FUNDING CIRCLE LTD

Annual Report and Financial Statements

For the Year Ended

31 December 2018

Registered number: 06968588

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 2018

The directors present their strategic report on Funding Circle Ltd (the "Company") for the year ended 31 December 2018. 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 SME 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 SME businesses who want to borrow. The platform also provides the opportunity for investors to trade existing loans. Further details on the Company's business model are provided on pages 10 to 23 of the 2018 Annual Report and Accounts of the ultimate parent undertaking Funding Circle Holdings plc (the "Group").

General Business Review

	Loans under Management			Originations			Revenue		
	2018	2017		**2018**	2017		**2018**	2017	
	£m	£m	Change	**£m**	£m	Change	**£m**	£m	Change
Total (excl. property)	**2,183**	1,489	47%	**1,525**	1,157	32%	**93.2**	65.3	43%
Property	**25**	95	(74%)	**6**	107	(94%)	**0.4**	3.1	(87%)
Total	**2,208**	1,584	39%	**1,531**	1,264	21%	**93.6**	68.4	37%

In 2017, Funding Circle took the decision to cease lending to property developers in the UK, the one market in which it had previously expanded its product set beyond amortising SME loans. As a result, this is excluded when measuring the ongoing business performance.

Loans under management (excluding property) grew by 47% to £2,183m and originations (excluding property) rose by 32% to £1,525m with nearly 40% of these originations from loans to existing customers. Together, this loan growth delivered revenue (excluding property) of £93.2m, with 49% generated from existing customers (2017: 45%). Revenue growth of 43% in excess of origination growth of 32% reflected higher transaction revenue yield and servicing revenue growth aligned to the change in loans under management.

The funding for the loans continued to come from a diversified range of sources comprising c.40% retail investors and the balance from institutions and supranational banks.

During the year, we also saw a £200m uptake of our new Innovative Finance ISA product and secured a number of funding deals, including a £1 billion funding commitment from Waterfall Asset Management. In addition, European government and supranational entities continued to play a valuable role supporting UK small businesses. The European Investment Fund and KfW, the German development bank, announced their investment in a securitisation of loans originated by Funding Circle in May.

In September, we were delighted to launch Captain Galactic on to people's screens with our new TV advertising campaign. The campaign is focused on helping those who want to go further with their business and we have enjoyed the positive reaction so far.

In 2018 we were also delighted to be named as the 16th Best UK Company to Work For in The Sunday Times' 2018 annual survey.

Strategic report for the year ended 31 December 2018 (continued)

Results

The results of the Company, as set out on page 11, show a loss for the year of £13.1m (2017: £0.5m). As at 31 December 2018, the Company had net assets of £17.6m (2017: £13.0m).

The Company continued with its objective of investing for growth in 2018, with a specific focus on investment in people and technology. The benefit of all the investment is demonstrated by the growth in revenue which increased by 37% from £68.4m to £93.6m. The Company is expected to continue to invest in growth in 2019.

Analysis of Key Performance Indicators

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

	2018	2017
	£m	£m
Revenue	**93.6**	68.4
Loss for the year	**(13.1)**	(0.5)
Net cash (outflow) / inflow from operating and investing activities	**(4.8)**	2.9

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.

Adoption of IFRS 16

From 1 January 2019, the Company will adopt the new leasing standard (IFRS 16) retrospectively. The impact will be to recognise a right to use asset and a lease liability. The adoption, when applied, will result in a favourable decrease to restated 2018 operating loss by £0.5m.

Strategic Priorities

At the start of 2018 the Group launched FC2020, its medium-term strategic plan of which the UK is an integral part. Its goal is to grow the Group's businesses so that they become an integral and important component of the financing of SMEs globally. It envisages a financial system where a significant proportion of SME funding needs are addressed by online lending platforms, such as Funding Circle. FC2020 is about how the Group and the UK achieve their exciting and inspiring long-term mission over the next few years.

