FUNDING CIRCLE LTD

Annual Report and Financial Statements

For the Year Ended

31 December 2017

Registered number: *06968588*

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Contents

Officers and professional advisers

Directors

A D Learoyd
J Meekings
E Wray
M King
S Glithero

Secretary

M Cook

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

Strategic report for the year ended 31 December 2017

The directors present their strategic report on Funding Circle Ltd (the "Company") for the year ended 31 December 2017. The directors in preparing this strategic report have complied with s414c of the Companies Act 2006.

Principal Activities

The Company is the leading lending platform in the UK where businesses borrow directly from a diverse range of investors, including individuals, institutions and Government. The platform directly connects people and organisations who want to lend, with vetted, established businesses who want to borrow. The platform also provides the opportunity for investors to trade existing loans.

General Business Review

The results of the Company, as set out on page 11, show an underlying operating profit for the year of £2.4m (2016: underlying operating loss of £8.4m). As at 31 December 2017, the Company had net assets of £13.0m (2016: £10.0m).

The Company continued with its objective of investing for growth in 2017, with a specific focus on investment in people and technology. The benefit of this is clearly demonstrated by revenue which increased by 74% from £39.3m to £68.4m. Further, due to strong performance and growth in revenue, the Company was cash flow positive (defined as net cash flow from operating and investing activities) for the full financial year, having achieved this feat for the first time during the last quarter of 2016.

The Company is expected to continue to invest in growth in 2018.

Analysis of Key Performance Indicators

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

	2017	2016	Change
	£m	£m	%
Revenue	68.4	39.3	74%
Underlying operating profit / (loss)	2.4	(8.4)	-
Underlying operating margin	3.5%	(21%)	-
Total comprehensive loss for the year	(0.5)	(13.3)	96%
Net cash inflow / (outflow) from operating and investing activities	2.9	(12.8)	123%

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.

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 and fraud. To date, there are no probable material uncertainties that could adversely affect the Company.

The Company 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

Strategic report for the year ended 31 December 2017 (continued)

Board in agreement with senior management. The Company operates a three lines of defence risk management model.

Going Concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company 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). In making this assessment, the Directors have considered the performance of the Company and the provision of continuing financial support of Funding Circle Holdings Limited ("FCHL"), a company registered in England and Wales and the immediate parent company of the Company (the "Parent"), and its ability to provide such support.

Having made appropriate enquiries, the directors consider that the Company has the ability to remain in operation for the foreseeable future, as they have confirmed the continuing financial support and the ability to provide that support of FCHL and have therefore continued to adopt the going concern basis in preparing financial statements.

Future Developments

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

J. Meekings

J Meekings
Director

18 April 2018

Report of the directors for the year ended 31 December 2017

The directors present their report on the affairs of the Company together with the audited annual financial statements of the Company and independent auditors' report, for the year ended 31 December 2017. 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 platform became operational in August 2010. The Company became a wholly-owned subsidiary of FCHL 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 (resigned 12 December 2017)
A D Learoyd
J Meekings
E Wray
M King
S Glithero (appointed 12 December 2017)

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.

Independent Auditors

PricewaterhouseCoopers LLP (the "Auditors") has confirmed its willingness to continue in the office and will retain appointment in accordance with s487 of the Company Act 2006.

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 ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Report of the directors for the year ended 31 December 2017 (continued)

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved and signed on behalf of the Board

J. Meeking

J Meekings
Director
71 Queen Victoria Street,
London
EC4V 4AY

18 April 2018

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 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

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 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 Company's auditors are aware of that information.

Independent auditors' report to the members of Funding Circle Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Funding Circle Ltd's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the statement of comprehensive income for the year ended 31 December 2017, the statement of cash flows for the year ended 31 December 2017, the statement of changes in equity for the year ended 31 December 2017; and the notes to the financial statements, which include a description of the significant accounting policies.

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 Company 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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. 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

Independent auditors' report to the members of Funding Circle Ltd (continued)

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 Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2017 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 company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the directors.

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 set out on page 7, 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 controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

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.

Independent auditors' report to the members of Funding Circle Ltd (continued)

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 received 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Brian Henderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 April 2018

Statement of comprehensive income for the year ended 31 December 2017

	Note	2017	2016
		£m	**£m**
Revenue	4	**68.4**	39.3
Operating expenses	5	**(69.5)**	(53.0)
Underlying operating profit / (loss)		**2.4**	(8.4)
Share-based payments		**(3.5)**	(5.3)
Operating loss		**(1.1)**	(13.7)
Finance income	8	**0.1**	0.2
Finance costs	9	**(0.5)**	(0.4)
Loss before taxation		**(1.5)**	(13.9)
Income tax	10	**1.0**	0.6
Loss for the year		**(0.5)**	(13.3)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(0.5)**	(13.3)
Loss and total comprehensive loss attributable to:			
Owners of the Parent		**(0.5)**	(13.3)

All amounts relate to continuing activities.

