and Geeta Gopalan (who joined on 6 September 2021, replacing Ed), and the Circlers who have supported the Committee this year. In addition to my first annual statement as Chair of the Remuneration Committee, this report contains:

- a summary of our Directors' Remuneration Policy (the "Policy"), which was approved at the 2021 AGM by 98.6% of shareholders and will apply for three years from the date of approval; and
- the Annual Report on Remuneration, which sets out payments made to the Directors for the year ended 31 December 2021 and how our Remuneration Policy is intended to be implemented in 2022. The Annual Report on Remuneration is subject to an advisory shareholder vote at the 2022 AGM.

Review of 2021

We were delighted with the support received from shareholders for both our Policy and Annual Report on Remuneration at the 2021 AGM. We believe that this was in part due to our extensive shareholder consultation during the Policy review, and want to thank shareholders for their feedback that informed the development of our Policy. One of the Committee's main focuses during 2021 was the implementation of the Policy which involved for Executive Directors the introduction of an annual bonus, with 40% being deferred into shares for three years, and Restricted Share awards.

As explained in last year's report and discussed with shareholders at the beginning of 2021, the Committee increased the CEO's salary to bring it more into line with market practice and begin to reflect the size and complexity of the Group's operations. Samir Desai waived this increase for 2021, but the bonus and Restricted Share awards were calculated on the basis of the increased salary (referred to below as "reference salary").

Annual bonus 2021

The CEO and CFO were each eligible for a bonus in 2021 with maximum opportunities equal to 133% of reference salary and 100% of salary respectively.

The annual bonus performance measures were AEBITDA, Operating Income and non-financial performance (each weighted one-third). The non-financial elements, which align with Funding Circle strategy, comprised measures focused on customers/stakeholders, Circlers and risk and sustainability, as well as personal performance. To reflect the importance of a robust ESG framework to achieving our mission and strategic objectives (see further detail on pages 24 to 37 of the strategic report), ESG specific measures focused on Circler engagement, diversity and carbon management were included in the Circler and risk and sustainability categories.

The Committee agreed that overall Group and personal performance had been excellent in a difficult and challenging environment. Through CBILS, followed by a successful transition to RLS and reintroduction of core lending, in the UK and PPP in the US, Funding Circle played a leading role in helping small businesses drive the economic recovery in both our geographies. Investment in risk and technology has also reaped rewards with both significant improvements to the core product and the development of new products and capabilities for customers in 2021. The Committee was however cognisant that the AEBITDA and Operating Income targets were set based on the Board approved December 2021 budget and did not fully factor in the extension of CBILS in the UK, PPP in the US or the impact of the improved economy on the fair value of investments. The Committee also considered this outcome taking into account the experience of shareholders, Circlers, customers, and other stakeholders and considered it to be appropriate. Therefore, notwithstanding the strong performance from the Group and the Executive Directors, the Committee considered it appropriate to reflect the exceptional nature of the year and reduce the formulaic vesting outcome of the bonus by 10%. The CEO therefore earned a bonus equal to 78.4% of maximum (104.2% of reference salary) and the CFO earned 79.9% of maximum (79.9% of salary). 40% of the amount earned is deferred into shares for 3 years.

Restricted Share awards 2021

Restricted Share awards were granted to the CEO and CFO on 19 May 2021 equal to 133% of reference salary and 100% of salary respectively in line with our Policy.

Vesting of the Restricted Share awards in 2024 will be subject to a financial underpin based on operating income as well as qualitative underpins to ensure that Executive Directors are not rewarded where the Committee considers there to have been a failure in performance, including serious breach of regulation, material reputational damage and gross misconduct. The financial underpin was set such that annual operating income must be on average £150 million over the period of three years from 2021 to 2023. Prior to vesting, the Committee will assess whether actual performance of the Company and Executive Directors is reflected to guard against payment for failure or against windfall gains. The Committee retains the discretion to make any adjustment to vesting it deems necessary. In line with our Policy, vested awards will then be subject to a two year holding period.

CEO transition

After 12 years, Samir Desai decided to step back from his role as CEO. He did not receive any payments linked to his resignation. On his resignation, his unvested 2021 Restricted Share award and Share Incentive Plan free and matching shares lapsed in full following his resignation and, as previously reported, he did not take up his LTIP award for either 2019 or 2020. He received no further payments linked to his resignation. In accordance with the pre-IPO share plan, he has retained his pre-IPO awards. He will receive his 2021 bonus, 40% of which will be deferred into shares for 3 years.

As announced on 9 September 2021, Lisa Jacobs, Managing Director of Funding Circle UK, succeeded Samir Desai as Chief Executive Officer on 1 January 2022.

Samir has remained on the Board, becoming a Non-Executive Director on 1 January 2022, for which he receives the standard fee.

Remuneration arrangements for 2022

Lisa Jacob's remuneration arrangements have been set in accordance with the Remuneration Policy, with her salary and incentive levels in line with agreed salary increase for the previous CEO, recognising the need to retain and incentivise a highly talented individual in a very competitive market. The Committee considered the remuneration arrangements against both internal relativities and market benchmarking. In the course of its role, the Committee will continue to review the salary against the appropriate benchmarking and competitive market and may increase where it feels appropriate and justifiable.

Oliver White's salary was set at £400,000 when he joined in 2020, which the Committee considered appropriate for a high calibre CFO with the experience required for the scale and complexity of the business. The CFO's salary remains competitively positioned against the market and the Committee has determined that there will be no salary increase for 2022.

The maximum annual bonus entitlement for the CEO and CFO will be equal to 133% of salary and 100% of salary respectively. The annual bonus measures will be AEBITDA, Total Income and non-financial objectives (each weighted one-third), with the intention that the targets to achieve the maximum bonus are appropriately calibrated to reflect the growth aspirations for the Group. As in 2021, the non-financial objectives are aligned with Funding Circle's strategy and will be focused on customers/stakeholders, Circlers and risk and sustainability with ESG measures incorporated in both Circlers and risk and sustainability. An additional specific measure has been included to reflect the importance of the progression of our carbon management plan including setting targets to achieve meaningful reduction in GHG emissions towards our goal of net zero by 2030. In line with our Policy, 40% of any bonus earned will be deferred into shares for three years.

Directors' remuneration report continued

Remuneration arrangements for 2022 continued

For both the annual bonus financial measures and the Restricted Share financial underpin, the Committee agreed that Total Income was a more appropriate revenue measure than Operating Income going forwards. This change recognises that investment income is an ongoing part of Funding Circle's income, with the balance sheet being used in accordance with Board approved investment principles, and ensures that management are not incentivised to maximise one form of income over another.

In accordance with our Policy, the number of Restricted Shares granted to Executive Directors in 2022 and 2023 will be equal to the number granted in 2021. Accordingly, the CEO and the CFO will be awarded 358,177 and 269,306 Restricted Shares respectively in 2022. Application of the Policy means that the face value of the award is reduced if there has been a fall in the share price, which aligns with proxy agency guidance. As shown in our "Illustration of the application of Remuneration Policy in 2022" charts, the grant date face value of 2022 Restricted Share awards would be c.50% lower compared to 2021 Restricted Share awards (assuming a share price of 73.9p at the time the 2022 Restricted Share awards are granted, which was the share price as of 28 February 2022).

Vesting of the Restricted Shares will be subject to a financial underpin based on Total Income (as referred to above) as well as qualitative underpins on the same basis as 2021. The financial underpin has been set such that annual Total Income must be on average £181.3 million over the period of three years from 2022 to 2024. As with the 2021 grants, the Committee retains the discretion to make any adjustments to vesting it deems necessary.

Both Executive Directors will receive benefits in line with other UK employees, including Private Medical Insurance and life assurance. They are both entitled to a pension contribution or cash in lieu of 5% of salary.

Non-Executive Director and Chair of the Board fees

Non-Executive Director fees were reviewed in January 2022 with changes being made for the first time since they were set in 2018. No changes were made to the base fee but the fee for chairing a Committee and the board of the UK regulated entity was increased from £10,000 to £15,000 to reflect the significant work being carried out by our independent Non-Executive Directors and the Chair of Funding Circle Ltd. Additionally, the fee for the Chair of the Board has been increased by 3.5% from £200,000 to £207,000. The increase for the Chair of the Board was in line with the historical increase for Circlers, but below the average 2022 increase for Circlers.

Remuneration arrangements for Circlers

I wish to thank all of our Circlers for once again delivering exceptional performance in difficult and trying times. All Circlers contribute to the achievement of Funding Circle's long-term success and the Board believes that extending share ownership throughout the Group fosters stewardship and enhances loyalty and engagement. I'm really proud that our Employee Engagement score was at its highest ever level of 73% and 86% of Circlers would recommend Funding Circle as a place to work.

In 2020, we introduced an all-employee share plan ("Equity for All"), discretionary restricted share awards for senior management, and an annual bonus for managers, specialists and the leadership team. See page 105 for the key elements of Circlers' incentive arrangements. The Policy introduced in 2021 was designed to align Executive Directors and Circlers.

The group annual bonus for 2021 is being awarded in full to eligible Circlers, with payment being based on AEBITDA performance. Our people section at pages 24 to 27 sets out how Funding Circle has responded to the changing employment environment following the pandemic. The Committee continues to monitor Circler engagement and wellbeing and consider whether wider remuneration within Funding Circle remains competitive, receiving regular updates during the year from management.

Conclusion

On behalf of the Remuneration Committee, I would like to thank our shareholders for their support in 2021 and hope to continue to receive your support at our 2022 AGM, where I will be available to respond to any questions shareholders may have on this report or in relation to any of the Committee's activities.

Helen Beck
Chair of the Remuneration Committee
10 March 2022

Remuneration Policy

The Remuneration Policy, as summarised below, applies to the roles of Chair, Executive Director and Non-Executive Director. This policy was approved by a binding shareholder vote at the 2021 AGM, and will apply for a maximum of three years from the 2021 AGM. A full version of the Remuneration Policy can be found in the 2020 Annual Report and Accounts available on our website at. https://corporate.fundingcircle.com/investors/results-reports-presentations.

Executive Directors' remuneration

Element of remuneration	Key features	Purpose and link to strategy	Maximum opportunity	Performance measures
Salary	Reviewed annually in March. Salaries take account of the external market and the overall employee context.	Supports the attraction and retention of the best talent.	No prescribed maximum salary level or salary increases. Account will be taken of increases applied to employees as a whole when determining salary increases. Committee retains the discretion to award higher increases where it considers it appropriate, such as, but not limited to: ▶ where an Executive Director has had a change in scope or responsibility, ▶ an Executive Director's development or performance in role (e.g. to align a newly appointed Executive Director's salary with the market over time); ▶ where there is a significant change in the size and/or complexity of the Company; and ▶ where salary has previously been positioned behind market, and there is a re-basing of the overall remuneration package	n/a
Allowances and benefits	Executive Directors' benefits currently include, but are not limited to, life assurance and private medical insurance. The Committee may determine that Executive Directors should receive additional reasonable benefits if appropriate, taking into account typical market practice and practice throughout the Group.	Market competitive (and cost effective) benefits provide reassurance and risk mitigation and support retention of talent.	The value of benefits is not capped as it is determined by the cost to the Company, which may vary. Benefits offered to Executive Directors are in line with those available to other employees in the Group	n/a
Pension	Executive Directors are entitled to receive employer contributions to the Funding Circle Ltd defined contribution pension plan. Individuals are entitled to receive some or all of their pension allowance as cash in lieu of pension contribution.	To provide retirement benefits for Executive Directors.	Maximum contribution in line with contribution to other employees in the Group, which is currently 5% of salary.	n/a

Directors' remuneration report continued

Executive Directors' remuneration continued

Element of remuneration	Key features	Purpose and link to strategy	Maximum opportunity	Performance measures
All-employee plans	Executive Directors are eligible to participate in HMRC tax-efficient plans that are available to all employees Funding Circle currently operates a Share Incentive Plan	To encourage share ownership and alignment with shareholders.	Participation levels are in line with HMRC limits	n/a
Annual Bonus	Awards are based on performance (typically measured over a financial year) against key financial and non-financial measures. 40% of any bonus earned will normally be deferred into shares for three years. The Executive Directors may, at the discretion of the Committee, receive dividend equivalents on the deferred shares. Malus and clawback provisions apply. The Committee has discretion to amend the pay-out should any formulaic outcome not reflect the Committee's assessment of overall business performance, the performance of the individual, or the experience of shareholders or other stakeholders over the performance period.	To motivate and reward the achievement of the Group's annual financial and strategic targets.	A maximum opportunity in respect of any financial year of: CEO. 133% of salary Other Executive Directors. 100% of salary	Measures and targets will normally be set annually by the Committee and will be in line with Funding Circle's strategy. A mix of both financial and non-financial measures will be used, with at least 60% of the annual bonus normally based on financial measures. The target annual bonus is 50% of maximum opportunity, with 100% of maximum payable for maximum performance. Details of pay-outs between these levels will be disclosed in the relevant Directors' Remuneration Report.

Element of remuneration	Key features	Purpose and link to strategy	Maximum opportunity	Performance measures
Restricted Share awards	Executive Directors are granted Restricted Share awards with a three-year vesting period, subject to performance underpins. Following the end of the vesting period, the awards will be subject to a two-year holding period. Awards may be granted in the form of conditional share awards or nil-cost options. The Executive Directors may, at the discretion of the Committee, receive dividend equivalents on vested shares. The awards are subject to malus and clawback provisions.	Align Executive Directors with shareholders' interests and promote stewardship and good governance over a long time horizon.	A Restricted Share award may be granted to an Executive Director in respect of each financial year over a fixed number of shares. The maximum number of shares that can be awarded in respect of each financial year will be calculated based on such number of shares as have a market value at the grant date of the awards in respect of the 2021 financial year equal to 133% of salary for the CEO and 100% of salary for the CFO. For these purposes, the market value of a share will be determined by the Committee using an average share price. Granting as a fixed number of shares further aligns Executive Directors to shareholders, rewarding share price appreciation whilst depreciation is penalised. Prior to each grant, the Committee will review the number of shares to be granted to ensure the fixed number of shares remains appropriate, taking into account factors including the share price at the time of grant and the target total compensation for companies of a similar size and complexity.	Performance underpins may be based around key financial and/or strategic measures. In addition, the Committee has discretion to reduce the vesting outcome should it not reflect the Committee's assessment of overall business performance, the performance of the individual, or the experience of shareholders or other stakeholders over the vesting period.
In-post shareholding requirement	Executive Directors are expected to build and maintain a holding of shares in the Company.	Supports our ownership mentality focus, promotes stewardship and helps align management with shareholders.	Minimum shareholding requirement, to be satisfied within five years of appointment, of no less than 200% of salary for all Executive Directors. If any Executive Director does not meet the requirement, subject to consideration by the Committee of the factors at the time, they will be expected to retain all of the net of tax number of shares vesting under any of the Company's discretionary share incentive arrangements until the requirement is met.	n/a
Post-exit shareholding requirement	Executive Directors are expected to retain a proportion of their shareholding for a two year period after they have left Funding Circle.	To reinforce long-term alignment of Executive Directors' interests with those of shareholders post cessation of employment	Minimum post-exit shareholding requirement of "guideline shares" equal to 200% of salary for all Executive Directors or the actual shareholding on departure, if lower. "Guideline shares" do not include shares which the Executive Director held at IPO, purchased in the market directly or acquired pursuant to the exercise of pre-IPO awards.	n/a

Payments for loss of office

The principles on which the determination of payments for loss of office will be approached are set out below

Policy	
Payment in lieu of notice	The Committee has discretion to make a payment in lieu of notice based on salary for the unexpired period of notice The payment would be made in monthly instalments and subject to mitigation Per the CEO's service agreement, the CEO will not receive a payment in lieu of notice where the Committee determines that unvested share awards may remain capable of vesting (which otherwise would ordinarily lapse on cessation of employment).
Annual bonus	This will be at the discretion of the Committee on an individual basis and the decision as to whether or not to pay a bonus in full or in part will be dependent on a number of factors, including the circumstances of the Executive Director's departure and their contribution to the business during the performance period in question. Any bonus earned will normally be pro-rated for time in service during the performance period and will, subject to performance, be paid at the usual time (although the Committee retains discretion to pay the bonus earlier in appropriate circumstances) and in the normal manner. Any bonus earned for the year of departure and, if relevant, for the prior year may be paid wholly in cash at the discretion of the Committee.
Deferred bonus award	If an Executive Director leaves for any reason (other than being dismissed for cause) during the deferral period then unvested awards will continue and vest at the normal vesting date. In exceptional circumstances (including if a participant dies), the Committee may decide that the Executive Director's unvested award will vest and be released early at the date of cessation of employment, in which case the Committee has discretion to apply time pro rating in limited circumstances
Restricted Share awards	The extent to which any unvested awards will vest will be determined in accordance with the LTIP rules Unvested awards will normally lapse on cessation of employment. However, unless a participant is dismissed for cause, the Committee has discretion to determine that the unvested awards will continue and remain capable of vesting at the normal vesting date To the extent that the awards vest, a two-year holding period would then normally apply. In exceptional circumstances (including if a participant dies), the Committee may decide that the Executive Director's awards will vest and be released early at the date of cessation of employment or at some other time (e g. at the vesting date). In either case, vesting will depend on the extent to which the performance underpins have been satisfied and will be subject to a pro rata reduction for time served during the vesting period (although the Committee has discretion to disapply time pro rating if the circumstances warrant it). If an Executive Director leaves for any reason (other than being dismissed for cause) after an award has vested but before it has been released (i.e. during a holding period), their award will ordinarily continue to be released at the normal release date In exceptional circumstances (including if a participant dies), the Committee may decide that the Executive Director's award will be released early at the date of cessation of employment.
Change of control	Deferred bonus awards and Restricted Share awards will vest early in the event of a takeover, merger or other relevant corporate event Deferred bonus awards will typically vest in full. As regards Restricted Share awards, vesting will depend on the extent to which the performance underpins have been satisfied, with the Committee taking into account relevant factors at the time, and will be subject to a pro rata reduction for time served during the vesting period (although the Committee has discretion to disapply time pro rating if the circumstances warrant it) Alternatively, the Committee may permit deferred bonus awards and Restricted Share awards to be exchanged for equivalent awards of shares in a different company (including the acquiring company)
Other payments	Executive Directors will be entitled to payment for accrued holiday Awards under the Share Incentive Plan may be released in the event of cessation of employment or change of control in accordance with the plan rules. The Committee reserves the right to make payments by way of settlement of any claim arising in connection with cessation of employment.
Legacy awards	The extent to which the 2020 performance based LTIP awards vest will be determined in accordance with the LTIP rules and the Remuneration Policy at the time they were granted. The extent to which unvested Growth Shares and pre-IPO options vest will be determined in accordance with the terms of the awards agreed prior to IPO In particular, additional protection will apply in the event of a termination of employment or engagement in anticipation of, upon or within 12 months following a change of control of the Company, where such termination is deemed to be connected with the change of control. In those circumstances, the participant will be entitled to receive a cash payment or other form of award (the "replacement award") which vests upon the termination of their employment. The value of the replacement award will be determined by reference to the portion of the participant's unvested pre-IPO awards that would have vested (but for the change of control) over the period of 24 months following the change of control or, if later, the 24 months following their termination The agreed provisions are subject to the Company's discretion to determine that a greater number of shares subject to a pre-IPO award should vest upon a change of control.

Recruitment policy

The Company's recruitment remuneration policy aims to give the Committee sufficient flexibility to secure the appointment of high calibre executives to strengthen the management team and secure the skill sets necessary to deliver the Group's strategic aims.

When hiring a new Executive Director, the Committee will typically align the remuneration package with the Remuneration Policy as set out above. The Committee may include other elements of pay which it considers appropriate, however, this discretion is capped and is subject to the principles and the limits referred to below. The key terms and rationale for any such element would be disclosed in the Directors' Remuneration Report for the relevant year.

	Policy
Salary	Salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. This may include agreement on future increases up to a market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate.
Buy-out awards	It may be necessary to make additional awards in connection with the recruitment to buy-out remuneration terms forfeited by the individual on leaving a previous employer if it considers the cost can be justified and it is in the best interests of the Company. Buy-out awards are not subject to a formal cap. The Committee will seek to make buy-outs subject to what are, in its opinion, comparable requirements in terms of service and performance. Where considered appropriate, buy-out awards will be liable to forfeiture or recovery provisions on early departure.
Maximum level of variable remuneration	The Committee will not offer non-performance-related variable remuneration. The maximum level of variable remuneration which may be granted (excluding buy-out awards) will be in line with the limits for the CEO as set out in the Remuneration Policy table above.
Other elements of remuneration	Other elements may be included in the following circumstances: ▶ An interim appointment being made to fill an Executive Director role on a short-term basis. ▶ If exceptional circumstances require that the Chair or a Non-Executive Director takes on an executive function on a short-term basis. ▶ If an Executive Director is recruited at a time in the year when it would be inappropriate to provide an annual bonus or Restricted Share award for that year. Subject to the limit on variable remuneration set out above, the quantum in respect of the period employed during the year may be transferred to the subsequent year. ▶ If the Executive Director is required to relocate, reasonable relocation, travel and subsistence payments may be provided (either via one-off or ongoing payments or benefits for up to two years).

For an internal appointment, any legacy arrangements will either continue on their original terms or be adjusted to reflect the new appointment, as appropriate.

Any share awards referred to in this section will be granted as far as possible under the Company's existing share plans. If necessary, and subject to the variable remuneration limits referred to above, awards may be granted outside of these plans as permitted under the Listing Rules which allow for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director.

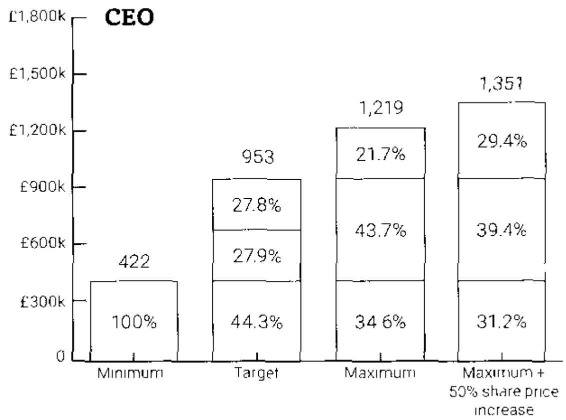
Fees payable to a newly appointed Chair or Non-Executive Director will be in line with the fee policy in place at the time of appointment.

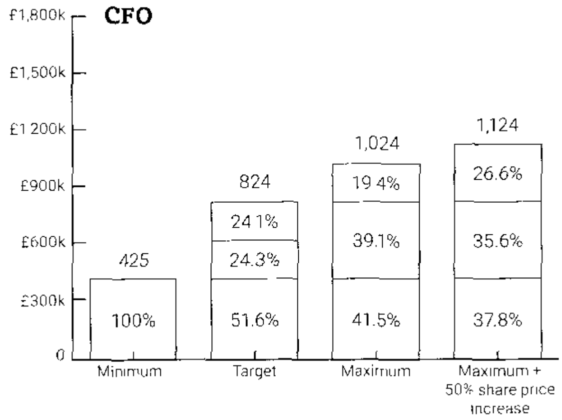
Directors' remuneration report continued

Policy on external appointments

Executive Directors may hold external directorships and retain any fees for such directorships if the Board determines that such appointments do not cause any conflict of interest

Illustrations of the application of the Remuneration Policy in 2022





Fixed Annual Bonus Restricted shares

Illustration assumptions

Element of pay	Minimum	Target	Maximum	Maximum + 50% share price appreciation
Fixed remuneration: ▶ Base salary – Effective 1 March 2022 ▶ Benefits – in line with 2021 benefits disclosed in the single figure table, for the new CEO this is based on the value of her benefits in 2021 ▶ Pension – 5% of salary				
Annual bonus	No payout	50% of maximum (target payout)	Maximum payout	
Restricted shares	No vesting Assumes the underpin is not met.	Grant value vests: 358,177 shares for the CEO and 269,306 for the CFO. Assumes share price of £0.739, which was the share price on 28 February 2022.		Grant value multiplied by 1.5

Non-Executive Directors' remuneration

Element of remuneration	Key features	Purpose and link to strategy
Fees	The fees paid to the Non-Executive Directors are determined by the Board as a whole The Chair and the Non-Executive Directors are paid annual fees and do not participate in any of the Company's incentive arrangements or receive any pension provision or other benefits Additional fees are payable for additional Board duties, including acting as Senior Independent Director and for chairing the Audit Committee, Risk and Compliance Committee and Remuneration Committee. Additional fees may be paid in the exceptional event that Non-Executive Directors are required to commit substantial additional time above that normally expected for the role The Non-Executive Directors are not entitled to any compensation on termination of their appointment. The Non-Executive Directors are entitled to reimbursement of reasonable expenses Additional fees or benefits may be provided at the discretion of the Committee in the case of the Chair, and the Board in the case of the other Non-Executive Directors. Overall fees paid to the Chair and Non-Executive Directors will remain within the limits set by the Company's Articles of Association.	Fees are set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and its Committees and to attract and retain Non-Executive Directors of the highest calibre with relevant commercial and other experience

As an early stage private company, which did not pay Directors' fees, the Company has historically granted options to certain Non-Executive Directors under the Company's pre-IPO share option plan Although the options granted will continue to be held by those Non-Executive Directors going forwards, no further options have or will be granted to Non-Executive Directors post-IPO under any of the Company's share option plans. The options held by the relevant Non-Executive Directors are all fully vested.

Remuneration Policy for Circlers

The Committee receives regular updates on overall pay and conditions in the Group, and pay and employment conditions generally in the Group are taken into account when setting Executive Directors' remuneration.

The approach to annual salary reviews is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies.

Nearly 60% of Circlers are eligible for either the annual bonus plan or other bonus arrangements. Opportunities vary by organisational level and function. From inception, a key element of the remuneration philosophy has been to support share ownership across the business. This has been achieved through making equity incentives available to all Circlers to encourage them to behave as owners – taking decisions that balance long-term value creation with achieving shorter-term strategic priorities.

The key elements to the incentive arrangements are:

- The Global Leadership Team and other senior management and senior specialist roles participate in a discretionary share-based LTIP with grant size increasing with seniority. The grants for Circlers in leadership roles include a multiplier for achieving significant share price growth.
- The leadership team, managers and specialists participate in an annual bonus plan (and the majority of Circlers participate in either the annual bonus plan or another form of bonus).
- All Circlers participate in an equity grant that operates in the UK as a Share Incentive Plan.

Equity awarded to Circlers, including the existing Global Leadership Team (other than the Executive Directors), is subject to continued employment for the two years following the grant date but is not otherwise normally subject to performance conditions. Our workforce engagement director (previously Cath Keers and now Helen Beck) frequently holds workforce engagement sessions with Circlers. A range of topics are discussed including Executive remuneration. Feedback from workforce engagement sessions in 2020 was taken into account when developing our Policy.

Alignment between Executive and Circlers' remuneration

The Executive Directors' Policy was designed to align Circler and Executive pay. We introduced an annual bonus plan for the Global Leadership Team, managers and specialists in 2020 and then introduced an annual bonus for Executive Directors in 2021. The introduction of Restricted Share awards for the Executive Directors also matches the introduction of equity schemes for Circlers which are based on continued employment only. The main differences between how Executive Directors and Circlers are remunerated are the longer time periods (vesting, holding and deferral), tougher performance criteria, and there being no share price multiplier on the Restricted Share awards.

Annual report on remuneration

This part of the report sets out how the Remuneration Policy has been applied in 2021 and how the Committee intends to apply the Remuneration Policy in 2022. This part of the report will be subject to an advisory shareholder vote at the 2022 AGM.

Role of the Committee

The Committee's primary role is to determine the remuneration of the Directors and Global Leadership Team and to determine the Remuneration Policy for the Executive Directors as well as monitoring and reviewing its ongoing appropriateness and relevance. In doing so, the Committee ensures that the Remuneration Policy is aligned with the Company's key remuneration principles as well as taking into account the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture set out in the 2018 UK Corporate Governance Code.

How our remuneration is aligned with the principles of the Code

Alignment to strategy and culture	▶ The design of remuneration at Funding Circle is aligned to our values, culture and strategy ▶ The annual bonus is based on Group financial and strategic performance promoting collective accountability and helps to align the Executive Directors' incentive structure with the wider Group ▶ Restricted Share awards fully align with our remuneration philosophy of ensuring that senior management are significant share owners, promoting good stewardship and incentivising Executive Directors to create long term value as the business continues to mature.
Clarity and Simplicity	▶ Our Policy aligns the Executive Directors' pay with pay for other Circlers. ▶ Our Policy is simple to understand for participants and shareholders and promotes long term stewardship
Risk	▶ Our Policy appropriately balances fixed and variable pay as well as short- and long-term incentives. ▶ Opportunities are set at a level which rewards performance at the same time as not unduly encouraging excessive risk taking. ▶ The annual bonus and Restricted Shares are subject to malus and clawback provisions and the Committee has the discretion to adjust pay outcomes. ▶ The Restricted Shares are granted as a fixed number of shares rather than a fixed % of salary. This means that share price appreciation is rewarded and depreciation is penalised
Proportionality	▶ A significant portion of the total remuneration opportunity for Executive Directors is variable pay This variable pay is aligned to Company strategy through the choice of performance measures and the link to share price.
Predictability	▶ Our Policy is clear on the threshold, target and maximum levels of pay that Executives can earn Notwithstanding that actual outcomes will vary based on the level of achievement and share price performance.

The key responsibilities of the Committee are summarised on page 72 and further details on the Committee's roles and responsibilities can be found in our Terms of Reference on our corporate website.

Committee composition

Helen Beck joined the Board and became the Remuneration Committee Chair on 1 June 2021, taking over from Cath Keers who stepped down on 19 May 2021 Geeta Gopalan joined the Committee on 6 September 2021 and replaced Ed Wray who stepped down on 19 May 2021. None of the members who have served on the Committee during the year had any personal interest in the matters decided by the Committee and are all considered to be independent by the Company The Company Secretary acted as Secretary to the Committee

Committee members	Number of meetings attended
Helen Beck, Chair	2/2
Andrew Learoyd	4/4
Geeta Gopalan	1/1
Cath Keers, former Chair	2/2
Ed Wray, former member	2/2

The Executive Directors, Chief People Officer, other members of the senior management team and our external remuneration consultants, Deloitte LLP, were invited to Committee meetings where it was deemed appropriate No individuals were involved in decisions relating to their own remuneration

2021 Committee highlights

- engaged with shareholders in order to receive support for our Remuneration Policy;
- implemented our Remuneration Policy;
- determined the payout of the CFO's buyout bonus;
- approved the payout of the 2020 annual bonus for Circlers;
- approved the design of the 2021 annual bonus for Circlers and the equity plans;
- set the 2021 annual bonus targets for Executive Directors;
- set the 2021 Restricted Share Plan underpin and approved the grants for Executive Directors,
- considered the appropriate remuneration package for our new CEO; and
- oversaw the reward of members of the Global Leadership Team and all other Circlers

2022 Committee priorities

- determine the payout of the Executive Directors' annual bonus,
- approve the remuneration arrangements for the Global Leadership Team;
- approve the design of the 2022 annual bonus for Circlers and the equity plans;
- set the 2022 annual bonus targets, ensuring they align with Funding Circle's strategy as well as our ESG priorities;
- set the 2022 Restricted Share Plan underpin and approve the grants for Executive Directors; and
- continue to monitor remuneration practice across the Company as a whole, keeping abreast of current and evolving market practice.