The plan is based on four key pillars that focus on how we delight our customers:

1) Drive a better borrower experience;
2) Invest in modern data, technology and analytics;
3) Diversify funding sources; and
4) Build a highly scalable global business.

Delivering against this plan will lead to a step-change for our business. We have already made excellent progress against each of the pillars over the last 12 months and we will continue to invest in these areas.

Strategic report for the year ended 31 December 2018 (continued)

Principal Risks and Uncertainties

The principal risks and uncertainties that the Company faces include:

- Marketplace funding
- Economic environment
- Portfolio risk management
- Regulatory risk
- Reputation/brand risk
- Client detriment
- Information security
- Financial crime
- Technology risk and
- Client money risk

These risks and uncertainties are integrated with the principal risks and uncertainties of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 39 to 44 of the 2018 Annual Report and Accounts of the ultimate parent undertaking Funding Circle Holdings plc.

Brexit

We recognise the increasing economic uncertainty caused by Brexit and we remain vigilant and prepared for the possible outcomes. However, we continue to monitor macroeconomic indicators for any possible impact on UK SMEs. Whilst current business insolvencies remain low, we regularly stress test the loanbook to simulate what could happen to investor returns during difficult periods, for example during an economic downturn.

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 plc previously Funding Circle Holdings Limited ("FCH"), 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 FCH and have therefore continued to adopt the going concern basis in preparing financial statements.

On behalf of the Board

S Glithero
Director

3 April 2019

Report of the directors for the year ended 31 December 2018

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 2018. 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 Funding Circle Holdings plc in February 2010.

Directors

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

A D Learoyd
J Meekings
E Wray
M King
S Glithero

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.

Employees

The Directors recognise that the quality, commitment and motivation of staff are a key element in the success of the Company. Employees are able to share in this success through share options in the Parent Company and the Company encourages its employees to develop their skills through training and continued professional development.

It is the policy of the Company to provide employment on an equal basis irrespective of gender, sexual orientation, marital or civil partner status, gender reassignment, race, colour, nationality, ethnic or national origin, religion or belief, disability or age.

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Company gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Report of the directors for the year ended 31 December 2018 (continued)

Independent Auditors

PricewaterhouseCoopers LLP (the "Auditors") has confirmed its willingness to continue in 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.

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

S Glithero
Director
71 Queen Victoria Street,
London
EC4V 4AY

3 April 2019

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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for 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.

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 2018 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.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018; the Statement of comprehensive income for the year ended 31 December 2018; the statement of cash flows for the year ended 31 December 2018, the statement of changes in equity for the year ended 31 December 2018; 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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 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.

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

With respect to the Strategic Report and Report of the directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on 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 2018 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 Statements of directors' responsibilities in respect of the financial statements set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

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
3 April 2019

Statement of comprehensive income for the year ended 31 December 2018

	Note	2018	2017
		£m	£m
Revenue		93.6	68.4
Operating expenses	4	(108.0)	(69.5)
Operating loss		(14.4)	(1.1)
Finance income	6	0.2	0.1
Finance costs	7	(0.3)	(0.5)
Loss before taxation		(14.5)	(1.5)
Income tax	8	1.4	1.0
Loss for the year and total comprehensive loss		(13.1)	(0.5)
Loss and total comprehensive loss attributable to:			
Owners of the Parent		(13.1)	(0.5)

All amounts relate to continuing activities.

The notes on pages 15 to 49 form part of these financial statements.

Balance Sheet as at 31 December 2018

	Note	2018 £m	2017 £m
Non-current assets			
Intangible assets	9	**11.1**	9.0
Property, plant and equipment	10	**3.4**	3.4
Loans due from subsidiary undertakings	12	**2.1**	2.1
		16.6	14.5
Current assets			
Trade and other receivables	13	**12.2**	7.5
Cash and cash equivalents	21	**10.8**	14.1
		23.0	21.6
Total assets		**39.6**	36.1
Current liabilities			
Trade and other payables	14	**19.9**	9.2
		19.9	9.2
Non-current liabilities			
Provisions	15	**0.6**	0.4
Loan payable to Parent undertaking	16	**1.5**	13.5
		2.1	13.9
Total liabilities		**22.0**	23.1
Equity			
Share capital	17	**11.9**	11.9
Share premium account	17	**0.1**	0.1
Capital reserve	18	**70.5**	52.8
Accumulated losses	20	**(64.9)**	(51.8)
Total equity		**17.6**	13.0
Total equity and liabilities		**39.6**	36.1

