

FUNDING CIRCLE LTD

Annual Report and Financial Statements

For the Year Ended

31 December 2015

Registered number: 06968588

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FUNDING CIRCLE LTD

Annual report and financial statements for the year ended 31 December 2015

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FUNDING CIRCLE LTD

Officers and professional advisers

Directors

S Desai
A D Learoyd
J Meekings
E Wray
M King

Secretary

L Vernal

Registered office

71 Queen Victoria Street
London
EC4V 4AY

Independent Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH
United Kingdom

Bankers

Barclays Bank PLC
Level 11
1 Churchill Place
London
E14 5HP

Santander UK PLC
Santander House
100 Ludgate Hill
London
EC4M 7RE

FUNDING CIRCLE LTD

Strategic report for the year ended 31 December 2015

The directors present their strategic report on the Company for the year ended 31 December 2015. The directors in preparing this strategic report have complied with s414c of the Companies Act 2006.

Principal Activity

Funding Circle operates an online marketplace which can help businesses access fast and simple finance, whilst investors have the potential to earn better returns by lending to them. The platform directly connects people and organisations who want to lend, with vetted, established businesses who want to borrow. The platform also includes a secondary market where parts of existing loans are traded. The secondary market can be used by investors to build up their portfolios quickly. Similarly, if investors need to withdraw money they can sell all or part of their investment on the secondary market.

General Business Review

The loss for the year, after taxation is £18.0m (2014: restated loss of £10.5m).

In 2015, growing the Company was the main objective. This is clearly demonstrated by revenue which increased by 101% from £11.8m to £23.8m. The losses increased from £10.5m to £18.0m. This is due to the Company continuing to invest in growth, particularly in marketing, staffing and technology spend.

The loss for the year includes a charge of £2.5m relating to the fair value of share based payments benefit and £0.9m of charges that the Company has borne on behalf of Funding Circle SME Fund. Excluding these items, the loss for year would reduce to £14.7m. The Company is expected to continue to invest in growth in 2016.

During the financial year, the Company made a prior year adjustment to reflect that certain loan parts that had been transferred to the Company during 2014 were actually assigned to Funding Circle Trustee Limited. This has resulted in a de-recognition of a financial asset of £0.2m and in a decrease in the loss for the prior year of £0.3m.

Analysis of Key Performance Indicators

The Company's key financial and other performance indicators during the year were as follows:

	2015 £'000	2014 £'000	Change %
Revenue	23,803	11,846	101%
Gross profit	17,767	9,264	91.8%
Operating loss (EBIT)	(17,590)	(10,455)	(68%)
Net assets / (liabilities)	5,387	(2,652)	303%
Gross margin	75%	78%	(4%)
Operating loss margin	74%	88%	(16%)

The key performance indicators of the Company are set out above. 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.

Net assets of the Company have increased by 303% from prior year. The increase represents the net result of total comprehensive loss for the year, an intercompany loan waived by the parent company and the capital contribution in relation to employee share schemes by the parent.

FUNDING CIRCLE LTD

Strategic report for the year ended 31 December 2015 (*Continued*)

Principal Risks and Uncertainties

The principal risks and uncertainties that the Company faces include, among others, risks related to competition and regulation, management of growth, new products and technologies, commercial agreements, slower economy, system interruptions, government regulations and taxation and fraud. To date, there are no probable material uncertainties that could adversely affect the Company.

Funding Circle Ltd is committed to good governance and control in order to run its business effectively and ensure that it can manage risk appropriately in running an innovative and successful business without exposing itself and its customers to unacceptable risk, loss or reputational damage. The Company's risk appetite is set by its Board in agreement with senior management. The Company operates a three lines of defence compliance model.

Going Concern

The directors forecast that additional funds will be required from the parent entity, within the twelve months from the date of signing the financial statements, to invest in the growth of the business. Having made appropriate enquiries, the Directors have confirmed the continuing financial support of Funding Circle Holdings Limited, the immediate parent company of the Company, and its ability to provide such support, and have therefore continued to adopt the going concern basis in preparing financial statements.

During the financial year, the Company has entered into a loan facility agreement with Funding Circle Holdings Limited (parent company). Under the term of the agreement, the parent company will provide an unsecured Sterling term loan facility of a total principal amount not exceeding £20m (twenty million pounds) to the Company. 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 5 years on 23rd November 2020.

At year-end the Company has drawn down £11m under the facility agreement. Further information supporting the going concern basis may be found in note 1 to the financial statements.

The directors consider that the Company has the ability to remain in operation for the foreseeable future and continue to meet its liabilities as they fall due.

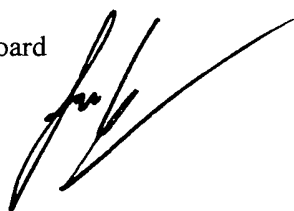
Future Developments

The Company is regulated under an interim permission by the Financial Conduct Authority (FCA). The Company filed its application to the FCA for full authorisation on 16 October 2015. As at the date of the signing of these financial statements, the Company is working closely with the FCA as it completes its review.

The directors aim to maintain the management policies and processes that support the principal activity of the Company. The Company is continually reviewing and refining these policies to improve the framework of financial control and manages the finances, revenues and costs effectively.

On behalf of the Board

S Desai
Director
29 April 2016



FUNDING CIRCLE LTD

Report of the directors for the year ended 31 December 2015

The directors present their report on the affairs of the Company together with the audited annual financial statements of Funding Circle Ltd (the “Company”) and independent auditors’ report, for the year ended 31 December 2015. The Company was incorporated on 21 July 2009. It commenced developing a platform to facilitate the raising of finance for businesses in January 2010. The marketplace became operational in August 2010. The Company became a wholly-owned subsidiary of Funding Circle Holdings Limited in February 2010.

Directors

The directors of the Company during the year and for the period up to the date of this report were:

S Desai
A D Learoyd
J Meekings
N Rimer (Resigned 22 September 2015)
E Wray
M King (Appointed 22 September 2015)

Financial Risk Management

Details regarding financial risk management objectives and policies are included in note 2 in the notes to the financial statements.

Dividends

No dividends were declared and paid during the current and previous financial year.

Future Developments

Details regarding future developments are included in the strategic report.

Auditors

PricewaterhouseCoopers LLP (the “Auditors”) were appointed as auditors on 4 August 2015 for the year ended 31 December 2015 following the resignation of Deloitte as auditors of the Company.

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 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 s418 of the Companies Act 2006.

FUNDING CIRCLE LTD

Report of the directors for the year ended 31 December 2015

PricewaterhouseCoopers LLP will continue to hold office in accordance with Section 487 of the Company Act 2006.

Approved by a duly appointed Committee of the Board of Directors
and signed on behalf of the Board



S. Desai
Director
71 Queen Victoria Street,
London
EC4V 4AY

29 April 2016

FUNDING CIRCLE LTD

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements.