Committee effectiveness

As noted on page 78, the Committee undertook an effectiveness review during 2021, whereby each Committee member and, by invitation, the Chief People Officer, completed a tailored questionnaire The question set covered topics such as the quality of the remuneration support provided to the Committee and the appropriateness of the remuneration policies and practices implemented in 2021. Following a productive discussion, the Committee agreed it was working well and would implement the recommendations suggested during 2022, for example an additional regular meeting will be added on an ongoing basis. It was noted that the new Remuneration Committee Chair's background and knowledge has been invaluable to the Committee and also the business

External advisers

The Committee is satisfied that the advice it has received from its appointed adviser Deloitte LLP as remuneration consultants is independent and that the engagement partner and team that have provided remuneration advice do not have connections with the Company that might impair their independence. Deloitte was appointed by the Committee in 2019. Deloitte is a founder member of the Remuneration Consultants Group and, as such, voluntarily operates under its Code of Conduct in relation to executive remuneration matters in the UK.

The fee paid to Deloitte LLP in 2021 in relation to advice provided to the Committee was agreed by the Company in advance for specific projects and was £20,800. Deloitte also provided advice to the Group during 2021 in relation to risk advisory, share plan advisory and corporate tax advisory services.

Annual report on remuneration continued

Letters of appointment and service contracts

Director	Commencement date of current term	Expiry of current term	Notice period From Company	Notice period From Director
Executive Directors				
Samir Desai	18 September 2018	31 December 2021	Twelve months	Twelve months
Oliver White	15 June 2020	n/a	Six months	Six months
Lisa Jacobs	1 January 2022	n/a	Twelve months	Twelve months
Non-Executive Directors				
Samir Desai	1 January 2022	1 January 2025	One month	One month
Andrew Learoyd	10 September 2021	10 September 2024	One month	One month
Eric Daniels	18 September 2021	18 September 2024	One month	One month
Geeta Gopalan	1 November 2021	1 November 2024	One month	One month
Harry Nelis	5 September 2021	5 September 2024	One month	One month
Neil Rimer	5 September 2021	5 September 2024	One month	One month
Matthew King	19 May 2021	19 May 2024	One month	One month
Helen Beck	1 June 2021	1 June 2024	One month	One month

The Executive Directors' service contracts are on a rolling basis. All Non-Executive Directors have letters of appointment with the Company The appointments of each of the Non-Executive Directors are for an initial term of three years, these have been extended for those Non-Executive Directors whose term had expired. The appointment of each Non-Executive Director is subject to re-election at the AGM.

Shareholder voting

The Committee's resolutions at the Company's 2021 AGM in respect of the Remuneration Policy and the Annual Report on Remuneration received the following votes from shareholders

	Remuneration Policy		Annual Report on Remuneration	
Number of votes				
Votes cast in favour	226,078,928	98.17%	219,192,706	95.18%
Votes cast against	3,229,853	1.40%	11,093,878	4.82%
Votes withheld	977,804	0.42%	1	0.00%
Total votes cast (including withheld)	230,286,585	100.00%	230,286,585	100.00%

Single total figure of remuneration (audited)

The following tables set out the aggregate emoluments earned by the Directors in the year ended 31 December 2021 and 2020 respectively.

2021	Salary and fees[1] £000	Taxable benefits[2] £000	Bonus £000	Pensions[3] £000	Long-term incentives[4] £000	Total £000	Other	Total fixed £000	Total variable £000
Executive Directors									
Samir Desai[5]	**210**	**2**	**417**	–	–	**629**	–	**212**	**417**
Oliver White	**400**	**5**	**319**	**20**	–	**744**	–	**425**	**319**
Non-Executive Directors									
Andrew Learoyd	**200**	–	–	–	–	**200**	–	**200**	–
Ed Wray[7] (stepped down 19 May 2021)	**23**	–	–	–	–	**23**	–	**23**	–
Eric Daniels	**65**	–	–	–	–	**65**	–	**65**	–
Bob Steel (stepped down 19 May 2021)	**33**	–	–	–	–	**33**	–	**33**	–
Cath Keers (stepped down 19 May 2021)	**33**	–	–	–	–	**33**	–	**33**	–
Geeta Gopalan	**71**	–	–	–	–	**71**	–	**71**	–
Helen Beck (appointed 1 June 2021)	**38**	–	–	–	–	**38**	–	**38**	–
Matthew King (appointed 19 May 2021)	**30**	–	–	–	–	**30**	–	**30**	–
Hendrik Nelis[8]	–	–	–	–	–	–	–	–	–
Neil Rimer[8]	–	–	–	–	–	–	–	–	–
2020									
Executive Directors									
Samir Desai	200	1	–	–	–	201	–	201	–
Oliver White (appointed 15 June 2020)	215	1	–	7	–	223	288[6]	223	–
Non-Executive Directors									
Andrew Learoyd	190	–	–	–	–	190	–	190	–
Ed Wray[7]	55	–	–	–	–	55	–	55	–
Eric Daniels	62	–	–	–	–	62	–	62	–
Bob Steel	62	–	–	–	–	62	–	62	–
Cath Keers	62	–	–	–	–	62	–	62	–
Geeta Gopalan	62	–	–	–	–	62	–	62	–
Hendrik Nelis[8]	–	–	–	–	–	–	–	–	–
Neil Rimer[8]	–	–	–	–	–	–	–	–	–

1. The Board and the Global Leadership Team voluntarily reduced their salaries and fees by 20% over the period March to May 2020 in response to the Covid-19 pandemic. The 2020 salary and fee figures disclosed above are after the 20% voluntary reduction.
2. Taxable benefits for Executive Directors principally include private medical cover and life assurance cover. Taxable benefits for Non-Executive Directors relate to reimbursement of travel to the workplace. The Company ensures that the Non-Executive Directors are kept whole by settling the expense and any related tax. The figures shown include the cost of the taxable benefit plus the related tax charge.
3. Executive Directors were eligible for a 5% of base salary pension contribution with effect from October 2020 (previously 3% of base salary). The CEO opted not to take up his right to the pension contribution.
4. No long-term incentives vested in respect of 2020 or 2021.
5. As disclosed in the 2020 Directors' Remuneration Report, Samir Desai was awarded a salary increase from £210,000 to £400,000 effective from 1 January 2021, however, he waived the increase for 2021. His annual bonus opportunity and Restricted Share award opportunity were determined based on the £400,000 salary, which is referred to in this Directors' Remuneration Report as his reference salary.
6. The buy-out of Oliver White's Vanquis 2019 and 2020 bonus awards forfeit on cessation of employment.
7. Ed Wray stepped down as Chair of Funding Circle Ltd in April 2020, at which point his Non-Executive Director fee became £55,000 in line with the Non-Executive Director base fee.
8. Hendrik Nelis and Neil Rimer, who are not independent Non-Executive Directors, have waived their entitlement to a fee.

Annual report on remuneration continued

2021 annual bonus

An annual bonus for Executive Directors was introduced under our new Policy and we want to thank shareholders for supporting its introduction. The maximum opportunities were 133% of reference salary for the CEO and 100% of salary for the CFO. 67% of the annual bonus was based on financial measures with the remainder based on non-financial measures. The measures were set by the Committee and are in line with Funding Circle's strategy. Stretching financial targets were set by the Committee taking into account our 2021 budget and broker forecasts at the time. An on-target bonus could be earned for achieving 2021 budget performance. The Committee considered that a wide target range between threshold and maximum was appropriate taking into account the continued economic uncertainty. An asymmetrical target range was set around on-target performance such that the difference between maximum and on-target performance was twice the difference between on-target and threshold performance. This was to ensure that the bonus would only pay out towards maximum for truly stretching performance against budget.

Structure of the 2021 bonus

Element (weighting %)	Threshold (0% payout)	Target (50% payout)	Maximum (100% payout)	Outcome	Implied payout of element CEO	Implied payout of element CFO
AEBITDA (34%)	£10m	£20m	£40m	£91.8m	100%	
Operating Income (33%)	£135m	£150m	£180m	£165.5m	75.8%	
Non-financial measures (33%)		See below			85%	90%
				Total (% of max)	87.1%	88.7%
				Discretionary reduction of formulaic outcome by 10% (% of max)	78.4%	79.9%
				Final outcome (£k)	417	319

Non-financial measures

Category	Details on objectives	Performance assessment
Stakeholders – Doing the right thing for our customers and shareholders (25% of element)	**Customers** ▶ Our Net Promoter Score was at our target of 80%. ▶ Over 2021, Funding Circle dealt with customer complaints effectively, notwithstanding the increased volume of customer contact activity caused by the pandemic. Customer complaints rose due to increased collection and recoveries activity caused by the pandemic. ▶ Brand awareness of 46% was in line with our expectations. ▶ Roll out of our instant decision lending has continued to be a success, enabling us to say "Yes" to more businesses. Over 70% of loan decisions are now automated **Shareholders** ▶ Significant progress has been made with respect to diversifying our shareholder base	
Circlers – Building an incredible place to work and learn (25% of element)	**Employees** ▶ Employee engagement is at an all-time high of 73%, exceeding our target of 70% by 3%, and an increase of 4% from 2020. ▶ Our Employee Net Promoter Score of 86% also exceeded our target by 6%. **Gender** ▶ Our gender pay gap is now at its lowest level to date at Funding Circle Our mean gender pay gap is down to 18.5% from 21.4% in 2020, and the median gender pay gap has also fallen to 27.1% from 32.2% in 2020. ▶ Significant progress has been made against our Women In Finance charter commitment to have 40% female representation in our senior leadership by 2025. We are currently at 34% of senior leadership, up from 31%.	

Category	Details on objectives	Performance assessment
Risk and sustainability - Building a resilient and sustainable business to support all of our stakeholders (25% of element)	***ESG goals*** ▶ Progress made in setting ESG strategy with a Carbon Trust project plan developed – initially measuring our emissions and then offsetting, and ESG reports now being integrated into loan portfolio monitoring. ▶ Social impact framework developed following a Circler survey with 3 stages identified: Consolidating what we already do, Enabling the infrastructure, and Orienting towards longer-term strategic opportunities **Credit quality / net investor returns of loan cohorts** ▶ Credit risk metrics improved over the year and have been at "Green" levels for the majority of the year and improving. ▶ The vast majority of loan cohorts are projected to provide returns greater than those forecast with only 1 projected to be lower **Operational & governance excellence** ▶ A number of audits carried out on behalf of the British Business Bank and other investors which received positive feedback and no material issues were found. ▶ Loan buybacks have decreased year on year and are well within our risk appetite limits ▶ Further development of ERMF and three lines of defence model. **Change management** ▶ Funding Circle became accredited for the Recovery Loan Scheme in 2021 and transitioned smoothly from CBILS lending. ▶ We relaunched our core offering in 2021 after being focused on CBILS and BBILS, requiring a significant internal shift. ▶ Completed the rollout of new technology platform for limited companies, transforming our business, and we began the next stage of our future by beta launching FlexiPay and API, and exploring LaaS in the US.	
CEO personal performance (25% of element)	A year of huge leadership change in which Samir has proved the effectiveness of his succession hiring and development of the Global Leadership Team and their direct successors. He has effectively delegated over the year and ensured a smooth transition to the new CEO. Governance also came to the fore with the significant pivot of the business into untested areas with continued successful implementation of the 2020 Government backed schemes in H1 2021, implementation of the Recovery Loan Scheme, new products and credit risk management in a challenging economic environment.	
CFO personal performance (25% of element)	The CFO has put clear succession plans in place for the Finance department, has retained key staff, and has created a culture that has led to high engagement in the department. He has provided leadership and necessary challenge where needed across the business He has provided calm, thoughtful, open and transparent input in Board and GLT conversations and provided challenge to management team and CEO where needed He has taken over the investor relations activities and, working with the Communications team, now manages the relationships with many shareholders independently In 2021, he actively managed cost discipline across the business, ensuring Funding Circle remains a sustainable business. In addition, he has tackled Balance Sheet risk management and set up an effective process for understanding and taking risk.	

Based on the performance against all of the non-financial objectives and personal performance, the Committee determined that the CEO would receive 85% of maximum of the non-financial element and CFO would receive 90% of maximum.

Annual report on remuneration continued

2021 annual bonus continued

Remuneration Committee discretion applied

The Committee agreed that overall Group and personal performance had been excellent in a difficult and challenging environment. Through CBILS, followed by a successful transition to RLS and reintroduction of core lending, in the UK and PPP in the US, Funding Circle played a leading role in helping small businesses drive the economic recovery in both our geographies. Investment in risk and technology has also reaped rewards with both significant improvements to the core product and the development of new products and capabilities for customers in 2021 The Committee was however cognisant that the AEBITDA and Operating Income targets were set based on the Board approved December 2021 budget and did not fully factor in the extension of CBILS in the UK, PPP in the US or the impact of the improved economy on the fair value of investments. The Committee also considered this outcome taking into account the experience of shareholders, Circlers, customers, and other stakeholders and considered it to be appropriate Therefore, notwithstanding the strong performance from the Group and the Executive Directors, the Committee considered it appropriate to reflect the exceptional nature of the year and reduce the formulaic vesting outcome of the bonus by 10%. The CEO therefore earned a bonus equal to 78.4% of maximum (104.2% of reference salary) and the CFO earned 79.9% of maximum (79 9% of salary). 40% of the amount earned is deferred into shares for three years.

Restricted Share awards granted during 2021

Restricted Share awards were granted to the Executive Directors on 19 May 2021 under our Policy, for which we thank shareholders for the approval once again Details of the awards are set out below.

	Type of award	Number of shares	Face value at grant[1,2]	Grant date	Vesting date	Holding period
Samir Desai	Nil-cost share option	358,177	£532,000	19 May 2021	19 May 2024	19 May 2024 to 19 May 2026
Oliver White	Nil-cost share option	269,306	£400,000	19 May 2021	19 May 2024	19 May 2024 to 19 May 2026

1 Based on a grant date share price of £1 4853

2 The CEO was awarded Restricted Shares with a value equal to 133% of reference salary and the CFO an award with a value equal to 100% of salary These lapsed on 31 December 2021 upon the CFO's resignation

Vesting will be subject to a financial underpin based on operating income as well as qualitative underpins to ensure that Executive Directors are not rewarded where the Committee considers there to have been a failure in performance, including serious breach of regulation, material reputational damage and gross misconduct. The financial underpin was set such that annual operating income must be on average £150m over the period of three years from 2021 to 2023. Prior to vesting, the Committee will assess whether actual performance of the Company and Executive Directors is reflected to guard against payment for failure or against windfall gains. The Committee retains the discretion to make any adjustment to vesting it deems necessary.

Directors' shareholding and share interests (audited)

Table of Directors' share interests as at 31 December 2021[1]

	Beneficially owned shares[2,3]	Vested but unexercised awards	Unvested awards (not subject to performance conditions)	Unvested awards (subject to performance conditions)	Total
Executive Directors					
Samir Desai	16,397,164	1,343,750	806,250	–	18,547,164
Oliver White	138,121	–	71,237	1,194,696	1,404,054
Non-Executive Directors					
Andrew Learoyd	1,689,991	100,000		–	1,789,991
Ed Wray (stepped down 19 May 2021)	–	–	–	–	–
Eric Daniels	–	383,204	–	–	383,204
Bob Steel (stepped down 19 May 2021)	614,754	350,000	–	–	964 754
Cath Keers (stepped down 19 May 2021)	12,045	–	–	–	12,045
Geeta Gopalan	33,216	–	–	–	33,216
Helen Beck (appointed 1 June 2021)	9,235	–	–		9,235
Matthew King (appointed 19 May 2021)	15,400	–	–	–	15,400
Hendrik Nelis	–	–	–	–	–
Neil Rimer	–	–	–	–	–

1 Or date of leaving employment from the Company if earlier

2 Includes shares owned by connected persons

3 Vested Growth and LSS Shares are treated as legally owned shares

The Company's share ownership requirements are that Executive Directors shall (subject to personal circumstance) build and maintain a shareholding equivalent to at least 200% of salary over five years. At the end of the 2021 financial year, the CEO complied with this requirement. The CFO was appointed to the Board on 15 June 2020 and currently holds unvested options subject to continued employment only (which count towards the shareholding guideline) equal to 58.6% of salary, calculated on 31 December 2021 when the share price was £1.12. Unvested awards subject to performance conditions are not taken into account.

As an early stage private company, which did not pay Directors' fees, the Company has historically granted options to certain Non-Executive Directors under the Company's pre-IPO share option plan. Although the options granted will continue to be held by those Non-Executive Directors going forward, no further options have or will be granted to Non-Executive Directors post-IPO under any of the Company's share option plans. The options held by the relevant Non-Executive Directors are all vested.

Annual report on remuneration continued

Table of Directors' vested and unvested share awards (audited)

	Award type	No of awards at 1 January 2021	Awards granted in the year	Awards lapsed in the year
Executive Directors				
Samir Desai				
Vested	Growth	–	–	–
	Unapproved	806,250	–	–
Unvested	SIP	4,991	3,967	(8,958)
	Growth	403,125	–	–
	Unapproved	1,343,750	–	–
	Restricted shares	–	358,177	(358,177)
Oliver White				
Vested	2018 LTIP Bonus	–	–	–
Unvested	2018 Long Term Incentive Plan	925,390	–	–
	2018 LTIP Bonus	240,602	–	–
	SIP	4,991	3,967	–
	Restricted shares	–	269,306	–
	2020 bonus buyout	–	71,237	–
Non-Executive Directors				
Andrew Learoyd				
Vested	Unapproved	100,000	–	–
Ed Wray			–	–
Vested	Unapproved	571,400	–	–
	Unapproved	100,000	–	–
Eric Daniels				
Vested	Unapproved	195,704	–	–
	Unapproved	187,500	–	–
Bob Steel				
Vested	Unapproved	250,000	–	–
	Unapproved	100,000	–	–

1 Historically there have been two different types of awards granted to Executive Directors: conditional shares (referred to in the table above as "FSS" and "Growth") and unapproved options (referred to in the table above as "Unapproved"). Other than in certain circumstances as set out on page 102 (e.g. on termination of employment or change of control), vested unapproved options can be exercised during a period of ten years from the date of grant.

2 *Growth shares vesting in year are immediately transferred and become beneficially owned shares.*

Payments for loss of office

As noted on page 97, Samir Desai did not receive any payments linked to his resignation as CEO. His unvested Restricted Share awards (i.e. the award granted in 2021) and Share Incentive Plan free and matching shares lapsed in full following his resignation and as previously reported he did not take up his LTIP for either 2019 or 2020.

Payments to former Directors

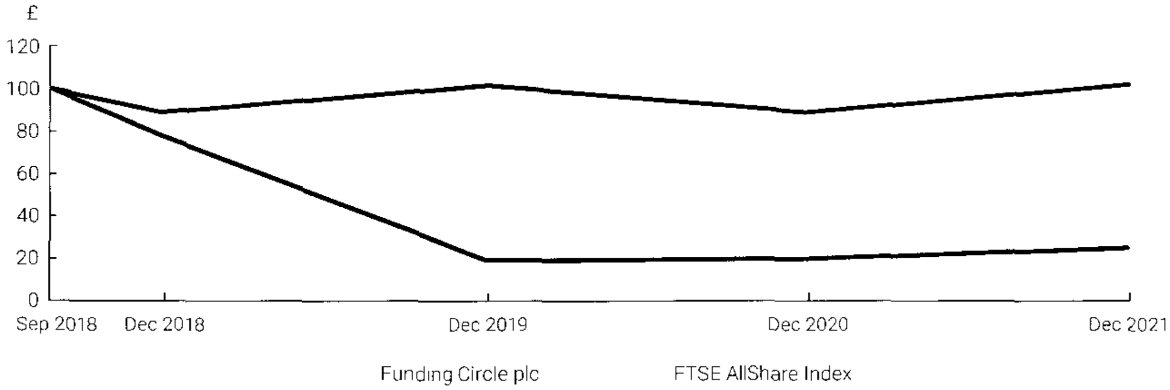
There were no payments made to former Directors during the year.

Awards vested in the year	Awards exercised in the year	**No. of awards at 31 December 2021**	Date of grant/vesting commenced	Exercise price/ subscription price	Market price on exercise
403,125	(403,125)	**–**	01/08/2017	£0.02	n/a
537,500	–	**1,343,750**	13/06/2018	£0.001	n/a
–	–	**–**	03/11/2020	£0.00	n/a
(403,125)	–	**–**	01/08/2017	£0.02	n/a
(537,500)	–	**806,250**	13/06/2018	£0.001	n/a
–	–	**–**	19/05/2021	£0.01	n/a
240,602	(240,602)	**–**	19/06/2021	£0.00	£1.50
–	–	**925,390**	19/06/2020	£0.00	n/a
(240,602)	–	**–**	19/06/2020	£0.00	n/a
–	–	**8,958**	03/11/2020	£0.00	n/a
–	–	**269,306**	19/05/2021	£0.00	n/a
–	–	**71,237**	26/03/2021	£0.00	n/a
–	–	**100,000**	18/06/2015	£0.32	n/a
–	–				
–	(571,400)	**–**	19/08/2011	£0.03	£1.49
–	(100,000)	**–**	18/06/2015	£0.32	£1.49
–	–	**195,704**	22/04/2013	£0.03	n/a
–	–	**187,500**	01/03/2016	£0.39	n/a
–	–	**250,000**	15/07/2014	£0.21	n/a
–	–	**100,000**	18/06/2015	£0.35	n/a

Annual report on remuneration continued

Performance graph

The chart below illustrates the Company's TSR performance compared with that of the FTSE AllShare Index This index has been chosen as the Company is a constituent and it is considered the most appropriate benchmark against which to assess the relative performance of the Company The chart shows the value of £100 invested in Funding Circle at the IPO offer price of £4.40 per share on 28 September 2018 compared with the value of £100 invested in the FTSE AllShare Index.



CEO remuneration table

The table below sets out the CEO's single figure of total remuneration.

£000	**2021**	2020	2019	2018	2017	2016
CEO total remuneration[1,2]	**629**	201	211	4,081	204	160

1 The 2018 figure includes share options that were granted prior to IPO which were subject to continued employment only

2 The CEO received no bonus from 2016 to 2020

Relative importance of spend on pay

The table below sets out our relative importance of spend on pay There have been no dividends paid to date.

Total income and adjusted EBITDA have been presented as these are two key performance measures used by the Directors in assessing performance.

	2021	2020	% Change
Total income	**£206.9m**	£222.0m	(7)%
Adjusted EBITDA	**£91.8m**	£(63.8)m	244%
Employee costs	**£78.3m**	£89.5m	(13)%
Average number of employees	**804**	911	(12)%

Percentage change in Directors' remuneration compared with employees

The table below sets out the annual percentage change in remuneration from 2019 to 2021 for each of the Directors compared to that for an average employee.

	2020 to 2021			2019 to 2020		
	Salary/fees[1]	Benefits	Annual bonus	Salary/fees[1]	Benefits	Annual bonus
Executive Directors						
Samir Desai	+5%	+33.6%[2]	n/a	-5%	0%	n/a
Oliver White[3]	—	+8.4%	n/a	n/a	n/a	n/a
Non-Executive Directors						
Andrew Learoyd	+5%	—	—	-5%	—	—
Ed Wray[4,5]	+5%	—	—	-15%	—	—
Eric Daniels	+5%	—	—	-5%	-100%	—
Bob Steel[4]	+5%	—	—	-5%	—	—
Cath Keers[4]	+5%	—	—	-5%	-100%	—
Geeta Gopalan	+15%	—	—	-5%	—	—
Helen Beck[6]	n/a	—	—	n/a	—	—
Matthew King[7]	n/a	—	—	n/a	—	—
Hendrik Nelis[8]	n/a	—	—	n/a	—	—
Neil Rimer[8]	n/a	—	—	n/a	—	—
Average employee[9]	-13.3%	+8.7%	+17.1%	-1.7%	+1.8%	+61.2%

1. The Board and the Global Leadership Team voluntarily reduced their salaries and fees by 20% over the period March to May 2020 in response to the Covid 19 pandemic. This is the reason for the change in salaries and fees shown above. No Director received a salary or fee increase during 2020 or 2021. The CEO waived his salary increase for 2021.
2. Samir Desai's benefits did not include a pension contribution or cash in lieu which he waived his right to.
3. Oliver White was appointed to the Board on 15 June 2020.
4. Ed Wray, Bob Steel and Cath Keers stepped down from the Board on 19 May 2021.
5. Ed Wray stepped down as Chair of Funding Circle Ltd in April 2020, at which point his Non-Executive Director fee became £55,000 in line with the Non-Executive Director base fee.
6. Helen Beck was appointed to the Board on 1 June 2021.
7. Matthew King was appointed to the Board on 19 May 2021.
8. Hendrik Nelis and Neil Rimer, who are not independent Non-Executive Directors, have waived their entitlement to a fee.
9. The annual percentage change of the average remuneration of the Company's employees, calculated on a full-time equivalent basis.

CEO pay ratio

Funding Circle is committed to remunerating its employees fairly and competitively. We calculated our CEO pay ratio using the prescribed Methodology A, as shown in the table below. Methodology A was selected as this is considered the most accurate approach and is generally the preferred approach by shareholders and proxy agencies.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021	Option A	18.4	11.6	6.9
2020	Option A	5.8	3.8:1	2.3:1
2019	Option A	6.8:1	3.9.1	2.5.1

There has been an increase in the CEO pay ratio for 2021 due to the introduction and payment of an annual bonus for the CEO. The Board has confirmed that the ratio is consistent with the Company's wider policies on employee pay, reward and progression.

CEO pay ratio continued

Total pay and benefits used to calculate the ratios

The table below sets out the UK employee percentile pay and benefits used to determine the above pay ratios and the salary component for each figure.

	CEO	25th percentile	Median	75th percentile
2021				
Salary component	£210,000	£29,274	£44,208	£77,542
Total pay and benefits	£628,511	£34,111	£54,031	£91,598

The CEO remuneration is the total single figure remuneration for the relevant years and 2020 and 2021 is disclosed on page 109. The UK employee total remuneration has been calculated based on the amount paid or receivable for the relevant years. The calculations for the UK employees were performed as at the final day of the relevant financial year.

Implementation of the Remuneration Policy for the year ended 31 December 2022

Salary

The table below shows the salaries for the Executive Directors as at 1 January 2022 in comparison to base salary as at 1 January 2021.

	1 January 2022	1 January 2021[1]	% change
Lisa Jacobs	£400,000	N/A	N/a
Oliver White	£400,000	£400,000	–

1 Oliver White's salary was set at £400,000 on his appointment to the Board (15 June 2020).

Annual bonus

The maximum opportunity for the CEO is 133% of salary and for the CFO is 100% of salary. The target opportunity for both is 50% of maximum opportunity The annual bonus measures will be AEBITDA, Total Income and non-financial (each weighted one-third). 40% of any bonus earned will be deferred into shares for 3 years We have moved from Operating Income to Total Income for 2022 as the Committee agreed that it was a more appropriate measure going forwards. This change recognises that investment income is an ongoing part of Funding Circle's income, with the balance sheet being used in accordance with Board approved investment principles, and ensures that management are not incentivised to maximise one form of income over another.

The Board considers the actual targets for 2022 to be commercially sensitive at this time, however, we will provide retrospective disclosure of these targets in next year's report.

The Committee may apply its discretion to amend the bonus pay-out should any formulaic assessment of performance not reflect the Committee's assessment of overall business performance, the performance of the individual, or the experience of shareholders or other stakeholders over the performance period.

Restricted Share awards

In accordance with our Policy, the number of Restricted Shares granted to Executive Directors in 2022 and 2023 will be equal to the number granted in 2021.

As disclosed on page 97, Lisa Jacobs was appointed CEO effective from 1 January 2022 and her salary and incentive levels have been set in line with the previous CEO recognising the need to retain and incentivise a highly talented individual in a very competitive market

Accordingly, the CEO and the CFO will be awarded 358,177 and 269,306 Restricted Shares respectively in 2022. Application of the Policy means that the face value of the award is reduced if there has been a fall in the share price, which aligns with proxy agency guidance. As shown in our "Illustration of the application of Remuneration Policy in 2022" charts, the grant date face value of 2022 Restricted Share awards would be c 50% lower compared to 2021 Restricted Share awards (assumes a share price of 73.9p at the time the 2022 Restricted Share awards are granted, which was the share price as of 28th February 2022)

Vesting will be subject to a financial underpin based on Total Income as well as qualitative underpins to ensure that Executive Directors are not rewarded where the Committee considers there to have been a failure in performance, including serious breach of regulation, material reputational damage and gross misconduct The financial underpin has been set such that annual income must be on average £181.3 million over the period of three years from 2022 to 2024. Prior to vesting, the Committee will assess whether actual performance of the Company and Executive Directors is reflected to guard against payment for failure or against windfall gains The Committee retains the discretion to make any adjustment to vesting it deems necessary.

Benefits and pension contributions

In line with our Policy, the benefits offered to Executive Directors are in line with those available to other employees in the Group. All Circlers (including Executive Directors) are offered the opportunity to receive Private Medical Insurance, life assurance, dental insurance, and a health cash plan paid for by Funding Circle. Circlers can upgrade their cover and include family members/ spouses/partners at their own cost. The Fxecutive Directors, and all UK Circlers, are eligible to receive a pension contribution or cash in lieu of 5% of salary

2021 & 2022 Non-Executive Director and Chair fees

The Chair fee and Non-Executive Director fees were reviewed in January 2022. Whilst these fees are reviewed annually, they have not been changed since Funding Circle's IPO in September 2018 Since the fees were set, the role and responsibilities of Committee Chairs, the Chair of Funding Circle Ltd. and the Chair of the Board have increased We are therefore increasing the Committee Chair fees by £5,000 to £15,000. Additionally, the fee for the Chair of the Board has been increased by 3 5% which is in line with the historic average annual increase for Circlers, but below the average increase awarded for Circlers in 2022.