The financial statements on pages 11 to 49 were approved by the Board and authorised for issue on 3 April 2019. They were signed on behalf of the Board by:

S Glithero

S Glithero
Director

Company registration number 06968588

The notes on pages 15 to 49 form part of these financial statements.

Statement of changes in equity for the year ended 31 December 2018

	Note	Share capital £m	Capital Reserve £m	Share premium £m	Accumulated losses £m	Total equity £m
Balance at 1 January 2017		**11.9**	**49.3**	**0.1**	**(51.3)**	**10.0**
Loss and total comprehensive loss for the year	20	-	-	-	(0.5)	(0.5)
Employee share schemes – value of employee services	19	-	3.5	-	-	3.5
Balance at 31 December 2017		**11.9**	**52.8**	**0.1**	**(51.8)**	**13.0**
Loss and total comprehensive loss for the year	20	-	-	-	(13.1)	(13.1)
Capital contribution	18	-	14.6	-	-	14.6
Employee share schemes – value of employee services	19	-	3.1	-	-	3.1
Balance at 31 December 2018		**11.9**	**70.5**	**0.1**	**(64.9)**	**17.6**

The notes on pages 15 to 49 form part of these financial statements.

Statement of cash flows for the year ended 31 December 2018

	Note	2018		2017	
		£m	£m	£m	£m
Net cash generated from operating activities	21		**1.6**		9.4
Investing activities					
Purchase of intangible assets	9	**(5.6)**		(6.1)	
Purchase of property, plant and equipment	10	**(0.9)**		(0.5)	
Interest received	6	**0.1**		0.1	
Net cash outflow from investing activities			**(6.4)**		(6.5)
Net cash (outflow) / inflow from operating and investing activities			**(4.8)**		2.9
Financing activities					
Funding from subsidiary undertaking		**-**		0.9	
Net funding from parent undertaking	16	**1.5**		-	
Net cash inflow from financing activities			**1.5**		0.9
Net (decrease) / increase in cash and cash equivalents			**(3.3)**		3.8
Cash and cash equivalents at the beginning of the year			**14.1**		10.3
Cash and cash equivalents at the end of the year			**10.8**		14.1

The notes on pages 15 to 49 form part of these financial statements.

Notes forming part of the financial statements for the year ended 31 December 2018

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 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 total comprehensive loss of £13.1m during the year ended 31 December 2018 (2017: loss of £0.5m), as a result of significant ongoing investment in staff, technology and marketing, which is expected to continue in 2019.

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 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.

The financial statements have been prepared on a going concern basis, applying a historical cost convention except for certain financial instruments that are carried at fair value.

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

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 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 2018 adopted by the Company*

The Company has adopted the following new and amended IFRSs from 1 January 2018 prospectively in the financial statements. There has not been a material impact to the Company when adopting these new and amended IFRSs:

STANDARD / INTERPRETATION	CONTENT	APPLICABLE FOR FINANCIAL YEARS BEGINNING ON/AFTER
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018

IFRS 9 Financial instruments

The Company adopted IFRS 9 Financial Instruments as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in the accounting policies and certain disclosures in the financial statements. The Company did not early adopt any of IFRS 9 in previous periods and as permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures.

There have been no adjustments to the carrying value of financial assets and liabilities at the date of transition that have been recognised in the opening retained earnings.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Company.