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

Independent auditors' report to the members of Funding Circle Ltd

Report on the financial statements

Our opinion

In our opinion, Funding Circle Ltd's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Funding Circle Ltd

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Brian Henderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 April 2016

FUNDING CIRCLE LTD

Statement of comprehensive income for the year ended 31 December 2015

	Note	31 December 2015	31 December 2014 (Restated)
		£	£
Revenue	5	23,803,398	11,845,516
Cost of sales		(6,036,880)	(2,581,293)
Gross profit		17,766,518	9,264,223
Administrative expenses		(35,356,701)	(19,718,868)
Operating loss	6	(17,590,183)	(10,454,645)
Finance income	9	81,196	99,418
Finance costs	9	(491,014)	(188,494)
Foreign exchange losses		(6,019)	(2,924)
Loss before taxation		(18,006,020)	(10,546,645)
Income tax	10	-	-
Loss for the year		(18,006,020)	(10,546,645)
Other comprehensive income		-	-
Total comprehensive loss for the year		(18,006,020)	(10,546,645)
Loss and total comprehensive loss attributable to:			
Owners of the parent		(18,006,020)	(10,546,645)

All amounts relate to continuing activities.

The notes on pages 14 to 54 form part of these financial statements.

FUNDING CIRCLE LTD

Statement of changes in equity for the year ended 31 December 2015

	Note	Share capital £	Capital Reserve £	Share premium account £	Accumulated losses £	Total equity £
Balance at 1 January 2014		11,931,089	5,326,911	119,302	(9,482,751)	7,894,551
Loss for the period and total comprehensive loss (as restated)	23	-	-	-	(10,546,645)	(10,546,645)
Balance as restated at 31 December 2014		11,931,089	5,326,911	119,302	(20,029,396)	(2,652,094)
Loss for the period and total comprehensive loss	23	-	-	-	(18,006,020)	(18,006,020)
Capital contribution	21	-	23,592,822	-	-	23,592,822
Employee share schemes – value of employee services	21	-	2,451,945	-	-	2,451,945
Balance at 31 December 2015		11,931,089	31,371,678	119,302	(38,035,416)	5,386,653

The notes on pages 14 to 54 form part of these financial statements.

FUNDING CIRCLE LTD

Statement of financial position as at 31 December 2015

	Note	31 December 2015 £	31 December 2014 (Restated) £
Non-current assets			
Intangible assets	11	2,067,070	96,729
Property, plant and equipment	12	3,953,434	870,136
Investments in subsidiary undertakings	13	4	4
Loans due from subsidiary undertakings	14	1,367,515	-
		<u>7,388,023</u>	<u>966,869</u>
Current assets			
Current asset investments	15	-	174,520
Trade and other receivables	16	4,840,045	1,477,149
Cash and cash equivalents	24	9,567,445	8,103,931
		<u>14,407,490</u>	<u>9,755,600</u>
Total assets		<u><u>21,795,513</u></u>	<u><u>10,722,469</u></u>
Current liabilities			
Trade and other payables	17	(5,114,860)	(2,258,583)
Net current assets		<u>9,292,630</u>	<u>7,497,017</u>
Non-current liabilities			
Long-term provisions	18	(294,000)	(115,980)
Amounts owed to parent undertaking	19	(11,000,000)	(11,000,000)
Total liabilities		<u><u>(16,408,860)</u></u>	<u><u>(13,374,563)</u></u>
Net assets / (liabilities)		<u><u>5,386,653</u></u>	<u><u>(2,652,094)</u></u>

The notes on pages 14 to 54 form part of these financial statements.

FUNDING CIRCLE LTD**Statement of financial position as at 31 December 2015 (Continued)**

	Note	31 December 2015 £	31 December 2014 (Restated) £
Equity			
Share capital	21	11,931,089	11,931,089
Share premium account	21	119,302	119,302
Capital reserve	21	31,371,678	5,326,911
Accumulated losses	23	(38,035,416)	(20,029,396)
Total equity		5,386,653	(2,652,094)

The financial statements of Funding Circle Ltd (Registered number: 06968588) on pages 9 to 54 were approved by a duly appointed Committee of the Board and authorised for issue on 29 April 2016. They were signed on its behalf by:



Director
S Desai

The notes on pages 14 to 54 form part of these financial statements.

FUNDING CIRCLE LTD

Statement of cash flows for the year ended 31 December 2015

	Note	31 December 2015		31 December 2014	
		£	£	£	£
Net cash used in operating activities	24	(15,364,791)		(9,709,894)	
Investing activities					
Capitalisation of development costs		(2,249,251)		-	
Purchase of property, plant and equipment		(3,973,688)		(524,204)	
Purchase of intangible assets		(25,184)		(134,894)	
Investment in property development loans		-		(174,520)	
Interest received		76,428		99,418	
Net cash outflow from investing activities		(6,171,695)		(734,200)	
Financing activities					
Cash inflow from parent undertaking		23,000,000		11,000,000	
Net cash inflow from financing activities		23,000,000		11,000,000	
Net increase in cash and cash equivalents		1,463,514		555,906	
Cash and cash equivalents at the beginning of the year		8,103,931		7,548,025	
Cash and cash equivalents at the end of the year		9,567,445		8,103,931	

The notes on pages 14 to 54 form part of these financial statements.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015

1 Accounting policies

General information

Funding Circle Ltd is a private company incorporated on 21 July 2009 in the United Kingdom under the Companies Act 2006. The Company is a wholly-owned subsidiary of Funding Circle Holdings Limited (the "Parent"). The address of its registered office is given on page 1.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied except for the recognition of certain loan parts and related loan loss provision during 2014 in the Company's financial statements. A prior year adjustment has been recorded to reallocate the relevant loan parts and related provision to Funding Circle Trustee Limited (subsidiary).

Going concern

The Company's business activities together with the factors likely to affect its future development and position are set out in the Principal Activity and General Business Review section of the Strategic Report on page 2.

The Company made a loss of £18,006,020 during the year ended 31 December 2015 (2014: restated loss of £10,546,645), as a result of significant investment in staff, technology and marketing. Further losses are expected during 2016. Having made appropriate enquiries, the Directors have confirmed the continuing financial support of Funding Circle Holdings Limited and its ability to provide such support, and have therefore continued to adopt the going concern basis in preparing financial statements.

The Company has entered into a loan facility agreement with Funding Circle Holdings Limited. Under the term of the agreement, the parent company will provide an unsecured Sterling term loan facility of a total principal amount not exceeding £20,000,000 (twenty million pounds) to the Company. 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 5 years on 23rd November 2020. At the year-end the Company has drawn down £11,000,000 (2014: £11,000,000) under the facility agreement. The directors consider that the Company has the ability to remain in operation for the foreseeable future and continue to meet its liabilities as they fall due.

Basis of preparation

The Company maintains its books and records in sterling ("£") and presents its annual financial statements in conformity with United Kingdom laws and regulations.

These annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are carried at fair value.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (Continued)

1 Accounting policies (continued)

Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company'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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Immediate Parent Undertaking

The financial statements contain information about Funding Circle Ltd as an individual company and do not contain consolidated financial information as that parent of a group. The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent Funding Circle Holdings Limited, a company incorporated in the United Kingdom.