When reviewing the fees we also considered fees paid at Financial Services organisations of a similar size and complexity and, as an additional reference point, the FTSE SmallCap Top Half.

It has been determined that the Non-Executive Director fees will be as set out in the table below, and are effective from 1 March 2022.

Fee	2021	2022
Chair fee	£200,000	£207,000
Non-Executive Director base fee	£55,000	£55,000
Senior Independent Director fee	£10,000	£10,000
Committee Chair fees (other than the Nomination Committee)	£10,000	£15,000
Chair of Funding Circle Ltd	–	£15,000

This report has been prepared in accordance with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), the 2018 UK Corporate Governance Code and the UK Listing Authority's Listing Rules.

Report of the Directors

for the year ended 31 December 2021

The Directors present their report (the "Directors' Report") and the Annual Report and Accounts for the year ended 31 December 2021.

Information required to be part of the Directors' Report either by statute, by Listing Rule 9.8 or by the DTRs can be found either in this section or elsewhere in this document, as indicated in the table below All information located elsewhere in this document is incorporated into this Directors' Report by reference:

Section of Annual Report	Page reference
Information required by LR9.8/DTRs	
Corporate Governance Statement	Corporate Governance Statement (page 70)
Going Concern and Viability Statement	Risk management (page 64)
Directors' interests	Remuneration Report (page 113) and Directors' Report (page 121)
Long-term incentive schemes	Remuneration Report (page 114)
Waiver of emoluments	Remuneration Report (page 109)
Powers for the Company to buy back its shares	Report of the Directors (page 121)
Allotment of shares during the year	Note 18 to the financial statements
Significant shareholders	Report of the Directors (page 122)
Related party agreements	Note 26 to the financial statements
Diversity policy	Nomination Committee Report (page 82)
Climate-related financial disclosures	See Sustainability (pages 29 to 34)
Statutory information	
Stakeholder engagement	Strategic Report – Our Stakeholders (pages 38 to 41). See also Board decision making and section 172 duties on pages 75 to 76 of the Corporate Governance Report
Employee engagement	Strategic Report – Our Stakeholders (pages 38 to 41) and Our People (page 24). See also Board decision making and section 172 duties on pages 75 to 76 of the Corporate Governance Report
Policy concerning the employment of disabled persons	Strategic Report – Our people (page 27)
Financial instruments	Note 17 to the financial statements
Future developments of the business	Strategic Report (pages 4 to 23)
Greenhouse gas emissions, energy consumption and energy efficiency action	Strategic Report – Sustainability (pages 33 to 34)
Significant agreements	Report of the Directors (page 121)
Non-financial reporting	Strategic Report – see below

Management Report

This Report of the Directors, together with the Strategic Report on pages 1 to 65, forms the Management Report for the purposes of DTR 4.1.5R

Strategic Report

Section 414A of the Companies Act 2006 (the "Act") requires the Directors to present a Strategic Report in the Annual Report and Accounts. The information can be found on pages 1 to 65

The Company has chosen, in accordance with section 414C (11) of the Act and as noted in this Directors' Report, to include certain matters in its Strategic Report that would otherwise be disclosed in this Directors' Report

Section 414C of the Act requires the Company to include within its Strategic Report a non-financial statement setting out such information as is required by section 414CB of the Act. Such information is set out in the Our people section on pages 24 to 27, the Sustainability section on pages 28 to 37, the Our Model and Strategic priorities sections on pages 20 to 23, our Key performance indicators on page 42, and the Risk management and Going concern and Viability statement sections on pages 51 to 65

Directors

The Directors of the Company during the year and for the period up to the date of this report were:

Andrew Learoyd (Chair)

Samir Desai CBE
(co-founder, Chief Executive Officer to Non-Executive Director on 1 January 2022)

Lisa Jacobs – appointed on 1 January 2022
(Chief Executive Officer)

Oliver White
(Chief Financial Officer)

Geeta Gopalan
(Senior Independent Director)

Eric Daniels
(Independent Non-Executive Director)

Hendrik Nelis
(Non-Executive Director)

Neil Rimer
(Non-Executive Director)

Matthew King – appointed 19 May 2021
(Independent Non-Executive Director)

Helen Beck – appointed 1 June 2021
(Independent Non-Executive Director)

Cath Keers – resigned 19 May 2021
(Independent Non-Executive Director)

Bob Steel – resigned 19 May 2021
(Senior Independent Director)

Ed Wray – resigned 19 May 2021
Independent Non-Executive Director)

Insurance and indemnities

The Company maintains appropriate insurance to cover Directors' and Officers' liability for itself and its subsidiaries In addition the Company indemnifies each Director under a separate deed of indemnity. The Company also indemnifies each Director under its Articles of Association Such indemnities are qualifying indemnities for the purposes of, and permitted under, section 234 of the Act.

Directors' interests

The number of ordinary shares in which the Directors were beneficially interested as at 31 December 2021 is set out in the Directors' Remuneration Report on page 113. There were no additional ordinary shares allotted to the Directors In the period between 31 December 2021 and 8 March 2022.

There were no other changes during that period to the number of ordinary shares in which the Directors were beneficially interested.

In line with the requirements of the Act, each Director has notified the Company of any situation in which he or she has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (a situational conflict). The Board has formal procedures to deal with Directors' conflicts of interest.

None of the Directors has a material interest in any significant contract with the Company or any member of its Group.

Results and dividends

The Group's and the Company's audited financial statements for the year are set out on pages 132 to 192.

The Directors do not recommend payment of a final dividend for 2021 (2020: £nil).

Appointment and replacement of Directors

The rules governing the appointment and replacement of Directors are set out in the Company's Articles and are governed by the Code, the Act and related legislation. All Directors will offer themselves for re-election to the Company's Board at the AGM

Amendment of the Articles

The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders. No amendments are proposed to be made to the existing Articles of Association at the forthcoming AGM.

Authority to allot or purchase the Company's shares

The Articles permit the Directors to issue or approve the purchase by the Company of its own shares, subject to obtaining shareholders' prior approval The authority to issue or buy back shares will expire at the 2022 AGM, and it will be proposed at the meeting that the Directors be granted new authorities to issue and buy back shares. The Directors currently have authority to approve the Company's purchase of up to 35,330,154 of the Company's ordinary shares. However, the Company did not repurchase any of its ordinary shares during the year.

Share capital

The Company's issued share capital comprises ordinary shares of £0.001, each of which are listed on the London Stock Exchange. The issued share capital of the Company as at 31 December 2021 comprises 356,619,718 ordinary shares of £0.001 each. Further information regarding the Company's issued share capital can be found on page 171 of the financial statements.

Details of the shares held by the Group's Employee Benefit Trusts are disclosed in note 18 to the financial statements.

Rights attaching to shares

All shares have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as set out in the Articles, described below. Except in relation to dividends and rights on a liquidation of the Company, the shareholders have no rights to share in the profits of the Company The Company's shares are not redeemable. However, following any grant of authority from shareholders, the Company may purchase or contract to purchase any of the shares on or off market, subject to the Act and the requirements of the Listing Rules.

Voting rights

All members who hold ordinary shares are entitled to attend and vote at the AGM. On a show of hands at a general meeting, every member present in person shall have one vote and, on a poll, every member present in person or by proxy shall have one vote for every share of which he or she is the holder. No shareholder holds ordinary shares carrying special rights relating to the control of the Company and the Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on voting rights.

Shares held by the Company's Employee Benefit Trusts rank pari passu with the shares in issue and have no special rights. Voting rights and rights of acceptance of any offer relating to shares held in trust rest with the Trustees and are not exercisable by employees, although the Trustees will exercise such rights arising from allocated shares in accordance with the relevant participant's directions.

Restrictions on transfer of securities

The Articles do not contain any restrictions on the transfer of ordinary shares in the Company other than the usual restrictions applicable where any amount is unpaid on a share. All issued share capital of the Company at the date of this report is fully paid. Certain restrictions are also imposed by laws and regulations (such as insider dealing and market requirements relating to closed periods) and requirements of the Disclosure Guidance and Transparency Rules, as well as the Company's own dealing codes, whereby Directors, persons connected to the Directors and certain employees of the Company require approval to deal in the Company's securities.

Change of control

The details of the additional protections that apply in the event of termination of employment due to a takeover bid in respect of certain of the CEO's pre-IPO awards are set out on page 102 under "Legacy awards". These additional protections also apply to LTIP Awards held by members of the GLT (but excluding the Executive Directors). Save in respect of these awards, there are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) because of a takeover bid.

Report of the Directors continued

Change of control continued

The Group is party to a limited number of funding agreements that include change of control provisions which, in the event of a change of control of the Company, could result in the termination of those arrangements, generally resulting in the discontinuation of further loan origination and termination of servicing by the Group under the affected arrangement. In addition, the Group participates in one or more lending schemes that benefit from a form of government-backed guarantee and it is expected that, in the event of a change of control of the Company, the consent of the relevant loan guarantor would be required to enable the Group's continued participation in those schemes.

Significant shareholdings

As at 31 December 2021 and 28 February 2022, the Company has been notified pursuant to DTR5.1, or is otherwise aware, of the following significant interests in the issued ordinary share capital of the Company:

Name of shareholder	Number of ordinary shares as at 31 December 2021	Percentage issued share capital as at 31 December 2021	Number of ordinary shares as at 28 February 2022	Percentage issued share capital as at 28 February 2022	Nature of holding
Index Ventures	58,618,351	16.44	58,618,351	16.44	Indirect
Aktieselskabet CBH	46,507,936	13.04	46,507,936	13.04	Indirect
Accel London Management	26,906,743	7.54	26,906,743	7.54	Indirect
T Rowe Price Global Investments	22,837,919	6.40	22,470,392	6.30	Indirect
Jupiter Asset Management	19,935,766	5.59	19,935,766	5.59	Indirect
DST Managers	16,505,378	4.63	16,505,378	4.63	Indirect
Mr Samir Desai	16,397,164	4.60	16,397,164	4.60	Indirect
Capital Group	14,713,073	4.13	14,713,073	4.13	Indirect
Ninety One	14,176,859	3.98	14,136,859	3.96	Indirect
Mr James Meekings	9,478,357	2.66	9,668,833	2.71	Indirect

In the period between 28 February and 8 March 2021 (the latest practicable date prior to the date of this report), the Company received no further notifications pursuant to DTR5.

Research and development

The Group invests in the research and development of technology and software products that enable the Group to achieve its key performance objective of growing lending to small businesses whilst delivering resilient returns to investors.

Political donations

There were no political donations made during the year or the previous year.

External branches

The Company has subsidiaries in the United Kingdom, the United States of America, Germany, Spain and the Netherlands but the Group had no registered external branches during the reporting period or prior year.

External auditors

PwC have confirmed their willingness to continue as external auditors and a resolution to reappoint them as the Company's external auditors, and to authorise the Directors to fix the auditors' remuneration, will be proposed at the 2022 AGM.

Statement of disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's external auditors are unaware, and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Act.

2021 AGM

The Company's AGM will take place at 12:00 p.m. on 9 June 2022 at the Company's offices at 71 Queen Victoria Street, London EC4V 4AY.

A separate circular, comprising a letter from the Chair of the Board, Notice of Meeting and explanatory notes on the resolutions being proposed, has been circulated to shareholders and is available on our website, corporate.fundingcircle.com/investors/shareholder-meetings.

It is not anticipated that the AGM will be impacted by Covid-19 as in previous years; however, the Board continues to closely monitor government guidance in relation to Covid-19, including any imposed restrictions, and will provide an update on our website at corporate.fundingcircle.com/investors/shareholder-meetings and, where appropriate, by an announcement via a Regulatory Information Service, if any changes are required to the AGM arrangements.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group *and Company financial statements* in accordance with International Accounting Standards in conformity with UK-adopted international accounting standards.

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

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

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Report of the Directors confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company, and of the profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are 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 Group's and Company's auditors are aware of that information.

Approved by the Board and signed on its behalf.

Lisa Jacobs
Chief Executive Officer
10 March 2022

FINANCIAL STATEMENTS

Independent auditors' report

to the members of Funding Circle Holdings plc

Report on the audit of the financial statements

Opinion

In our opinion, Funding Circle Holdings plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated and Company balance sheets as at 31 December 2021; the consolidated statement of comprehensive income, the consolidated and Company statements of changes in equity and the consolidated and Company statements of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 4, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit

Our audit approach

Overview

Audit scope

- Our audit included full scope audits of the UK and US components which accounted for approximately 98% of the Group's total income and 93% of the Group's profit before taxation
- We performed audit procedures over specific balances in respect of the Funding Circle Central Europe ("FCCE") component at a Group level which together with the full scope audits accounted for 98% of the Group's total income and 93% of the Group's profit before taxation.

Key audit matters

- Valuation of SME loans (securitised) (Group)
- Carrying value of the Company's investment in the US subsidiary (Company)

Materiality

- Overall Group materiality: £1,800,000 (2020: £1,890,000) based on 5% of the average of profit/loss before taxation for the previous three years, adjusted for exceptional items and fair value gains and losses.
- Overall Company materiality: £3,400,000 (2020: £3,400,000) based on 1% of total assets.
- Performance materiality: £1,350,000 (2020: £1,400,000) (Group) and £2,500,000 (2020: £2,500,000) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Independent auditors' report continued

to the members of Funding Circle Holdings plc

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

The impact of Covid-19 on the audit (Group and Company), valuation of unrated bond liabilities (reported together with the valuation of SME loans) (Group), valuation of loan repurchase liability (Group) and valuation of non-financial assets in the US GCU (reported together with the carrying value of investment in the US subsidiary) (Group and Company), which were key audit matters last year, are no longer included because:

- our consideration of the impact of Covid-19 in the current year is captured by our key audit matter on the valuation of SME loans (securitised) and it no longer represents an area of increased audit attention in its own right;
- unrated bond liabilities have been settled in the year thus reducing the liabilities held and as such reducing the risk of material misstatement arising on the valuation of the remaining portfolio;
- the estimation uncertainty in relation to the determination of expected credit losses on the loan repurchase liability has reduced given the amortisation of the underlying loans, the portfolio performance in the period and the improving economic environment; and
- the risk of misstatement related to the carrying value of the non-financial assets in the US CGU has decreased this year given the carrying value of the assets has reduced year on year and the increased headroom arising from stronger operational performance.

Otherwise, the key audit matters below are consistent with last year

Key audit matter	How our audit addressed the key audit matter
Valuation of SME loans (securitised) (Group) Refer to Report of the Audit Committee – Significant issues considered in relation to the financial statements (page 87); note 1 (accounting policies), note 2 (critical accounting estimates and key sources of estimation uncertainty); note 13 (investment in SME loans); and note 17 (financial risk management) of the Group financial statements. The Group consolidates portfolios of SME loan portfolios which are held in securitised vehicles The SME loans (securitised) are recorded on the balance sheet at fair value with resultant gains and losses recognised in the income statement. As at the balance sheet date, the Group holds investments in SME loans (securitised) amounting to £148 1m. The estimation of the fair value of the SME loans (securitised) requires models which ultilise both observable and unobservable inputs, with reasonable movements in each key assumption resulting in material changes to fair value. Judgement is required to determine an appropriate discount rate, default rate and recovery rate, leading to a level of estimation uncertainty. As a result the valuation of the SME loans (securitised) has been an area of focus in our audit	Our audit procedures comprised the following: - We understood and evaluated the design and implementation of controls relating to the valuation of the Group's portfolio of SME loans (securitised) - We engaged our valuation experts to assess the appropriateness of the methodology used by management in determining the valuation of the investments in SME loans (securitised) which are held at fair value This included assessing the appropriateness of the key assumptions within the valuation model which we considered to be the discount rate, default rate and recovery rate Our assessment of the reasonableness of the assumptions included comparison to third party data where available - We derived our own independent estimate of the discount rate and compared this to that used by management. - We built our own independent model to re-calculate the fair value using management's assumptions Based on the above procedures performed, and the evidence obtained, we concluded that the estimated fair value of the SME loans (securitised) was reasonable. We evaluated the appropriateness of the critical accounting estimates and key sources of estimation uncertainty in note 2 to the Group financial statements and the disclosures on financial instruments in note 13 and note 17 and considered these to be reasonable

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Carrying value of the Company's investment in the US subsidiary (Company) Refer to Report of the Audit Committee – Significant issues considered in relation to the financial statements (page 87; note 1 accounting policies including critical accounting judgements and key sources of estimation uncertainty); and note 5 (investments in subsidiary undertakings) of the Company financial statements. The Company holds an investment in the US subsidiary with a carrying value of £65.1m after impairment. IAS 36 'Impairment of Assets' requires that investments are subject to an impairment review when there is an indication that an asset may be impaired. The indications that the carrying value of the investment in the US subsidiary may be impaired are: - the impact of the US business restructuring activities completed in the prior year; and - the impact on operational results following the closure of the PPP scheme with the US business returning to core and Marketplace activities. Management performed an impairment assessment and estimated the recoverable amount using a value-in-use model. The significant assumptions in this assessment included the revenue growth rate and the discount rate.	Our audit procedures comprised the following: - We understood and evaluated the design and implementation of controls relating to the Company's impairment assessments. - We assessed the methodology used by management against the requirements of the financial reporting framework and tested the mathematical accuracy of the model. - We have agreed the forecast financial information to budgets and forecasts approved by senior management and the Board, including the Medium Term Plan. - We evaluated the reliability of management's forecasting by comparing actual results with previous years' forecasts. - We compared the forecast growth rates with those achieved by the US business in the past, as well as those of similar businesses in the US market. - We identified the key drivers in management's forecasts and assessed their reasonableness by comparing them to historical results. Where significant improvements were forecast in key assumptions underpinning the forecast cash flow growth, we challenged management on whether the forecast improvements were reasonable and supportable and obtained corroborating evidence to assess these assumptions. - We performed sensitivity analysis to assess the susceptibility of change in key assumptions including where management was unable to support forward looking assumptions. - We assessed the appropriateness of the discount rate assumption by using our valuation experts to derive an independent view on the rate. - We engaged tax experts to review and assess the reasonableness of the group's transfer pricing policy and arrangements. We tested whether transfer pricing adjustments were consistent with the policy and have been appropriately reflected within the model. Based on the above procedures performed, and the evidence obtained, we considered the Directors' conclusion that the carrying value of the US subsidiary is not impaired to be reasonable. We evaluated the appropriateness of the related disclosures in note 1 (accounting policies including the critical accounting estimates and key sources of estimation uncertainty) to the Company's financial statements and note 5 (investments in subsidiaries) and considered these to be reasonable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

1) Audit approach to Funding Circle's operations: We performed a risk assessment, giving consideration to relevant external and internal factors, including Covid-19, climate change, and economic risks, relevant accounting and regulatory developments, and Funding Circle's strategy. We also considered our knowledge and experience obtained in prior year audits. As part of considering the impact of climate change in our risk assessment, we evaluated management's assessment of the impact of climate risk, which is set out on pages 30 to 32. We designed our audit approach for the products and services that substantially make up Funding Circle's businesses in the UK, US and CE, such as platform lending, marketplace referrals and the origination of, and investment in, SME loan portfolios. The audit approach was designed by a partner and team members who are specialists in the relevant areas. The risk assessment and audit approach were provided to the US audit team who contributed to the Group audit.

2) Audit work for in scope components: Through our risk assessment and scoping we identified the US group and three components of the UK group as full scope components due to being financially significant. We considered FCCE as a limited scope entity for specific balances including loan repurchase liability and cash. We instructed our network firm in the US to perform a full scope audit of the US component. The Group audit team performed the audit work for the UK components and the specific work over FCCE balances. We assigned materiality levels to components reflecting the size of their operations. The performance materiality levels ranged from £1.0 million to £1.3 million. We determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. This included active and regular dialogue with the partner and team responsible for the audit of the US component, the issuance of instructions, reviewing their audit plan and strategy and a review of their audit working papers and their findings in certain areas. Analytical review procedures were performed over FCCE, a non-significant component with material balances, to mitigate the risk of material misstatement.

Independent auditors' report continued

to the members of Funding Circle Holdings plc

Report on the audit of the financial statements continued

Our audit approach continued

How we tailored the audit scope continued

3) Audit procedures undertaken at a Group level and on the Company: We ensured that appropriate further work was undertaken for the Group and Company. Certain account balances were audited centrally by the Group engagement team, including the Company's investment in subsidiary undertakings, the investments in associates, the valuation of SME loans, the consolidation of the Group's results, the preparation of the financial statements, certain disclosures within the Directors' remuneration report and taxation.

4) Using the work of others: We used the evidence provided by our valuation experts and specialists for our work on the significant assumptions used in the impairment assessment over the Company's investment in the US subsidiary, and the valuation of the SME loans recorded at fair value.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£1,800,000 (2020: £1,890,000)	£3,400,000 (2020: £3,400,000).
How we determined it	5% of the average of profit/loss before taxation for the previous three years, adjusted for exceptional items and fair value gains and losses.	1% of total assets.
Rationale for benchmark applied	We determined materiality by applying 5% to the average consolidated profit/loss before taxation for the previous three years after adjusting for exceptional items and fair value gains and losses. We consider profit/loss before taxation to be the most appropriate benchmark used in assessing the performance of the Group as the business is listed and profit orientated. Given the volatility in the underlying performance caused by recent challenging economic conditions resulting from Covid-19, we consider it appropriate to take an average of the results of the preceding three years. We believe that profit/loss before taxation adjusted for exceptional items and fair value gains and losses is an appropriate measure as it eliminates the impact of one-off non-recurring items which significantly impact comparability.	We consider total assets to be the most appropriate benchmark to apply on the basis that the Company is a non-trading investment Company that holds investment in the Group's subsidiaries

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1,400,000 and £1,700,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £1,350,000 (2020: £1,400,000) for the Group financial statements and £2,500,000 (2020: £2,500,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £90,000 (Group audit) (2020: £95,000) and £90,000 (Company audit) (2020: £95,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- performing a risk assessment to identify factors that could impact the going concern basis of accounting, including the impact of external risks including Covid-19 and climate change;
- understanding and evaluating management's financial forecasts and liquidity and regulatory capital over the going concern period including an evaluation of the stress testing performed by management;
- review of management's covenant compliance monitoring and the impact of the stress scenarios on the covenants;
- substantiation of financial resources available to the Group and Company as at the balance sheet date including the unrestricted cash; and
- reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Report on the audit of the financial statements continued

Conclusions relating to going concern continued

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 Group's and 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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Directors' remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- the directors' confirmation that they have carried out a robust assessment of the emerging and principal risks,
- the disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated,
- the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate, and
- the directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent auditors' report continued

to the members of Funding Circle Holdings plc

Report on the audit of the financial statements continued

Corporate governance statement continued

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- the section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Group's provision of regulated products and services under its Financial Conduct Authority ("FCA") licence, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to bias in accounting estimates and judgements and the posting of manual journal entries in respect of fee income. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- review of correspondence with, and reports to, the FCA;
- review of customer complaints to identify any indicators of breaches in laws and regulations;
- enquiries of the Directors, the Chair of the Audit Committee, the Head of Internal Audit and management, including the Group's general counsel and the Group's head of legal and regulatory, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- review of all internal audit reports issued in the period to identify any indicators of breaches in laws and regulations;
- identifying and testing journal entries and period end adjustments, including those with unusual account combinations, including entries made in respect of fee income and posted by unexpected users; and
- challenging significant assumptions and judgements made by management in its accounting estimates, in particular in relation those used in the determination of the fair value of SME loans (securitised), impairment assessment in respect of the US subsidiary, capitalisation of development costs and the presentation and disclosure of items such as exceptionals in the financial statements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Report on the audit of the financial statements continued

Responsibilities for the financial statements and the audit continued

Auditors' responsibilities for the audit of the financial statements continued

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 4 August 2015 to audit the financial statements for the year ended 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement is seven years, covering the years ended 31 December 2015 to 31 December 2021.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Nick Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 March 2022

Consolidated statement of comprehensive income

for the year ended 31 December 2021

	Note	31 December 2021 Before exceptional items £m	Exceptional items[1] £m	31 December 2021 £m	31 December 2020 Before exceptional items £m	Exceptional items[1] £m	31 December 2020 £m
Transaction fees		**115.0**	–	**115.0**	122.5	–	122.5
Servicing fees		**47.0**	–	**47.0**	30.2	–	30.2
Other income		**3.5**	–	**3.5**	3.0	–	3.0
Fee income		**165.5**	–	**165.5**	155.7	–	155.7
Investment income		**53.7**	–	**53.7**	89.0	–	89.0
Investment expense		**(12.3)**	–	**(12.3)**	*(22.7)*	–	*(22.7)*
Total income		**206.9**	–	**206.9**	222.0	–	222.0
Fair value gains/(losses)		**28.6**	–	**28.6**	(118.3)	–	(118.3)
Net income	3	**235.5**	–	**235.5**	103.7	–	103.7
People costs	4, 6	**(77.7)**	–	**(77.7)**	(81.3)	(4.0)	(85.3)
Marketing costs	4	**(46.9)**	–	**(46.9)**	*(46.8)*	–	*(46.8)*
Depreciation, amortisation and impairment	4	**(13.9)**	**(3.9)**	**(17.8)**	(17.2)	(13.7)	(30.9)
Loan repurchase credit/(charge)	4	**0.1**	–	**0.1**	(6.2)	–	(6.2)
Other costs	4	**(29.0)**	–	**(29.0)**	(39.8)	(1.0)	(40.8)
Operating expenses	4	**(167.4)**	**(3.9)**	**(171.3)**	(191.3)	(18.7)	(210.0)
Operating profit/(loss)		**68.1**	**(3.9)**	**64.2**	(87.6)	(18.7)	(106.3)
Finance income	7	**0.1**	–	**0.1**	0.4	–	0.4
Finance costs	7	**(1.1)**	–	**(1.1)**	(1.4)	–	(1.4)
Share of net profit/(loss) of associates	30	**0.9**	–	**0.9**	(0.8)	–	(0.8)
Profit/(loss) before taxation		**68.0**	**(3.9)**	**64.1**	(89.4)	(18.7)	(108.1)
Income tax	8	**(2.9)**	–	**(2.9)**	(0.2)	–	(0.2)
Profit/(loss) for the year		**65.1**	**(3.9)**	**61.2**	(89.6)	(18.7)	(108.3)
Other comprehensive income							
Items that may be reclassified *subsequently to profit and loss:*							
Exchange differences on translation of foreign operations	20	**1.4**	–	**1.4**	1.7	–	1.7
***Total comprehensive* profit/(loss) for the year**		**66.5**	**(3.9)**	**62.6**	(87.9)	(18.7)	(106.6)
Total comprehensive *profit/(loss) attributable to:*							
Owners of the Parent		**66.5**	**(3.9)**	**62.6**	(87.9)	(18.7)	(106.6)
Earnings/(loss) per share							
Basic earnings/(loss) per share	9	**18.5p**		**17.4p**	(25.8)p		(31.2)p
Diluted earnings/(loss) per share	9	**17.1p**		**16.0p**	(25.8)p		(31.2)p

1 Exceptional items are detailed within note 5

All amounts relate to continuing activities.

The notes on pages 136 to 181 form part of these financial statements

Consolidated balance sheet
as at 31 December 2021

	Note	31 December 2021 £m	31 December 2020 (restated) £m
Non-current assets			
Intangible assets	11	**24.9**	24.4
Property, plant and equipment	12	**14.1**	28.7
Investment in associates	30	**7.6**	11.0
Investment in trusts and co-investments	13	**39.1**	21.2
Investment in SME loans (other)	13	**74.2**	25.0
Trade and other receivables	14	**4.1**	–
		164.0	110.3
Current assets			
Investment in SME loans (warehouse)	13	**3.2**	221.8
Investment in SME loans (securitised)	13	**148.1**	279.8
Investment in SME loans (other)	13	**1.6**	–
Trade and other receivables	14	**25.0**	67.0
Cash and cash equivalents	23	**224.0**	103.3
		401.9	671.9
Total assets		**565.9**	782.2
Current liabilities			
Trade and other payables	15	**36.4**	34.1
Bank borrowings	17	**–**	171.2
Bonds	17	**140.3**	294.3
Short-term provisions and other liabilities	16	**3.4**	8.7
Lease liabilities	12	**6.9**	7.3
		187.0	515.6
Non-current liabilities			
Long-term provisions and other liabilities	16	**0.7**	1.2
Bank borrowings	17	**73.2**	24.3
Lease liabilities	12	**17.0**	23.5
Total liabilities		**277.9**	564.6
Equity			
Share capital	18	**0.4**	0.3
Share premium account	19	**293.0**	292.6
Foreign exchange reserve	20	**11.1**	9.7
Share options reserve		**19.1**	13.6
Accumulated losses	21	**(35.6)**	(98.6)
Total equity		**288.0**	217.6
Total equity and liabilities		**565.9**	782.2

1 See note 1

The financial statements on pages 132 to 181 were approved by the Board and authorised for issue on 10 March 2022. They were signed on behalf of the Board by:

Oliver White
Director

Company registration number 07123934

The notes on pages 136 to 181 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Note	Share capital £m	Share premium account £m	Foreign exchange reserve £m	Share options reserve £m	Retained earnings/ (accumulated losses) £m	Total equity £m
Balance at 1 January 2020		0.3	292.3	8.0	11.9	6.5	319.0
Loss for the year	21	–	–	–	–	(108.3)	(108.3)
Other comprehensive income							
Exchange differences on translation of foreign operations	20	–	–	1.7	–	–	1.7
Total comprehensive income/(expense)		–	–	1.7	–	(108.3)	(106.6)
Transactions with owners							
Transfer of share option costs	21	–	–	–	(3.2)	3.2	–
Issue of share capital	18, 19	–	0.3	–	–	–	0.3
Employee share schemes – value of employee services		–	–	–	4.9	–	4.9
Balance at 31 December 2020		0.3	292.6	9.7	13.6	(98.6)	217.6
Profit for the year	21	–	–	–	–	61.2	61.2
Other comprehensive income							
Exchange differences on translation of foreign operations	20	–	–	1.4	–	–	1.4
Total comprehensive income		–	–	1.4	–	61.2	62.6
Transactions with owners							
Transfer of share option costs	21	–	–	–	(1.8)	1.8	–
Issue of share capital	18, 19	0.1	0.4	–	–	–	0.5
Employee share schemes – value of employee services		–	–	–	7.3	–	7.3
Balance at 31 December 2021		**0.4**	**293.0**	**11.1**	**19.1**	**(35.6)**	**288.0**

The notes on pages 136 to 181 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2021

	Note	**31 December 2021 £m**	31 December 2020 £m
Net cash inflow from operating activities	23	**100.1**	33.1
Investing activities			
Purchase of intangible assets	11	**(8.6)**	(9.5)
Purchase of property, plant and equipment	12	**(0.8)**	(0.8)
Origination of SME loans (other)	17	**(213.5)**	(25.0)
Cash receipts from SME loans (other)	17	**163.7**	–
Purchase of SME loans (warehouse phase)	17	**–**	(286.9)
Cash receipts from SME loans (warehouse phase)	17	**58.6**	146.9
Cash receipts from SME loans (securitised)	17	**150.2**	211.7
Proceeds from sale of SME loans (warehouse phase)	17	**176.1**	–
Proceeds from sale of investment bonds	17	**–**	4.0
Investment in trusts and co-investments	17	**(22.1)**	(20.9)
Cash receipts from investments in trusts and co-investments	17	**3.3**	–
Redemption in associates	26, 30	**3.9**	1.9
Dividends from associates	26, 30	**–**	0.4
Interest received	7	**0.1**	0.4
Net cash inflow from investing activities		**310.9**	22.2
Financing activities			
Proceeds from bank borrowings	23	**208.2**	230.1
Repayment of bank borrowings	23	**(331.3)**	(299.1)
Proceeds from issuance of bonds	23	**–**	186.5
Payment of bond liabilities	23	**(160.6)**	(226.1)
Proceeds from the exercise of share options		**0.4**	0.2
Proceeds from subleases		**0.2**	–
Payment of lease liabilities	23	**(8.1)**	(7.8)
Net cash outflow from financing activities		**(291.2)**	(116.2)
Net increase/(decrease) in cash and cash equivalents		**119.8**	(60.9)
Cash and cash equivalents at the beginning of the year		**103.3**	164.5
Effect of foreign exchange rate changes		**0.9**	(0.3)
Cash and cash equivalents at the end of the year	23	**224.0**	103.3

The impact of exceptional items on the consolidated statement of cash flows is detailed in note 5

The notes on pages 136 to 181 form part of these financial statements.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2021

1. Accounting policies

General information

Funding Circle Holdings plc (the "Company") is a public company limited by shares, which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of its registered office is given on page 194 The consolidated financial statements of the Group for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The principal activities of the Group and the nature of the Group's operations are as a global SME loan platform.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated

Going concern

The Group's business activities together with the factors likely to affect its future development and position are set out in the *Strategic Report*.