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

IFRS 9 Financial instruments (continued)

Classification and measurement of financials instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

1 January 2018	IAS 39		IFRS 9	
	Measurement category	Carrying amount £m	Measurement category	Carrying amount £m
Financial assets				
Trade and other receivables	Amortised cost (loans and receivables)	7.5	Amortised cost	7.5
Cash and cash equivalents	Amortised cost (loans and receivables)	14.1	Amortised cost	14.1
Loans due from subsidiary undertakings	Amortised cost (loans and receivables)	2.1	Amortised cost	2.1

	Measurement category	Carrying amount £m	Measurement category	Carrying amount £m
Financial liabilities				
Trade and other payables	Amortised cost	9.2	Amortised cost	9.2
Provisions	Amortised cost	0.4	Amortised cost	0.4
Loan payable to parent undertaking	Amortised cost	13.5	Amortised cost	13.5

As shown in the table above, trade and other receivables, cash and cash equivalents and loans due from subsidiary undertakings were shown under IAS 39 as 'loans and receivables'. Under IFRS 9 these are now categorised as 'amortised cost'.

The categorisation of all financial liabilities recognised on the balance sheet has remained the same between IAS 39 and IFRS 9.

The amounts expected to be recovered or settled for assets and liabilities in the financial statements are due no more than 12 months after the reporting period unless specifically stated.

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

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.

IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with Customers:

1) identify the contract with the Customer;

2) identify the performance obligations in the contract, introducing the new concept of "distinct";

3) determine the transaction price;

4) allocate the transaction price to the performance obligations in the contracts, on a relative stand-alone selling price basis; and

5) recognise revenue when (or as) the entity satisfies its performance obligation.

IFRS 15 also introduces new guidance on, amongst other areas, combining contracts, discounts, variable consideration and contract modifications. It requires that certain costs incurred in obtaining and fulfilling customer contracts be deferred on the balance sheet and amortised over the period an entity expects to benefit from the customer relationship.

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 has not resulted in any impact to revenue in the Company's consolidated financial statements. Transaction fees, servicing fees and other revenue are recognised when the Company satisfies the respective performance obligations which remains consistent with the treatment of these revenue streams prior to IFRS 15 (refer to revenue recognition policy).

b) *New standards, amendments and interpretations issued but not effective for the financial period beginning 1 January 2018 and not early adopted*

The following standards and interpretations were issued by the IASB and IFRS IC but have not been adopted because they are not yet mandatory and the Company has not chosen to early adopt.

Standard / interpretation	**Content**	**Applicable for financial years beginning on/after**
IFRS 16	Leases	1 January 2019

Notes forming part of the financial statements for the year ended 31 December 2018 (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 Statement of comprehensive income, and will also impact the classification of associated cash flows.

The Company intends to apply the full retrospective approach in the application of IFRS 16 on the transition date.

Total costs incurred remain unchanged over the life of the lease but the timing of when those costs are recognised within the Statement of comprehensive income will be impacted. Based on analysis of lease commitments held by the Company at 31 December 2018, and using estimated discount rates, the net impact on profit is expected to be immaterial to the Company. This does not impact the timing of Company's cash flows.

Below is a summary of the impact of the new standard on the Balance Sheet and Statement of comprehensive income for the year ended 31 December 2018:

Balance Sheet	Prior to implementation of IFRS 16	Impact of IFRS 16	Post implementation of IFRS 16
	£m	£m	£m
Total assets	39.6	14.1	53.7
Total liabilities	(22.0)	(15.1)	(37.1)
Total equity	17.6	(1.0)	16.6

Statement of comprehensive income	Prior to implementation of IFRS 16	Impact of IFRS 16	Post implementation of IFRS 16
	£m	£m	£m
Operating loss	(14.4)	0.5	(13.9)
Finance income	0.2	-	0.2
Finance costs	(0.3)	(0.7)	(1.0)
Loss before tax	(14.5)	(0.2)	(14.7)

The impact from the implementation of IFRS 16 would result in a decrease in the Company's operating loss by £0.5m.

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

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.

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 accruals basis within 'Interest income' in the Statement of comprehensive income.

Administrative 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.

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

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 Statement of comprehensive income 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 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 Statement of comprehensive income, 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.