Changes in accounting policy and disclosures

(a) Standards and amendments to existing standards and interpretations effective on or after 1 January 2015 adopted by the Company

Standard/ interpretation	Content	Applicable for financial years beginning on/after
<i>Annual Improvements to IFRSs (2010 – 2012) Cycle:</i>		
IFRS 2 (Amendment)	Share – based payments	1 January 2015
IFRS 3 (Amendment)	Business Combinations	1 January 2015
IFRS 8 (Amendment)	Operating Segments	1 January 2015
IFRS 13 (Amendment)	Fair Value Measurement	1 January 2015
IAS 16 (Amendment)	Property Plant and Equipment	1 January 2015
IAS 38 (Amendment)	Intangible Assets	1 January 2015
IAS 24 (Amendment)	Related Party Disclosures	1 January 2015
<i>Annual Improvements to IFRSs (2011 – 2013 Cycle):</i>		
IFRS 1 (Amendment)	First-time Adoption of International Financial Reporting Standards	1 January 2015
IFRS 3 (Amendment)	Business Combinations,	1 January 2015
IFRS 13 (Amendment)	Fair Value Measurement	1 January 2015
IAS 40 (Amendment)	Investment Property	1 January 2015

The directors of the Company made an assessment in accordance with the criteria of the above standards and concluded that none have a material impact on the Company and hence have not been included in the disclosures.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (Continued)

1 Accounting policies (continued)

Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(b) New standards, amendments and interpretations issued but not effective for the financial period beginning 1 January 2016 and not early adopted

The following new and amended standards and interpretations have been issued and are mandatory for the Company's accounting periods beginning on or after 1 January 2016 or later periods and may have a material impact on the Company:

Standard/ interpretation	Content	Applicable for financial years beginning on/after
IFRS 5 (Amendments)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
IFRS 7 (Amendments)	Financial Instruments: Disclosures	1 January 2016
IFRS 9	Financial instruments: Classification and measurement	1 January 2018
IFRS 11 (Amendments)	Accounting for acquisitions of interests in joint operations	1 January 2016
IFRS 14	Regulatory deferral accounts	1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2018
IAS 16 and IAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 19 (Amendments)	Employee benefits	1 January 2016
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
IFRS 10, 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
IAS 1 (Amendments)	Presentation of financial statements	1 January 2016
IAS 27 (Amendments)	Equity Method in Separate Financial Statements	1 January 2016
IAS 16 and IAS 41	Agriculture: Bearer Plants	1 January 2016

The Company's assessment of the impact of these new standards and interpretations is set out below.

The amendments to IFRS 5, IFRS 7, IFRS 11, IFRS 14, IAS 16, IAS 38, IFRS 10 and IAS 28, IFRS 10, IFRS 12 and IAS 28, IAS 16 and IAS 41, apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Company's financial statements.

The directors are yet to assess IFRS 9, IFRS 15 and IAS 19's full impact and intends to adopt IFRS 9, IFRS 15 and IAS 19 no later than the accounting period beginning on 1 January 2018.

The directors are yet to assess amendments to IAS 1 and IAS 27's full impact and intends to adopt IAS 1 amendments no later than the accounting period beginning on 1 January 2016.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 *(Continued)*

1 Accounting policies (continued)

Basis of preparation (continued)

Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in pounds sterling, which is the Company's functional currency.

Investments in subsidiaries

Investments held as fixed assets are stated at cost less any provision for impairment. Where the recoverable amount of the investment is less than the carrying amount, impairment is recognised.

Revenue recognition

Turnover represents fees receivable from lenders and borrowers for the arranging of finance. Revenue earned from borrowers is classified as transaction fees and is recognised immediately upon acceptance of the loans by borrowers. Such fees are automatically deducted from the amount borrowed and recognised at that point as the Company has the right to consideration. Transaction fees also include revenue from lenders in relation to sale of their loan parts in the secondary market.

Service revenue comprises income due from lenders and is recognised upon repayments of loan parts by borrowers. Due to the conditions of the trade, there are no partially completed contracts on the balance sheet date and no advance payments from customers.

Revenue comprises the fair value of the consideration received or receivable in the ordinary course of the Company's activities. All revenue recorded in the financial statements is generated in the UK and sourced from financing transactions. All fees are calculated based on the above revenue recognition policy.

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	33.3% per annum
Furniture and fixtures	20-33.3% per annum

Leasehold improvements that qualify for recognition as an asset are measured at costs and are presented as part of property, plant and equipment in the non-current assets section on the balance sheet. Depreciation on leasehold improvement is calculated using the straight line method over the lease term.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (*Continued*)

1 Accounting policies (continued)

Basis of preparation (continued)

Intangible assets

Intangible assets with finite useful lives are amortised to profit or loss 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.

Computer Software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available of use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product 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 and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are 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, which does not exceed four years.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 *(Continued)*

1 Accounting policies (continued)

Basis of preparation (continued)

Interest Receivable

Interest receivable is recognised on an accrual basis within 'Interest income' in the statement of comprehensive income.

Expenses

Expenses are recognised as an expense in the statement of comprehensive income in the period in which they are incurred (on an accruals basis).

Leases

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

1 Accounting policies (continued)

Financial instruments

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables financial assets, and available-for sale financial assets as appropriate. The Company determines the classification of its financial assets at initial recognition. 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.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial assets expire or the Company transfers substantially all risks and rewards of ownership.

Financial assets recognised in the statement of financial position as investments are classified as available-for-sale. They are recognised at fair value and subsequently measured at cost less provision for impairment as fair value cannot be reliably measured.

Financial assets recognised in the statement of financial position as trade and other receivables are classified as loans and receivables. They are recognised at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

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.

Cash and cash equivalents are also classified as loans and receivables. Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. The carrying amount of these assets approximates their fair value.

The Company assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the Statement of Comprehensive Income.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (Continued)

1 Accounting policies (continued)

Financial instruments (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

Current and deferred tax

The tax expense for the period 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 year end date.

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 affect neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially 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.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (Continued)

2 Financial risk management

The board of directors have 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)

Principal financial instruments

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

- Loan due from and payable to related undertakings
- Current asset investments
- Trade and other receivables
- Cash and cash equivalents
- 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 of financial instrument as at 31 December 2015:

	Carried at amortised cost – Asset/(liabilities)		Carried at fair value	
	Carrying amount	Fair value	Based on market derived data	Based on individual valuation parameters
	£	£	£	£
Assets per statement of financial position				
Loan due from related undertakings	1,367,515	1,367,515	-	-
Trade and other receivables	4,198,678	4,198,678	-	-
Cash and cash equivalents	9,567,445	9,567,445	-	-
Receivables from related undertakings	641,367	641,367	-	-
	<u>15,775,005</u>	<u>15,775,005</u>	<u>-</u>	<u>-</u>
Liabilities per statement of financial position				
Trade and other payables	(4,996,323)	(4,996,323)	-	-
Loan payable to parent undertaking	(11,000,000)	(11,000,000)	-	-
Payables to related undertakings	(118,537)	(118,537)	-	-
	<u>(16,114,860)</u>	<u>(16,114,860)</u>	<u>-</u>	<u>-</u>

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (Continued)

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 of financial instrument as at 31 December 2014:

	Carried at amortised cost – Asset/(liabilities)		Carried at fair value	
	Carrying amount	Fair value	Based on market derived data	Based on individual valuation parameters
	£ (Restated)	£ (Restated)	£	£
Assets per statement of financial position				
Current asset investments	-	-	174,520	-
Trade and other receivables	1,239,763	1,239,763	-	-
Cash and cash equivalents	8,103,931	8,103,931	-	-
Receivables from related undertakings (restated)	237,386	237,386	-	-
	<u>9,581,080</u>	<u>9,581,080</u>	<u>174,520</u>	<u>-</u>
Liabilities per statement of financial position				
Trade and other payables	(2,258,583)	(2,258,583)	-	-
Loan due to parent undertaking	(11,000,000)	(11,000,000)	-	-
	<u>(13,258,583)</u>	<u>(13,258,583)</u>	<u>-</u>	<u>-</u>

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, trade and other payables, and loans from related parties. Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value.