The notes on pages 15 to 45 form part of these financial statements.

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

	Note	Share capital £m	Capital Reserve £m	Share premium £m	Accumulated losses £m	Total equity £m
Balance at 1 January 2016		**11.9**	**31.4**	**0.1**	**(38.0)**	**5.4**
Loss and total comprehensive loss for the year	21	-	-	-	(13.3)	(13.3)
Capital Contribution	19	-	12.6	-	-	12.6
Employee share schemes – value of employee services	20	-	5.3	-	-	5.3
Balance at 31 December 2016		**11.9**	**49.3**	**0.1**	**(51.3)**	**10.0**
Loss and total comprehensive loss for the year	21	-	-	-	(0.5)	(0.5)
Employee share schemes – value of employee services	20	-	3.5	-	-	3.5
Balance at 31 December 2017		**11.9**	**52.8**	**0.1**	**(51.8)**	**13.0**

The notes on pages 15 to 45 form part of these financial statements.

Statement of financial position as at 31 December 2017

	Note	2017 £m	2016 £m
Non-current assets			
Intangible assets	10	**9.0**	5.8
Property, plant and equipment	11	**3.4**	3.9
Loans due from subsidiary undertakings	13	**2.1**	2.9
		14.5	12.6
Current assets			
Trade and other receivables	14	**7.5**	5.8
Cash and cash equivalents	22	**14.1**	10.3
		21.6	16.1
Total assets		**36.1**	28.7
Current liabilities			
Trade and other payables	15	**9.2**	4.8
		9.2	4.8
Non-current liabilities			
Provisions	16	**0.4**	0.4
Loan payable to Parent undertaking	17	**13.5**	13.5
Total liabilities		**23.1**	18.7
Equity			
Share capital	18	**11.9**	11.9
Share premium account	18	**0.1**	0.1
Capital reserve	19	**52.8**	49.3
Accumulated losses	21	**(51.8)**	(51.3)
Total equity		**13.0**	10.0
Total equity and liabilities		**36.1**	28.7

The financial statements on pages 11 to 45 were approved by the Board and authorised for issue on 18 April 2018. They were signed on behalf of the Board by:

J. Meekings

J Meekings
Director

Company registration number 06968588

The notes on pages 15 to 45 form part of these financial statements.

Statement of cash flows for the year ended 31 December 2017

	Note	2017		2016	
		£m	£m	£m	£m
Net cash generated from / (used in) operating activities	22		**9.4**		(7.0)
Investing activities					
Capitalisation of development costs	10	**(5.7)**		(5.0)	
Purchase of property, plant and equipment	11	**(0.5)**		(0.9)	
Purchase of intangible assets	10	**(0.4)**		-	
Interest received	7	**0.1**		0.1	
Net cash outflow from investing activities			**(6.5)**		(5.8)
Net cash inflow / (outflow) from operating and investing activities			**2.9**		**(12.8)**
Financing activities					
Funding from / (to) subsidiary undertaking		**0.9**		(1.5)	
Funding from Parent undertaking		-		15.0	
Net cash inflow from financing activities			**0.9**		13.5
Net increase in cash and cash equivalents			**3.8**		0.7
Cash and cash equivalents at the beginning of the year			**10.3**		9.6
Cash and cash equivalents at the end of the year			**14.1**		10.3

The notes on pages 15 to 45 form part of these financial statements.

Notes forming part of the financial statements for the year ended 31 December 2017

1 Accounting policies

General information

The Company 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 the Parent. The address of its registered office is given on page 2.

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been applied consistently to all the years presented, unless otherwise stated.

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 3.

The Company made a loss of (£0.5m) during the year ended 31 December 2017 (2016: loss of £13.3m), as a result of significant ongoing investment in staff, technology and marketing, which is expected to continue in 2018.

The financial statements are prepared on a going concern basis, as the directors are satisfied that the Company 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). In making this assessment, the directors have considered the performance of the Company and the provision of continuing financial support of the Parent and its ability to provide such support.

Having made appropriate enquiries, the directors consider that the Company has the ability to remain in operation for the foreseeable future, as they have confirmed the continuing financial support and the ability to provide that support of the Parent and have therefore continued to adopt the going concern basis in preparing financial statements.

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 Company has made a presentational change by removing other operating income and reporting this as part of operating expenses in the Statement of comprehensive income, as the management believes that this disclosure is a more useful presentation to the readers of the financial statements.

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 3.

Immediate Parent Undertaking

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the 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

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of the Parent.

Changes in accounting policy and disclosures

(a) *Standards and amendments to existing standards and interpretations effective on or after 1 January 2017 adopted by the Company*

No new standards or amendments to standards had any impact on the Company's financial position or performance nor the disclosures in these financial statements.