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

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 Statement of comprehensive income 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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate, based on amounts expected to be paid to the tax authorities.

Deferred tax assets for unused tax losses, tax credits and deductible temporary are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction 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.

Dividends

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

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Intangible assets

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. Useful lives and amortisation methods are reviewed at the end of each annual reporting period, or more frequently when there is an indication that the intangible asset may be impaired, with the effect of any changes accounted for on a prospective basis. Amortisation commences when the intangible asset is available for use. The residual value of intangible assets is assumed to be zero.

Computer Software Licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the licence period.

Capitalised Development Costs

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.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use over their estimated useful lives, ranging from three to five years. Items that are amortised over a longer period relate 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:

Computer equipment	1-3 years
Furniture and fixtures	3-5 years

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

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Impairment of tangible and intangible assets

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.

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.

Financial instruments

Financial assets

The Company determines the classification of its financial assets at initial recognition. From 1 January 2018 the requirements of IFRS 9 for classification and subsequent measurement have been applied which require financial assets to be classified based on the Company's business model for managing the asset, and the contractual cash flow characteristics of the asset:

- Financial assets are measured at amortised cost if they are held within a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.
- Financial assets are measured at fair value through profit or loss if they are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest.
- Financial assets that do not meet the criteria to be amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. In addition, the Company may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company does not recognise on its balance sheet loans arranged between borrowers and investors as it is not a principal party to the contracts and is not exposed to the risks and rewards of these loans.

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Financial instruments (continued)

Other financial assets

Financial assets recognised in the balance sheet as trade and other receivables are classified as loans and receivables (from 1 January 2018: amortised cost). They are recognised at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents are also classified as loans and receivables (from 1 January 2018: amortised cost). 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.

Impairment of financial assets

For periods before the year ended 31 December 2018 the Company applied the impairment requirements of IAS 39.

Under the requirements of IAS 39 at each reporting date, the Company assesses 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.

This evidence may include observable data indicating that there is an adverse change in the payment status of debtors, or national or economic conditions that correlate with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling in future cash flows. The methodology and assumptions used for estimating both the amount and timings of future cash flows are reviewed regularly to reduce any variances between loss estimates and actual loss experience.

From 1 January 2018 the Company applied the impairment requirements of IFRS 9. The IFRS 9 impairment model introduces a three-stage approach:

- Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses (that is, expected losses arising from the risk of default in the next 12 months) are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance).

- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but are not credit-impaired. For these assets, lifetime ECL (that is, expected losses arising from the risk of default over the life of the financial instrument) are recognised, and interest revenue is still calculated on the gross carrying amount of the asset.

- Stage 3 consists of financial assets that are credit-impaired, which is when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. For these assets, lifetime ECL are also recognised, but interest revenue is calculated on the net carrying amount (that is, net of the ECL allowance).

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

The introduction of the 'expected credit loss' model has not significantly impacted the Company's accounting as it does not have any complex financial instruments or material credit risks. The Company uses its historical experience, external indicators and forward-looking information to calculate expected credit losses.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the financial assets expire or the Company has either transferred the contractual right to receive the cash flows from that asset, or has assumed an obligation to pay those cash flows to one or more recipients.

The Company derecognises a transferred financial assets if it transfers substantially all the risks and rewards of ownership.

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

Ordinary shares are classified as equity where their term include no contractual obligation to transfer cash or other financial asset to another entity.

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

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).

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 2018:

31 December 2018	Carried at amortised cost – Asset/(liabilities)	
	Carrying amount	**Fair value**
	£m	**£m**
Assets		
Loans due from related undertakings	2.1	2.1
Trade and other receivables	12.2	12.2
Cash and cash equivalents	10.8	10.8
	25.1	25.1
Liabilities		
Trade and other payables	(19.9)	(19.9)
Provisions	(0.6)	(0.6)
Loan payable to parent undertaking	(1.5)	(1.5)
	(22.0)	(22.0)

Notes forming part of the financial statements for the year ended 31 December 2018 (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 2017:

31 December 2017	Carried at amortised cost – Asset/(liabilities)	
	Carrying amount	Fair value
Assets	£m	£m
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		
Trade and other payables	(9.2)	(9.2)
Provisions	(0.4)	(0.4)
Loan payable to parent undertaking	(13.5)	(13.5)
	(23.1)	(23.1)

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 each of the above financial instruments approximates to their fair value.