Financial instruments measured at fair value

IFRS 7 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:

The fair value hierarchy has the following levels:

- 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 asset or liabilities, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (Continued)

2 Financial risk management (continued)

Categorisation of financial assets and financial liabilities (continued)

Financial instruments measured at fair value (continued)

The following table presents the Company's assets and liabilities that are measured at fair value:

	Fair value measurement at year ends					
	Level 1		Level 2		Level 3	
	2015 £	2014 £	2015 £	2014 £	2015 £	2014 £
Financial assets						
Current asset investments	-	-	-	174,520	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>174,520</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>174,520</u>	<u>-</u>	<u>-</u>
Financial liabilities						
Trade and other payables	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The fair value of financial instruments that are not traded in an active market (for example, current asset investments) 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.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Financial risk factors

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers 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 2015 £	31 December 2014 £ (Restated)
Trade and other receivables		
- Current asset investments	-	174,520
- Trade debtors	254,512	42,579
- Other debtors	239,753	273,588
- Tax credit receivable	-	233,820
- Prepayments and accrued income	847,944	313,554
- Rent deposit	2,856,470	376,222
- Receivables from related undertakings (restated)	641,367	237,386
- Loans due from related undertakings	1,367,515	-
Cash and cash equivalents	<u>9,567,445</u>	<u>8,103,931</u>

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (*Continued*)

2 Financial risk management (continued)

Financial risk factors (continued)

Credit risk (continued)

Other debtors principally comprise of the cash buffer in the Go Cardless client account.

The fair value of cash and cash equivalents at 31 December 2015 and 31 December 2014 approximates the carrying value. Further details regarding cash and cash equivalents can be found in note 24. Credit risk is mitigated as cash and cash equivalents are held with reputable institutions.

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.

The maturity analysis of financial instruments at 31 December 2015 and 31 December 2014 is as follows:

	Less than 3 months £	Between 3 months and 1 year £	Between 1 and 5 years £	Over 5 years £
At 31 December 2015				
Financial assets				
Trade and other receivables	494,264	3,704,414	-	-
Cash and cash equivalents	9,567,445	-	-	-
Receivables from related undertakings	-	641,367	-	-
Loan due from related undertakings	-	-	1,367,515	-
	<u>10,061,709</u>	<u>4,345,781</u>	<u>1,367,515</u>	<u>-</u>
Financial liabilities				
Trade and other payables	2,064,465	2,931,858	-	-
Payables to related undertakings	-	118,537	-	-
Loan due to parent undertaking	-	-	11,000,000	-
	<u>2,064,465</u>	<u>3,050,395</u>	<u>11,000,000</u>	<u>-</u>

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (*Continued*)

2 Financial risk management (continued)

Financial risk factors (continued)

Liquidity risk (continued)

At 31 December 2014	Less than 3 months £	Between 3 months and 1 year £ (Restated)	Between 1 and 5 years £	Over 5 years £
Financial assets				
Current asset investments	-	174,520	-	-
Trade and other receivables	549,987	689,776	-	-
Receivables from related undertakings (restated)	-	237,386	-	-
Cash and cash equivalents	8,103,931	-	-	-
	<u>8,653,918</u>	<u>1,101,682</u>	<u>-</u>	<u>-</u>
Financial liabilities				
Trade and other payables	1,241,323	1,017,260	-	-
Loan due to parent undertaking	-	-	11,000,000	-
	<u>1,241,323</u>	<u>1,017,260</u>	<u>11,000,000</u>	<u>-</u>

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (*Continued*)

2 Financial risk management (continued)

Financial risk factors (continued)

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 position in interest bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

a) Price risk

The Company is not exposed to market risk with respect to financial instruments as it does not hold any marketable securities.

b) Cash flow and fair value interest rate risk

The Company's interest rate risk is associated with cash and cash equivalent borrowings that bears an interest of 3.5% above the base rate of the Bank of England from the parent company. This exposes the Company to cash flow interest rate risk.

The Company does not use interest rate swaps under which fixed interest liabilities are converted to variable rate or vice versa in order to hedge the fair value interest rate risk. In directors opinion significant movement in the Bank of England's base rate is unlikely in the mid-term and hence any impact of adverse movement in interest rate deemed immaterial.

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 Company does not have significant exposure to liquidity, cash flow or interest rate risk and therefore no sensitivity analysis for those risks has been disclosed.

Capital management

The Company considers its capital to comprise of its ordinary share capital and share premium less its accumulated retained losses.

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 shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company has achieved an increase of 101% in revenue from 2014. This increase was mainly as a result of the Company continuing to invest in growth, particularly in marketing, staffing and technology spend. In order to maintain its investments in the growth of the business, the Company has entered into a loan facility with the parent to meet anticipated funding requirements (see note 19).

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (*Continued*)

Capital management (continued)

The directors monitor a number of KPI's at both the Company and the parent company level on a monthly basis including gross cash by geography; working capital requirements; cash subject to restrictions; various items of costs as a percentage of operating profit; EBITDA as a percentage of Revenue (earnings before interest, tax, depreciation and amortisation); and actuals performance against budget/forecast.

These internal measures indicate the performance of the business against budget/forecast and to confirm that the Company has adequate resources to meet its working capital requirements.

The Company is currently not subject to any externally imposed capital requirements, however will be subject to a capital regime from the point of full authorisation from Financial Conduct Authority (Company currently has an interim permission). The Company has calculated and put in place adequate financial resources well in excess of its estimated financial resources requirements.

3 Segmental analysis

The Company's operations are carried out solely in the UK. All revenue is derived from the provision of its marketplace.

	31 December 2015 £	31 December 2014 £
Transaction fees	18,886,883	9,665,766
Servicing fees	4,818,994	2,173,235
Other revenue	97,521	6,515
	<u>23,803,398</u>	<u>11,845,516</u>

4 Critical accounting judgements and key sources 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.

Decommissioning provision

The Statement of financial position includes a cumulative provision of £294,000 (2014: £115,980) in relation to Company's obligation to decommission the customisation of offices at the end of the tenancy of the leasehold premises. The provision recognised at the balance sheet date represents the best estimate of the expenditures required to settle the obligation in current prices provided by an independent firm providing design and building services.