(b) *New standards, amendments and interpretations issued but not effective for the financial period beginning 1 January 2017 and not early adopted*

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the year ended 31 December 2017 and have not been applied in preparing these financial statements.

Standard / interpretation	**Content**	**Applicable for financial years beginning on/after**
IFRS 9	Financial instruments: Classification and measurement	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019

IFRS 9 Financial instruments

IFRS 9 Financial Instruments was issued in July 2014 and was endorsed by the EU in 2016. It replaces existing financial instruments guidance, including IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 and the Company plans to adopt IFRS 9 in its financial statements for the year ending 31 December 2018.

IFRS 9 will simplify the classification of financial assets for measurement purposes, but is not anticipated to have a significant impact on the financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers was issued in 2014 and was endorsed by the EU in 2016. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue.

Management has conducted a detailed analysis of the impact of IFRS 15 on the Company which has shown that the recognition of revenue will be consistent with the transfer of risks and rewards to the customer under IAS 18. We have concluded following this assessment that the implementation of IFRS 15 will not result in a significant impact on the Company's financial statements.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and will primarily change lease accounting, with lessor accounting under IFRS 16 expected to be similar to lessor accounting under IAS 17. Lessee accounting under IFRS 16 will be similar in many respects to IAS 17 accounting for finance leases, but is expected to be substantively different to existing accounting for operating leases.

Where a contract meets IFRS 16's definition of a lease and the Company acts as a lessee, lease agreements will give rise to the recognition of a non-current asset representing the right to use the leased item, and a loan obligation for future lease payables on the Company's balance sheet.

Lease costs will be recognised in the form of depreciation of the right-of-use asset and interest on the lease liability, which may impact the phasing of operating profit and profit before tax, compared to existing cost profiles and presentation in the income statement, and will also impact the classification of associated cash flows.

The impact of IFRS 16 – Leases will require the Company to record its current property leases and qualifying technology contracts on the balance sheet. The leases impacted are currently treated as operating expenses. The change in recognition is expected to increase future depreciation charges and lead to a reduction in lease costs. Future commitments under current operating leases are outlined in note 23 which gives some indication of the impact on the Company going forward, however, as IFRS 16 is effective for the first time for the financial year commencing 1 January 2019, a full assessment of the standard has not yet been made and therefore the standard could have a material impact on the future results of the Company.

Foreign currency translation

Transactions in currencies other than the functional currency of the entity are recorded at the exchange rate prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary assets and liabilities and those arising on retranslation are included within operating expenses in the period in which the difference arose.

Exceptional items

Exceptional items are the items of income or expense that the Company 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 Company's financial performance. Such items would include profits or losses on disposal of businesses and costs associated with acquisitions and disposals; major restructuring programmes; significant goodwill or other assets impairments; other particularly significant or unusual items.

Underlying operating profit

The Company reports non-underlying items in the income statement to highlight the impact of one-off and other discrete items and to allow better interpretation of the underlying performance of the business. These include exceptional items and IFRS 2 charges in respect of share-based payments charges.

In order to provide comparability of results from period to period, and with listed peer companies, the Directors consider underlying operating profit to be the most appropriate indicator of the performance of the business.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

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

Revenue represents fees receivable for the arranging of finance and servicing that finance.

Revenue earned for the arrangement of finance is classified as transaction fees and is recognised immediately once loans are fully funded on the marketplace, after the loans are accepted by the borrowers. Such fees are automatically deducted from the amount borrowed and recognised at that point as the Company has the right to consideration.

Revenue earned from servicing of finance is classified as servicing fees. It comprises an annualised fee representing a percentage of outstanding principal and is recognised on a monthly basis upon repayment 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.

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

Leases are classified as operating leases where the lessor retains substantially all the risks and benefits of ownership of the asset.

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.

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.

Share based payments

The Parent 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 the Parent. The fair value of the employee services received in exchange for the grant of the options and shares is recognised as

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

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 issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium in the Parent's financial statements when the options are exercised (and recognised directly in equity in the Company financial statements).

The grant by the Parent 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.

Pension obligations

The Company operates a defined contribution pension scheme. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company 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 periods. Contributions payable to the Company's pension scheme are charged to the income statement in the period to which they relate. The Company has no further payment obligations once the contributions have been paid.

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

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

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.

Dividends

Dividends are recognised when they become legally payable, in accordance with the Companies Act 2006.

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 for 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 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 3 – 8 years. Items that are amortised over longer period relates to the development of the Group's global technology platform.

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:

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

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 cost 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.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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 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.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

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.

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.

2 Financial risk management

The Board 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; and
- market risk (including currency risk, interest rate risk and other price risk).