Financial instruments measured at fair value

IFRS 13 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 2018 (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:-

	2018 £m	2017 £m
Trade and other receivables		
- Trade debtors	**0.4**	0.6
- Other debtors	**2.7**	0.7
- Prepayments	**3.9**	2.1
- Accrued income	**1.1**	0.9
- Rent deposit	**2.5**	2.5
- Receivables from related undertakings	**1.6**	0.7
Loans due from related undertakings	**2.1**	2.1
Cash and cash equivalents	**10.8**	14.1

Trade receivables represent invoiced amount in respect of servicing fees due from institutional investors. The risk of financial loss is deemed minimal because the counterparties are well established financial institutions.

Ongoing credit evaluation is performed on the financial condition of other receivable and, where appropriate, a provision for impairment is recorded in the financial statements.

Individual risk limits for banks and financial institutions are set by external rating agencies. The credit risk on cash and cash equivalents is managed under the Group's treasury policy that stipulates the limits and quantities that the Group must remain within. No credit or counter party limits were exceeded during the year.

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 2018 (continued)

2 Financial risk management (continued)

Financial risk factors (continued)

Liquidity risk (continued)

The maturity analysis of financial instruments at 31 December 2018 and 31 December 2017 is as follows:

At 31 December 2018	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years
	£m	£m	£m	£m
Financial assets				
Trade and other receivables	7.5	3.1	-	-
Amounts due from related undertakings	-	1.6	2.1	-
Cash and cash equivalents	10.8	-	-	-
	18.3	4.7	2.1	-
Financial liabilities				
Trade and other payables	(4.2)	(9.2)	-	-
Provisions	-	-	(0.6)	-
Amounts due to related undertakings	-	(6.5)	(1.5)	-
	(4.2)	(15.7)	(2.1)	-

At 31 December 2017	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years
	£m	£m	£m	£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)	-

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 2018 (continued)

2 Financial risk management (continued)

Financial risk factors (continued)

Market risk (continued)

(b) Cash flow and fair value interest rate risk

The Company's interest rate risk is associated with cash and cash equivalents and intragroup 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. Quantitative detail is shown in the statement of changes in equity.

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 KPIs at both the Company and the Parent level on a monthly basis. As part of the budgetary process, targets are set with respect to operating expenses in order to effectively manage the activities of the Company. Performance is reviewed on a regular basis and appropriate actions are taken as required. These internal measures indicate the performance of the business against budget/forecast and to confirm that the Company has adequate resources to meet its working capital requirements.

There are no current key assumptions or sources of estimation that may result in a material adjustment in future periods.

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 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 2018 (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 key sources of estimation uncertainty that the Directors have made in the process of applying the Company's accounting policies and have the most significant effect on the amounts recognised in the financial statements. There are no further critical accounting judgements.

Useful life of intangible assets

The assessment of the useful economic life of the Company'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 Company 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. A one year decrease in useful economic life would increase amortisation by c£0.9m.

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

4 Operating expenses

	2018 £m	2017 £m
Expenses by nature		
Depreciation	**1.1**	1.0
Amortisation	**3.5**	2.4
Impairment of intangible assets	**-**	0.5
Rental income	**(0.3)**	(0.9)
Operating lease rentals		
- Other assets	**0.1**	0.2
- Land and buildings	**2.8**	2.7
Other premises costs	**2.3**	1.8
Employment costs (including directors' emoluments)	**42.0**	26.5
Marketing costs	**37.7**	25.2
Auditors' remuneration for audit services (including expenses)	**0.1**	0.2
Audit-related assurance services	**0.1**	0.1
Other expenses	**18.6**	9.8
	108.0	69.5

5 Employment costs and employees

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

	2018 £m	2017 £m
Wages and salaries	**33.8**	24.1
National insurance costs	**4.0**	2.9
Pension costs	**0.5**	0.2
Share based payments	**5.1**	3.5
Total employee benefit expense	**43.4**	30.7
Contractors costs	**3.9**	1.5
Less: Capitalised development costs	**(5.3)**	(5.7)
	42.0	26.5

Share based payments above includes the associated social security costs of £2.0m (2017: £nil).