The related asset is capitalised as part of property, plant and equipment and amortised over the lease term.

Due to the short tenancy period and low inflation rate, Management has not discounted the provision to take into account the timing of payment as it believes the impact of non-recognition of the annual inflation over remaining lease term would be immaterial to the financial statements.

Management has assessed the adequacy of provision and confirmed that the amount is adequate to settle the decommissioning obligation under the leasehold contract.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Share based payments

The parent company (FCHL) operates a number of equity-settled, share based compensation plans, under which the Company receives services from employees as consideration for equity instruments (options and shares) of Funding Circle Holdings Limited (parent 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, profitability, sales growth targets and remaining an employee of the Company 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 Company revises its estimates 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 parent 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 parent company of options and shares over its equity instruments to the Company's employees is treated as capital contribution from the parent. The fair value of employees services received, measured by reference to the grant date fair value, is recognised over the vesting period as an expense in the Statement of Comprehensive Income, with a corresponding credit as an increase in capital contribution from the parent.

The national insurance contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as cash-settled transaction.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (Continued)

5	Revenue	31 December 2015 £	31 December 2014 £
	Revenue	23,803,398	11,845,516
		<u>23,803,398</u>	<u>11,845,516</u>

The total revenue of the Company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

6	Operating Loss	31 December 2015 £	31 December 2014 £
	Loss for the year has been arrived after charging:		
	Depreciation of property, plant and equipment	522,688	317,723
	Amortisation of intangible assets	304,094	128,555
	Loss on disposal of property, plant and equipment	366,642	7,230
	Research costs	519,552	128,964
	Operating lease rentals		
	- Other assets	56,546	1,984
	- Land and buildings	2,002,279	407,335
	Auditors' remuneration for audit services (including expenses)	40,000	70,550
	Auditors' remuneration for tax advisory services	-	100,784
		<u></u>	<u></u>

7	Remuneration of key management personnel (directors)	31 December 2015 £	31 December 2014 £
	Wages and salaries	361,373	320,140
		<u>361,373</u>	<u>320,140</u>

The directors are also the key management personnel of the Company. The aggregate emoluments for the highest paid Director comprised of salary and related employers national insurance contribution for £182,787 (2014: £165,817)

FUNDING CIRCLE LTD**Notes forming part of the financial statements for the year ended 31 December 2015 (Continued)****8 Employees****Number of employees**

The average monthly number of employees (including directors, see Note 7) during the year were:

	2015 Number	2014 Number
IT	66	44
Finance	5	4
Operations and Administrative	139	85
	<u>210</u>	<u>133</u>

Employment costs (including Directors' emoluments) during the year were:

	31 December 2015 £	31 December 2014 £
Wages and salaries	11,574,616	6,846,596
Social security costs	1,345,354	831,112
Share options granted to directors and employees	2,451,945	-
	<u>15,371,915</u>	<u>7,677,708</u>

9 (a) Finance Income

	31 December 2015 £	31 December 2014 £
Interest on bank deposits	79,471	99,418
Interest on long-term loan facility to subsidiary undertaking	1,725	-
	<u>81,196</u>	<u>99,418</u>

During the financial year the company recognised an interest income of £1,725 (2014: £nil) on amount drawn of £462,000 (2014: £nil) under the long-term loan facility provided to Funding Circle Trustee Limited (see note 14).

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (*Continued*)

9 (b) Finance costs	31 December 2015 £	31 December 2014 £
Interest on long-term loan facility from parent undertaking	491,014	188,494
	<u>491,014</u>	<u>188,494</u>

During the financial year the company recognised an interest payable of £491,014 (2014: £188,494) on amounts drawn under the long-term loan facility provided by the parent company (see note 19).

10 Taxation on loss on ordinary activities

The Company is subject to all taxes applicable to a commercial company in the United Kingdom. The UK business profits of the Company are subject to UK income tax at the prevailing basic rate of 20.25% (2014: 20%).

	31 December 2015 £	31 December 2014 £
UK income tax		
Current tax on profits for the year	-	-
	<u>-</u>	<u>-</u>
Total current tax	-	-
	<u>-</u>	<u>-</u>
Total tax per income statement	-	-
	<u>-</u>	<u>-</u>

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (Continued)

10 Taxation on loss on ordinary activities (continued)

Factors affecting the tax charge for the year

	31 December 2015 £	31 December 2014 £
Loss on operating activities before tax	(18,006,020)	(10,848,909)
Taxation on profit on operating activities at 20.25% (2014: 20%)	(3,645,602)	(2,169,782)
Effects of:		
Non-deductible expenses	694,749	7,305
Unrelieved tax losses	(23,482)	2,170,817
Amount not recognised	2,974,335	-
Effects of group relief / other relief	-	34
Accelerated capital allowances	-	(8,374)
Tax charge for the year	-	-

The Company has unrelieved tax losses of £34,192,077 (2014: restated loss £19,114,796) that are available for offset against future taxable profits. The Company has not recognised the deferred tax assets of £6,062,937 (2014: £3,730,884) in respect of these losses as in the opinion of the directors there is not sufficient visibility of suitable profits being generated to utilise these losses.

The deferred tax asset has been measured using the UK corporation tax rate of 18% that will be effective from 1 April 2020.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 *(Continued)*

11 Intangible assets

	Capitalised Development costs £	Computer software £	Total £
Cost			
At 1 January 2014	94,320	-	94,320
Additions	-	134,894	134,894
At 31 December 2014	94,320	134,894	229,214
Additions	2,249,251	25,184	2,274,435
At 31 December 2015	2,343,571	160,078	2,503,649
Accumulated Amortisation			
At 1 January 2014	3,930	-	3,930
Charge for the year	47,160	81,395	128,555
At 31 December 2014	51,090	81,395	132,485
Charge for the year	253,631	50,463	304,094
At 31 December 2015	304,721	131,858	436,579
Carrying amount			
At 31 December 2015	2,038,850	28,220	2,067,070
At 31 December 2014	43,230	53,499	96,729

No impairment in intangible asset has occurred in the financial year.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 *(Continued)*

12 Property, plant and equipment

	Leasehold Improvements £	Computer equipment £	Furniture and fixtures £	Total £
Cost				
At 1 January 2014	508,389	248,088	98,988	855,465
Additions	128,641	344,870	50,693	524,204
Disposals	-	(12,832)	-	(12,832)
At 31 December 2014	637,030	580,126	149,681	1,366,837
Additions	2,781,004	587,690	604,994	3,973,688
Disposals	(643,883)	(20,070)	(13,204)	(677,156)
At 31 December 2015	2,774,151	1,147,746	741,471	4,663,368
Accumulated depreciation				
At 1 January 2014	74,469	85,574	24,537	184,580
Charge for the year	137,696	135,283	44,744	317,723
Elimination on disposals	-	(5,602)	-	(5,602)
At 31 December 2014	212,165	215,255	69,281	496,701
Charge for the year	157,246	253,353	112,089	522,688
Elimination on disposals	(286,768)	(12,261)	(10,426)	(309,455)
At 31 December 2015	82,643	456,347	170,944	709,934
Carrying amount				
At 31 December 2015	2,691,508	691,399	570,527	3,953,434
At 31 December 2014	433,920	364,871	74,451	870,136

The Company does not have any fixed assets under finance lease.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (Continued)

13 Investments in subsidiary undertakings

Investments in subsidiary undertakings is accounted for at cost, which is the fair value of the consideration paid.