The financial statements are prepared on a going concern basis as the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future (which has been taken as at least 12 months from the date of approval of the financial statements).

The Group made a total comprehensive profit of £62.6 million during the year ended 31 December 2021 (2020: loss of £106.6 million) As at 31 December 2021, the Group had net assets of £288.0 million (2020: £217.6 million). This includes £224.0 million of cash and cash equivalents (2020 £103.3 million) of which £24.6 million (2020: £44.2 million) is held within the securitisation vehicles or for other specific purposes and is restricted in use Additionally, within the net assets, the Group holds £69.7 million (2020: £118.3 million) of invested capital some of which is capable of being monetised if liquidity needs arise.

The Group has prepared detailed cash flow forecasts for the next 15 months and has updated the going concern assessment to factor in the potential ongoing impact of Covid-19, inflation and related economic stress.

The base case scenario assumes:

- the new government-guaranteed Recovery Loan Scheme ("RLS") in the UK is not extended beyond June 2022,
- there remains macroeconomic stress in H1 2022 from inflation, supply chain and ongoing Covid-19-related pressures with a peak in defaults, however volumes of core loans rise in H2 2022 and there is a general recovery;
- lending in the US steadily recovers; and
- costs and headcount remain relatively flat other than increased investment in technology and risk.

Management prepared a severe but plausible downside scenario in which:

- further macroeconomic volatility occurs in H1 2022 following the tapering of government support along with increased inflation and interest rates reducing borrower demand leading to decreased originations;
- investment returns reduce owing to increased funding costs, widening discount rates and deterioration in loan performance,
- an operational event occurs requiring a cash outlay; and
- a downside loss scenario is applied to Funding Circle's on-balance sheet investment in SME loans resulting in higher initial fair value losses and lower cash flows to the subordinate tranches of investments it owns

Management has reviewed financial covenants the Group must adhere to in relation to its servicing agreements These are with institutional investors for which there are unrestricted cash, tangible net worth and debt to tangible net worth ratios. Management has also reviewed regulatory capital requirements. In the downside scenario the risk of covenant or capital requirement breach is considered remote.

The Directors have made enquiries of management and considered budgets and cash flow forecasts for the Group and have, at the time of approving these financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Further detail is contained in the Strategic Report on pages 64 and 65

Basis of preparation

The Group presents its annual financial statements in conformity with United Kingdom laws and regulations.

On 31 December 2020, International Financial Reporting Standards ("IFRS") as adopted by the European Union at that date were brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021 The financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. In the previous year the accounts were prepared in accordance with IFRS pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRS in conformity with the requirements of the Companies Act 2006, including International Accounting Standards ("IAS") and interpretations issued by the International Financial Reporting Standard Interpretations Committee ("IFRS-IC")

1. Accounting policies continued

Basis of preparation continued

This change in basis of preparation is required by UK company law for the purposes of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and the cessation of the transition period on 31 December 2020. This change does not constitute a change in accounting policy but rather a change in framework which is required to ground the use of IFRS in company law. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework The financial statements have been prepared on the historical cost basis except for certain financial instruments that are carried at fair value through profit and loss ("FVTPL").

The preparation of financial statements requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the year the assumptions changed. Management believes that the underlying assumptions are appropriate The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Representation of comparative information

Investment in SME loans (other) of £24.3 million and related bank borrowings of £24.3 million have been reclassified in the comparative period from current to non-current to reflect the expected life of Paycheck Protection Program ("PPP") loan assets and the contractual life of the Paycheck Protection Program Liquidity Facility ("PPPLF") borrowings. The reclassification has no impact on the profit and loss or net assets of the Group There was no impact on periods prior to the comparative period

Significant changes in the current reporting year

The financial position and performance of the Group were affected by the following events and transactions during the year ended 31 December 2021:

i) Sale of US and UK warehouse loan assets (note 17)

In June 2021, Funding Circle sold SME loan assets from the warehouses in the US for £64.3 million as part of its strategy of monetising pre-pandemic investments. The bank borrowings associated with the loans were fully repaid using the proceeds.

In November 2021, Funding Circle sold SME loan assets from the warehouse in the UK for £111.8 million as part of its strategy of monetising pre-pandemic investments. The bank borrowings associated with the loans were fully repaid using the proceeds.

Certain SME loan assets in the warehouses were not sold as part of the transactions and remain on the balance sheet under investment in SME loans (warehouse).

ii) The UK Government's Recovery Loan Scheme ("RLS") and relaunch of core lending

During the year, Funding Circle became an accredited lender under RLS, the new government-guaranteed loan scheme successor to CBILS. Under the terms of the scheme Funding Circle is required to co-invest in loans originated through this scheme. The loans are beneficially owned by investors under trust structures in which Funding Circle retains a small stake. Additionally, core loans have been relaunched and are originated via the same trust structures in the UK.

In certain RLS and core loan co-investments in the UK and in the relaunch of core lending in the US, Funding Circle co-invests in notes of the leveraged structured vehicles on a pari passu basis along with majority investors. These notes are subordinate to senior notes issued to the senior borrowing facility provider of the vehicle. These vehicles are the sole beneficiaries of the trust structures under which loans are originated by drawing down on the subordinate and senior note facilities during an investment period. Once the investment period ends the vehicles distribute returns from the amortisation of the associated loans to the senior and subordinate note holders after paying any running expenses of the vehicle.

The Group does not consolidate the trusts or the structured vehicles or the loans held within the trusts or borrowings and other net assets of the vehicles, instead recognising its interest in the loans or vehicles as investment in trusts and co-investment assets on the balance sheet. This investment is held at FVTPL and interest is recognised within investment income in the consolidated statement of comprehensive income

iii) The US Government's Paycheck Protection Program ("PPP") loan funding

During the year, the US Government's PPP scheme was extended until May 2021. Funding Circle continued to fund PPP loans via its lending platform, predominantly drawing down on the US Government's Federal PPP lending facility. As a result the Group holds £71.9 million (31 December 2020: £24.3 million) of PPP loans on balance sheet included within investment in SME loans (other) with a corresponding draw down on the SBA facility of £73 2 million (31 December 2020· £24.3 million) included within bank borrowings The PPP loans on balance sheet and PPPLF liability may not directly offset due to timing of cash payments and forgiveness of the loans and repayment of the liability These loans are recognised initially at fair value and are subsequently held at amortised cost as the business model under which the assets are held is to collect contractual cash flows. The loans are guaranteed and borrowers are incentivised to apply for forgiveness on the loans. Once a loan is forgiven by the SBA, the loan and related borrowing are extinguished

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

1. Accounting policies continued

Significant changes in the current reporting year continued

iii) The US Government's Paycheck Protection Program ("PPP") loan funding continued

Transaction fee income and broker commission expense associated with these loans are treated under IFRS 9 as an adjustment to the effective interest rate and are amortised over the expected life of the loans. While the contractual life of the PPP loans is up to five years, due to the design of the PPP loan programme, the loans are expected to be forgiven in a shorter period of time. The Group has determined that the estimated expected life of PPP loans is 16 months from origination. In arriving at this estimate, it has considered: the time frame in which PPP borrowers are incentivised to apply for forgiveness prior to being required to commence repayments on the loans; recent steps the SBA has taken to streamline the forgiveness process; and trends in historical PPP loans The impact of the estimate on the year ended 31 December 2021 is the extent to which fee income and broker cost are deferred. At 31 December 2021 £2.6 million fee income received and £0.2 million of broker commission expense incurred were deferred to future periods.

Changes in accounting policy and disclosures

The Group has adopted the following new and amended IFRSs and interpretations from 1 January 2021 on a full retrospective basis.

Standard/interpretation	Content	Applicable for financial years beginning on/after
Amendments to IFRS 7, IFRS 9 and IAS 39 – Interest Rate Benchmark Reform – Phase 2	Reliefs relating to interest rate benchmark reforms	1 January 2021
Amendments to IFRS 16 – Covid-19 Related Rent Concessions	Leases	1 June 2020

The amendments and interpretations listed above did not materially affect the current year and are not expected to materially affect future years.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting years and have not been early adopted by the Group as follows:

Standard/interpretation	Content	Applicable for financial years beginning on/after
Amendments to IFRS 3 – Reference to the Conceptual Framework	Business combinations	1 January 2022
Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use	Property, plant and equipment	1 January 2022
Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract	Provisions – onerous contracts	1 January 2022
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	Presentation of financial statements	1 January 2023
Amendments to IAS 8 – Definition of Accounting Estimates	Accounting policies, changes in accounting estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	Accounting policies	1 January 2023
Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	Deferred tax	1 January 2023

These standards are not expected to have a material impact on the Group in the current or future reporting years or on foreseeable future transactions

Summary of new and amended accounting policies

There were no significant new accounting policies or amendments to existing accounting policies during the year.

1. Accounting policies continued

Summary of existing accounting policies

Basis of consolidation

Where the Group has control over an investee, it is classified as a subsidiary. The Group controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Structured entities are entities that are designed so that their activities are not governed by voting rights In assessing whether the Group has power over such entities, the Group considers factors such as the purpose and design of the entity; its practical ability to direct the relevant activities of the entity; the nature of the relationship with the entity; and the size of its exposure to the variability of returns of the entity.

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full

The Group applies the acquisition method to account for business combinations. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. Acquisition-related costs are recognised in profit or loss as incurred. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Foreign currency translation

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the prevailing rate at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

Presentation currency

These consolidated financial statements are presented in GBP sterling, which is the Group's presentation currency.

All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the prevailing rate at the reporting date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used Exchange differences arising are recognised in other comprehensive income and accumulated in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the prevailing rate at the reporting date.

Segment reporting

Operating segments are reported in the manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, which is the function responsible for allocating resources and assessing performance of the operating segments, has been identified as the Global Leadership Team that makes strategic decisions. For each identified operating segment, the Group has disclosed information for the key performance indicators that are assessed internally to review and steer performance in the Strategic Report.

Transactions between segments are on an arm's length basis in a manner similar to transactions with third parties.

Exceptional items

Exceptional items are the items of income or expense that the Group considers are material, one-off in nature and of such significance that they merit separate presentation in order to aid the reader's understanding of the Group's financial performance. Such items would include profits or losses on disposal of businesses; transaction costs; acquisitions and disposals; major restructuring programmes; significant goodwill or other asset impairments; and other particularly significant or unusual items (see note 5).

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

1. Accounting policies continued

Income recognition

Fee income is recognised in line with IFRS 15 which provides a single, principles-based five-step model to be applied to all contracts with customers:

1) identify the contract with the customer;

2) identify the performance obligations in the contract, introducing the new concept of "distinct";

3) determine the transaction price;

4) allocate the transaction price to the performance obligations in the contracts, on a relative stand-alone selling price basis; and

5) recognise income when (or as) the entity satisfies its performance obligation.

Fee income earned for the arrangement of loans is classified as transaction fees and is a cost of the borrower except for government-guaranteed loans which are a cost to the government (with the exception of RLS where it remains a cost to the borrower). The contract signed by the borrower and related terms are clearly identifiable. The performance obligation in the contract is considered to be the funding of the loan through the marketplace platform and the transaction price is clearly stated in the borrower's contract. Fees are recognised immediately once loans are fully funded on the marketplace and after the loans are accepted by the borrowers. At this point the performance obligation has been met and there are no clawback provisions. Such fees are automatically deducted from the amount borrowed (or subsequently invoiced in the case of government-guaranteed loans with the exception of RLS) and recognised at that point as the Group has the right to consideration and the performance obligation has been satisfied.

Fee income earned from referrals to partner institutions is classified as transaction fees and is a cost to the partner institution. There are contracts in place with partner institutions with clearly identifiable terms. The performance obligation in the contract is considered to be the referral by the Group and subsequent funding of the referred loan by the partner institution and the transaction price is clearly stated in the referral agreement. Fees are recognised once the referred loan has been funded by the partner institution and accepted by the referred borrower. At this point the performance obligation has been met and there are no significant clawback provisions.

Fee income earned from servicing third party loans is classified as servicing fees and is a cost of the investor, except in the case of certain government schemes that permit a service fee such as CBILS (though not RLS), where the government bears the cost in the first year. It comprises an annualised fee representing a percentage of outstanding principal. The contractual basis for the servicing fee and transaction price is based on the terms and conditions agreed by investors to the lending platform. The performance obligation is servicing the loans and allocating repayments of the loan parts to the respective lenders. The transaction price is allocated as a percentage of the outstanding principal balance, representing the outstanding performance obligation. Fees are recognised on a monthly basis upon repayment of loan parts. Due to the conditions of the loans, there are no partially completed contracts at the balance sheet date and no advance payments from customers.

Other income includes excess premium earned from arrangements to buy back defaulted loans from certain institutional investors and income earned on certain bought back loans. Other income also includes income from collections charges levied on the recovery of loans. These are recognised as services are performed on an accruals basis.

Net income includes the following elements under which the recognition criteria of IFRS 9 and not IFRS 15 are applied:

Investment income includes

- interest income from SME loans and investments in trusts that the Group holds on balance sheet.

Investment expense includes:

- interest payable on funds borrowed to finance the acquisition of underlying loan investments;
- interest payable on bond liabilities held on balance sheet;
- amortisation of costs associated with the issuing of bonds and the credit facility; and
- gains/losses from changes in fair value of interest hedging instruments.

Fair value gains/losses includes:

- gains/losses from changes in the fair value of financial assets and liabilities held on balance sheet

Net income recorded in the financial statements is generated in the UK, the US, Germany and the Netherlands. All fees are calculated based on the above income recognition policy.

Administrative expenses

Administrative expenses are recognised as an expense in the statement of comprehensive income in the period in which they are incurred on an accruals basis.

1. **Accounting policies** continued

Share-based payments

The Group operates a number of equity-settled share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options and shares) of the Company. The fair value of the employee services received in exchange for the grant of the options and shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options and shares granted.

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, net income, earnings per share and remaining an employee of the Group over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options and shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied At the end of each reporting period, the Group revises its estimate of the number of options and shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options and shares over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase in investment in subsidiary undertakings, with a corresponding credit to equity in the Parent entity (the "Company") accounts.

Pension obligations

The Group operates a defined contribution pension scheme for employees in the UK, US and Netherlands. The schemes are pension plans under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. Contributions payable to the Group's pension scheme are charged to the statement of comprehensive income in the year to which they relate. The Group has no further payment obligations once the contributions have been paid.

Current and deferred tax

The tax expense for the year comprises current and deferred tax. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group has established transfer pricing policies and ensures mechanisms are in place in ensuring subsidiaries receive an appropriate tax rate and base. It establishes provisions, where appropriate, based on amounts expected to be paid to the tax authorities.

Deferred tax assets for unused tax losses, tax credits and deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for any deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the year-end date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled Deferred tax balances are not discounted

Dividends

Dividends are recognised when they become legally payable, in accordance with the Companies Act 2006.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

1. Accounting policies continued

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the "acquisition date"). Goodwill is measured as the excess of the sum of the fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") expected to benefit from the synergies of the combination CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each non-financial asset in the unit An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives Useful lives and amortisation methods are reviewed at the end of each annual reporting period, or more frequently when there is an indication that the intangible asset may be impaired, with the effect of any changes accounted for on a prospective basis. Amortisation commences when the intangible asset is available for use. The residual value of intangible assets is assumed to be zero.

Computer software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software These costs are amortised over the licence period, which is up to five years as at 31 December 2021.

Capitalised development costs

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design, build and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met.

- it is technically feasible to complete the build of the platform products so that they will be available for use;
- management intends to complete the build of the platform products for use within the Group;
- there is an ability to use the platform products;
- it can be demonstrated how the platform products will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use the platform products are available; and
- the expenditure attributable to the platform products during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs. The capitalisation of employee costs is based on the amount of time spent on specific projects which meet the criteria as a proportion of their total time, and this proportion of their salary-related costs is attributed to the applicable projects.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use over their estimated useful lives, ranging from three to five years.

Other intangibles

Other intangibles relate to the technology platform and customer relationship (representing fees due on contracted loans expected to be realised in the foreseeable future) acquired on a business combination. These costs are amortised over their estimated useful lives, which do not exceed three years.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment	1–3 years
Furniture and fixtures	3–5 years

Leasehold improvements that qualify for recognition as an asset are measured at cost and are presented as part of property, plant and equipment in the non-current assets section on the balance sheet. Depreciation on leasehold improvements is calculated using the straight-line method over the lease term.

1. Accounting policies continued

Impairment of tangible and intangible assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this was the case, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leases

At inception of a contract, the Group assesses whether or not a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When a lease is recognised in a contract the Group recognises a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability, less any lease incentives. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain remeasurements of the lease liability. Depreciation is calculated on a straight-line basis over the length of the lease.

Liabilities arising from a lease are initially measured on a present value basis Lease liabilities include the net present value of the following lease payments.

- fixed payments less any lease incentives receivable;
- variable lease payments based on an index or a rate, initially measured using the index or rate at the commencement date; and
- amounts expected to be payable by the Group under residual value guarantee.

The lease payments are discounted using the interest rate implicit in the lease If that rate cannot be readily determined, the Group's incremental borrowing rate is used, which is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses an approach taking the risk-free interest rate adjusted for credit risk for leases held by Funding Circle Holdings plc; and
- makes adjustments specific to the lease for term, country and currency.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and reducing it by the lease payments made. The lease liability is remeasured when there is a lease modification.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Extension and termination options are included in a number of property leases in the Group. Management considers the facts and circumstances that may create an economic incentive to exercise an extension or termination option in order to determine whether the lease term should include or exclude such options. Extension or termination options are only included within the lease term if they are reasonably certain to be exercised in the case of extension options and not exercised in the case of termination options.

Considerations include:

- if leasehold improvements are expected to have significant value at the end of the lease term;
- expected costs or business disruption as a result of replacing a lease; and
- significant penalties incurred in order to terminate.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

1. Accounting policies continued

Leases continued

Lease terms are reassessed if the option is exercised or if a significant event occurs which impacts the assessment of reasonable certainty.

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term

When the Group is an intermediate lessor, entering into a sublease, it accounts for the head lease and the sublease separately The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognised on a straight-line basis over the lease term and the Group retains the right-of-use asset deriving from the head lease and the lease liability on the balance sheet.

Amounts due from lessees under finance leases are recognised as receivables equivalent to the Group's net investment in the lease and the right-of-use asset from the head lease is derecognised. Any difference resulting from the derecognition of the right-of-use asset and recognition of the net investment in the sublease is recognised in the consolidated statement of comprehensive income. The head lease liability remains on the balance sheet and interest expense continues to be recognised, while interest income is recognised from the sublease.

Consolidation of special purpose vehicles ("SPVs")

Subsidiaries are those entities, including structured vehicles, over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The Group has power over an entity when it has existing rights that give it the current ability to direct the activities that most significantly affect the entity's returns. Power may be determined on the basis of voting rights or, in the case of structured entities, other contractual arrangements

The Group assesses whether it controls SPVs and the requirement to consolidate them under the criteria of IFRS 10. Control is determined to exist if the Group has the power to direct the activities of each entity (for example, managing the performance of the underlying assets and raising debt on those assets which is used to fund the Group) and uses this control to obtain a variable return (for example, retaining the residual risk on the assets). Structures that do not meet these criteria are not treated as subsidiaries and the assets are derecognised when they are sold.

Where the Group manages the administration of its securitised assets and is exposed to the risks and rewards of the underlying assets through its continued investment or where the Group does not retain a direct ownership interest in an SPE, but the Directors have determined that the Group controls those entities, they are treated as subsidiaries and are consolidated.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using the equity method.

Under the equity method of accounting, the investments are initially recognised at cost This is adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the consolidated statement of comprehensive income. The Group's share of movements in other comprehensive income of the investee is recognised in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is an indication that the investment in the associate is impaired. If there is such an indication, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within the statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

1. Accounting policies continued

Financial instruments

Financial assets

The Group determines the classification of its financial assets at initial recognition. The requirements of IFRS 9 for classification and subsequent measurement are applied, which require financial assets to be classified based on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset:

- financial assets are measured at amortised cost if they are held within a business model, the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest;
- financial assets are measured at fair value through other comprehensive income ("FVTOCI") if they are held within the business model defined as "held to collect and sell", the objective of which is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest; and
- financial assets that do not meet the criteria to be amortised cost or FVTOCI are measured at fair value through profit or loss ("FVTPL"). In addition, the Group may, at initial recognition, designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The purchase of any credit-impaired assets is also at fair value after any impairment.

Except for certain investments in SME loans as described below, the Group does not recognise on its balance sheet loans arranged between borrowers and investors as it is not a principal party to the contracts and is not exposed to the risks and rewards of these loans.

With the exception of investment in SME loans under cure period, investment in trusts and co-investments, investment in SME loans (warehouse) and investment in SME loans (securitised), all financial assets are held to collect contractual cash flows.

Under certain circumstances the Group holds investments in SME loans. The five types of investment in SME loans held are as follows:

i) Investment in SME loans (curing)

In the US, investors commit to provide funding to FC Marketplace, LLC (the originator of the borrower loans) in advance of the physical transfer of monies. Funding Circle USA, Inc. initially funds these committed loans to the borrowers and recovers the monies from the investors after the two to three-day cure period and therefore retains the credit risk during this short period.

Investments in SME loans (curing) have been classified as financial assets at fair value through profit or loss

The above classification is mainly because all such loans are acquired principally for selling in the short-term. They are initially recognised at fair value on the balance sheet with the subsequent measurement at fair value with all gains and losses being recognised in the consolidated statement of comprehensive income

ii) Investment in SME loans (warehouse)

During the warehouse phase of the securitisation programme, the SME loans purchased using both the Group's cash and amounts borrowed under credit facilities are held on the Group's balance sheet. These investments in SME loans have been classified as financial assets at fair value through profit or loss. The above classification is because all such loans are acquired principally for selling in the short-term and the collection of interest is incidental. They are initially measured at fair value on the balance sheet with the subsequent measurement at fair value with all gains and losses being recognised in the consolidated statement of comprehensive income.

iii) Investment in SME loans (securitised)

Under risk retention regulations the Group is required to retain at least 5% of the bonds issued by the securitisation SPV.

Retaining a significant proportion of the residual

Whilst the Group is required to retain 5% of the overall bond issuance, where the Group holds a significant proportion of the unrated bonds (referred to as the "residual"), the Group consolidates the securitisation SPV as it considers that the risks and rewards of ownership continue to reside with the Group As a result the underlying SME loan book held in the SPV is recognised on balance sheet along with the bond liabilities to third parties. They are initially measured at fair value on the balance sheet with the subsequent measurement at fair value with all gains and losses being recognised in the consolidated statement of comprehensive income.

Selling a significant portion of the residual

Where the Group sells a significant portion of the residual, the Group may no longer be deemed to retain the majority of the risks and rewards of ownership and the Group would deconsolidate the securitisation SPV. The Group would subsequently apply the derecognition rules of IFRS 9 to the investment in SME loans. Cash on the sale of the Group's investment in the residual is treated as an investing activity.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

1. Accounting policies continued

Financial instruments continued

Financial assets continued

iv) Investment in SME loans (other)

The Group has originated PPP loans using the SBA's PPPLF facility which are held on balance sheet. Additionally the Group holds investments in certain SME business loans as a result of a commercial arrangements with institutional investors and in certain circumstances the Group also buys back loans from investors

The Group also holds investments in shorter-term SME loans under its FlexiPay product on balance sheet enabling businesses to spread UK invoices or payments over three months with the initial payment made on a borrower's behalf.

These loans are all classified as investment in SME loans (other) (see note 13).

These investments in other SME loans are classified as amortised cost (as they are held solely to collect principal and interest payments) and are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment. PPP loans are fully guaranteed by the SBA.

v) Investment in trusts and co-investments

The Group holds a small beneficial ownership in trusts set up to fund CBILS, RLS and core loans with the remaining majority of the beneficial ownership held by institutional investors The SME loans are originated by a Group subsidiary, Funding Circle Focal Point Lending Limited for CBILS and Funding Circle Eclipse Lending Limited for RLS and core loans, which retain legal title to the loans. These entities hold this legal title of trust on behalf of the majority investors who substantially retain the economic benefits the CBILS, RLS and core loans generate and therefore the trusts and the assets held within, including the SME loans, are not consolidated

The Group assesses whether it controls the trust structure under the criteria of IFRS 10. Control is determined to exist if the Group has the power to direct the activities of entities and structures and uses this control to obtain a variable return, to which it is exposed to the majority of the variability. As the Group's holding is small compared to the majority investor and pari passu, the Group is not exposed to the majority of the variability in the cash flows of the trust, and it is not considered to control the trust structures, so they are not consolidated by the Group.

Investments in trusts are classified at fair value through profit and loss. They are initially recognised at fair value on the balance sheet with the subsequent measurement at fair value with all gains and losses being recognised in the consolidated statement of comprehensive income.

The Group recognises transaction fee income on origination of loans within the trust and service fee income on the assets within the trust, eliminating its proportional ownership share of the service fees. A scheme lender fee is charged in relation to the origination of CBILS and RLS loans and investment income is recognised in relation to returns on the investment

Other financial assets

Financial assets recognised in the balance sheet as trade and other receivables are classified as amortised cost. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Net investments in sublease receivables are recognised as other receivables representing the net present value of the lease payment receivable. Interest is recognised within finance income in the statement of comprehensive income

Cash and cash equivalents are classified as amortised cost with the exception of money market funds that are classified as FVTPL. Cash and cash equivalents include cash in hand, deposits held at call with banks, money market funds and other short-term highly liquid investments with original maturities of three months or less. The carrying amount of these assets approximates to their fair value.

Impairment of financial assets held at amortised cost

The Group applies the impairment requirements of IFRS 9. The IFRS 9 impairment model requires a three-stage approach:

- Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ("ECLs") (that is, expected losses arising from the risk of default in the next 12 months) are recognised and interest income is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance)
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but are not credit-impaired. For these assets, lifetime ECLs (that is, expected losses arising from the risk of default over the life of the financial instrument) are recognised, and interest income is still calculated on the gross carrying amount of the asset. The Group assumes there has been a significant increase in credit risk if outstanding amounts on the financial assets exceed 30 days, in line with the rebuttable presumption per IFRS 9 at which point the assets are considered to be stage 2.

1. Accounting policies continued

Financial instruments continued

Financial assets continued

Impairment of financial assets held at amortised cost continued

- Stage 3 consists of financial assets that are credit-impaired, which is when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. For these assets, lifetime ECLs are also recognised, but interest income is calculated on the net carrying amount (that is, net of the ECL allowance). The Group defines a default, classified as stage 3, as an asset with any outstanding amounts exceeding a 90-day due date, which reflects the point at which the asset is considered to be credit-impaired.
- In some circumstances where assets are bought back by the Group, the financial asset associated with the purchase meets the definition of purchased or originated credit-impaired ("POCI"), and impairment is therefore based on lifetime ECLs.

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost and recognises a loss allowance for such losses at each reporting date. The measurement of ECLs reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the financial assets expire or the Group has either transferred the contractual right to receive the cash flows from that asset, or has assumed an obligation to pay those cash flows to one or more recipients

The Group derecognises a transferred financial asset if it transfers substantially all the risks and rewards of ownership.

Financial liabilities

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest-bearing liability is its discounted repayment amount If the due date of the liability is less than one year, discounting is omitted.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Bank borrowings

Bank borrowings (drawdowns under the credit facilities) are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. These instruments are subsequently measured at amortised cost using the effective interest rate method.

Derivative financial instruments

Interest rate caps are in place to partially mitigate the floating rate interest rate risk associated with drawn amounts from borrowing facilities and risk associated with floating rate ABS bond liabilities consolidated into the Group. The derivatives are recognised initially at fair value reflecting the time value implicit in the premium paid and are subsequently measured at fair value with gains and losses recognised in profit or loss. See note 17 for details of interest rate risk.

Bonds

Bonds represent the bond liabilities which the Group must pay to the bond holders from the cash flows generated from the SME loans (securitised) held on balance sheet. The liability excludes any amount of bonds that the Group has retained as these are eliminated upon consolidation

IFRS 9 permits a company to elect to fair value the bond liabilities where there is an accounting mismatch. In the Group's case the associated assets generating the cash flows to pay the bonds are the SME loans (securitised) which are measured at fair value through profit and loss.