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

5 Employment costs and employees (continued)

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

	2018 Number	2017 Number
Product & technology	131	97
Operations, support and administrative	388	289
	519	386

In addition to the employees above, the average monthly number of contractors during the year was 33 (2017: 15).

Remuneration of key management personnel

	2018 £m	2017 £m
Wages and salaries	**0.5**	0.6

The Directors are also the key management personnel of the Company. The aggregated emoluments for the highest paid director inclusive of employers national insurance contributions was £0.3m (2017: £0.2m).

From 3 October 2018, following the IPO of the Parent Company, the directors who holds common directorship with the Parent Company are paid from the Parent. Further details on Directors' remuneration is shown in the Report of Directors' Remuneration in the Governance section of the parent company's Annual Report and Accounts.

6 Finance income

	2018 £m	2017 £m
Interest on bank deposits	**0.1**	-
Interest on long-term loan facility to subsidiary undertaking	**0.1**	0.1
	0.2	0.1

7 Finance costs

	2018 £m	2017 £m
Interest on long-term loan facility from parent undertaking	**0.3**	0.5
	0.3	0.5

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

8 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 19.00% (2017: 19.25%).

	2018	2017
	£m	£m
UK income tax		
Research and development tax credit	**(1.4)**	(1.0)
Total current tax	**(1.4)**	(1.0)
Total tax credit	**(1.4)**	(1.0)

The Company's tax charge for the year can be reconciled to the loss before tax shown per the Statement of comprehensive income as follows:

Factors affecting the tax charge for the year:

	2018	2017
	£m	£m
Loss before tax	**(14.5)**	(1.5)
Taxation on loss before tax at 19.00% (2017: 19.25%)	**(2.8)**	(0.3)
Effects of:		
Research and development tax credit	**(1.4)**	(1.0)
Non-deductible expenses	**0.2**	0.2
Transfer pricing adjustments	**(0.1)**	(0.1)
Temporary differences not recognised	**2.7**	0.2
Tax credit for the year	**(1.4)**	(1.0)

The statutory UK corporation tax rate is currently 19%, effective from 1 April 2017 (reduced from 20% previously). Note, this rate will be further reduced in future periods to 17% (effective from 1 April 2020 which was substantively enacted on 6 December 2016). Deferred tax has been determined using the applicable effective future tax rate that will apply in the expected period of utilisation of the deferred tax asset or liability.

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

8 Income tax (continued)

Recognition of deferred tax assets and liabilities

The tables below show the movement on deferred tax assets and liabilities unrecognised during the year and the makeup of opening and closing deferred tax assets and liabilities

	31 December 2018 £m	31 December 2017 £m
Property, plant and equipment	**(0.1)**	(0.1)
Carry forward losses	**7.3**	5.6
Unrecognised deferred tax asset at 31 December	**7.2**	5.5

The Company has unrelieved tax losses of £7.3m (2017: £5.6m) in respect of trading losses that are available for offset against future taxable profits. The Company has not recognised a deferred tax asset in respect of these losses as there is no sufficient visibility of suitable profits being generated to utilised these losses.

Factors affecting the tax charge in future years

Factors that may affect the Company's future tax charge include the geographic location of the Company's earnings, the tax rates in those locations, changes in tax legislation and the use of brought forward tax losses. The calculation of the Company's total tax charge involves a degree of estimation and judgement with respect to the recognition of any deferred tax asset.