The Company's share of the results of its subsidiaries, all of which are unlisted, and its net assets, are as follows:

Name	Country of Incorporation	Net Assets/ (Liabilities) £	Revenues £	Profit/ (Loss) £	% Interest held
Funding Circle Trustee Limited	England & Wales	(940,499)	-	(631,664)	100
Funding Circle Asset Finance Limited	England & Wales	1,063	500	465	100
Funding Circle Solutions Limited	England & Wales	(99)	-	(65)	100
Funding Circle Property Finance Limited	England & Wales	(134)	-	(100)	100

14 Loans due from subsidiary undertakings

	31 December 2015 £	31 December 2014 £
Funding Circle Property Finance Limited	903,790	-
Funding Circle Trustee Limited	463,725	-
	<u>1,367,515</u>	<u>-</u>

During the financial year, the Company has entered into unsecured Sterling term loan facilities for £2,000,000 and £1,000,000 with its subsidiaries (Funding Circle Property Finance Limited (FCPFL) and Funding Circle Trustee Limited (FCTL)) respectively. Under the term of the loan agreements, any drawn amount under the facilities 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 facilities term of 5 years on 14th December 2020.

At the year-end, both FCPFL and FCTL have drawn down £900,000 and £462,000 respectively. Total interest income of £1,725 in relation to FCTL funding have been recognised in the income statement. The carrying amount of these loans approximates to its fair value.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 *(Continued)*

15 Current asset investments

	31 December 2015 £	31 December 2014 £
Property development loans	-	174,520
	<hr/>	<hr/>
	-	174,520
	<hr/> <hr/>	<hr/> <hr/>

In 2014, the Company invested in certain property development loans that failed to reach 100% funding from investors with the intention to re-sell them on the secondary market as soon as practicable. During the current financial year it was considered appropriate to recognise existing and any new investments in property development loans in Funding Circle Property Finance Limited (subsidiary).

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (*Continued*)

16 Trade and other receivables

	31 December 2015 £	31 December 2014 £ (Restated)
Trade debtors	254,512	42,579
Other debtors	239,752	273,588
Tax credit receivable	-	233,820
Prepayments and accrued income	847,944	313,554
Rent deposit	2,856,470	376,222
Receivables from related undertakings	641,367	237,386
Loan to related undertakings	1,367,515	-
	<hr/>	<hr/>
	6,207,560	1,477,149
Less: non-current portion		
Loan to related undertakings	(1,367,515)	-
	<hr/>	<hr/>
Amount falling due within one year	4,840,045	1,477,149
	<hr/> <hr/>	<hr/> <hr/>

Receivables from related undertakings are interest free and repayable on demand.

Loan to related undertakings 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 facilities term of 5 years on 14th December 2020.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (*Continued*)

17 Trade and other payables

	31 December 2015 £	31 December 2014 £
Current liabilities:		
Trade and other payables		
Trade creditors	1,167,450	690,930
Taxes and social security costs	708,042	464,460
Other creditors	188,973	85,933
Accruals and deferred income	2,931,858	815,149
Payables to related undertakings	118,537	202,111
	<hr/>	<hr/>
	5,114,860	2,258,583
	<hr/> <hr/>	<hr/> <hr/>

Payables to related undertakings are interest free and repayable on demand.

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (*Continued*)

18 Provisions

	Note	Decommissioning £	Loan loss provision £	Total £
At 1 January 2015		115,980	68,318	184,298
Prior year adjustment	20	-	(68,318)	(68,318)
<i>Charged / (credited) to the income statement:</i>				
Reverse on the discharge of operating lease		(115,980)	-	(115,980)
Provision relating to new premises		294,000	-	294,000
At 31 December 2015		294,000	-	294,000

In September 2015 the Company moved from 3 Dorset Rise into new business premises. According to the lease agreement served up to that date, the Company had an obligation to restore the property to its original state and hence a decommissioning provision was recognised in 2014 accounts.

Following the move, the Company entered into a licence assignment for the unexpired lease on 3 Dorset Rise with the successor tenant. As part of the licence, the successor has agreed to take on any decommissioning obligation. Therefore, the previously recognised provision of £115,980 in the Company's financial statements, has been reversed in the current financial year.

Analysis of total provisions:

	31 December 2015 £	31 December 2014 £
Non-current	294,000	115,980
	<u>294,000</u>	<u>115,980</u>

Non-current provision

The decommissioning 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 reverse in 2025.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 *(Continued)*

19 Amounts owed to parent undertaking

During the financial year, the Company has entered into a loan facility agreement with Funding Circle Holdings Limited (parent company). Under the term of the agreement, the parent company will provide an unsecured Sterling term loan facility of a total principal amount not exceeding £20,000,000 (twenty million pounds) to the Company. 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 5 years on 23rd November 2020.

At the year-end the Company has drawn down £11,000,000 (2014: £11,000,000) under the facility agreement. Total interest charges of £491,014 (2014: £188,494) have been recognised in the income statement. The carrying amount of this loan approximates to its fair value.

20 Prior year adjustment

During the financial year, the Company made a prior year adjustment to reflect that certain loan parts that had been transferred to the Company during 2014 were actually assigned to Funding Circle Trustee Limited. This has resulted in a de-recognition of a financial asset of £202,597 and in a decrease in the loss for the prior year of £302,264.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (*Continued*)

21 Share capital

	31 December 2015 £	31 December 2014 £
<i>Authorised</i>		
Ordinary shares of £1 each:	Unlimited	Unlimited
<i>Called up, allotted and fully paid</i>		
Ordinary shares of £1 each: 11,931,089 (2014: 11,931,089) issued	11,931,089	11,931,089
	<u>11,931,089</u>	<u>11,931,089</u>

Share premium account

	31 December 2015 £	31 December 2014 £
Balance at 1 January	119,302	119,302
Balance at 31 December	<u>119,302</u>	<u>119,302</u>

Capital reserve

	31 December 2015 £	31 December 2014 £
Balance at 1 January	5,326,911	5,326,911
Capital contribution	23,592,822	-
Employee share schemes – value of employee services	2,451,945	-
Balance at 31 December	<u>31,371,678</u>	<u>5,326,911</u>

Funding Circle Holdings Limited remains the sole shareholder of the Company.

During the financial year the company received funding of £23,000,000 (2014: £11,000,000) from its parent company to meet its working capital requirements. The funding was initially received under the loan facility agreement from parent. During the year, the parent company waived the amount drawn of £23,592,822 (2014: £nil) including accrued interest due under the facility. Therefore, the amount has been classified as capital contribution from the parent company and is included in the Company's equity at the balance sheet date.