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

2 Financial risk management (continued)

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
- 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 2017:

31 December 2017	Carried at amortised cost – Asset/(liabilities)	
	Carrying amount	**Fair value**
	£m	**£m**
Assets per statement of financial position		
Loans due from related undertakings	**2.1**	**2.1**
Trade and other receivables	**7.5**	**7.5**
Cash and cash equivalents	**14.1**	**14.1**
	23.7	**23.7**
Liabilities per statement of financial position		
Trade and other payables	**(9.2)**	**(9.2)**
Provision	**(0.4)**	**(0.4)**
Loan payable to parent undertaking	**(13.5)**	**(13.5)**
	(23.1)	**(23.1)**

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

2 Financial risk management (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 2016:

31 December 2016	Carried at amortised cost – Asset/(liabilities)	
	Carrying amount	**Fair value**
Assets per statement of financial position	**£m**	**£m**
Loans due from related undertakings	2.9	2.9
Trade and other receivables	5.8	5.8
Cash and cash equivalents	10.3	10.3
	19.0	19.0
Liabilities per statement of financial position		
Trade and other payables	(4.8)	(4.8)
Provisions	(0.4)	(0.4)
Loan payable to parent undertaking	(13.5)	(13.5)
	(18.7)	(18.7)

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 and payables/receivables to/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 regarding 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.

No assets or liabilities were carried at fair value, in both the current and previous financial year.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

2 Financial risk management (continued)

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:-

	2017	2016
	£m	**£m**
Trade and other receivables		
- Trade debtors	**0.6**	0.6
- Other debtors	**0.7**	0.8
- Prepayments and accrued income	**3.0**	1.2
- Rent deposit	**2.5**	2.5
- Receivables from related undertakings	**0.7**	0.7
Loans due from related undertakings	**2.1**	2.9
Cash and cash equivalents	**14.1**	10.3

Further details regarding cash and cash equivalents can be found in note 22. 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.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

2 Financial risk management (continued)

The maturity analysis of financial instruments at 31 December 2017 and 31 December 2016 is as follows:

At 31 December 2017	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	**1.4**	**5.4**	-	-
Amounts due from related undertakings	-	**0.7**	**2.1**	-
Cash and cash equivalents	**14.1**	-	-	-
	15.5	**6.1**	**2.1**	-
Financial liabilities				
Trade and other payables	**(3.1)**	**(5.0)**	-	-
Provisions	-	-	**(0.4)**	-
Amounts due to related undertakings	-	**(1.1)**	**(13.5)**	-
	(3.1)	**(6.1)**	**(13.9)**	-

At 31 December 2016	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	1.7	3.4	-	-
Amounts due from related undertakings	-	0.7	2.9	-
Cash and cash equivalents	10.3	-	-	-
	12.0	4.1	2.9	-
Financial liabilities				
Trade and other payables	(2.0)	(2.4)	-	-
Provisions	-	-	(0.4)	-
Amounts due to related undertakings	-	(0.4)	(13.5)	-
	(2.0)	(2.8)	(13.9)	-

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.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

2 Financial risk management (continued)

(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 interest at 3.5% above the base rate of the Bank of England from the Parent. 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 the 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 directors monitor a number of KPI's at both the Company and the Parent level on a monthly basis including gross cash by geography; working capital requirements; cash subject to restrictions; various items of costs, profit and loss revenue and actual 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 subject to a regulatory capital regime promulgated by the Financial Conduct Authority. The Company has calculated and put in place adequate financial resources well in excess of the required financial resources requirements.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

3 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.

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and have the most significant effect on the amounts recognised in the historical financial information.

Useful life of intangible assets

The assessment of the useful economic life of the Group's internally developed and acquired software and licences is judgemental and can change due to obsolescence due to unforeseen technological developments, and other factors. The useful life of licences represents management's view of the expected term over which the Group will receive benefits from the software, and does not exceed the licence term. For internally developed and acquired software the life is based on historical experience with similar products as well as anticipation of future events which may impact their useful economic life.

Fair value of options granted to employees

The Group uses a combination of the Black-Scholes model and Binomial model in determining the fair value of options granted to employees under the Group's various share schemes. Information of such scheme is shown in note 20. The alteration of these assumptions may impact charges to the income statement over the vesting period of the award.

Dilapidation provision

The Statement of financial position includes a cumulative provision of £0.4m (2016: £0.4m) 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 the provision and confirmed that the amount is adequate to settle the dilapidation obligation under the leasehold contract.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

4 Revenue

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

	2017	2016
	£m	£m
Transaction fees	**54.8**	30.6
Servicing fees	**13.1**	8.4
Other revenue	**0.5**	0.3
	68.4	39.3

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

5 Operating expenses

	2017	2016
	£m	£m
Expenses by nature		
Depreciation of property, plant and equipment	**1.0**	1.0
Amortisation of intangible assets	**2.4**	1.3
Impairment of intangible assets	**0.5**	-
Rental income	**(0.9)**	(0.5)
Operating lease rentals		
- Other assets	**0.2**	0.1
- Land and buildings	**2.7**	3.0
Other premises costs	**1.8**	1.6
Employment costs (including directors' emoluments)	**25.0**	21.6
Auditors' remuneration for audit services (including expenses)	**0.2**	0.1
Audit-related assurance services	**0.1**	0.1
Other expenses	**36.5**	24.7
	69.5	**53.0**

6 Remuneration of key management personnel

	2017	2016
	£m	£m
Wages and salaries	**0.6**	0.4

The directors are also the key management personnel of the Company. The aggregated emoluments for the highest paid director inclusive of employers national insurance contribution was £0.2m (2016: £0.2m).