As the cash flows from the SME loans are used to repay the rated bond tranches in advance of the unrated bonds, the Group does not consider there to be a significant accounting mismatch as default levels impact the unrated bonds first. Therefore the rated bonds are measured at amortised cost. However, as the unrated bonds are most affected by fair value movements in the SME loans, the Group has elected to measure the unrated tranches of bonds at fair value through profit and loss to eliminate the accounting mismatch.

See note 17 for details of the fair value methodology and interest rate risk.

Transaction costs associated with the issuance of bonds are deferred to the balance sheet and recognised over the lifetime of the bonds using the effective interest rate method.

Notes forming part of the consolidated financial statements continued
for the year ended 31 December 2021

1. Accounting policies continued

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Loan repurchases

Loan repurchase contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Loan repurchase contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the contract. The liability is subsequently measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation. The expected credit loss model is used to measure and recognise the financial liability (as further detailed in note 16).

Share capital

Ordinary shares are classified as equity where their terms include no contractual obligation to transfer cash or another financial asset to another entity.

Earnings/(loss) per share

The Group presents basic and diluted earnings/(losses) per share ("EPS") for its ordinary shares Basic and diluted EPS are calculated by dividing the profit/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares include those share options granted to employees under the Group's share-based compensation schemes which do not have an exercise price or where the exercise price is less than the average market price of the Company's ordinary shares during the year

Shares held by the Employee Benefit Trust and Share Incentive Plan Trust

The Company has established an offshore Employee Benefit Trust ("EBT") and an onshore Share Incentive Plan ("SIP") Trust.

The EBT and SIP Trust provide for the issue of shares to Group employees principally under share option schemes and SIP respectively. The Group has control of the EBT and SIP Trust and therefore consolidates the Trusts in the Group financial statements.

Reserves

Foreign exchange reserve

The foreign exchange reserve represents the cumulative foreign currency translation movement on the assets and liabilities of the Group's international operations at year-end exchange rates and on the profit and loss items from average exchange rates to year-end exchange rates.

Share options reserve

The share options reserve represents the cumulative charges to income under IFRS 2 Share-based Payments on all share options and schemes granted, net of share option exercises. The costs are transferred to retained earnings when options are exercised.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires the Group to make estimates and judgements that affect the application of policies and reported amounts. Critical judgements represent key decisions made by management in the application of the Group accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a key source of estimation uncertainty.

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates

The significant judgements and estimates applied by the Group in the financial statements have been applied on a consistent basis with the financial statements for the year to 31 December 2020

2. Critical accounting judgements and key sources of estimation uncertainty continued

Critical judgements

Consolidation and deconsolidation of special purpose vehicles ("SPVs") and investment in trusts and co-investments (note 17)

As part of its asset-backed securitisation programmes, the Group has established warehouse and securitisation SPVs. Judgement is required in determining who is most exposed to the variability of returns and who has the ability to affect those returns and therefore who should consolidate these vehicles and subsequently deconsolidate them. Where the Group has a significant interest in the junior tranches of the securitisation vehicles or the subordinated debt in the warehouses, the Group is deemed to be exposed to the majority of the variability of the returns of those vehicles and controls them, and therefore consolidates them. Where this interest is reduced, the Group considers whether the vehicles should be deconsolidated

The Group also holds a small beneficial ownership in trusts set up to fund CBILS, RLS and core loans with the remaining majority of the beneficial ownership held by institutional investors The SME loans are originated by a Group subsidiary, Funding Circle Focal Point Lending Limited for CBILS and Funding Circle Eclipse Lending Limited for RLS and core loans, which retain legal title to the loans. These entities hold this legal title of trust on behalf of the majority investors who substantially retain the economic benefits the CBILS, RLS and core loans generate and therefore the trusts and the assets held within, including the SME loans, are not consolidated.

The Group assesses whether it controls the trust structure under the criteria of IFRS 10. Control is determined to exist if the Group has the power to direct the activities of entities and structures and uses this control to obtain a variable return, to which it is exposed to the majority of the variability. As the Group's holding is small in comparison to the majority investor and is pari passu, the Group is not exposed to the majority of the variability in the cash flows of the trust, and it is not considered to control the trust structures, so they are not consolidated by the Group.

Loans originated through the platform

The Group originates SME loans through its platform which are funded primarily by banks, asset managers, other institutional investors, funds, national entities, retail investors or by usage of its own capital. Judgement is required to determine whether these loans should be recognised on the Group's balance sheet Where the Group, its subsidiaries or SPVs which it consolidates have legal and beneficial ownership to the title of those SME loans, they are recognised on the Group's balance sheet. Where this is not the case, the loans are not recognised at the point of origination.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty that the Directors have identified in the process of applying the Group's accounting policies and have the most significant effect on the amounts recognised in the financial statements.

Fair value of financial instruments (note 17)

At 31 December 2021, the carrying value of the Group's financial instrument assets held at fair value was £302.5 million (31 December 2020: £547.9 million) and the carrying value of financial liabilities carried at fair value was £12.8 million (2020: £7.8 million).

In accordance with IFRS 13 Fair Value Measurement, the Group categorises financial instruments carried on the consolidated balance sheet at fair value using a three-level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal estimation applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation estimation techniques including discounted cash flow analysis and valuation models. The most significant estimation is with respect to discount rates and default rates.

Since 31 December 2020 the assumptions related to estimating fair value have been revised to reflect the observed actual performance of SME loans and a revision to the timing of the assumed defaults to occur later given the extension of government support measures to H2 2021. The combination of favourable observed performance and later defaults on an amortising pool of loans has led to a lower lifetime cumulative default expectation net of recoveries and an increase in the relative estimation of fair value of the loans. Additionally, market drivers of discount rates such as observed tightening in collateralised loan obligation spreads have resulted in the estimated cash flows being discounted at a lower rate which has led to an increase in the relative estimation of fair value of the loans and bonds.

Sensitivities to assumptions in the valuation of investment in trusts and co-investments , investment in SME loans (warehouse) and money market funds within cash and cash equivalents are not disclosed below as reasonably possible changes in the assumptions would not result in material changes in the carrying values.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

2. Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty continued

Fair value of financial instruments (note 17) continued

Sensitivities to the default rates and discount rates are illustrated below.

Description	Fair value £m	Unobservable input	Inputs	Relationship of unobservable inputs to fair value
Investment in SME loans (securitised)	148.1	Lifetime cumulative default rate as % of original	US: 19.6% and 19.8%[1] UK: 17.3%	A change in the lifetime cumulative default rate would have the following impact: US SPV1[1]: +50/-110 bps would decrease/increase fair value by £(0.8) million/£1.7 million respectively. US SPV2[1]: +80/-170 bps would decrease/increase fair value by £(1.6) million/£3.4 million respectively. UK: +40/-150 bps would decrease/increase fair value by £(0.9) million/£3.4 million respectively.
Bonds (unrated)	(12.8)	Lifetime cumulative default rate of associated assets	17.3%	A change in the lifetime cumulative default rate by +40/-150 bps would decrease/increase fair value by £0.3 million and £(1.2) million respectively.

1 Two cumulative default rates are presented for the US representing the portfolios in each of the two respective securitisation vehicles. Separate sensitivities to default rates for the US securitisation vehicles represent the respective seasoning of the loans and the different reasonably possible range of outcomes.

The above sensitivities represent management's estimate of the reasonably possible range of outcomes and as a result the fair value of the assets and liabilities measured at fair value could materially diverge from management's estimate.

Description	Fair value £m	Unobservable input	Inputs	Relationship of unobservable inputs to fair value
Investment in SME loans (securitised)	148.1	Discount rate	US: 8.0% UK: 8.2%	A change in the discount rates by +/-100 bps would decrease/increase fair value by £1.6 million/£(1.6) million respectively.
Bonds (unrated)	(12.8)	Discount rate	13.3%	A change in the discount rate by +100/-100 bps would decrease/increase fair value by £0.2 million/£(0.2) million respectively.

It is considered that the range of reasonably possible outcomes in relation to the discount rate used could be +/-100 bps and as a result the fair value of the assets could materially diverge from management's estimate.

As the discount rate is risk adjusted, it should be noted that the sensitivities to discount rate and to lifetime cumulative default rate contain a level of overlap regarding credit risk. The sensitivity in expected lifetime cumulative defaults should not also be applied to the sensitivity of the credit risk element of the risk-adjusted discount rate and the sensitivities are most meaningful viewed independently of each other.

Estimated recoverable amount of non-financial assets (notes 10, 11 and 12)

Non-financial assets (primarily goodwill, intangible assets and property, plant and equipment) are held within the Group within cash-generating units ("CGUs") which are expected to benefit from the assets. The Group has four CGUs, being Funding Circle USA ("FCUSA") and its subsidiaries, Funding Circle Ltd ("FCUK") and its subsidiaries, Funding Circle Global Partners Limited ("FCGPL") and the German and Dutch businesses (Funding Circle Continental Europe or "FCCE"). These assets are assessed annually for impairment in the case of goodwill or when indicators of impairment are identified for the other assets.

The impairment test involves comparing the carrying value of the non-financial assets held for use to their recoverable amount for each CGU. The recoverable amount represents the higher of the CGU's fair value net of selling costs and its value in use, which were determined using discounted cash flow methodology.

During the prior year ended 31 December 2020, impairment was recognised in relation to the goodwill in FCUSA as the recoverable amount calculated was below the carrying amount and the goodwill was fully impaired by £12.0 million. As the goodwill was fully impaired in 2020, an annual impairment review was not necessary in 2021 and as there were no indicators of impairment identified, an impairment test was not undertaken for the year ended 31 December 2021 in relation to the other non-financial assets.

3. Segmental information

IFRS 8 Operating Segments requires the Group to determine its operating segments based on information which is used internally for decision making. Based on the internal reporting information and management structures within the Group, it has been determined that there are three geographic operating segments. Reporting on this basis is reviewed by the Global Leadership Team ("GLT") which is the chief operating decision-maker ("CODM"). The GLT is made up of the Executive Directors and other senior management and is responsible for the strategic decision making of the Group.

The three reportable segments consist of the geographic segments: the United Kingdom, the United States and Developing Markets. The Developing Markets segment includes the Group's businesses in Germany and the Netherlands

The GLT measures the performance of each segment by reference to a non-GAAP measure, adjusted EBITDA, which is defined as profit/loss before finance income and costs, taxation, depreciation and amortisation ("EBITDA"), and additionally excludes share-based payment charges and associated social security costs, foreign exchange and exceptional items (see note 5). Together with operating profit/loss, adjusted EBITDA is a key measure of Group performance as it allows better comparability of the underlying performance of the business.

Net income/(loss)

	31 December 2021				31 December 2020			
	United Kingdom £m	**United States £m**	**Developing Markets £m**	**Total £m**	United Kingdom £m	United States £m	Developing Markets £m	Total £m
Total income	**159.4**	**44.8**	**2.7**	**206.9**	152.9	63 0	6.1	222.0
Fair value gains/(losses)	**10.5**	**18.1**	**–**	**28.6**	(43.8)	(74.5)	–	(118.3)
Net income/(loss)	**169.9**	**62.9**	**2.7**	**235.5**	109.1	(11.5)	6 1	103.7

Segment profit

	31 December 2021				31 December 2020			
	United Kingdom £m	**United States £m**	**Developing Markets £m**	**Total £m**	United Kingdom £m	United States £m	Developing Markets £m	Total £m
Adjusted EBITDA	**61.9**	**28.4**	**1.5**	**91.8**	6.5	(62.4)	(7.9)	(63.8)
Depreciation and amortisation	**(9.7)**	**(4.1)**	**(0.1)**	**(13.9)**	(9.4)	(6.5)	(1.3)	(17.2)
Share-based payments and social security costs	**(7.6)**	**(1.3)**	**–**	**(8.9)**	(5.0)	(1.2)	(0.4)	(6.6)
Foreign exchange losses	**(0.3)**	**(0.6)**	**–**	**(0.9)**	–	–	–	–
Exceptional items (note 5)	**–**	**(3.9)**	**–**	**(3.9)**	–	(13.5)	(5.2)	(18.7)
Operating profit/(loss)	**44.3**	**18.5**	**1.4**	**64.2**	(7.9)	(83.6)	(14 8)	(106.3)

Net income by type

In addition to the segmental reporting of performance under IFRS 8, the table below sets out net income by its type:

	31 December 2021 £m	31 December 2020 £m
Transaction fees	**115.0**	122.5
Servicing fees	**47.0**	30.2
Other income	**3.5**	3.0
Fee income	**165.5**	155.7
Investment income	**53.7**	89.0
Investment expense	**(12.3)**	(22.7)
Total income	**206.9**	222.0
Fair value gains/(losses)	**28.6**	(118.3)
Net income	**235.5**	103.7

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

4. Operating expenses

	31 December 2021			31 December 2020		
	Before exceptional items £m	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m
Depreciation	**5.9**	**–**	**5.9**	9.0	–	9.0
Amortisation	**8.0**	**–**	**8.0**	8.2	–	8 2
Rental income and other recharges	**(0.9)**	**–**	**(0.9)**	(1.1)	–	(1 1)
Operating lease rentals:						
– Other assets	**–**	**–**	**–**	–	–	–
Land and buildings	**0.1**	**–**	**0.1**	0.1	–	0.1
Employment costs (including contractors)	**77.7**	**–**	**77.7**	81.3	4.0	85.3
Marketing costs (excluding employment costs)	**46.9**	**–**	**46.9**	46 8	–	46 8
Data and technology	**9.0**	**–**	**9.0**	10.9	–	10.9
Loan repurchase (credit)/charge	**(0.1)**	**–**	**(0.1)**	6.2	–	6.2
Impairment of goodwill	**–**	**–**	**–**	–	12.0	12.0
Impairment of intangible and tangible assets	**–**	**3.9**	**3.9**	–	1 7	1 7
Other expenses	**20.8**	**–**	**20.8**	29 9	1.0	30.9
Total operating expenses	**167.4**	**3.9**	**171.3**	191.3	18 7	210.0

Auditors' remuneration

	31 December 2021 £m	31 December 2020 £m
Audit fees		
– Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	**0.5**	0 6
– Fees payable to the Company's auditors and its associates for the statutory audit of the financial statements of subsidiaries of the Company	**0.3**	0.1
Total audit fees	**0.8**	0 7
Non-audit service fees		
– Audit-related assurance services	**0.2**	0.2
· Other non-assurance services	**0.1**	0.1
Total non-audit service fees	**0.3**	0 3

5. Exceptional items

	31 December 2021 £m	31 December 2020 £m
Restructuring costs	**–**	6.0
Share-based payment credit relating to restructuring	**–**	(1.0)
Impairment of goodwill (note 10)	**–**	12.0
Impairment of non-financial assets (notes 11 and 12)	**3.9**	1 7
Total	**3.9**	18 7

5. Exceptional items continued

Exceptional items are the items of income or expense that the Group considers are material, one-off in nature and of such significance that they merit separate presentation in order to aid the reader's understanding of the Group's financial performance.

During the year to 31 December 2021 certain floors of the San Francisco office were sublet to third parties for the remainder of the term of the head lease for an amount lower than the head lease rental. As a result the sublease was determined to be a finance lease which resulted in the right-of-use asset being derecognised and a net investment in sublease recognised on the balance sheet. The difference between the carrying value of the right-of-use asset and the net investment in the sublease was £3.3 million and has been recorded in the statement of comprehensive income as an impairment under exceptional items. Additionally it was determined that the fixed assets associated with the office were impaired in full as they were no longer used by the Group resulting in impairment of £0 6 million. There was no cash movement in relation to the impairment.

In the previous year ended 31 December 2020, the Group restructured the German and Dutch (Developing Markets) businesses to focus on referring loans it originates to local lenders This restructuring resulted in one-off costs in the comparative year totalling £4.6 million comprising redundancy costs of £4.0 million, a related share-based payment credit of £(0.4) million and other costs of £1.0 million. An additional impairment on right-of-use assets was incurred of £0.6 million. Cash payments associated with these items totalled £0 8 million in the year ended 31 December 2021 (2020: £3.8 million). See note 16 for movement in associated provisions and note 23 for cash flow

In the previous year, the Group reorganised the US business, centralising the US technology team in the UK and moving sales and marketing to Denver, resulting in a net reduction of c.85 roles. This restructuring resulted in one-off costs in the comparative year totalling £0.4 million, comprising redundancy costs of £1.0 million and related share-based payment credits of £(0.6) million. An additional impairment on the right-of-use assets was recognised of £1 1 million. Cash payments associated with these items totalled £nil in the year ended 31 December 2021 (2020: £1.1 million). See note 16 for movement in associated provisions and note 23 for cash flow

In the previous year, following a change in the Group's income and cost forecasts, an event indicating the possibility of impairment was identified and the Group has undertook a goodwill impairment review as a result of which it was identified that goodwill in relation to the Funding Circle USA business was carried at a value higher than the CGU's recoverable amount driven by a reduction in the future discounted cash flows of the CGU. As a result, an impairment was recognised of £12 0 million in the year ended 31 December 2020. There was no cash movement in relation to the impairment.

6. Employees

The average monthly number of employees (including Directors) during the year was:

	2021 Number	2020 Number
UK	**634**	601
US	**155**	240
Developing Markets	**15**	70
	804	911

In addition to the employees above, the average monthly number of contractors during the year was 125 (2020: 91).

Employment costs (including Directors' emoluments) during the year were:

	31 December 2021			31 December 2020		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Wages and salaries	**61.4**	–	**61.4**	70.8	4.0	74 8
Social security costs	**6.2**	–	**6.2**	6.9	1.0	7.9
Pension costs	**1.8**	–	**1.8**	1.2	–	1.2
Share-based payments	**8.9**	–	**8.9**	6.6	(1.0)	5.6
	78.3	–	**78.3**	85.5	4 0	89.5
Contractor costs	**7.6**	–	**7.6**	5.2	–	5.2
Less: capitalised development costs	**(8.2)**	–	**(8.2)**	(9.4)	–	(9.4)
Employment costs net of capitalised development costs	**77.7**	–	**77.7**	81.3	4.0	85 3

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

7. Net finance (costs)/income

	31 December 2021 £m	31 December 2020 £m
Interest receivable	**0.1**	0.4
Total finance income	**0.1**	0.4
Interest on lease liabilities	**(1.1)**	(1.4)
Total finance costs	**(1.1)**	(1.4)
Net finance costs	**(1.0)**	(1.0)

8. Income tax

The Group is subject to all taxes applicable to a commercial company in its countries of operation. The UK profits of the Company are subject to UK income tax at the standard corporation tax rate of 19% (2020 19%).

	31 December 2021 £m	31 December 2020 £m
Current tax		
UK		
Current tax on profits for the year	**2.7**	0.2
Adjustment in respect of prior years	**(0.1)**	–
	2.6	0.2
US and Developing Markets		
Current tax on profits for the year	**–**	–
Adjustment in respect of prior years	**0.3**	–
Total current tax charge	**0.3**	–
Deferred tax		
UK		
Deferred tax on profits for the year	**–**	–
Adjustment in respect of prior years	**–**	–
	–	–
US and Developing markets		
Deferred tax on profits for the year	**–**	–
Adjustments in respect of prior years	**–**	–
	–	–
Total deferred tax charge	**–**	–
Total tax charge	**2.9**	0.2

The above tax charge represents the current year tax liability on the Group's taxable profit and true up of tax deducted from the RDEC receivable for 2019 and 2020. In the prior year, the tax charge represents the amount of tax deducted from the RDEC receivable for 2020.

The Group charge for the year can be reconciled to the profit/(loss) before tax shown per the consolidated statement of comprehensive income as follows

8. Income tax continued

Factors affecting the tax charge for the year

	31 December 2021 £m	31 December 2020 £m
Profit/(loss) before taxation	**64.1**	*(108.1)*
Taxation on profit/(loss) at 19% (2020: 19%)	**12.2**	(20.5)
Effects of:		
Research and development	**(0.6)**	0.2
Effect of foreign tax rates	**2.6**	(7.7)
Non-taxable/non-deductible expenses	**1.8**	(0.1)
Temporary differences not recognised	**(8.3)**	23.2
Utilisation of tax losses	**(5.9)**	–
Impairment charge and other exceptional items	**1.1**	5.1
Total tax charge	**2.9**	0.2

The Group is taxed at different rates depending on the country in which the profits arise. The key applicable tax rates include the UK 19%, the US 21%, Germany 30% and the Netherlands 25%. The effective tax rate for the year was 4.5% (2020: (0.2%)).

The statutory UK corporation tax rate is currently 19% (effective 1 April 2020). The UK Government announced on 3 March 2021 that *the rate of corporation tax will be increased to 25% from 1 April 2023. This measure was substantively enacted on 24 May 2021.*

The Group has recognised a deferred tax liability of £3.2 million (2020: £3.3 million) relating to the property, plant and equipment in the UK. The deferred tax liability is predominantly due to the accelerated capital allowances of £2.6 million (2020: £1.5 million) and in relation to securitisation and warehouse vehicles of the UK which are domiciled in Ireland of £0.6 million (2020: £1.8 million).

The increase in the deferred tax liability with regard to the accelerated capital allowances is due to the treatment of the capitalised development spend for the purposes of RDEC claim. The decrease in the deferred tax liability with regard to the securitisation and warehouse vehicles of the UK which are domiciled in Ireland is predominantly due to the sale of the loans in Great Trinity Lending DAC warehouse in 2021 and repayment of associated liabilities of the entity. A deferred tax asset relating to unrelieved tax losses of £3.2 million (2020:£3.3 million) has been recognised in the UK to the extent of the above mentioned deferred tax liability pursuant to IAS 12 para 74. Deferred tax has been determined using the applicable effective future tax rate that will apply in the expected period of utilisation of the recognised deferred tax assets or liabilities.

Unrecognised deferred tax

	31 December 2021 £m	31 December 2020 £m
Property, plant and equipment	**10.3**	10.6
Carry forward losses	**257.3**	247.9
Deferred stock options	**15.7**	10.7
US R&D credit	**2.1**	2.0
US fair value adjustments	**46.3**	77.2
Other	**3.7**	4.4
Unrecognised deferred tax assets	**335.4**	352.8

Based on the temporary differences, there are total unrecognised deferred tax assets of £92.1 million (2020: £91.8 million).

The Group has unrelieved tax losses of £257.3 million (2020: £247.9 million) that are available for offset against future taxable profits. The Group has not recognised a deferred tax asset in respect of these losses, or in respect of other temporary differences, as there is not sufficient certainty of future taxable profits being generated to utilise these losses. Significant losses relating to the total of £257.3 million include £53.9 million which relates to the UK and £97.0 million to Germany and therefore have no expiry period, with £102.8 million relating to losses arising in the US and of which £21.3 million will expire in 2034, £26.4 million will expire in 2035, £21.1 million will expire in 2036 and remaining balance of £34.0 million have no expiry period.

Factors affecting the tax charge in future years

Factors that may affect the Group's future tax charge include the geographic location of the Group's earnings, the tax rates in those locations, changes in tax legislation and the use of brought forward tax losses. The calculation of the Group's total tax charge involves a degree of estimation and judgement with respect to the recognition of any deferred tax asset.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

9. Earnings/(loss) per share

Basic earnings/(loss) per share amounts are calculated by dividing the profit/(loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares include those share options granted to employees under the Group's share-based compensation schemes which do not have an exercise price or where the exercise price is less than the average market price of the Company's ordinary shares during the year.

The following table reflects the income and share data used in the basic and diluted loss per share computations:

	31 December 2021	31 December 2020
Profit/(loss) for the year (£m)	**61.2**	(108 3)
Basic weighted average number of ordinary shares in issue (million)	**351.5**	347.0
Basic earnings/(loss) per share	**17.4p**	(31 2)p
Profit/(loss) for the year before exceptional items (£m)	**65.1**	(89.6)
Basic weighted average number of ordinary shares in issue (million)	**351.5**	347.0
Basic earnings/(loss) per share before exceptional items	**18.5p**	(25.8)p
Profit/(loss) for the year (£m)	**61.2**	(108.3)
Diluted weighted average number of ordinary shares in issue (million)	**381.7**	347.0
Diluted earnings/(loss) per share	**16.0p**	(31.2)p
Profit/(loss) for the year before exceptional items (£m)	**65.1**	(89.6)
Diluted weighted average number of ordinary shares in issue (million)	**381.7**	347.0
Diluted earnings/(loss) per share before exceptional items	**17.1p**	(25.8)p

10. Goodwill

	Total £m
Cost and carrying amount	
At 1 January 2020	11.3
Impairment charge (note 5)	(12.0)
Exchange differences	0.7
At 31 December 2020	–
At 1 January 2021	–
At 31 December 2021	**–**

In the prior year ended 31 December 2020 impairment of £12.0 million was recorded in relation to the goodwill in Funding Circle USA ("FCUSA") and its subsidiaries, as the recoverable amount calculated was below the carrying amount following an impairment test. The cumulative amount of impairment losses in relation to goodwill recognised in the year ended 31 December 2020 was £12.0 million. Further details of the impairment assessment are detailed within note 2.

11. Intangible assets

	Capitalised development costs £m	Computer software £m	Other intangibles £m	Total £m
Cost				
At 1 January 2020	47.3	1.0	1.1	49.4
Exchange differences	(0.5)	–	–	(0.5)
Additions	9.4	0.1	–	9.5
Disposals	(10.7)	(0.3)	–	(11.0)
At 31 December 2020	45.5	0.8	1.1	47.4
At 1 January 2021	45.5	0.8	1.1	47.4
Exchange differences	(0.2)	0.1	0.1	–
Additions	8.5	0.1	–	8.6
Disposals	(4.8)	(0.1)	–	(4.9)
At 31 December 2021	**49.0**	**0.9**	**1.2**	**51.1**
Accumulated amortisation				
At 1 January 2020	24.0	0.8	1.0	25.8
Exchange differences	–	–	–	–
Charge for the year	8.0	0.2	–	8.2
Disposals	(10.7)	(0.3)	–	(11.0)
At 31 December 2020	21.3	0.7	1.0	23.0
At 1 January 2021	21.3	0.7	1.0	23.0
Exchange differences	(0.1)	–	0.2	0.1
Charge for the year	8.0	–	–	8.0
Disposals	(4.8)	(0.1)	–	(4.9)
At 31 December 2021	**24.4**	**0.6**	**1.2**	**26.2**
Carrying amount				
At 31 December 2021	**24.6**	**0.3**	**–**	**24.9**
At 31 December 2020	24.2	0.1	0.1	24.4

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

12. Property, plant and equipment, right-of-use assets and lease liabilities

The Group has right-of-use assets which comprise property leases held by the Group. Information about leases for which the Group is a lessee is presented below.

Analysis of property, plant and equipment between owned and leased assets

	31 December 2021 £m	31 December 2020 £m
Property, plant and equipment (owned)	**2.7**	3.9
Right-of-use assets	**11.4**	24.8
	14.1	28 7

Reconciliation of amount recognised in the balance sheet

	Leasehold improvements £m	Computer equipment £m	Furniture and fixtures £m	Right-of use assets (property) £m	Total £m
Cost					
At 1 January 2020	5.8	4 8	3.0	49.4	63.0
Disposals	(0 1)	(1.6)	(0.2)	(2.2)	(4.1)
Additions	0.4	0.4	–	–	0.8
Exchange differences	–	–	–	(0.4)	(0.4)
At 31 December 2020	6.1	3.6	2 8	46.8	59.3
At 1 January 2021	6.1	3 6	2.8	46.8	59.3
Disposals	(1.4)	(1.8)	(1.0)	–	(4.2)
Additions	–	0 7	0.1	–	0.8
Exchange differences	–	0.2	–	(0.4)	(0.2)
Derecognition of right-of-use assets	–	–	–	(15 4)	(15.4)
At 31 December 2021	**4.7**	**2.7**	**1.9**	**31.0**	**40.3**
Accumulated depreciation					
At 1 January 2020	3 0	4.0	1.5	15.5	24.0
Disposals	(0.1)	(1.6)	(0.2)	(2.2)	(4.1)
Charge for the year	0.8	0 8	0.4	7.0	9.0
Impairment (exceptional)	–	–	–	1.7	1 7
Exchange differences	–	–	–	–	–
At 31 December 2020	3.7	3.2	1.7	22.0	30.6
At 1 January 2021	3.7	3.2	1.7	22 0	30 6
Disposals	(1.4)	(1 8)	(1.0)	–	(4.2)
Charge for the year	0.8	0.6	0.3	4.2	5 9
Impairment (exceptional)	0.2	–	0 4	3 3	3.9
Exchange differences	(0.1)	(0.1)	0.1	–	(0.1)
Derecognition of right-of-use assets	–	–	–	(9.9)	(9.9)
At 31 December 2021	**3.2**	**1.9**	**1.5**	**19.6**	**26.2**
Carrying amount					
At 31 December 2021	**1.5**	**0.8**	**0.4**	**11.4**	**14.1**
At 31 December 2020	2.4	0.4	1 1	24.8	28.7

During the year, right-of-use assets related to the US San Francisco office were sublet in a finance sublease. As a result the right-of-use asset was derecognised and a net investment in sublease was recognised within other receivables. During the year the right-of-use asset related to the Netherlands business was exited along with the corresponding head lease liability. The carrying values of the right-of-use asset and lease liability at the point of derecognition were £0.4 million

During the previous year ended 31 December 2020, right-of-use assets were identified as part of the FCCE and FCUSA restructures, which were considered to be individual CGUs for which the recoverable amount was considered to be the future potential sublet value. The estimated discounted cash flows from sublet income were compared to the carrying value of the asset and an impairment of £1.7 million was recognised See note 5 for related exceptional items.

12. Property, plant and equipment, right-of-use assets and lease liabilities continued

Lease liabilities

Amounts recognised on the balance sheet were as follows:

	31 December 2021 £m	31 December 2020 £m
Current	**6.9**	7.3
Non-current	**17.0**	23.5
Total	**23.9**	30.8

Amounts recognised in the statement of comprehensive income were as follows:

	31 December 2021 £m	31 December 2020 £m
Depreciation charge of right-of-use assets (property)	**4.2**	7.0
Interest expense (included in finance costs)	**1.1**	1.4
Expense relating to short-term leases and leases of low-value assets	**0.1**	0.1

The total cash outflow for leases (excluding short-term and low-value leases) in 2021 was £8.1 million (2020: £7.8 million).

A maturity analysis illustrating the undiscounted contractual cash flows of lease liabilities is included within the liquidity risk disclosure within note 17.

As at 31 December 2021 the potential future undiscounted cash outflows that have not been included in the lease liability due to lack of reasonable certainty the lease extension options might be exercised amounted to £nil (2020: £nil).