The cumulative value of options and shares granted by the parent over its equity instruments to the Company's employees is treated as capital contribution of £2,451,945 (2014: £nil) from the parent.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (*Continued*)

22 Share based payment

Funding Circle Holdings Limited (parent company) operates share schemes for all employees of the Group. The terms of the main current schemes from which the Company's employees benefit are as follows:

EMI Options

Prior to June 2014, the parent company issued options to UK employees under the EMI Options scheme. However, due to fund raising in 2014, the gross assets of the parent company exceeded the tax threshold eligible under the scheme and hence no EMI options were issued since June 2014.

Unapproved Options

The parent company has an unapproved option 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.

ESS Shares with 'shadow' Unapproved Options

To subscribe for the ESS Shares, employees have to give up certain employment rights. ESS shares are an up-front award of A or C ordinary shares with a nominal value of £0.00001 per share where the ability to receive dividends and a capital return from the shares is 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 differs depending on the underlying share. For A ordinary shares, the target is an enterprise value of £450 million. For C ordinary shares, the target is an enterprise value of £930 million.

If this performance target is met, the participants will 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 ESS Shares also have a right of redemption – the employee has the option to redeem those shares for a fixed cash amount in the first three months post grant date. Note that the cash amount received depends on the number of ESS Shares granted.

The ESS Shares are each issued in conjunction with a 'shadow' Unapproved Option. The Unapproved Option can be exercised if the relevant enterprise value hurdle is not met upon an exit event. Both the ESS Shares and the 'shadow' Unapproved Options vest according to the Company's "Standard Vesting" terms, as discussed in the description of Unapproved Options above.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (*Continued*)

22 . Share based payment (continued)

Growth Shares with 'shadow' Unapproved Options

Growth Shares are an up-front award of B or D ordinary shares with a nominal value of £0.00001 per share where the ability to receive dividends and a capital return from the shares is 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 differs depending on the underlying share. For B ordinary shares, the target is an enterprise value of £450 million. For D ordinary shares, the target is an enterprise value of £930 million.

If this performance target is met, the participants will 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 are each issued in conjunction with a 'shadow' Unapproved Option. The Unapproved Option can be exercised if the applicable enterprise value hurdle is not met upon an exit event. Both the Growth Shares and the 'shadow' Unapproved Options vest according to the Company's "Standard Vesting", as discussed in the description of Unapproved Options above.

Included in operating expenses is a charge for share-based payments of £2,451,945 (2014: £nil) that arises from transactions accounted for as equity-settled share-based payment transactions. This incorporates a charge of £42,644 relating to prior years.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 *(Continued)*

22 Share based payment (continued)

Details of movements in the share schemes during the year are as follows:

	EMI Options Weighted average exercise price		Unapproved Options Weighted average exercise price		ESS Shares Weighted average exercise price		Growth Shares Weighted average exercise price		Total Weighted average exercise price	
	Number	£	Number	£	Number	£	Number	£	Number	£
Outstanding at 1 January 2014	5,911,000	0.027	1,099,900	0.027	-	-	-	-	7,010,900	0.027
Granted during the period	1,528,600	0.027	250,000	0.177	566,000	0.177	-	-	2,344,600	0.079
Forfeited during the period	(324,700)	0.027	-	-	-	-	-	-	(324,700)	0.027
Exercised during the period	(1,746,900)	0.027	-	-	-	-	-	-	(1,746,900)	0.027
Expired during the period	-	-	-	-	-	-	-	-	-	-
Outstanding at 31 December 2014	5,368,000	0.027	1,349,900	0.055	566,000	0.177	-	-	7,283,900	0.044
Outstanding at 1 January 2015	5,368,000	0.027	1,349,900	0.055	566,000	0.177	-	-	7,283,900	0.044
Granted during the period	-	-	1,277,813	0.288	4,563,500	0.284	1,150,000	0.238	6,991,313	0.277
Forfeited during the period	(84,550)	0.027	(18,875)	0.221	(49,500)	0.177	-	-	(152,925)	0.100
Exercised during the period	(915,500)	0.027	-	-	-	-	-	-	(915,500)	0.027
Expired during the period	-	-	-	-	-	-	-	-	-	-
Outstanding at 31 December 2015	4,367,950	0.027	2,608,838	0.168	5,080,000	0.273	1,150,000	0.238	13,206,788	0.168

Out of the 13,206,788 outstanding options (2014: 7,283,900), 9,810,750 options (2014: 6,224,123) were exercisable at a weighted average price of £0.042 (2014: £0.027)

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (Continued)

22 Share based payment (continued)

Options exercised in 2015 resulted in 915,500 shares (2014: 1,746,900 shares) being issued at a weighted average price of £0.027 each (2014: 0.027 each).

No transaction costs were incurred during both current and previous financial year on the exercise of share options.

The following table summarises information about the share awards outstanding at 31 December 2015:

Range of exercise prices	EMI Options Weighted Average remaining contractual life		Unapproved Options Weighted Average remaining contractual life		ESS Shares Weighted Average remaining contractual life		Growth Shares Weighted Average remaining contractual life		Total Weighted Average remaining contractual life	
	Number	Years	Number	Years	Number	Years	Number	Years	Number	Years
£0.0272	4,367,950	4.63	1,099,900	4.76	-	-	-	-	5,467,850	4.65
£0.0272- £0.2785	-	-	504,125	9.00	1,606,500	8.98	650,000	9.01	2,760,625	8.99
£0.2785 - £0.3172	-	-	1,004,813	9.67	3,473,500	9.67	500,000	9.71	4,978,313	9.67
	4,367,950	4.63	2,608,838	7.47	5,080,000	9.45	1,150,000	9.31	13,206,788	7.45

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 *(Continued)*

22 Share based payment (continued)

The following table summarises information about the share awards outstanding at 31 December 2014:

Range of exercise prices	EMI Options Weighted Average remaining contractual life		Unapproved Options Weighted Average remaining contractual life		ESS Shares Weighted Average remaining contractual life		Growth Shares Weighted Average remaining contractual life		Total Weighted Average remaining contractual life	
	Number	Years	Number	Years	Number	Years	Number	Years	Number	Years
£0.0272	5,368,000	5.50	1,099,900	5.76	-	-	-	-	6,467,900	5.54
£0.0272- £0.2785	-	-	250,000	8.94	566,000	9.00	-	-	816,000	8.98
	5,368,000	5.50	1,349,900	6.35	566,000	9.00	-	-	7,283,900	5.93

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (Continued)

22 Share based payment (continued)

The weighted average fair values of options granted under the Unapproved Options Scheme were £0.22 (2014: £0.019) per option respectively. These values were determined using the Black-Scholes valuation model. The significant inputs into the model are as follows:

Unapproved Options Scheme

	2015	2014
Share price (various times during the year)	£0.1626, £0.3172 and £0.3900	£0.1269
Exercise price (between)	£0.176 and £0.3172	£0.169 and £0.272
Expected life	4 years	4 years
Expected volatility	40%	44.93%
Risk-free interest rate (between)	0.30% and 1.40%	0.34% and 1.70%
Dividend yield	Nil	Nil

The weighted average fair values of equity-settled options granted under the ESS Shares and Growth Shares with 'shadow' Unapproved Options were £1.21 and £1.03 (2014: £2.55 and £nil) per option respectively. These values were determined using the Monte Carlo simulation model. The significant inputs into the model are as follows:

ESS Shares and Growth Shares with 'shadow' Unapproved Options

	2015	2014
Exercise price (between)	£0.176 and £0.3172	£0.169 and £0.272
Expected life	2 years	3 years
Expected volatility	40%	44.93%
Risk-free interest rate (between)	0.30% and 1.40%	0.34% and 1.70%
Dividend yield	Nil	Nil

In addition to above, the Company also considered the enterprise values relevant at the grant dates including assumption around a future liquidity event of the Company.