Employees

The average monthly number of employees (including directors) during the year were:

	2017	2016
	Number	Number
Product & technology	**97**	98
Operations, support and administrative	**289**	213
	386	311

Note Average monhtly numbers of employees in 2016 have been restated as they previously reflected the closing number of employees and not average

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

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

	2017	2016
	£m	£m
Wages and salaries	24.1	19.0
National insurance costs	2.9	2.2
Pension costs	0.2	0.1
Share options granted to directors and employees	3.5	5.3
Total employee benefit expense	30.7	26.6
Less: Capitalised development costs	(5.7)	(5.0)
	25.0	21.6

7 Finance income

	2017	2016
	£m	£m
Interest on bank deposits	-	0.1
Interest on long-term loan facility to subsidiary undertaking	0.1	0.1
	0.1	0.2

During the financial year the Company recognised interest income of £0.1m (2016: £0.1m) on amounts drawn under the long-term loan facility provided to Funding Circle Trustee Limited (see note 13).

8 Finance costs

During the financial year the company recognised interest payable of £0.5m (2016: £0.4m) on amounts drawn under the long-term loan facility provided by the Parent (see note 19).

	2017	2016
	£m	£m
Interest on long-term loan facility from parent undertaking	0.5	0.4
	0.5	0.4

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

9 Income tax

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 standard corporation tax rate of 19.25% (2016: 20.00%).

	2017	2016
	£m	£m
UK income tax		
Current tax on profits for the year	-	-
Research and development tax credit	**(1.0)**	(0.6)
Total current tax	**(1.0)**	(0.6)
Tax per income statement	**(1.0)**	(0.6)

Factors affecting the tax charge for the year:

	2017	2016
	£m	£m
Loss on operating activities before tax	**(1.5)**	(13.9)
Taxation on loss on operating activities at 19.25% (2016: 20.00%)	**(0.3)**	(2.8)
Effects of:		
Research and development tax credit	**(1.0)**	(0.6)
Non-deductible expenses	**0.2**	1.2
Transfer pricing adjustments	**(0.1)**	(0.2)
Share options	-	(0.1)
Temporary differences not recognised	**0.2**	1.9
Tax credit for the year	**(1.0)**	(0.6)

During 2017, the Company received a tax credit of £0.1m (2016: £0.6m) in respect of its research and development claims for prior years. Accordingly, the amount is reflected as a tax credit in the statement of total comprehensive income.

The Company has unrecognised deferred tax asset of £5.6m (2016: £6.8m) in respect of trading losses. The Company has not recognised a deferred tax asset 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.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

10 Intangible assets

	Capitalised development costs	Computer software	Total
	£m	£m	£m
Cost			
At 1 January 2016	2.3	0.2	**2.5**
Additions	5.0	-	**5.0**
At 31 December 2016	7.3	0.2	**7.5**
At 1 January 2017	7.3	0.2	**7.5**
Additions	5.7	0.4	**6.1**
At 31 December 2017	13.0	0.6	**13.6**
Accumulated Amortisation			
At 1 January 2016	0.3	0.1	**0.4**
Charge for the year	1.3	-	**1.3**
At 31 December 2016	1.6	0.1	**1.7**
At 1 January 2017	1.6	0.1	**1.7**
Charge for the year	2.3	0.1	**2.4**
Impairment charge	0.5	-	**0.5**
At 31 December 2017	4.4	0.2	**4.6**
Carrying amount			
At 31 December 2017	8.6	0.4	**9.0**
At 31 December 2016	5.7	0.1	**5.8**

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

11 Property, plant and equipment

	Leasehold improvements	Computer equipment	Furniture and fixtures	Total
	£m	£m	£m	£m
Cost				
At 1 January 2016	2.8	1.1	0.8	**4.8**
Additions	0.5	0.2	0.2	**0.9**
Disposals	-	-	-	-
At 31 December 2016	3.3	1.3	1.0	**5.6**
At 1 January 2017	3.3	1.3	1.0	**5.6**
Additions	0.1	0.4	-	**0.5**
Disposals	-	-	-	-
At 31 December 2017	3.4	1.7	1.0	**6.1**
Accumulated depreciation				
At 1 January 2016	0.1	0.4	0.2	**0.7**
Charge for the year	0.3	0.4	0.3	**1.0**
Disposals	-	-	-	-
At 31 December 2016	0.4	0.8	0.5	**1.7**
At 1 January 2017	0.4	0.8	0.5	**1.7**
Charge for the year	0.4	0.4	0.2	**1.0**
Disposals	-	-	-	-
At 31 December 2017	0.8	1.2	0.7	**2.7**
Carrying amount				
At 31 December 2017	2.6	0.5	0.3	**3.4**
At 31 December 2016	2.9	0.5	0.5	**3.9**