13. Investment in SME loans

	31 December 2021 £m	31 December 2020 (restated)[1] £m
Non-current		
Investment in SME loans (other) – amortised cost	**74.2**	25.0
Investment in trusts and co-investments – FVTPL	**39.1**	21.2
Total non-current	**113.3**	46.2
Current		
Investment in SME loans (other) – amortised cost	**1.6**	–
Investment in SME loans (warehouse) – FVTPL	**3.2**	221.8
Investment in SME loans (securitised) – FVTPL	**148.1**	279.8
Total current	**152.9**	501.6
Total	**266.2**	547.8

1 See note 1

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

14. Trade and other receivables

	31 December 2021 £m	31 December 2020 £m
Other receivables	**4.1**	–
Non-current trade and other receivables	**4.1**	–
Trade receivables	**1.8**	1.6
Other receivables[1]	**10.0**	15.5
Prepayments	**4.8**	3.6
Accrued income[2]	**6.2**	43.7
Rent and other deposits	**2.2**	2.6
Current trade and other receivables	**25.0**	67.0
	29.1	67.0

1 Includes £3.6 million (2020: £7.5 million) in relation to cash and liquidity reserves held in the UK securitisation vehicle which will unwind to make payments to bond holders in the future.

2 Includes £nil (2020: £36.2 million) in relation to transaction fees receivable on CBILS originations. Accrued income outstanding at the start of the year was subsequently collected.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables described earlier.

No trade receivables were overdue or impaired.

Included in rent and other deposits are £1.6 million of rental deposits (2020: £1.9 million) in respect of the Group's property leases which expire over the next five years.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

15. Trade and other payables

	31 December 2021 £m	31 December 2020 £m
Trade payables	**3.7**	2.1
Other taxes and social security costs	**4.9**	3.7
Other creditors	**11.4**	5.6
Accruals and deferred income	**16.4**	22.7
	36.4	34.1

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

16. Provisions and other liabilities

	Dilapidation £m	Loan repurchase £m	Restructuring[1] £m	Other £m	Total £m
At 1 January 2020	0.9	2.9	–	0.2	4.0
Exchange differences	–	0.2	–	(0.1)	0.1
Additional provision/liability	–	6.2	6.0	3.2	15.4
Amount utilised	–	(4.1)	(4.9)	(0.6)	(9.6)
At 31 December 2020	0.9	5.2	1.1	2.7	9.9
Exchange differences	–	(0.3)	(0.1)	0.2	(0.2)
Additional provision/liability	–	–	–	1.1	1.1
Amount utilised	–	(2.6)	(0.8)	(0.2)	(3.6)
Amount reversed	(0.3)	(0.1)	–	(2.7)	(3.1)
At 31 December 2021	**0.6**	**2.2**	**0.2**	**1.1**	**4.1**

1 Restructuring provision is in relation to reorganisation of the US, German and Dutch businesses, see note 5.

16. Provisions and other liabilities continued

	31 December 2021 £m	31 December 2020 £m
Current provisions and other liabilities	**3.4**	8.7
Non-current	**0.7**	1.2
	4.1	9.9

The dilapidation provision represents an estimated cost for dismantling the customisation of offices and restoring the leasehold premises to its original state at the end of the tenancy period. The provision is expected to be utilised by 2025.

Loan repurchase liability

In certain historical circumstances, in the less mature markets, Funding Circle has entered into arrangements with institutional investors to assume the credit risk on the loan investments made by the institutional investors Under the terms of the agreements, the Group is required either to make payments when the underlying borrower fails to meet its obligation under the loan contract or buy the defaulted loan from the investors at its carrying value. In return for these commitments, the Group is entitled to the excess returns or additional income which is recorded as other income.

Under IFRS 9, the Group is required to provide for these loan repurchases under the expected credit loss ("ECL") model.

The liability related to each loan arranged is based on the ECLs associated with the probability of default of that loan in the next 12 months unless there has been a significant increase in credit risk of that loan since origination. The Group assumes there has been a significant increase in credit risk if outstanding amounts on the loan investment exceed 30 days, in line with the rebuttable presumption per IFRS 9.

The Group defines a default, classified within non-performing, as a loan investment with any outstanding amounts exceeding a 90-day due date, which reflects the point at which the loan is considered to be credit-impaired Under the loan repurchase contracts, this was the point at which there is an obligation for the Group to make a payment under the contract or buy back the loan. However, while the buyback agreement is contractually defined as 90 days past due, due to the impact of Covid-19, a consent letter was signed with the institutional investors in April 2020 to accommodate loans on forbearance plans whereby loans on such plans will be repurchased at 180 days past due. However, the definition of default for the purposes of expected credit losses remains 90 days past due and the buyback may lag the default definition applied.

If the loan is bought back by the Group, at the point of buyback, the financial asset associated with the purchase meets the definition of purchased or originated credit-impaired ("POCI"), this element of the reserve is therefore based on lifetime ECLs. After being bought back, POCI loans and associated impairment provisions are recognised within investment in SME loans (other) on the balance sheet.

The Group bands each loan investment using an internal risk rating and assesses credit losses on a collective basis

	Performing 12-month ECL £m	Underperforming lifetime ECL £m	Non-performing lifetime ECL £m	Total £m
At 1 January 2020	2.1	0.8	–	2.9
Exchange differences	0.1	0.1	–	0.2
Liability against loans transferred from performing	(0.3)	0.5	4.9	5.1
Amounts utilised	–	–	(4.1)	(4.1)
Loans repaid	(0.8)	–	–	(0.8)
Change in probability of default	1.1	0.1	0.7	1.9
At 31 December 2020	2.2	1.5	1.5	5.2
Exchange differences	(0.1)	(0.1)	(0.1)	(0.3)
Liability against loans transferred from performing	(0.2)	(0.5)	1.7	1.0
Amounts utilised	–	–	(2.6)	(2.6)
Loans repaid	(0.9)	(0.4)	(0.6)	(1.9)
Change in probability of default	0.4	(0.1)	0.5	0.8
At 31 December 2021	**1.4**	**0.4**	**0.4**	**2.2**

Notes forming part of the consolidated financial statements continued
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16. Provisions and other liabilities continued
Loan repurchase liability continued

At 31 December 2020	Expected credit loss coverage %	Basis for recognition of loan repurchase liability	Gross assets of external parties subject to loan repurchase liability £m	Loan repurchase liability £m
Performing (due in 30 days or less)	10.8	12-month ECL	20.3	2.2
Underperforming (31–90 days overdue)	71.5	Lifetime ECL	2.1	1.5
Non-performing (90+ days overdue)	79.0	Lifetime ECL	1.9	1.5
		Total	24.3	5.2

At 31 December 2021	Expected credit loss coverage %	Basis for recognition of loan repurchase liability	Gross assets of external parties subject to loan repurchase liability £m	Loan repurchase liability £m
Performing (due in 30 days or less)	**15.3**	**12-month ECL**	**8.8**	**1.4**
Underperforming (31–90 days overdue)	**63.6**	**Lifetime ECL**	**0.6**	**0.4**
Non-performing (90+ days overdue)	**76.5**	**Lifetime ECL**	**0.6**	**0.4**
		Total	**10.0**	**2.2**

The percentages applied above are based on the Group's past experience of delinquencies and loss trends, as well as forward-looking information in the form of macroeconomic scenarios governed by an impairment committee, which considers macroeconomic forecasts such as changes in interest rates, GDP and inflation.

Macroeconomic scenarios are probability weighted within the model and include stress scenarios of: i) low losses, a high GDP, market confidence and political stability; ii) normal losses based on baseline economic conditions; iii) high losses with manufacturing and political instability; and iv) very high losses with an acceleration of defaults having reached a peak in H2 2021 as government support schemes eased and de-stressing gradually afterwards.

The stress scenario used was a geography-weighted scenario reflecting higher losses on the Netherlands book than that of the German portion of the loan book, resulting in a blended stress of defaults having peaked in H2 2021 and de-stressing gradually afterwards.

The expected credit loss model includes actual defaults determined by monthly cohort, adjusted for forecasted lifetime cumulative default rates. It applies the latest default curve and lifetime default rates tailored to each cohort based on the expected lifetime default rate. When actual defaults trend higher than the curve, the forecast default curve is shifted upwards to align with actual performance. Estimated recoveries from defaults are discounted back to their present value using the effective interest rate.

Estimation is required in assessing individual loans and when applying statistical models for collective assessments, using historical trends from past performance as well as forward-looking information including macroeconomic forecasts in each market together with the impact on loan defaults. The most significant estimation is with default rates on performing loans. For the year ended 31 December 2021 the weighted average lifetime default rate is estimated at 19.6% (2020: 20.5%). If the weighted average default rate estimate were to change by +/-250 bps the liability would change by £1.4 million for the year (2020: £1.2 million from +/-240 bps). It is considered that the range of reasonably possible outcomes in annual default rates used might be +/-250 bps and as a result it is possible that the liability in future could diverge from management's estimate

The maximum exposure the Group might have to pay at the balance sheet date if 100% of eligible loans were required to be bought back would be £10.0 million (2020: £24.3 million) This would be dependent on the timing of any eligible loans defaulting. Repayments of eligible loans are no longer reinvested and therefore the final loan is due to expire in December 2024, along with the associated financial guarantees. At 31 December 2021, there is only one portfolio of loans

17. Financial risk management

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

The risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and ensure any limits are adhered to. The Group's activities are reviewed regularly and potential risks are considered.

Risk factors

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including foreign exchange risk, interest rate risk and other price risk).

Principal financial instruments

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

- investments;
- trade and other receivables;
- cash and cash equivalents,
- trade and other payables;
- bank borrowings;
- bonds;
- lease liabilities; and
- loan repurchase liabilities.

Categorisation of financial assets and financial liabilities

The tables show the carrying amounts of financial assets and financial liabilities by category of financial instrument as at 31 December 2021:

Assets	Fair value through profit and loss £m	Amortised cost £m	Other £m	Total £m
Investment in SME loans (other)	–	75.8	–	75.8
Investment in SME loans (warehouse)	3.2	–	–	3.2
Investment in SME loans (securitised)	148.1	–	–	148.1
Investment in trusts and co-investments	39.1	–	–	39.1
Trade and other receivables	–	24.3	–	24.3
Cash and cash equivalents	112.1	111.9	–	224.0
	302.5	212.0	–	514.5

Liabilities	Fair value through profit and loss £m	Amortised cost £m	Other £m	Total £m
Trade and other payables	–	(15.2)	–	(15.2)
Loan repurchase liability	–	–	(2.2)	(2.2)
Bank borrowings	–	(73.2)	–	(73.2)
Bonds	(12.8)	(127.5)	–	(140.3)
Lease liabilities	–	(23.9)	–	(23.9)
	(12.8)	(239.8)	(2.2)	(254.8)

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

17. Financial risk management continued

Principal financial instruments continued

Categorisation of financial assets and financial liabilities continued

The tables show the carrying amounts of financial assets and financial liabilities by category of financial instrument as at 31 December 2020:

Assets	Fair value through profit and loss £m	Amortised cost £m	Other £m	Total £m
Investment in SME loans (other)	–	25 0	–	25.0
Investment in SME loans (warehouse)	221 8	–	–	221.8
Investment in SME loans (securitised)	279.8	–	–	279.8
Investment in trusts and co-investments	21.2	–	–	21.2
Trade and other receivables	0.3	63.1	–	63.4
Cash and cash equivalents	24.8	78.5	–	103 3
	547 9	166.6	–	714 5

Liabilities	Fair value through profit and loss £m	Amortised cost £m	Other £m	Total £m
Trade and other payables	–	(7.7)	–	(7 7)
Loan repurchase liability	–	–	(5.2)	(5.2)
Bank borrowings	–	(195.5)	–	(195 5)
Bonds	(7.8)	(286 5)	–	(294.3)
Lease liabilities	–	(30.8)	–	(30 8)
	(7 8)	(520.5)	(5.2)	(533 5)

Financial instruments measured at amortised cost

Financial instruments measured at amortised cost, rather than fair value, include cash and cash equivalents, trade and other receivables, investment in SME loans (other), bank borrowings, lease liabilities, certain bonds and trade and other payables Due to their nature, the carrying value of each of the above financial instruments approximates to their fair value.

Other financial instruments

Loan repurchase liabilities are measured at the amount of loss allowance determined under IFRS 9

Financial instruments measured at fair value

IFRS 13 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement.

Disclosure of fair value measurements by level is according to the following fair value measurement hierarchy:

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- level 3 inputs are unobservable inputs for the assets or liabilities.

The fair value of financial instruments that are not traded in an active market (for example, investments in SME loans) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2 The investments categorised as level 2 relate to derivative financial instruments. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3

17. Financial risk management continued

Financial instruments measured at fair value continued

31 December 2021	Fair value measurement using: Quoted prices in active markets (level 1) £m	Significant observable inputs (level 2) £m	Significant unobservable inputs (level 3) £m	Total £m
Financial assets				
Investment in SME loans (warehouse)	–	–	**3.2**	**3.2**
Investment in SME loans (securitised)	–	–	**148.1**	**148.1**
Investment in trusts and co-investments	–	–	**39.1**	**39.1**
Cash and cash equivalents	**112.1**	–	–	**112.1**
	112.1	–	**190.4**	**302.5**
Financial liabilities				
Bonds	–	–	**(12.8)**	**(12.8)**
	–	–	**(12.8)**	**(12.8)**

31 December 2020	Fair value measurement using: Quoted prices in active markets (level 1) £m	Significant observable inputs (level 2) £m	Significant unobservable inputs (level 3) £m	Total £m
Financial assets				
Trade and other receivables	–	0.1	0.2	0.3
Investment in SME loans (warehouse)	–	–	221.8	221.8
Investment in SME loans (securitised)	–	–	279.8	279.8
Investment in trusts and co-investments	–	–	21.2	21.2
Cash and cash equivalents	24.8	–	–	24.8
	24.8	0.1	523.0	547.9
Financial liabilities				
Bonds	–	–	(7.8)	(7.8)
	–	–	(7.8)	(7.8)

The fair value of investment in SME loans (warehouse) has been estimated by discounting future cash flows of the loans using discount rates that reflect the changes in market interest rates and observed market conditions at the reporting date. The estimated fair value and carrying amount of the investment in SME loans (warehouse) was £3.2 million at 31 December 2021 (2020: £221.8 million).

The fair value of investment in SME loans (securitised) represents loan assets in the securitisation vehicles and has been estimated by discounting future cash flows of the loans using discount rates that reflect the changes in market interest rates and observed market conditions at the reporting date. The estimated fair value and carrying amount of the investment in SME loans (securitised) was £148.1 million at 31 December 2021 (2020: £279.8 million).

Bonds represent the unrated tranches of bond liabilities measured at fair value through profit and loss (the rated tranches of bonds are measured at amortised cost). The fair value has been estimated by discounting future cash flows in relation to the bonds using discount rates that reflect the changes in market interest rates and observed market conditions at the reporting date. The estimated fair value and carrying amount of the bonds was £12.8 million at 31 December 2021 (2020: £7.8 million).

Investment in trusts and co-investments represents the Group's investment in the trusts and other vehicles used to fund CBILS, RLS and certain core loans and is measured at fair value through profit and loss. The government-owned British Business Bank will guarantee up to 80% of the balance of CBILS loans in the event of default (and between 70% and 80% of RLS loans). The fair value has been estimated by discounting future cash flows in relation to the trusts using discount rates that reflect the changes in market interest rates and observed market conditions at the reporting date. The estimated fair value and carrying amount of the investment in trusts and co-investments was £39.1 million at 31 December 2021 (2020: £21.2 million).

The most relevant significant unobservable input relates to the default rate estimate and discount rates applied to the fair value calculation, details of which are set out in note 2 for those with material estimation uncertainty.

Fair value movements on investment in SME loans (warehouse), investment in SME loans (securitised), investments in trusts and bonds (unrated) are recognised through the profit and loss account in fair value gains/(losses).

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

17. Financial risk management continued

Financial instruments measured at fair value continued

A reconciliation of the movement in level 3 financial instruments is shown as follows.

	Investment in SME loans (warehouse) £m	Investment in SME loans (securitised) £m	Bonds (unrated) £m	Investment in trusts and co-investments £m	Trade and other receivables £m
At 1 January 2020	342.0	366.6	(20.0)	–	–
Additions	286.9	–	–	20.9	–
Securitisations	(214.2)	214.2	–	–	–
Transfers	(0.2)	–	–	–	0.2
Repayments	(146.9)	(211.7)	4.2	–	–
Disposal	–	–	(4.0)	–	–
Net (loss)/gain on the change in fair value of financial instruments at fair value through profit and loss	(43.4)	(87.2)	12.0	0.3	–
Foreign exchange loss	(2.4)	(2.1)	–	–	–
At 31 December 2020	221.8	279.8	(7.8)	21.2	0.2
Additions	–	–	–	22.1	–
Transfers	0.2	–	–	–	(0.2)
Repayments	(58.6)	(150.2)	–	(3.3)	–
Disposal	(176.1)	–	–	–	–
Net gain/(loss) on the change in fair value of financial instruments at fair value through profit and loss	16.3	18.2	(5.0)	(0.9)	–
Foreign exchange (loss)/gain	(0.4)	0.3	–	–	–
At 31 December 2021	**3.2**	**148.1**	**(12.8)**	**39.1**	**–**

Financial risk factors

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents held at banks.

The Group's maximum exposure to credit risk by class of financial asset is as follows:

	31 December 2021 £m	31 December 2020 (restated)[1] £m
Non-current		
Investment in SME loans (other)	**74.2**	25.0
Investment in trusts and co-investments	**39.1**	21.2
Trade and other receivables		
– Other receivables	**4.1**	–
Current		
Investment in SME loans (other)	**1.6**	–
Investment in SME loans (warehouse)	**3.2**	221.8
Investment in SME loans (securitised)	**148.1**	279.8
Trade and other receivables:		
– Trade receivables	**1.8**	1.6
– Other receivables	***10.0***	15.5
– Accrued income	**6.2**	43.7
– Rent and other deposits	**2.2**	2.6
Cash and cash equivalents	**224.0**	103.3
Total gross credit risk exposure	**514.5**	714.5
Less bank borrowings and bond liabilities[2]	**(213.5)**	(489.8)
Total net credit risk exposure	**301.0**	224.7

1 See note 1

2 *Includes within bank borrowings are £73.2 million (31 December 2020: £24.3 million) in relation to draw downs on the PPPLF*

17. Financial risk management continued

Financial risk factors continued

In addition the Group is subject to financial guarantees it has issued to buy back loans detailed in the loan repurchase liability in note 16. The Group's maximum exposure to credit risk on financial guarantees were every eligible loan required to be bought back would be £10.0 million (2020: £24.3 million)

Investment in SME loans (warehouse) and investment in SME loans (securitised) relate to the underlying pool of SME loans in both the warehouse and securitisation vehicles. Whilst there is credit risk from the loans defaulting, these SME loans and the associated bank debt or third party bonds are held within bankruptcy remote vehicles. If the SME loans were to all default, then the bank debt or third party bonds do not receive their money back. Therefore the overall exposure to the Group for these investments is the Group's net investment in the SME loans which is after taking account of the bank debt and third party bonds.

Under IFRS 9, the Group is required to provide for loans measured at amortised cost under the expected credit loss ("ECL") model. The impairment related to each loan is based on the ECLs associated with the probability of default of that loan in the next 12 months unless there has been a significant increase in credit risk of that loan since origination. The Group assumes there has been a significant increase in credit risk if outstanding amounts on the loan investment exceed 30 days, in line with the rebuttable presumption per IFRS 9

The Group defines a default, classified within non-performing, as a loan investment with any outstanding amounts exceeding a 90-day due date, which reflects the point at which the loan is considered to be credit-impaired. In some circumstances where loans are bought back by the Group, the financial asset associated with the purchase meets the definition of purchased or originated credit-impaired ("POCI"), this element of the impairment is therefore based on lifetime ECLs.

The investment in SME loans (other) includes PPP loans funded by the use of the PPPLF. The loans are guaranteed by the US Government in the event of default and the loans are anticipated to be forgiven. At the point of default and subsequent collection of the guarantee or point of forgiveness, the loan and the respective borrowings under the PPPLF are extinguished. The investment in SME loans (other) also includes loans which have been brought back from investors and are held at amortised cost and the current portion of SME loans (other) includes £1.6 million (2020: £nil) of investments in short-term SME loans under its FlexiPay product, enabling businesses to spread UK invoices or payments over three months with the initial payment made on a borrowers behalf These are all measured at amortised cost.

The gross principal value of the loans is £91 1 million (2020: £39.3 million), of which £75.7 million (2020. £26.1 million) is performing, £0.3 million (2020: £nil) is underperforming, £1.1 million (2020: £0.4 million) is non-performing and £14.0 million (2020: £12.8 million) is POCI at 31 December 2021. An allowance for expected credit losses of £15.3 million (£12.6 million) is held against these loans, of which £0.6 million (0.7%) (2020: £0.1 million (0.3%)) is held against performing loans, £0.3 million (100%) (2020: £nil) against underperforming loans, £1.1 million (100.0%) (2020: £0 4 million (100%)) on non-performing loans and £13.3 million (95.1%) (2020: £12.2 million (95.2%)) on POCI loans.

The carrying value of the loans totalled £75 8 million (2020: £26.6 million), of which £75.1 million (2020: £26.0 million) was performing, £nil (2020: £nil) was underperforming, £nil (2020: £nil) was non-performing and £0.7 million (2020: £0.6 million) was POCI.

An impairment charge of £1.3 million (2020 £0.3 million) was recognised through the statement of comprehensive income in the year to 31 December 2021 within other operating expenses.

Trade receivables represent the invoiced amounts in respect of servicing fees due from institutional investors The risk of financial loss is deemed minimal because the counterparties are well established financial institutions.

Ongoing credit evaluation is performed on the financial condition of other receivables and, where appropriate, a provision for impairment is recorded in the financial statements.

Other receivables include net investment in subleases of offices representing the present value of future sublease payments receivable. Where appropriate, impairment is recorded where the receivable is in doubt

Individual risk limits for banks and financial institutions are set by external rating agencies. The Group's treasury policy has set limits and quantities that the Group must remain within. No credit or counterparty limits were exceeded during the year. The Group's cash and cash equivalents split by S&P counterparty rating were A/A- rated: £111.9 million (2020: £78.3 million), A+ or better rated: £112.0 million (2020: £24.8 million) and below A- rated: £0.1 million (2020: £0.2 million).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient financial resources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's position.

The Group's liquidity position is monitored and reviewed on an ongoing basis by the Directors

The amounts disclosed in the following tables are the contractual undiscounted cash flows. The liquidity requirements of the bonds are met from cash flows generated by the investment in SME loans (securitised) and the liquidity requirements of bank borrowings are met from cash flows generated by investment in SME loans (warehouse) and SME loans (other).

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

17. Financial risk management continued

Financial risk factors continued

Liquidity risk continued

The maturity analysis of financial instruments at 31 December 2021 and 31 December 2020 is as follows:

At 31 December 2021	Less than 3 months £m	Between 3 months and 1 year £m	Between 1 and 5 years £m	Over 5 years £m	Total undiscounted cash flows £m	Impact of discounting[2] £m	Carrying amount £m
Financial liabilities							
Trade and other payables	**(15.2)**	**–**	**–**	**–**	**(15.2)**	**–**	**(15.2)**
Bank borrowings	**–**	**–**	**(73.2)**	**–**	**(73.2)**	**–**	**(73.2)**
Bonds	**(28.8)**	**(60.5)**	**(60.8)**	**(0.2)**	**(150.3)**	**10.0**	**(140.3)**
Loan repurchase liability[1]	**(2.2)**	**–**	**–**	**–**	**(2.2)**	**–**	**(2.2)**
Lease liabilities	**(1.7)**	**(5.2)**	**(18.9)**	**–**	**(25.8)**	**1.9**	**(23.9)**
	(47.9)	**(65.7)**	**(152.9)**	**(0.2)**	**(266.7)**	**11.9**	**(254.8)**

At 31 December 2020	Less than 3 months £m	Between 3 months and 1 year £m	Between 1 and 5 years £m	Over 5 years £m	Total undiscounted cash flows £m	Impact of discounting[2] £m	Carrying amount £m
Financial liabilities							
Trade and other payables	(7.7)	–	–	–	(7.7)	–	(7.7)
Bank borrowings	(171.2)	–	(24 3)	–	(195.5)	–	(195 5)
Bonds	(45.9)	(101 7)	(164.3)	–	(311.9)	17.6	(294 3)
Loan repurchase liability[1]	(5.2)	–	–	–	(5.2)	–	(5.2)
Lease liabilities	(1.8)	(5.5)	(24.3)	(2.2)	(33.8)	3.0	(30.8)
	(231 8)	(107 2)	(212.9)	(2.2)	(554.1)	20.6	(533.5)

1 Financial guarantees provided for in the loan repurchase liability are allocated to the earliest period in which the guarantee could possibly be called

2 Included within the impact of discounting on bonds is £1 1 million of deferred bond issuance costs (2020 £2 5 million)

During 2021, the Group maintained revolving credit facility agreements of up to £220 million in the UK and $180 million and $175 million for the Group's US ABS programmes respectively. The facilities are drawn down in order to fund the purchase of SME loans for the warehouses. In the prior year ended 31 December 2020, due to the impact of Covid-19 and the refocus towards CBILS and PPP loan originations, the warehouses ceased reinvestment of proceeds from SME loans and commenced paying down the outstanding facility balances. During the year the majority of the SME loans in the UK and US warehouses were sold and the borrowing facilities fully paid down using the proceeds. As at 31 December 2021, the amounts drawn in the UK and US totalled £nil (2020: £120.6 million) and $nil (2020: $69 2 million) respectively. Interest was payable on the borrowings in the UK at 2.25% plus one month London Inter-Bank Offered Rate ("LIBOR") and in the US at 2.5% plus the three month commercial paper rate on the initial facility and at three month USD LIBOR + 3.0% on the second facility respectively.

Additionally in the US the Group has drawn $98.7 million (2020: $33.1 million) on the PPP Liquidity Facility available from the Federal Reserve Bank at a fixed interest rate of 0.35%.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risk arises from open positions in interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

a) Other price risk

The fair value of the SME loans which are held at fair value through profit and loss can fluctuate depending on market pricing of relative interest rates and credit risk. This is reflected in the discount rate used to derive a valuation for the loan assets. A sensitivity to the discount rates used in the valuation of the assets measured at fair value through profit and loss and which are exposed to greater estimation uncertainty is disclosed in note 2.

b) Interest rate risk

The Group is exposed to interest rate risk in relation to financial liabilities through drawn committed borrowing facilities and on bonds and on financial assets through investment in SME loans

Non-trading interest rate risk

The Group's interest risk on financial instruments is limited to interest receivable on loan note investments, cash and cash equivalent balances and interest on bonds and bank borrowings. The maturities of financial instruments subject to interest rate risk are as follows:

17. Financial risk management continued

Financial risk factors continued

Market risk continued

b) Interest rate risk continued

At 31 December	Less than 3 months 2021 £m	Less than 3 months 2020 £m	Between 3 months and 1 year 2021 £m	Between 3 months and 1 year 2020 £m	Between 1 and 5 years 2021 £m	Between 1 and 5 years 2020 £m
Fixed rate						
Investment in SME loans (other)[2]	**1.6**	–	**–**	–	**74.2**	25.0
Investment in trusts and co-investments	**–**	–	**–**	–	**39.1**	21.2
Investment in SME loans (warehouse)[1]	**–**	1.6	**0.1**	2.8	**3.1**	217.4
Investment in SME loans (securitised)[1]	**0.2**	0.2	**10.1**	8.3	**137.8**	271.3
Bank borrowings[2]	**–**	–	**–**	–	**(73.2)**	(24.3)
Bonds[1]	**–**	–	**–**	–	**(80.2)**	(169.9)
Floating rate						
Cash and cash equivalents	**224.0**	103.3	**–**	–	**–**	–
Bank borrowings	**–**	(171.2)	**–**	–	**–**	–
Bonds[1]	**–**	–	**–**	–	**(60.1)**	(124.4)
	225.8	(66.1)	**10.2**	11.1	**40.7**	216.3

1. The bonds, investment in SME loans (warehouse) and investment in SME loans (securitised) are classified as current on the balance sheet, reflecting that the holding in residual junior notes and investment in SME loans in the warehouse by the Group are held to sell, and upon sale the Group would expect to deconsolidate the related assets of the securitisation vehicles. The above table represents the contractual maturities.
2. The fixed rate bank borrowings and investment in SME loans (other) represent the Group's drawing of the PPP liquidity facility in the US in order to fund PPP loan originations. These are classified as non-current on the balance sheet, and the above table represents the contractual maturities, although the PPP loans could be forgiven by the SBA and the associated liability could be repaid from the proceeds within 12 months of the balance sheet date.

There are no financial assets which are held for a period of over five years.

Interest rate risk sensitivity analysis – non-trading interest (fixed rate)

Interest on loan note investments including investment in SME loans (other), investment in SME loans (warehouse), investment in SME loans (securitised), investment in trusts and co-investments, certain bank borrowings (in the US) and bond liabilities (in the US) is fixed until the maturity of the investment, and is not impacted by market rate changes. The level of future interest rate receivable would be similar to that received in the year and the impact of movements in interest rates on the value of the assets is considered immaterial to the Group's overall performance for the year.

Interest rate risk sensitivity analysis – non-trading interest (floating rate)

Interest on cash and cash equivalent balances is subject to movements in base rates. The Directors monitor interest rate risk and note that while interest rates have been at a historical low for some time there have recently been rate rises observed. The Directors believe that any reasonable increase in the base rate would not significantly impact the Group. Interest on bonds (in the UK) is subject to movements in the Sterling Overnight Index Average Rate ("SONIA"). However, the Group has mitigated the risk of increases in interest rates through the use of interest rate caps. A 1.0% increase in SONIA would result in an increase of projected annual interest expense for the year ended 31 December 2022 of £0.4 million.

Following the financial crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR and other inter-bank offered rates ("IBORs") has become a priority for global regulators. There remains some uncertainty around the timing and precise nature of these changes.

As described above, the Group was previously exposed to GBP and USD LIBOR on bank borrowings; however, with the repayment the exposure is since diminished. The Group has monitored the market and output from industry working groups and regulators which manage the transition to the new benchmark interest rates away from GBP LIBOR to SONIA and USD LIBOR to SOFR. In response to the transition the Group has identified all its LIBOR exposures and has executed its plan to smoothly transition to alternative benchmark rates. Given the Group's exposures related to bank borrowings, which are since repaid, the impact is limited and the Group relies on fall-back language within the contracts. Contracts have been amended where necessary to factor in the basis differential between LIBOR and SONIA and agreements have been updated as necessary.