Due to Funding Circle being an unlisted entity, the expected volatility has been determined by calculating the historical volatility of the share returns of a group of listed entities and use it as a proxy for the expected volatility of Funding Circle's share returns as at grant date. The expected volatility used across all schemes was assumed to be the average of the comparators' volatilities, which was calculated as being 40%.

Expected life was based on the contractual life of the options and adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (*Continued*)

23 Accumulated losses

	31 December 2015 £
Balance at 1 January 2014	(9,482,751)
Loss for the year (as previously reported)	(10,848,909)
Prior year adjustment (note 20)	302,264
	<hr/>
Loss for the year (as restated)	(10,546,645)
Balance at 31 December 2014	(20,029,396)
Loss for the year	(18,006,020)
	<hr/>
Balance as at 31 December 2015	(38,035,416)
	<hr/> <hr/>

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 *(Continued)*

24 Notes to the cash flow statement

Cash generated from operations

	31 December 2015 £	31 December 2014 £ (Restated)
Loss before tax for the year (as previously stated)	(18,006,020)	(10,848,909)
Prior year adjustment	-	302,264
Loss before tax for the year (as restated)	(18,006,020)	(10,546,645)
Adjustments for:		
Depreciation of property, plant and equipment	522,688	317,723
Loss on disposal of property, plant and equipment	366,642	7,230
Amortisation of intangible assets	304,094	128,555
Reverse dilapidation provision	(115,980)	-
Non-cash employee benefits expense – share based payments	2,451,945	-
Interest payable waived	592,822	-
Interest received	(81,195)	(99,418)
Finance costs	491,014	188,494
Foreign exchange losses	6,019	2,924
Changes in working capital:		
Movement in trade and other receivables	(4,753,096)	(614,051)
Movement in trade and other payables	2,856,276	905,294
Net cash used in operations	(15,364,791)	(9,709,894)

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 *(Continued)*

24 Notes to the cash flow statement (continued)

Cash and cash equivalents

	31 December 2015 £	31 December 2014 £
Cash and bank balances	9,567,445	8,103,931
Balance at 31 December	<u>9,567,445</u>	<u>8,103,931</u>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.

Analysis of changes in net funds

	1 January 2015 £	Cash flow £	31 December 2015 £
Cash and bank balances	8,103,931	1,463,514	9,567,445
Total net funds	<u>8,103,931</u>	<u>1,463,514</u>	<u>9,567,445</u>

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (*Continued*)

25 Operating lease arrangements

	31 December 2015 £	31 December 2014 £
Lease payments under operating leases recognised as an expense in the year	2,058,825	409,319
Balance at 31 December	<u>2,058,825</u>	<u>409,319</u>

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December 2015 £	31 December 2014 £
Within one year	2,963,798	408,708
In the second to fifth year inclusive	11,850,060	706,775
After five years	12,887,805	-
Total at 31 December 2014	<u>27,701,663</u>	<u>1,115,483</u>

Operating lease payments represent rentals payable by the Company for its office properties and plant and machinery rental.

26 Dividends per share

No dividends were declared and paid during the current and previous financial year.

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (Continued)

27 Related party transactions

During the year, the Company received funds from the parent company to the value of £23,000,000 (2014: £11,000,000). Under the facility agreement, an interest charge of 3.5% above the Bank of England base rate is to be charged to the Company for such cash transfers. The Company has accrued for total interest of £491,014 (2014: £188,494) on drawn downs under the facility agreement.

During the year, the parent company agreed to waive a loan to the Company to the value of £23,592,822 (2014: £nil), inclusive of accrued interest. The Company paid £62,454 (2014: £81,877) to external parties on behalf of the parent and a further payment of £32,403 (2014: £56,342) was made by the parent to third parties on behalf of the Company.

The Company also paid £33,800 (2014: £nil) to external parties on behalf of Funding Circle Deutschland GmbH and £45,153 (2014: £nil) on behalf of Funding Circle USA. On behalf of the Company, Funding Circle USA made payments of £93,440 (2014: £31,251) to third parties. Both of the above mentioned companies are under control of Funding Circle Holdings Limited.

During the financial year the Company transferred its ownership of investments in property loans valued at £174,135 (2014: £nil) to its subsidiary Funding Circle Property Finance Limited (FCPFL) note 15. In addition, the Company transferred £900,000 (2014: £nil) to FCPFL under the facility agreement signed in December 2015.

During the year, the Company transferred ownership of defaulted loans to Funding Circle Trustee Limited (FCTL) to the net value of £127,728 (2014: £nil) and made further cash transfers to the values of £462,000 (2014: £nil) to FCTL to acquire further defaulted loans. The Company has recognised total interest income of £1,725 (2014: £nil) in the financial statements.

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2015 £	2014 £	2015 £	2014 £
	(Restated)			
Funding Circle Trustee Limited	433,354	235,582	-	-
Funding Circle Asset Finance Limited	1,603	1,603	-	-
Funding Circle Property Finance Limited	178,025	101	-	-
Funding Circle Solutions Limited	100	100	-	-
Funding Circle USA	-	-	87,438	39,182
Funding Circle Holdings Limited	-	-	31,099	162,929
Funding Circle Deutschland GmbH	33,800	-	-	-
Loan due to Funding Circle Holdings Limited	-	-	11,000,000	11,000,000
Loan to Funding Circle Property Finance Limited	900,000	-	-	-
Loan to Funding Circle Trustee Limited	462,000	-	-	-
	<u>2,008,882</u>	<u>237,386</u>	<u>11,118,537</u>	<u>11,202,111</u>

FUNDING CIRCLE LTD

Notes forming part of the financial statements for the year ended 31 December 2015 (*Continued*)

28 Contingent liability

In September 2015 the Company moved from 3 Dorset Rise into new business premises at 71 Queen Victoria Street. Following the move, the Company entered into a lease assignment for 3 Dorset Rise with a successor tenant. Under the terms of the assignment, should the successor tenant not honour the entirety of the remaining lease period, the Company will become liable for any outstanding lease rentals and/or related expenditure including, but not limited to, losses incurred by unlawful damage to the property.

29 Controlling party

The directors regard Funding Circle Holdings Limited, a company incorporated in the United Kingdom and registered in England and Wales, as the immediate and ultimate parent company. The Company does not have a single ultimate controlling party. The parent company prepares consolidated financial statements for the group which can be obtained from Companies House.

30 Post balance sheet events

There are no post balance sheet events requiring disclosure in the financial statements.