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

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

12 Investments in subsidiary undertakings

Investments in subsidiary undertakings are 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 Liabilities	Revenues	Loss	Interest held
		£	£	£	%
Funding Circle Trustee Limited	England & Wales	(2,096,790)	-	(268,260)	100
Funding Circle Property Finance Limited	England & Wales	(69,379)	-	(24,515)	100
Funding Circle Asset Finance Limited	England & Wales	(2,505)	-	(953)	100
Made To Do More Limited	England & Wales	-	-	-	-

The registered address of the above subsidiaries is 71 Queen Victoria Street, London, EC4V 4AY.

13 Loans due from subsidiary undertakings

	2017	2016
	£m	£m
Funding Circle Property Finance Limited	-	0.9
Funding Circle Trustee Limited	**2.1**	2.0
	2.1	2.9

The Company has unsecured sterling term loan facilities for £2.0m and £3.0m with its subsidiaries Funding Circle Property Finance Limited (FCPFL) and Funding Circle Trustee Limited (FCTL) respectively. Under the terms of the loan agreements, any drawn amount under the facilities bears interest at 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.

During the financial year, FCPFL repaid the cumulative amount including interest of £1.0m (2016: £nil) drawn under the loan facility provided by the Company.

At the year-end, FCPFL and FCTL have drawn down £nil and £1.9m respectively. Total interest income of £13,962 in relation to FCPFL and £73,295 in relation to FCTL funding has been recognised in the income statement. The carrying amount of these loans approximates to its fair value.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

14 Trade and other receivables

	2017	2016
	£m	£m
Trade receivables	0.6	0.6
Other receivables	0.7	0.8
Prepayments and accrued income	3.0	1.2
Rent deposit	2.5	2.5
Receivables from Group undertakings	0.7	0.7
	7.5	5.8

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

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

15 Trade and other payables

	2017	2016
	£m	£m
Trade payables	1.4	0.6
Taxes and social security costs	1.2	1.0
Other creditors	0.5	0.4
Accruals and deferred income	5.0	2.4
Payables to Group undertakings	1.1	0.4
	9.2	4.8

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.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

16 Long-term provisions

	Dilapidation
	£m
At 1 January 2016	**0.3**
Charge to income statement:	
Provision relating to new premises	**0.1**
At 31 December 2016	**0.4**
Charge to income statement:	
Provision relating to new premises	-
At 31 December 2017	**0.4**

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 reverse in 2025.

17 Amounts owed to Parent undertaking

The Company has entered into a loan facility agreement with the Parent. Under the terms of the agreement, the Parent will provide an unsecured sterling term loan facility of a total principal amount not exceeding £20.0m to the Company. Any drawn amount under the facility bears interest at 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 £13.5m (2016: £13.5m) under the facility agreement. Total interest charges of £0.5m (2016: £0.4m) have been recognised in the income statement. The carrying amount of this loan approximates to its fair value.

18 Share capital and share premium

Share capital	**2017**	**2016**
	£m	**£m**
Authorised		
Ordinary shares of £1 each:	**Unlimited**	Unlimited
Called up, allotted and fully paid		
Ordinary shares of £1 each: 11,931,089	**11.9**	11.9
(2016: 11,931,089) issued		

Share premium	**2017**	**2016**
	£m	**£m**
Balance at 1 January	**0.1**	0.1
Balance at 31 December	**0.1**	0.1

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

19 Capital reserve

	2017	2016
	£m	£m
Balance at 1 January	49.3	31.4
Capital contribution	-	12.6
Employee share schemes – value of employee services	3.5	5.3
Balance at 31 December	52.8	49.3

The Parent remains the sole shareholder of the Company.

During the financial year the company received funding of £nil (2016: £15.0m) from the Parent to meet its working capital requirements. The funding was initially received under the loan facility agreement from the Parent.

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 £3.5m (2016: £5.3m) from the Parent.

20 Share based payment

The Parent 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 issued options to UK employees under the EMI Options scheme. Since then, the Company is not eligible to issue under the scheme.

Unapproved Options

The Parent 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.

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.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

20 Share-based payment (continued)

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.

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.

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 £3.5m (2016: £5.3m) that arises from transactions accounted for as equity-settled share-based payment transactions.