The amendments to IFRS 9 will be applied until uncertainty arising from the benchmark interest rate reforms that the Group is exposed to ends. This uncertainty will remain until the Group's contracts that reference LIBOR are amended to reference the alternative benchmark which is complete for the UK and remains ongoing for the US, however, there are no remaining material exposures to USD LIBOR at 31 December 2021.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

17. Financial risk management continued

Financial risk factors continued

Market risk continued

b) Interest rate risk continued

Instruments used by the Group

Interest rate caps mitigate risk of increases in floating rate interest on borrowing facilities used to fund the origination of loans for the securitisation warehouses.

All derivatives are held at fair value through profit and loss with movements in the fair value being recognised in fair value gains/(losses) within net income. Derivatives are not designated into formal hedging relationships within the Group.

At 31 December 2021	Interest rate cap UK securitisation
Notional amount	£177m[1]
Underlying	GBP SONIA
Strike rate	2.0%
Maturity	July 2024
Fair value	£nil

1. The UK securitisation interest rate cap notional is set on a declining basis in line with the expected repayment of bonds subject to floating rate SONIA benchmark

c) Sensitivity analysis

IFRS 7 requires disclosure of sensitivity analysis for each type of market risk to which the entity is exposed at the report date showing how profit or loss and equity would have been affected by changing the relevant risk variables that were reasonably possible at that date.

As discussed above, the Group does not have significant exposure to price or cash flow risk and therefore no sensitivity analysis for those risks has been disclosed with the exception of sensitivity to discount rates on SME loans held at fair value through profit and loss within note 2.

d) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the UK pound and the euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

Apart from these particular cash flows, the Group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which income is generated and expenses are incurred

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

The table below sets out the Group's currency exposures from financial assets and liabilities held by Group companies in currencies other than their functional currencies and resulting in exchange movements in the income statement and balance sheet.

	31 December 2021				31 December 2020			
	US dollars £m	**GBP £m**	**EUR £m**	**Total £m**	US dollars £m	GBP £m	EUR £m	Total £m
Cash and cash equivalents	**0.2**	**–**	**2.2**	**2.4**	0.2	–	2.3	2.5
Intra-Group assets	**–**	**–**	**–**	**–**	–	–	–	–
Intra-Group liabilities	**(20.8)**	**(0.1)**	**(4.0)**	**(24.9)**	(0.5)	(10.1)	(8.3)	(18.9)

The Group assessed the sensitivity to a 5% depreciation and 5% appreciation in pound sterling against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to senior management personnel and represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis excludes quasi-equity loans to foreign operations within the Group.

17. Financial risk management continued

Financial risk factors continued

Market risk continued

d) Foreign exchange risk continued

The Group's sensitivity to fluctuations in foreign currencies is related to the US dollar and euro amounts held in the Parent Company.

	Appreciation in pound sterling				Depreciation in pound sterling			
At 31 December	**Income statement 2021 £m**	**Equity 2021 £m**	Income statement 2020 £m	Equity 2020 £m	**Income statement 2021 £m**	**Equity 2021 £m**	Income statement 2020 £m	Equity 2020 £m
US dollars	**(1.0)**	**(3.3)**	(0.5)	(2.9)	**1.1**	**3.6**	0.6	3.2
Euros	**(0.1)**	**0.5**	(0.3)	0 5	**0.1**	**(0.5)**	0 3	(0.5)
	(1.1)	**(2.8)**	(0.8)	(2.4)	**1.2**	**3.1**	0.9	2.7

Capital management

The Group considers its capital to comprise its ordinary share capital, share premium, foreign exchange reserve, share options reserve and retained earnings. Quantitative detail is shown in the consolidated statement of changes in equity.

The Directors' objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Directors monitor a number of KPIs at both the Group and individual subsidiary level on a monthly basis. As part of the budgetary process, targets are set with respect to operating expenses in order to effectively manage the activities of the Group. Performance is reviewed on a regular basis and appropriate actions are taken as required. These internal measures indicate the performance of the business against budget/forecast and confirm that the Group has adequate resources to meet its working capital requirements.

The Group is subject to externally imposed capital requirements by the Financial Conduct Authority but these are lower than internally set requirements. During the period the Group complied with all externally imposed requirements.

Sources of estimation uncertainty and critical judgements that may result in a material adjustment in future periods are outlined in note 2.

18. Share capital

	31 December 2021 Number	**31 December 2021 £**	31 December 2020 Number	31 December 2020 £
Called up, allotted and fully paid				
Ordinary shares of £0.001	**356,619,718**	**356,620**	352,943,975	352,944

During 2021, the Company issued 3,675,743 ordinary shares of £0.001 ranking pari passu with ordinary shares in issue (2020: 4,544,701) in connection with employee share schemes, giving rise to a total share premium of £0 4 million (2020: £0 3 million)

Included in the total number of ordinary shares outstanding are 283,786 (2020: 1,114,518) shares held by the Group's Employee Benefit Trust and 2,984,437 (2020: 2,508,079) shares held by the Group's Share Incentive Plan Trust.

19. Share premium account

	2021 £m	2020 £m
At 1 January	**292.6**	292.3
Exercise of options – proceeds received	**0.4**	0.3
At 31 December	**293.0**	292 6

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

20. Foreign exchange reserve

	£m
At 1 January 2020	8.0
Exchange difference on translating the net assets of foreign operations	1.7
At 31 December 2020	9.7
Exchange difference on translating the net assets of foreign operations	1.4
At 31 December 2021	**11.1**

Exchange differences relating to the translation of the net assets of the Group's subsidiaries from their functional currency into the Company's functional currency are recognised directly in the foreign exchange reserves within equity.

21. (Accumulated losses)/retained earnings

	£m
At 1 January 2020	6.5
Capital reduction	–
Transfer of share option costs	3.2
Loss for the year	(108 3)
At 31 December 2020	(98 6)
Transfer of share option costs	1.8
Profit for the year	61.2
At 31 December 2021	**(35.6)**

The transfer of share option costs is in relation to the exercise of share options during the year and their associated costs in the share options reserve which are transferred to (accumulated losses)/retained earnings.

22. Share-based payment

The Company operates share schemes for all employees of the Group. The terms of the main current schemes from which the Group's employees benefit are set out below.

Post-IPO employee share plans

Since the Company's admission on the London Stock Exchange to the year ended 31 December 2019, the Company operated a single discretionary share-based long-term incentive plan ("LTIP") In November 2020, the Company introduced a Share Incentive Plan ("SIP") approved by HMRC, which includes free shares, partnership shares and matching shares. This plan is only relevant for UK-based employees; the LTIP will continue to make awards for non-UK-based employees and employees in senior management positions.

The main features of the LTIP and SIP are set out below.

Post-IPO – LTIP

Form of LTIP Awards

The Board grants awards in the form of restricted stock units at no cost or options to acquire shares at no cost (a nil-cost option).

Performance conditions

LTIP Awards are not currently subject to performance conditions with the exception of LTIP Awards granted to Executive Directors which are subject to performance conditions. Refer to the Remuneration Report for further details.

Any performance condition may be amended or substituted if one or more events occur which cause the Board to reasonably consider that an amended or substituted performance condition would be more appropriate and would not be materially less difficult to satisfy than originally intended.

Vesting and release of LTIP Awards

LTIP Awards granted to employees, excluding Executive Directors, currently vest subject to continued service only ("Time-Based Vesting") in accordance with a vesting schedule set at grant

LTIP Awards granted to Executive Directors vest at the end of three years subject to achievement of performance conditions Further details are shown in the Remuneration Report.

The Board may determine at grant that an LTIP Award is subject to an additional holding period following vesting (a "Holding Period"). LTIP Options will be exercisable from the date of vesting or, if applicable, the end of the Holding Period until the tenth anniversary of the grant date, or such earlier date as the Board determines

22. Share-based payment continued

Post-IPO employee share plans continued

Post-IPO – LTIP continued

Cessation of employment

LTIP Options may normally be exercised to the extent vested for a period of six months after ceasing employment or 12 months after death (or such other period as the Board may determine).

Post-IPO – SIP

Form of SIP awards

The Board grants awards in the form of free shares, partnership shares and matching shares.

Performance conditions

There are no performance conditions attached to free shares, partnership shares and matching shares.

Free shares

Under the SIP, UK employees are eligible to receive up to a maximum of £3,600, or 10% of annual salary if less, of free shares per tax year. Free shares will be awarded annually with a forfeiture period of two years and a holding period of three years.

Matching shares

UK employees are invited to buy partnership shares from pre-tax salary with a maximum investment in each tax year of £1,800, or 10% of annual salary if less Partnership shares are purchased every month. Employees can withdraw partnership shares from the SIP at any time although there are tax advantages if the shares are retained in the SIP for at least three years

Participants are awarded one matching share for every one partnership share they purchase. There are tax advantages if the matching shares are retained in the SIP for at least three years.

Whilst employed by the Company, a participant will forfeit a corresponding number of matching shares if they choose to transfer partnership shares out of the SIP within three years of the date of purchase.

Under normal circumstances, if a participant leaves the Company before the second anniversary of the date of award, they will forfeit their matching shares. If they leave between two and three years of the date of award, they retain their matching shares but those shares must be removed from the SIP and any tax advantages are lost. If a participant leaves under special circumstances, they will retain all of their matching shares, regardless of how long they have been held in the SIP.

Pre-IPO employee share plans

EMI Options

Prior to June 2014, the Company issued options to UK subsidiary undertakings' employees under the EMI Options Scheme. Since then, the Company is not eligible to issue under the scheme.

Unapproved Options

The Company has an Unapproved Options Scheme for all employees of the Group. In accordance with standard vesting terms, the full award will vest four years after the vesting start date, with 25% vesting on the first anniversary of the vesting date and 6.25% every three months thereafter. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

US Options Scheme 2

Options granted under the "US Options Scheme 2" are Unapproved Options granted to US employees as either non-qualifying options or incentive stock options. The US Options Scheme 2 has the same vesting period as Unapproved Options. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Unvested options are forfeited if the employee leaves the Group before the options vest.

Growth Shares with "shadow" Unapproved Options

Growth Shares were an upfront award of B, D or E ordinary shares with a nominal value of £0.00001 per share where the ability to receive dividends and a capital return from the shares was conditional on the achievement of a performance target (namely, the growth of the enterprise value of the business beyond a hurdle). According to the terms and conditions, the performance target differed depending on the underlying share.

If this performance target was met, the participants would profit from the whole of the value of the business, not just the growth from the date of the award, on the same basis as the ordinary shares.

The Growth Shares were each issued in conjunction with a "shadow" Unapproved Option. The Unapproved Option could be exercised if the applicable enterprise value hurdle is not met upon an exit event. Both the Growth Shares and the "shadow" Unapproved Options vested according to the Company's standard vesting terms, as discussed in the description of Unapproved Options above.

All share-based incentives are subject to service conditions. Such conditions are not taken into account in the fair value of the service received. The fair value of services received in return for share-based incentives is measured by reference to the fair value of share-based incentives granted. The estimate of the fair value of the share-based incentives is measured using market prices. When market prices do not exist for shares or rights to shares with similar characteristics, fair value is determined by using a valuation technique (either the Monte Carlo or Black-Scholes pricing model as is most appropriate for each scheme).

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

22. Share-based payment continued

Charge for the year

Included in operating expenses of the Group is a charge for share-based payments and associated social security costs of £8.9 million (2020: £5.6 million) that arises from transactions accounted for as equity-settled share-based payment transactions.

Movements in share plans

Details of movements in the share schemes during the year are as follows:

	EMI Options		Unapproved Options		Free shares and matching shares		LTIP Awards		US Options Scheme		Total	
	Number and WAEP[1]		Number and WAEP		Number and WAEP		Number and WAEP		Number and WAEP		Number and WAEP	
	Number	£	Number	£	Number	£	Number	£	Number	£	Number	£
Outstanding at 1 January 2020	481,312	0.027	7,315,334	0.298	–	–	8,513,092	–	4,606,207	0.426	20,915,945	0.199
Granted during the year	–	–	–	–	2,519,616	–	11,340,072	–	–	–	13,859,688	–
Exercised during the year	(170,000)	0.027	(486,791)	0.309	–	–	(944,652)	–	(208,008)	0.390	(1,809,451)	0.131
Forfeited during the year	(5,000)	0.027	(536,454)	0.266	(20,319)	–	(4,393,292)	–	(743,344)	0.444	(5,698,409)	0.083
Outstanding at 31 December 2020	306,312	0.027	6,292,089	0.300	2,499,297	–	14,515,220	–	3,654,855	0.424	27,267,773	0.140

	EMI Options		Unapproved Options		Free shares and matching shares		LTIP Awards		US Options Scheme		Total	
	Number and WAEP		Number and WAEP		Number and WAEP		Number and WAEP		Number and WAEP		Number and WAEP	
	Number	£	Number	£	Number	£	Number	£	Number	£	Number	£
Outstanding at 1 January 2021	306,312	0.027	6,292,089	0.300	2,499,297	–	14,515,220	–	3,654,855	0.424	27,267,773	0.140
Granted during the year	–	–	–	–	1,340,578	–	8,680,546	–	–	–	10,021,124	–
Exercised during the year	–	–	(1,108,496)	0.200	(31,582)	–	(982,792)	–	(709,527)	0.367	(2,832,397)	0.170
Forfeited during the year	(7,312)	0.027	(41,509)	0.850	(950,520)	–	(2,872,931)	–	(126,048)	0.598	(3,998,320)	0.028
Outstanding at 31 December 2021	**299,000**	**0.027**	**5,142,084**	**0.317**	**2,857,773**	**–**	**19,340,043**	**–**	**2,819,280**	**0.431**	**30,458,180**	**0.106**

1 Weighted average exercise price

The following table summarises information about the share awards outstanding at 31 December 2021:

	EMI Options		Unapproved Options		Free shares and matching shares		LTIP Awards		US Options		Total	
	Number and WARCL[1]		Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL	
Range of exercise prices	Number	Years	Number	Years	Number	Years	Number	Years	Number	Years	Number	Years
£0–£0.008	–	–	2,260,017	6.4	2,857,773	–	19,340,043	7.5	–	–	24,457,833	6.6
£0.009–£0.176	299,000	1.3	214,299	1.5	–	–	–	–	24,385	2.4	537,684	1.4
£0.177–£0.471	–	–	2,305,977	5.5	–	–	–	–	2,196,012	3.8	4,501,989	4.7
£0.472–£1.75	–	–	361,791	6.5	–	–	–	–	598,883	6.4	960,674	6.4
	299,000	**1.3**	**5,142,084**	**5.8**	**2,857,773**	**–**	**19,340,043**	**7.5**	**2,819,280**	**4.4**	**30,458,180**	**6.2**

The following table summarises information about the share awards outstanding at 31 December 2020:

	EMI Options		Unapproved Options		Free shares and matching shares		LTIP Awards		US Options		Total	
	Number and WARCL[1]		Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL	
Range of exercise prices	Number	Years	Number	Years	Number	Years	Number	Years	Number	Years	Number	Years
£0–£0.008	–	–	2,260,017	7.4	2,499,297	–	14,515,220	7.4	120,969	7.6	19,395,503	6.3
£0.009–£0.176	306,312	2.2	789,918	1.1	–	–	–	–	28,456	–	1,124,686	1.3
£0.177–£0.471	–	–	2,866,949	6.9	–	–	–	–	2,855,402	4.4	5,722,351	5.7
£0.472–£1.75	–	–	375,205	7.5	–	–	–	–	650,028	6.3	1,025,233	6.7
	306,312	2.2	6,292,089	6.4	2,499,297	–	14,515,220	7.4	3,654,855	4.8	27,267,773	6.0

1 Weighted average remaining contractual life

22. Share-based payment continued

Unapproved Options Scheme

There have been no Unapproved Options granted since IPO in 2018. The weighted average fair values of options granted under the Unapproved Options Scheme and the US Options Scheme ranged between £0.73 and £1.80 per option respectively in the previous year. These values were determined using the Black-Scholes valuation model. The significant inputs into the model are as follows:

Unapproved Options Scheme	31 December 2018
Share price (various times during the year)	£1.89
Exercise price	£nil–£0.44
Expected life	4 years
Expected volatility	48%
Risk-free interest rate (between)	0.93%–1.02%
Dividend yield	Nil
Forward exchange rate – US Options (between)	0.769

LTIP Awards

Since all LTIP Awards were made post-IPO, the Company has used its share price at grant date as the fair value of the LTIP Awards granted during the year to employees.

In the prior financial year, the only exception to this was for awards made to the former Chief Financial Officer, who departed prior to the end of this financial year (these awards have therefore lapsed). These awards contained market-based performance conditions and the fair value at grant date was calculated using a Black-Scholes model.

The incumbent Chief Financial Officer's LTIP Awards do not contain market-based performance conditions but do include non-market performance conditions (refer to the Remuneration Report for further detail) and, therefore, the Company's share price at grant date is the fair value used, with the likelihood of achieving the non-market performance conditions factored into the accounting charge. In line with IFRS 2, the likelihood will be reassessed at the end of each reporting period.

Free shares and matching shares

The Company has used its share price at grant date as the fair value of free shares and matching shares granted during the year to employees.

23. Notes to the consolidated statement of cash flows

Cash inflow/(outflow) from operating activities

	31 December 2021 £m	31 December 2020 £m
Profit/(loss) before taxation	**64.1**	(108.1)
Adjustments for		
Depreciation of property, plant and equipment	**5.9**	9.0
Amortisation of intangible assets	**8.0**	8.2
Impairment of goodwill (exceptional item)	**–**	12.0
Impairment of intangible and tangible assets (exceptional item)	**3.9**	1.7
Share-based payment restructuring credit (exceptional item)	**–**	(1.0)
Interest receivable	**(0.1)**	(0.4)
Interest payable	**1.1**	1.4
Non-cash employee benefits expense – share-based payments and associated social security costs	**8.5**	6.4
Fair value (gains)/losses	**(28.6)**	118.3
Movement in restructuring provision (exceptional item)	**(0.9)**	1.1
Movement in loan repurchase liability	**(3.0)**	2.3
Movement in other provisions	**(1.9)**	2.5
Share of (gains)/losses of associates	**(0.9)**	0.8
Other non-cash movements	**(0.7)**	1.2
Changes in working capital		
Movement in trade and other receivables	**46.4**	(35.3)
Movement in trade and other payables	**1.4**	13.0
Tax paid	**(3.1)**	–
Net cash inflow from operating activities	**100.1**	33.1

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

23. Notes to the consolidated statement of cash flows continued

Cash and cash equivalents

	31 December 2021 £m	31 December 2020 £m
Cash and cash equivalents	**224.0**	103.3

The cash and cash equivalents balance is made up of cash, money market funds and bank deposits. The carrying amount of these assets is approximately equal to their fair value. Included within cash and cash equivalents above is cash of £1.0 million (2020: £1.0 million) which is restricted in use in the event of rental payment defaults and cash held in the securitisation SPVs of £14.4 million (2020: £38.9 million including warehouse SPVs for on-payment to lenders) which has been collected for on-payment to bond holders and is therefore restricted in its use A further £9.2 million (2020: £4.3 million) of cash is held which is restricted in use to repaying investors in CBILS and RLS loans and paying CBILS and RLS-related costs to the UK Government.

At 31 December 2021, money market funds totalled £112.1 million (2020: £24.8 million).

Analysis of changes in liabilities from financing activities

	1 January 2020 £m	Cash flow £m	Exchange movements £m	Other non-cash movements £m	31 December 2020 £m
Bank borrowings	(265.8)	69.0	1.3	–	(195 5)
Bonds	(348.7)	35.6	6.8	12.0	(294.3)
Lease liabilities	(38.3)	7 8	(0.3)	–	(30.8)
Liabilities from financing activities	(652 8)	112 4	7.8	12.0	(520.6)

	1 January 2021 £m	**Cash flow £m**	**Exchange movements £m**	**Other non-cash movements £m**	**31 December 2021 £m**
Bank borrowings	**(195.5)**	**123.1**	**(0.8)**	**–**	**(73.2)**
Bonds	**(294.3)**	**160.6**	**(1.6)**	**(5.0)**	**(140.3)**
Lease liabilities	**(30.8)**	**8.1**	**(0.1)**	**(1.1)**	**(23.9)**
Liabilities from financing activities	**(520.6)**	**291.8**	**(2.5)**	**(6.1)**	**(237.4)**

24. Operating lease arrangements

As disclosed in notes 1 and 12, leases of low-value items or short-term leases continue to be treated as operating leases.

	31 December 2021 £m	31 December 2020 £m
Lease payments under operating leases recognised as an expense in the year	**0.1**	0.1

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases of £nil (2020: £nil).

Operating lease payments represent payments for lease assets that are individually considered low value.

25. Dividends per share

No ordinary dividends were declared or paid in the current or previous financial years.

26. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Group's key management personnel comprises the Global Leadership Team ("GLT"), which is made up of the Executive Directors and other senior management as defined in note 3 as the chief operating decision maker ("CODM") and the Non-Executive Directors of the Group.

	31 December 2021 £m	31 December 2020 £m
Salaries and short-term benefits	**4.2**	3.3
Equity-based compensation	**1.9**	1.9
Post-employment benefits	**0.1**	0.1
	6.2	5.3

Further details on Directors' remuneration are disclosed in the Remuneration Report in the Corporate Governance section of the Annual Report and Accounts on pages 96 to 119.

Transactions with other related parties

During the year the Group invested £nil (2020: £0.4 million) into entities accounted for as associates, received capital redemptions of £3.9 million (2020: £2.3 million) and received dividends of £nil (2020: £0.4 million).

During the year the Group received service fees from loans held by Knightrider Lending Designated Activity Company of £0.2 million (2020: £0.3 million) and from Throgmorton Lending Designated Activity Company of £0.7 million (2020: £0.5 million). These entities are subsidiaries of the Group's associates, as detailed in note 30

27. Ultimate controlling party

In the opinion of the Directors, the Group does not have a single ultimate controlling party.

28. Contingent liabilities

As part of the ongoing business, the Group has operational requirements with its investors. At any point in time, it is possible that a particular investor may expect the Group to buyback their loan if they did not believe that the terms of business had been fully complied with. Where a loan is bought back it is presented within Investment in SME loans (other) on the face of the consolidated balance sheet and held at amortised cost under IFRS 9.

In common with other businesses, the Group is involved from time to time in disputes in the ordinary course of business. These disputes can include counter claims made by defaulted borrowers, against whom Funding Circle has filed a claim for the recovery of monies owed under a loan agreement. There is one current case in the US. Funding Circle considers these claims to be without any substantive legal merit and does not expect them to have a material adverse financial impact on the Group's consolidated results or net assets; however, as proceedings are in the early stages the outcome cannot be reliably measured

29. Subsequent events

There have been no subsequent events since the balance sheet date.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

30. Interests in other entities

Investments in subsidiaries

The Group had the following subsidiaries, all of which have been included in these consolidated financial statements The proportion of the voting rights in subsidiary undertakings held directly by the Company does not differ from the proportion of ordinary shares held.

Subsidiary undertakings	Place of incorporation	Proportion of ownership interest	Directly/ indirectly held	Registered office address
Funding Circle Ltd	UK	100%	Directly	71 Queen Victoria Street, London EC4V 4AY
Funding Circle Asset Finance Limited	UK	100%	Indirectly	71 Queen Victoria Street, London EC4V 4AY
Funding Circle BB Limited	UK	100%	Indirectly	71 Queen Victoria Street, London EC4V 4AY
Funding Circle Eclipse Lending Limited	UK	100%	Indirectly	71 Queen Victoria Street, London EC4V 4AY
Funding Circle Focal Point Lending Limited	UK	100%	Indirectly	71 Queen Victoria Street, London EC4V 4AY
Funding Circle Global Partners Limited	UK	100%	Directly	71 Queen Victoria Street, London EC4V 4AY
Funding Circle Midco Limited	UK	100%	Directly	71 Queen Victoria Street, London EC4V 4AY
Funding Circle Property Finance Limited	UK	100%	Indirectly	71 Queen Victoria Street, London EC4V 4AY
Funding Circle Trustee Limited	UK	100%	Indirectly	71 Queen Victoria Street, London EC4V 4AY
Made To Do More Limited	UK	100%	Indirectly	71 Queen Victoria Street, London EC4V 4AY
Funding Circle Horizon Lending Limited	UK	100%	Indirectly	71 Queen Victoria Street, London EC4V 4AY
Funding Circle USA, Inc	USA	100%	Directly	85 Second Street, 4th Floor, San Francisco, California 94105
Funding Circle Notes Program, LLC	USA	100%	Indirectly	85 Second Street, 4th Floor, San Francisco, California 94105
FC Marketplace, LLC	USA	100%	Indirectly	85 Second Street, 4th Floor, San Francisco, California 94105
Funding Circle Investor Funds, LLC	USA	100%	Indirectly	85 Second Street, 4th Floor, San Francisco, California 94105
FC Capital US LLC	USA	100%	Indirectly	85 Second Street, 4th Floor, San Francisco, California 94105
FC Capital US II LLC	USA	100%	Indirectly	85 Second Street, 4th Floor, San Francisco, California 94105
FC Depositor US LLC	USA	100%	Indirectly	85 Second Street, 4th Floor, San Francisco, California 94105
Funding Circle CE GmbH	Germany	100%	Directly	Bergmannstraße 71/72, 10961 Berlin
Funding Circle Deutschland GmbH	Germany	100%	Indirectly	Bergmannstraße 71/72, 10961 Berlin
Funding Circle Connect GmbH	Germany	100%	Indirectly	Bergmannstraße 71/72, 10961 Berlin
FC Forderungsmanagement GmbH	Germany	100%	Indirectly	Bergmannstraße 71/72, 10961 Berlin
Funding Circle Espana S.L	Spain	100%	Indirectly	Calle Claudio Coello número 91, 3a planta, 28006 Madrid
Funding Circle Nederland B.V	Netherlands	100%	Indirectly	Atrium, Strawinskylaan 3075, 4th Floor, 1077 ZX Amsterdam

30. Interests in other entities continued

Investments in associates

Set out below are the associates of the Group as at 31 December 2021 which, in the opinion of the Directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Associate entity name	Place of incorporation	Proportion of ownership interest	Directly/ indirectly held	Registered office address
Funding Circle European SME Direct Lending Fund I[1]	Ireland	24%	Indirectly	70, Sir John Rogerson's Quay, Dublin 2, Ireland
Funding Circle UK SME Direct Lending Fund I[1]	Ireland	8%	Indirectly	70, Sir John Rogerson's Quay, Dublin 2, Ireland

1. Private sub-fund held via the Funding Circle ICAV, an Irish collective asset-management vehicle constituted as an umbrella fund with registered office address of 70 Sir John Rogerson's Quay, Dublin 2, Ireland

The associates outlined above directly hold investments in subsidiary entities as detailed below, which are considered to be related parties of the Group.

Other related party name	Place of incorporation	Relationship	% ownership by associate	Immediate parent entity	Registered office address
Knightrider Lending Designated Activity Company	Ireland	Subsidiary of associate	100%	Funding Circle European SME Direct Lending Fund I	70, Sir John Rogerson's Quay, Dublin 2, Ireland
Throgmorton Lending Designated Activity Company	Ireland	Subsidiary of associate	100%	Funding Circle UK SME Direct Lending Fund I	70, Sir John Rogerson's Quay, Dublin 2, Ireland

The tables below provide summarised financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not Funding Circle Holdings plc's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including modifications for differences in accounting policy. While the Group holds less than 20% ownership in Funding Circle UK SME Direct Lending Fund I the Group considers that it has significant influence over the entity through representation on its Board and so continues to account for it as an associate instead of a trade investment.

The associates are sub-funds which invest in SME loans, and the Group is exposed to default and prepayment risk with respect to the performance of the underlying loans in the associates, to the extent that the share of profit from associate may diminish. The table below illustrates the Group's maximum exposure to the investment in associate which represents the value on the Group balance sheet. The value of the investment is derived from net asset value statements from the sub-funds; however, being private these are not from observable market data, and therefore the fair value is considered to be aligned to the carrying value.

Summarised balance sheet (Group's share)	**Funding Circle European SME Direct Lending Fund I 31 December 2021 £m**	**Funding Circle UK SME Direct Lending Fund I 31 December 2021 £m**	Funding Circle European SME Direct Lending Fund I 31 December 2020 £m	Funding Circle UK SME Direct Lending Fund I 31 December 2020 £m
Non-current assets	**3.1**	**3.7**	5.4	5.0
Current assets	**0.6**	**0.5**	0.8	0.3
Current liabilities	**–**	**–**	–	–
Non-current liabilities	**–**	**–**	–	–
Net assets	**3.7**	**4.2**	6.2	5.3

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2021

30. Interests in other entities continued

Reconciliation of associates' total shareholders' equity to carrying amount in Funding Circle Holdings plc's consolidated financial statements

	Funding Circle European SME Direct Lending Fund I 2021 £m	**Funding Circle UK SME Direct Lending Fund I 2021 £m**	Funding Circle European SME Direct Lending Fund I 2020 £m	Funding Circle UK SME Direct Lending Fund I 2020 £m
Opening net assets as at 1 January 2021	**26.3**	**64.1**	35.1	35.6
Shares issued in the year	**–**	**–**	1.2	30.4
Profit for the year	**2.0**	**3.1**	(1.9)	0.9
Exchange differences	**(1.6)**	**–**	1.9	–
Other comprehensive income	**–**	**–**	–	–
Capital redemptions in the year	**(11.2)**	**(15.4)**	(9.6)	–
Dividends paid in the year	**–**	**(0.5)**	(0.4)	(2.8)
Closing net assets as at 31 December 2021	**15.5**	**51.3**	26.3	64.1
Group's share in %	**23.6%**	**8.3%**	23.6%	8.3%
Group's share of net assets as at 31 December 2021	**3.7**	**4.2**	6.2	5.3
Accounting policy alignment	**(0.2)**	**(0.1)**	(0.2)	(0.3)
Group's carrying amount	**3.5**	**4.1**	6.0	5.0

Summarised statement of comprehensive income (Group's share)	**Funding Circle European SME Direct Lending Fund I 2021 £m**	**Funding Circle UK SME Direct Lending Fund I 2021 £m**	Funding Circle European SME Direct Lending Fund I 2020 £m	Funding Circle UK SME Direct Lending Fund I 2020 £m
Gross income	**0.5**	**0.5**	0.7	0.5
Profit/(loss)for the year	**0.6**	**0.3**	(0.4)	0.1
Other comprehensive income/(loss)	**–**	**–**	–	–
Total comprehensive income/(loss)	**0.6**	**0.3**	(0.4)	0.1
Dividends received from associates	**–**	**–**	0.1	0.3
Capital redemptions received from associates	**2.6**	**1.3**	2.3	–

Interest in other entities

Stichting Derdengelden Funding Circle is not a direct or indirect subsidiary of Funding Circle Holdings plc but is an independent special purpose foundation which is required in the Netherlands to safeguard borrower and investor funds and is consolidated as it is controlled by the Group. The registered office address is Atrium, Strawinskylaan 3075, 4th Floor, 1077 ZX Amsterdam.