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

	EMI Options		Unapproved Options		ESS Shares		Growth Shares		Total	
	Number and WAEP[1]		Number and WAEP		Number and WAEP		Number and WAEP		Number and WAEP	
	Number	£	Number	£	Number	£	Number	£	Number	£
Outstanding at 1 January 2016	**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**
Granted during the period	-	-	1,102,932	0 390	4,763,436	0.390	-	-	**5,866,368**	**0.390**
Exercised during the period	(609,015)	0 027	(240,187)	0 043	-	-	-	-	**(849,202)**	**0.032**
Forfeited during the period	(110,398)	0 027	(254,554)	0 342	(2,546,211)	0.317	(68,750)	0.317	**(2,979,913)**	**0.309**
Outstanding at 31 December 2016	**3,648,537**	**0.027**	**3,217,029**	**0.240**	**7,297,225**	**0.334**	**1,081,250**	**0.233**	**15,244,041**	**0.233**
Outstanding at 1 January 2017	**3,648,537**	**0.027**	**3,217,029**	**0.240**	**7,297,225**	**0.334**	**1,081,250**	**0.233**	**15,244,041**	**0.233**
Granted during the period	-	-	1,948,578	0 403	-	-	5,042,053	0 400	**6,990,631**	**0.401**
Exercised during the period	(399,411)	0 027	(78,178)	0 311	-	-	-	-	**(477,589)**	**0.074**
Forfeited during the period	(9,376)	0 027	(334,340)	0 373	-	-	-	-	**(343,716)**	**0.363**
Outstanding at 31 December 2017	**3,239,750**	**0.027**	**4,753,089**	**0.296**	**7,297,225**	**0.334**	**6,123,303**	**0.371**	**21,413,367**	**0.290**

1 Weighted average exercise price

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

20 Share-based payment (continued)

Out of the 21,413,367 outstanding options (2016: 15,244,041), 10,736,083 options (2016: 7,491,108) were exercisable at a weighted average price of £0.054 (2016: £0.150)

Options exercised in 2017 resulted in 477,589 shares (2016: 849,202 shares) being issued at a weighted average price of £0.074 each (2016: £0.032 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 2017:

	EMI Options		Unapproved Options		ESS Shares		Growth Shares		Total	
Range of exercise prices	Number and WARCL[2]		Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL	
	Number	Years	Number	Years	Number	Years	Number	Years	Number	Years
£0 - £0.008	-	-	-	-	7,297,225	7.7	1,931,250	8.4	9,228,475	7.8
£0.008 - £0.093	3,239,750	5.0	571,400	3.6	-	-	4,192,053	9.6	8,003,203	7.3
£0.093 - £0.279	-	-	185,685	7.1	-	-	-	-	185,685	7.1
£0.279- £0.610	-	-	3,996,004	8.8	-	-	-	-	3,996,004	8.8
	3,239,750	**5.0**	**4,753,089**	**8.1**	**7,297,225**	**7.7**	**6,123,303**	**9.2**	**21,413,367**	**7.8**

The following table summarises information about the share awards outstanding at 31 December 2016:

	EMI Options		Unapproved Options		ESS Shares		Growth Shares		Total	
Range of exercise prices	Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL	
	Number	Years	Number	Years	Number	Years	Number	Years	Number	Years
£0.008 - £0.043	3,648,537	6.1	571,400	4.6	-	-	-	-	4,219,937	5.9
£0.043 - £0.279	-	-	213,842	8.1	1,439,625	7.8	650,000	8.0	2,303,467	7.9
£0.279- £0.390	-	-	2,431,787	9.2	5,857,600	8.8	431,250	8.6	8,720,637	8.9
	3,648,537	**6.1**	**3,217,029**	**8.3**	**7,297,225**	**8.6**	**1,081,250**	**8.3**	**15,244,041**	**7.9**

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

20 Share-based payment (continued)

Unapproved Options Scheme

The weighted average fair values of options granted under the Unapproved Options Scheme were £0.23 (2016: £0.06) per option respectively. These values were determined using the Black-Scholes valuation model. The significant inputs into the model are as follows:

	2017	2016
Share price (various times during the year)	**£0.52 and £0.55**	£0.390
Exercise price at / (between)	**£0.40**	£0.390
Expected life	**4 years**	4 years
Expected volatility	**45%**	40%
Risk-free interest rate (between)	**0.28% and 0.68%**	0.01% and 0.76%
Dividend yield	**Nil**	Nil

ESS Shares and Growth Shares with 'shadow' Unapproved Options

The weighted average fair values of equity-settled options granted under the ESS Shares and Growth Shares with 'shadow' Unapproved Options were £nil and £0.23 (2016: £1.78 and £1.98) per option respectively. These values were determined using the Monte Carlo simulation model. The significant inputs into the model are as follows:

	2017	2016
Exercise price at/(between)	**£0.40**	£0.39
Expected life	**1 year**	1 year
Expected volatility	**45%**	40%
Risk-free interest rate (between)	**0.38% and 0.62%**	0.01% and 0.76%
Dividend yield	**Nil**	Nil

In addition to above, the Company also considered the total equity value on grant and E shares threshold value including assumption around a future liquidity event of the Company.

Due to the Parent 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 the Parent's share returns as at grant date.

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.

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

21 Accumulated losses

	£m
Balance at 1 January 2016	(38.0)
Loss and total comprehensive loss for the year	(13.3)
Balance at 31 December 2016	**(51.3)**
Loss and total comprehensive loss for the year	(0.5)
Balance as at 31 December 2017	**(51.8)**

22 Notes to the cash flow statement

Cash generated from operations

	2017 £m	2016 £m
Loss before tax for the year	**(1.5)**	(13.9)
Adjustments for:		
Depreciation of property, plant and equipment	**1.0**	1.0
Amortisation of intangible assets	**2.4**	1.3
Impairment of intangible assets	**0.5**	-
Movement in dilapidation provision	-	0.1
Non-cash employee benefits expense – share based payments	**3.5**	5.3
Finance income	**(0.1)**	(0.2)
Finance costs	**0.5**	0.4
Tax credit received	**1.0**	0.6
Changes in working capital:		
Movement in trade and other receivables	**(1.8)**	(0.9)
Movement in trade and other payables	**3.9**	(0.7)
Net cash generated from / (used in) operations	**9.4**	(7.0)

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

Cash and cash equivalents

	31 December 2017 £m	31 December 2016 £m
Cash and bank balances	**14.1**	10.3
Balance at 31 December	**14.1**	10.3

The cash and cash equivalents balance is made up fully of cash and bank deposits. The carrying amount of these assets is approximately equal to their fair value.

Analysis of changes in net funds

	1 January 2017 £m	Cash flow £m	31 December 2017 £m
Cash and bank balances	**10.3**	3.8	**14.1**

23 Operating lease arrangements

	2017 £m	2016 £m
Lease payments under operating leases recognised as an expense in the year	**2.9**	3.1
Balance at 31 December	**2.9**	3.1

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:

	2017 £m	2016 £m
Within one year	**2.8**	2.8
In the second to fifth year inclusive	**11.2**	11.3
After five years	**6.3**	9.1
Total at year end	**20.3**	23.2

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

24 Dividends per share

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

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

25 Related party transactions

During the year, the Company received funds from the Parent to the value of £nil (2016: £15.0m) under the facility agreement. Total interest charges of £0.5m (2016: £0.4m) have been recognised in the income statement on drawdowns under the facility agreement (see note 17).

The Parent also made payments for an amounts of £0.1m (2016: £0.1m) to third parties on behalf of the Company.

During the year, the Company made payments of £0.1m (2016: £nil) to third parties on behalf of Funding Circle USA (an affiliate company owned by the Parent) and received payments of £0.3m (2016: £nil) made by the affiliate to third parties on behalf of the Company. The Company also made payments of £0.2m (2016: £nil) and received payments of £0.1m (2016: £nil) in settlement of the intercompany balance with affiliate during the year.

During the year, the Company made cash transfers to the value of £nil (2016: £1.5m) to FCTL under the facility agreements signed in December 2015. The Company has recognised the total interest income of £0.1m (2016: £0.1m) in respect of balances owing under the corresponding facility agreements with FCTL (see note 13).

During the year, the Company paid expenses for an amounts of £0.1m (2016: £nil) on behalf of Funding Circle CE GmbH. The Company also received payments of £0.1m (2016: £nil) in settlement of the intercompany balance with Funding Circle CE GmbH during the year.

Amounts included in short-term receivables and payables are interest free and repayable on demand.

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2017	**2016**	**2017**	**2016**
	£m	**£m**	**£m**	**£m**
Short-term payables/receivables:				
Funding Circle Trustee Limited	**0.4**	0.4	-	-
Funding Circle Asset Finance Limited	-	-	-	-
Funding Circle Property Finance Limited	**0.2**	0.2	-	-
Funding Circle Solutions Limited	-	-	-	-
Funding Circle USA Inc	-	-	**0.1**	0.1
Funding Circle Holdings Limited	-	-	**1.0**	0.4
Funding Circle CE GmbH	**0.1**	0.1	-	
Funding Circle Deutschland GmbH	-	-	-	-
Funding Circle Nederland BV	-	-	-	-
Funding Circle Espana SL	-	-	-	-
Funding Circle Global Partners Limited	-	-	-	-
Inter-company loans:				
Funding Circle Holdings Limited	-	-	**13.5**	13.5
Funding Circle Property Finance Limited	-	0.9	-	-
Funding Circle Trustee Limited	**2.1**	2.0	-	-
	2.7	3.6	**14.6**	13.9

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

26 Controlling party

The directors regard the Parent (FCHL) as the immediate and ultimate parent company of the Company. The Company does not have a single ultimate controlling party. FCHL prepares consolidated financial statements for the group which can be obtained from Companies House.

27 Post balance sheet events

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