Funding Circle Holdings Employee Benefit Trust was established on 14 September 2018 The purpose of the trust is to facilitate the acquisition of shares in the Company by, or for the benefit of, existing and future employees of the Company and Group subsidiaries and is consolidated as it is controlled by the Group

Consolidated structured entities. Small Business Origination Loan Trust 2019-3 DAC, Great Trinity Lending 1 DAC, Small Business Lending Trust 2019-A, Small Business Lending Grantor Trust 2019-A, Small Business Lending Trust 2020-A and Small Business Lending Grantor Trust 2020-A are consolidated structured warehouse and securitisation entities which either hold SME loan assets in a warehouse or hold the portfolio of SME loans and issue bonds after securitisation has occurred.

The entities are bankruptcy remote special purpose vehicles and as such there is no requirement for the Group to provide financial support to the entities. The entities' activities are not governed by voting rights and the Group has assessed that it has power over the entities based on the purpose and design of the entity and ability to direct the relevant activities of the entity, the nature of the relationship with the entity and the size of its exposure to the variability of the returns from each entity.

As explained in note 17, the Group experiences credit risk and prepayment risk in relation to the SME loan assets net of bond liabilities, and interest rate risk in relation to the warehouse loan facilities and floating rate bond liabilities which is partially mitigated through the use of derivative financial instruments

30. Interests in other entities continued

Interest in other entities continued

The principal activities of the Group's most significant subsidiary undertakings are set out below. These are considered significant in the context of the Group's business, results and financial position.

Subsidiary undertakings	Principal activity
Funding Circle Ltd	Acts as facilitator and performs intermediary services in respect of all loans made through the Funding Circle platform in the UK.
Funding Circle USA, Inc.	The US operating subsidiary of Funding Circle. Acts as the administrator of the Funding Circle platform in the US.
FC Marketplace, LLC	Acts as originator and servicer of all loans made through the Funding Circle platform in the US. FC Marketplace, LLC sells each loan it originates, on a servicing retained basis, to third party institutional investors or to affiliates (e.g. Funding Circle Notes Program, LLC) on an arm's length basis. FC Marketplace, LLC initially holds loans for a two to three days cure period before selling the loan on to the investor or affiliate.
Funding Circle Notes Program, LLC	A special purpose bankruptcy remote entity which issues loan payment dependent debt securities to accredited investors. It uses the proceeds to purchase a specific corresponding loan made through the Funding Circle platform from FC Marketplace, LLC. The entity retains the contractual rights to receive the cash flows from the loan assets it has purchased, but has assumed a contractual obligation to pay those cash flows to the holders of the debt securities. The eligibility criteria have been met to derecognise the loan assets and associated issued debt securities as a pass-through arrangement under IFRS 9.
Funding Circle Focal Point Lending Limited	Subsidiary via which CBILS loans are originated and which holds legal title to loans which are held via trust structures for the beneficial ownership of institutional investors.
Funding Circle Eclipse Lending Limited	Subsidiary via which RLS loans are originated and which holds legal title to loans which are held via trust structures for the beneficial ownership of institutional investors.
Funding Circle Deutschland GmbH	Operates the Funding Circle platform in Germany and services loans.
Funding Circle Nederland B.V	Operates the Funding Circle platform in the Netherlands and services loans.

Company balance sheet
as at 31 December 2021

	Note	31 December 2021 £m	31 December 2020 £m
Non-current assets			
Investments in subsidiary undertakings	5	**281.9**	303.3
Loans due from subsidiary undertakings	7	**–**	–
		281.9	303.3
Current assets			
Loans due from subsidiary undertakings	7	**0.1**	10.1
Trade and other receivables	6	**0.3**	1.0
Cash and cash equivalents	11	**63.4**	27.8
		63.8	38.9
Total assets		**345.7**	342.2
Current liabilities			
Trade and other payables	8	**1.8**	1.7
Total liabilities		**1.8**	1.7
Equity			
Share capital	9	**0.4**	0.3
Share premium account	9	**293.0**	292.6
Share options reserve		**19.1**	13.6
Retained earnings	10	**31.4**	34.0
Total equity		**343.9**	340.5
Total equity and liabilities		**345.7**	342.2

The Company's loss for the year was £4.4 million (2020: loss of £161.9 million).

The financial statements on pages 182 to 192 were approved by the Board and authorised for issue on 10 March 2022. They were signed on behalf of the Board by

Oliver White
Director

Company registration number 07123934

The notes on pages 185 to 192 form part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2021

	Note	Share capital £m	Share premium account £m	Share options reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2020		*0.3*	*292.3*	*11.9*	*192.7*	*497.2*
Loss for the year	10	–	–	–	(161.9)	(161.9)
Transactions with owners						
Transfer of share option costs		–	–	(3.2)	3.2	–
Issue of share capital	9		0.3	–	–	0.3
Employee share schemes – value of employee services		–	–	4.9	–	4.9
Balance at 31 December 2020		0.3	292.6	13.6	34.0	340.5
Loss for the year	10	–	–	–	(4.4)	(4.4)
Transactions with owners						
Transfer of share option costs		–	–	(1.8)	1.8	–
Issue of share capital	9	0.1	0.4	–	–	0.5
Employee share schemes – value of employee services		–	–	7.3	–	7.3
Balance at 31 December 2021		**0.4**	**293.0**	**19.1**	**31.4**	**343.9**

The notes on pages 185 to 192 form part of these financial statements.

Company statement of cash flows

for the year ended 31 December 2021

	Note	31 December 2021 £m	31 December 2020 £m
Net cash outflow from operating activities	11	**(2.4)**	(3.5)
Investing activities			
Loans advanced to subsidiary undertakings	7	**(10.0)**	(29.0)
Loan repayment from subsidiary undertakings	7	**19.8**	20.7
Capital contribution to subsidiary undertakings	5	**–**	(41.6)
Capital redemptions from subsidiary undertakings	5	**27.3**	–
Interest received		**0.5**	0.2
Net cash inflow/(outflow) from investing activities		**37.6**	(49.7)
Financing activities			
Proceeds on the issue of shares from the exercise of share options		**0.4**	0.2
Net cash inflow from financing activities		**0.4**	0.2
Net increase/(decrease) in cash and cash equivalents		**35.6**	(53.0)
Cash and cash equivalents at the beginning of the year		**27.8**	80.8
Cash and cash equivalents at the end of the year	11	**63.4**	27.8

The notes on pages 185 to 192 form part of these financial statements.

Notes forming part of the Company financial statements

for the year ended 31 December 2021

1. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The Company is a public company limited by shares and registered, incorporated and domiciled in England and Wales. The address of its registered office is given on page 194

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are carried at fair value through profit and loss ("FVTPL"). The principal accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements except as noted below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The principal activities of the Company and the nature of the Company's operations are as a holding company for a global SME loan platform.

As permitted by the exemption in section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The Company made a comprehensive loss for the year of £4.4 million (2020 comprehensive loss of £161.9 million).

The financial statements are prepared on a going concern basis as the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future (which has been taken as 12 months from the date of approval of the financial statements).

Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment (see note 5 for further details).

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the Company to make estimates and judgements that affect the application of policies and reported amounts. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a key source of estimation uncertainty. Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. There were no critical accounting judgements in the year ended 31 December 2021.

Key sources of estimation uncertainty

Impairment of investments in subsidiary undertakings (note 5)

The carrying value of investment in subsidiary undertakings is reviewed for impairment on an annual basis The recoverable amount is determined based on the higher of value in use and fair value less cost to sell, with value in use being applied for this assessment where an indicator of impairment is identified. The use of this method requires the estimate of future cash flows expected to arise from the continuing operation of the subsidiaries and the choice of a suitable discount rate in order to calculate the present value. Actual outcomes could vary significantly from these estimates.

No impairment was recognised in relation to Funding Circle USA, Inc. in the year ended 31 December 2021, however, the investment remains subject to estimation uncertainty and its value could materially diverge from management's estimate The Group prepares a five-year management plan for its operations, which is used in the value-in-use calculation. For compound annual growth rates the majority of the sensitivity is in the growth rate applied to the fifth year which is forecast out into perpetuity. The cash flow projections are based on the following key assumptions:

- fifth-year income growth of 25% and fifth-year cost growth of 16%;
- pre-tax discount rate of 14.5%;
- income beyond the five-year period is extrapolated using an estimated growth rate of 2.0%; and
- the impact of transfer pricing arrangements within the Group are considered and assumed to be cash settled further supporting cash flows of the US business.

The above assumptions are based on historical trends and future market expectations.

The key assumptions were stressed and the estimated value in use was not sensitive to these for the year ended 31 December 2021, with sufficient headroom above the carrying value, even under severe stress assumptions

In the prior year ended 31 December 2020, following the impact of Covid-19 and a change in the investments' income and cost forecasts, an event indicating the possibility of impairment was identified and an impairment review undertaken. Impairment was identified in relation to the investment in the Funding Circle USA, Inc. CGU as the carrying value exceeded the value in use determined by this impairment assessment. The investment was impaired by £155.9 million to £88.2 million.

Notes forming part of the Company financial statements continued

for the year ended 31 December 2021

2. Financial risk management

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

The risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and ensure any limits are adhered to. The Company's activities are reviewed regularly and potential risks are considered.

Risk factors

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk (including currency risk, interest rate risk and other price risk); and
- foreign exchange risk.

Principal financial instruments

The principal financial assets and liabilities of the Company, from which financial instrument risk arises, are as follows:

- loans due from related undertakings;
- trade and other receivables;
- cash and cash equivalents; and
- trade and other payables.

Categorisation of financial assets and financial liabilities

The table shows the carrying amounts and fair values of financial assets and financial liabilities by category as at 31 December 2021:

	Carried at amortised cost		Carried at fair value	
	Carrying amount £m	Fair value £m	Based on market derived data £m	Based on individual valuation parameters £m
Assets				
Loans due from related undertakings	**0.1**	**0.1**	–	–
Trade and other receivables	**0.1**	**0.1**	–	–
Cash and cash equivalents	**14.1**	**14.1**	**49.3**	–
	14.3	**14.3**	**49.3**	–
Liabilities				
Trade and other payables	**(0.1)**	**(0.1)**	–	–
	(0.1)	**(0.1)**	–	–

IFRS 13 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement.

Disclosure of fair value measurements by level is according to the following fair value measurement hierarchy:

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date,
- level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly, and
- level 3 inputs are unobservable inputs for the assets or liabilities.

The Company's financial assets measured at fair value are all categorised as level 1.

2. Financial risk management continued

Categorisation of financial assets and financial liabilities continued

The table shows the carrying amounts and fair values of financial assets and financial liabilities by category as at 31 December 2020:

	Carried at amortised cost		Carried at fair value	
	Carrying *amount* £m	*Fair value* £m	Based on market *derived data* £m	Based on individual valuation *parameters* £m
Assets				
Loans due from related undertakings	10.1	10.1	–	–
Trade and other receivables	0.9	0.9	–	–
Cash and cash equivalents	13.4	13.4	14.4	–
	24.4	24.4	14.4	–
Liabilities				
Trade and other payables	(0.2)	(0.2)	–	–
	(0.2)	(0.2)	–	–

Financial instruments measured at amortised cost

Financial assets and liabilities measured at amortised cost, rather than fair value, include loans due from subsidiary undertakings, cash and cash equivalents, trade and other receivables and trade and other payables. Due to their short-term nature, the carrying value of the above items approximates their fair value.

The fair value of cash and cash equivalents at 31 December 2021 and 31 December 2020 approximates the carrying value. Credit risk is mitigated as cash and cash equivalents are held with reputable institutions

Financial risk factors

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial asset fails to meet its contractual obligations, and arises principally from the Company's receivables from related undertakings and cash and cash equivalents held at banks

The Company's maximum exposure to credit risk by class of financial asset is as follows:

	31 December 2021 £m	31 December 2020 £m
Non-current		
Loans due from related undertakings	**–**	–
Current		
Loans due from related undertakings	**0.1**	10.1
Trade and other receivables:		
– Amounts due from related undertakings	**0.1**	0.9
Cash and cash equivalents	**63.4**	27.8

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's position.

The Company's liquidity position is monitored and reviewed on an ongoing basis by the Directors

The amounts disclosed in the below tables are the contractual undiscounted cash flows

Notes forming part of the Company financial statements continued

for the year ended 31 December 2021

2. Financial risk management continued

Financial risk factors continued

Liquidity risk continued

The maturity analysis of financial assets and liabilities at 31 December 2021 and 31 December 2020 is as follows:

At 31 December 2021	Less than 3 months £m	Between 3 months and 1 year £m	Between 1 and 5 years £m	Over 5 years £m
Financial assets				
Trade and other receivables	**0.1**	–	–	–
Cash and cash equivalents	**63.4**	–	–	–
Loans due from related undertakings	**0.1**	–	–	–
	63.6	–	–	–
Financial liabilities				
Trade and other payables	**(0.1)**	–	–	–
	(0.1)	–	–	–

At 31 December 2020	Less than 3 months £m	Between 3 months and 1 year £m	Between 1 and 5 years £m	Over 5 years £m
Financial assets				
Trade and other receivables	0.9	–	–	–
Cash and cash equivalents	27.8	–	–	–
Loans due from related undertakings	10.1	–	–	–
	38.8	–	–	–
Financial liabilities				
Trade and other payables	(0.2)	–	–	–
	(0.2)	–	–	–

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risk arises from open positions in interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

a) Other price risk

The Company is not exposed to market risk with respect to financial instruments as it does not hold any marketable equity securities.

b) Cash flow and fair value interest rate risk

Interest on cash and cash equivalent balances is subject to movements in base rates. The Directors monitor interest rate risk and note that while interest rates have been at a historical low for some time, recent rate rises have been observed. A 0.5% increase in base rates could increase the annual interest earned by c.£0.3 million (2020: c.£0.1 million).

c) Sensitivity analysis

IFRS 7 requires disclosure of sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date showing how profit or loss and equity would have been affected by changing the relevant risk variables that were reasonably possible at that date.

As discussed above, the Company does not have significant exposure to interest rate risk, cash flow risk or other price risk and therefore no sensitivity analysis for those risks has been disclosed.

d) Foreign exchange risk

The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Foreign exchange risk is disclosed in note 17 to the consolidated financial statements.

2. Financial risk management continued

Capital management

The Company considers its capital to comprise equity share capital, share premium, share options reserve and retained earnings.

The Directors' objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders.

The Company is not subject to any externally imposed capital requirements.

The Directors monitor a number of KPIs at both the Company and individual subsidiary level on a monthly basis As part of the budgetary process, targets are set with respect to operating expenses in order to effectively manage the activities of the Company. Performance is reviewed on a regular basis and appropriate actions are taken as required. These internal measures indicate the performance of the business against budget/forecast and confirm that the Company has adequate resources to meet its working capital requirements.

3. Company loss for the year

The Company made a comprehensive loss for the year of £4.4 million (2020: comprehensive loss of £161.9 million).

4. Employees

The Company had no employees during the current or prior year other than Directors who numbered 10 (2020: 10). The Company did not operate any pension schemes during the current or preceding year. Directors received emoluments in respect of their services to the Company during the year of £1.3 million (2020: £1.2 million) For further information see the Remuneration Report on page 109.

5. Investments in subsidiary undertakings

	2021 £m	2020 £m
Balance at 1 January	**303.3**	416.2
Capital contribution regarding employee services in subsidiaries	**5.9**	4.1
(Capital reduction)/additions	**(27.3)**	41.6
Impairment	**–**	(158.6)
Balance at 31 December	**281.9**	303.3

Investments in subsidiary undertakings, which are listed in note 30 of the Group financial statements, are all stated at cost less any provision for impairment.

During the year the Company made capital contributions in the form of cash investments of £nil (2020: £2.0 million), £nil (2020: £38.9 million) and £nil (2020: £0.7 million) to Funding Circle CE GmbH, Funding Circle Ltd and Funding Circle Canada Inc. respectively and received £3.4 million (2020: £nil) from Funding Circle Global Partners Limited and £23.9 million (2020: £nil) from Funding Circle USA, Inc. as capital redemptions

In addition to the above, the Company recognised a capital contribution of £5.9 million (2020: £4.1 million) representing the service cost for the employees of its subsidiaries, under the Company's share option schemes.

No impairment was recognised in the year ended 31 December 2021 in relation to investment in subsidiary undertakings. During the prior year ended 31 December 2020 the Company identified impairment of £155.9 million in relation to the Company's investment in Funding Circle USA, Inc. to a value of £88.2 million, £2.0 million in relation to the Company's investment in Funding Circle CE GmbH to a value of £nil and £0.7 million in relation to the Company's investment in Funding Circle Midco Limited to a value of £nil as the value in use calculated was below the carrying amount.

The cumulative amount of impairment losses in relation to investment in subsidiaries is £236 1 million (2020: £236.1 million)

6. Trade and other receivables

	31 December 2021 £m	31 December 2020 £m
Amounts due from related undertakings	**0.1**	0.9
Prepayments	**0.2**	0.1
	0.3	1 0

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Notes forming part of the Company financial statements continued

for the year ended 31 December 2021

7. Loans due from subsidiary undertakings

	31 December 2021 £m	31 December 2020 £m
Funding Circle USA, Inc	**–**	10.0
Stichting Derdengelden Funding Circle	**0.1**	0.1
Current portion	**0.1**	10.1

Amount due from Group undertakings

During 2021, the Company operated a loan facility agreement with Funding Circle Ltd (subsidiary company). Under the terms of the agreement, the Company provided an unsecured sterling revolving credit facility of a total principal amount not exceeding £20 0 million (2020: £20 0 million) to Funding Circle Ltd which is repayable at the end of the facility term of five years on 5 August 2025. Any drawn amount under the facility bears an interest of 3.5% above the base rate of the Bank of England.

During the year the Company has provided £5.0 million (2020. £19.0 million) of additional funding under the facility agreement. Total interest income of £nil (2020: £nil) has been recognised in the Company statement of comprehensive income

In the current year, Funding Circle Ltd settled certain amounts due under the intercompany loan obligations cumulative of interest of £5.0 million (2020: £19.0 million) with the Company. £5.0 million of this was settled via cash (2020: £10 0 million). The facility was drawn by £nil (2020: £nil) at the balance sheet date.

During the year the Company operated a revolving credit facility to Funding Circle CE GmbH of up to €2 0 million (2020: up to €2.0 million). Any drawn amount under the facility bears an interest of 3.5% above the base rate of the Bank of England and is repayable at the end of the facility term of five years on 18 July 2024. The facility was drawn by £nil (2020 £nil) at the balance sheet date. Funding Circle CE GmbH repaid £0.8 million of the facility during 2020.

During the year, the Company continued to operate an unsecured sterling revolving credit facility for £1 million with its subsidiary (Funding Circle Global Partners Limited ("FCGPL")) Under the agreement, any drawn amount under the facility bears an interest of 3.5% above the base rate of the Bank of England and is repayable with the principal amount at the end of the facility term of five years on 30 June 2022. The facility was drawn by £nil (2020: £nil) at the balance sheet date. The carrying amount of this receivable approximates to its fair value.

During the year, the Company continued to operate a term loan facility to Funding Circle USA, Inc. of up to £7.7 million. Any drawn amount under the facility bears an interest of 3.5% above the base rate of the Bank of England and is repayable at the end of the facility term of five years on 13 January 2025. In addition, the Company continued to provide a revolving credit facility to Funding Circle USA, Inc of up to $3 0 million. Any drawn amount under the facility bears an interest of 3.5% above the base rate of the Bank of England and is repayable at the end of the facility term of five years on 27 January 2025.

In the current year, Funding Circle USA, Inc. settled certain amounts due under the intercompany loans cumulative of interest of £8.1 million and $3 1 million (2020: £nil) with the Company. Total interest income of £0.5 million (2020: £nil) has been recognised in the Company statement of comprehensive income. The facilities were drawn by £nil (2020: £7.7 million) and $nil (2020: $3.0 million) at the balance sheet date.

During the year, the Company provided a new revolving credit facility to Funding Circle USA, Inc. of up to £10.0 million. Any drawn amount under the facility bears an interest of 3.5% above the base rate of the Bank of England and is repayable at the end of the facility term of five years on 21 January 2026.

During the year, the Company has provided £5.0 million of additional funding under the facility agreement. Funding Circle USA, Inc. settled certain amounts due under the intercompany loan obligations cumulative of interest of £5.0 million. The facility was drawn by £nil at the balance sheet date.

During the prior year the Company provided a revolving credit facility to Funding Circle Canada Inc of up to £2 1 million. The facility was undrawn at the balance sheet date as the subsidiary was dissolved in 2020. In 2019 the Company impaired this loan balance in full under the expected credit loss model. During 2020 the loan was repaid in full and the impairment was reversed as a credit of £0 9 million to profit and loss.

8. Trade and other payables

	31 December 2021 £m	31 December 2020 £m
Accruals	**1.3**	1.1
Taxes and social security costs	**0.4**	0.4
Other creditors	**–**	0.2
Amounts due to related undertakings	**0.1**	–
	1.8	1.7

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

9. Share capital and share premium

The movement on these items is disclosed in notes 18 and 19 to the consolidated financial statements.

10. Retained earnings

	£m
At 1 January 2020	192.7
Transfer of share option costs	3.2
Loss for the year	(161.9)
At 31 December 2020	34.0
Transfer of share option costs	1.8
Loss for the year	(4.4)
At 31 December 2021	**31.4**

11. Notes to the Company statement of cash flows

Cash outflow from operating activities

	31 December 2021 £m	31 December 2020 £m
Loss before taxation	**(4.4)**	(161.9)
Adjustments for		
Interest receivable	**(0.5)**	(0.2)
Non-cash employee benefits expense – share-based payments	**1.5**	1.1
Impairments (note 5 and note 7)	**–**	158.6
Reversal of prior year impairment charge	**–**	(0.9)
Changes in working capital		
Movement in trade and other receivables	**0.7**	(0.6)
Movement in trade and other payables	**0.3**	0.4
Net cash outflow from operating activities	**(2.4)**	(3.5)

Cash and cash equivalents

	2021 £m	2020 £m
Balance at 1 January	**27.8**	80.8
Cash flow	**35.6**	(53.0)
Balance at 31 December	**63.4**	27.8

These comprise cash held by the Company, short-term bank deposits with an original maturity of three months or less and money market funds. The carrying amount of cash balances approximates their fair value. As at 31 December 2021, money market funds totalled £49.3 million (2020: £14.4 million).

Notes forming part of the Company financial statements continued

for the year ended 31 December 2021

12. Related parties

	Amounts owed by related parties		Amounts owed to related parties	
	31 December 2021 £m	31 December 2020 £m	**31 December 2021 £m**	31 December 2020 £m
Short-term payables/receivables				
Funding Circle Ltd	**–**	0.8	**0.1**	–
Funding Circle USA, Inc.	**0.1**	0.1	**–**	–
Intercompany loans				
Funding Circle USA, Inc.	**–**	10.0	**–**	–
Stichting Derdengelden Funding Circle	**0.1**	0.1	**–**	–
	0.2	11.0	**0.1**	–

During the year, the Company received payment of expenses for amounts of £1.2 million (2020: received payment of expenses for amounts of £0.4 million) from Funding Circle Ltd.

During the year the Company received return of capital of £3.4 million (2020: £nil) from Funding Circle Global Partners Limited and £23.9 million (2020: £nil) from Funding Circle USA, Inc.

As at the year end, the Company was owed a cumulative amount of £nil (2020: £10.0 million) and £0.1 million (2020: £0.1 million) from loans with Funding Circle USA, Inc and Stichting Derdengelden Funding Circle.

See note 14 in relation to remuneration of key management personnel.

13. Parent Company guarantee – exemption from audit for subsidiary companies

The following UK entities, all of which are 100% owned by the Group, are not subject to an audit by virtue of section 479A of the Companies Act 2006 relating to subsidiary companies:

Company	Registration number
Funding Circle Asset Finance Limited	07832868
Funding Circle BB Limited	12593368
Funding Circle Eclipse Lending Limited	12570773
Funding Circle Focal Point Lending Limited	12407296
Funding Circle Global Partners Limited	10554628
Funding Circle Midco Limited	11793162
Funding Circle Property Finance Limited	08896582
Funding Circle Horizon Lending Limited	13451185
Funding Circle Trustee Limited	07239092

The Company will guarantee the debts and liabilities of the above UK subsidiary undertakings at the balance sheet date in accordance with section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantee as remote.

The Company will guarantee the debt and liabilities of the European subsidiary Funding Circle CE GmbH and therefore meets the requirements of section 264(3) HGB and the entity is not subject to audit by virtue of this guarantee. The Company has assessed the probability of loss under the guarantee as remote.

The following UK entity, which is 100% owned by the Group, is exempt from the requirement to prepare accounts by virtue of section 394A and section 448A of the Companies Act 2006 relating to the individual accounts of dormant subsidiaries:

Company	Registration number
Made To Do More Limited	10575978

14. Remuneration of key management personnel

The remuneration of key management personnel is disclosed in note 26 to the consolidated financial statements.

15. Ultimate controlling party

In the opinion of the Directors, the Group does not have a single ultimate controlling party

Alternative performance measures

The Group uses a number of alternative performance measures ("APMs") within its financial reporting. These measures are not defined under the requirements of IFRS and may not be comparable with the APMs of other companies. The Group believes these APMs provide stakeholders with additional useful information in providing alternative interpretations of the underlying performance of the business and how it is managed and are used by the Directors and management for performance analysis and reporting These APMs should be viewed as supplemental to, but not as a substitute for, measures presented in the financial statements which are prepared in accordance with IFRS.

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition
Income statement			
Adjusted EBITDA	EBITDA, while not defined under IFRS, is a widely accepted profit measure	Refer to note 3.	Profit/loss before finance income and costs, taxation, depreciation and amortisation ("EBITDA") and additionally excludes share-based payment charges and associated social security costs, foreign exchange and exceptional items.
Investment AEBITDA and operating AEBITDA	EBITDA, while not defined under IFRS, is a widely accepted profit measure.	Refer to Finance Review	Investment AEBITDA refers to investment income, investment expense and fair value adjustments and operating AEBITDA represents AEBITDA excluding investment AEBITDA.
Net investment income	Net income.	Refer to Finance Review.	Net investment income represents investment income less investment expense.
Exceptional items	None.	Refer to note 5.	Items which the Group excludes from adjusted EBITDA in order to present a measure of the Group's performance. Each item is considered to be significant in nature or size and is treated consistently between periods. Excluding these items from profit metrics provides the reader with additional performance information on the business as it is consistent with how information is reported to the Board and GLT.
Cash flow			
Free cash flow	Cash generated from operating activities.	Refer to Finance Review	Net cash flows from operating activities less the cost of purchasing intangible assets, property, plant and equipment, lease payments and interest received. It excludes the warehouse and securitisation financing and funding cash flows.

Shareholder and Company information

Shareholder information

Receiving shareholder information by email:

You can opt to receive shareholder information from us by email rather than by post. We will then email you whenever we add shareholder communications to the Company website. To set this up, please visit www.shareview.co.uk and register for electronic communications ("e comms").

If you subsequently wish to change this instruction or revert to receiving documents or information by post, you can do so by contacting the Company's registrars at the address shown in the Company information opposite. You can also change your communication method back to post by logging in to your Shareview account and going to "update my communication preferences" within the "Quick links" section

The registrars can also be contacted by telephone on +44 (0)371 384 2030 (non-UK callers +44 (0)121 415 7047) or +44 (0)371 384 2255 (text phone). Calls to this number cost no more than a national rate call from any type of phone or provider. These prices are for indication purposes only; if in doubt, please check the cost of calling this number with your phone line provider. Lines are open 8.30 a.m –5 30 p.m., Mon-Fri excluding public holidays in England and Wales.

Shareholder enquiries

If you have any queries relating to your shareholding, dividend payments or lost share certificates, or if any of your details change, please contact the Company's registrars by visiting www.shareview.co.uk or by using the contact details above.

Annual shareholder calendar

Final results announced	10 March 2022
Annual Report published	8 April 2022
Annual General Meeting	9 June 2022

Interim Report

As part of our e-comms programme, we have decided not to produce a printed copy of our Interim Report. We will instead publish the report on our website It is expected that this year's report will be available on our website in September.

Company information

Directors

Executive Directors

L Jacobs (Chief Executive Officer)
O J White (Chief Financial Officer)

Non-Executive Directors

A D Learoyd (Chair)
S Desai CBE (Founder)
J E Daniels
G Gopalan
H W Nelis
N A Rimer
H Beck
M J W King

Company Secretary

L K Vernall

Independent auditors

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London SE1 2RT

Bankers

Barclays Bank UK plc

1 Churchill Place
London E14 5HP

Santander UK plc

2 Triton Square
Regent's Place
London NW1 3AN

Lloyds Banking Group plc

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London EC2V 7AE

Solicitors

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Registrars

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Spencer Road
Lancing
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Brokers

Goldman Sachs International

25 Shoe Lane
London EC4A 4AU

Numis Securities Limited

The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Registered office

71 Queen Victoria Street
London EC4V 4AY

Registered number

07123934

Cautionary statement

Certain statements included in our 2021 Annual Report, or incorporated by reference to it, may constitute "forward-looking statements" in respect of the Group's operations, performance, prospects and/or financial condition.

Forward-looking statements involve known and unknown risks and uncertainties because they are beyond the Group's control and are based on current beliefs and expectations about future events about the Group and the industry in which the Group operates.

No assurance can be given that such future results will be achieved, actual events or results may differ materially as a result of risks and uncertainties facing the Group. If the assumptions on which the Group bases its forward-looking statements change, actual results may differ from those expressed in such statements The forward-looking statements contained in this report reflect knowledge and information available at the date of this Annual Report and the Group undertakes no obligation to update these forward-looking statements except as required by law.

This report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase, any shares or other securities in the Company, and nothing in this report should be construed as a profit forecast.

Funding Circle Holdings plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Amadeus Silk, an FSC® certified material.

This document was printed by Pureprint Group using its environmental print technology, with 99% of dry waste diverted from landfill, minimising the impact of printing on the environment. The printer is a CarbonNeutral® company.

Both the printer and the paper mill are registered to ISO 14001.