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

9 Intangible assets

	Capitalised development costs	Computer software	Total
	£m	£m	£m
Cost			
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**
At 1 January 2018	13.0	0.6	**13.6**
Additions	5.3	0.3	**5.6**
Reclassification	(0.1)	0.1	**-**
Disposals	(0.3)	-	**(0.3)**
At 31 December 2018	17.9	1.0	**18.9**
Accumulated Amortisation			
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**
At 1 January 2018	4.4	0.2	**4.6**
Charge for the year	3.3	0.2	**3.5**
Reclassification	(0.1)	0.1	**-**
Disposals	(0.3)	-	**(0.3)**
At 31 December 2018	7.3	0.5	**7.8**
Carrying amount			
At 31 December 2018	10.6	0.5	**11.1**
At 31 December 2017	8.6	0.4	**9.0**

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

10 Property, plant and equipment

	Leasehold improvements	Computer equipment	Furniture and fixtures	Total
	£m	£m	£m	£m
Cost				
At 1 January 2017	3.3	1.3	1.0	**5.6**
Additions	0.1	0.4	-	**0.5**
At 31 December 2017	3.4	1.7	1.0	**6.1**
At 1 January 2018	3.4	1.7	1.0	**6.1**
Additions	0.4	0.6	0.1	**1.1**
At 31 December 2018	3.8	2.3	1.1	**7.2**
Accumulated depreciation				
At 1 January 2017	0.4	0.8	0.5	**1.7**
Charge for the year	0.4	0.4	0.2	**1.0**
At 31 December 2017	0.8	1.2	0.7	**2.7**
At 1 January 2018	0.8	1.2	0.7	**2.7**
Charge for the year	0.5	0.5	0.1	**1.1**
At 31 December 2018	1.3	1.7	0.8	**3.8**
Carrying amount				
At 31 December 2018	2.5	0.6	0.3	**3.4**
At 31 December 2017	2.6	0.5	0.3	**3.4**

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

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

11 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	Profit / (Loss)	Interest held
		£	£	£	%
Funding Circle Trustee Limited	England & Wales	(1,738,595)	-	358,195	100
Funding Circle Property Finance Limited	England & Wales	(81,342)	-	(11,963)	100
Funding Circle Asset Finance Limited	England & Wales	(5,348)	-	(2,843)	100
Made To Do More Limited	England & Wales	-	-	-	100

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

12 Loans due from subsidiary undertakings

	2018	2017
	£m	£m
Funding Circle Trustee Limited	**2.1**	2.1
	2.1	2.1

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.

At the year-end, FCTL have drawn down £1.9m excluding interest (2017: £1.9m). Total interest income of £0.1m (2017: £0.1m) in relation to FCTL funding has been recognised in the Statement of comprehensive income. The carrying amount of these loans approximates to its fair value.

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

13 Trade and other receivables

	2018	2017
	£m	£m
Trade receivables	0.4	0.6
Other receivables	2.7	0.7
Prepayments	3.9	2.1
Accrued income	1.1	0.9
Rent deposit	2.5	2.5
Receivables from related undertakings	1.6	0.7
	12.2	7.5

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

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

The rental deposits are in respect of the Company's property leases which expire over the next five years.

No trade receivables were overdue or impaired.

14 Trade and other payables

	2018	2017
	£m	£m
Trade payables	1.2	1.4
Taxes and social security costs	3.4	1.2
Other creditors	0.4	0.5
Accruals and deferred income	8.4	5.0
Payables to related undertakings	6.5	1.1
	19.9	9.2

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 2018 (continued)

15 Provisions

	Dilapidation
	£m
At 1 January 2017	**0.4**
Additional provision	-
At 31 December 2017	**0.4**
Additional provision	**0.2**
At 31 December 2018	**0.6**

The dilapidation provision represents an estimated cost for dismantling the customisation of offices and restoring the leasehold premises to its original state at the end of the tenancy period. The provision is expected to be utilised by 2025.

16 Loan payable 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.

During the year, the Company has settled certain amounts due under the intercompany loan obligations cumulative of interest of £14.6m (2017: £nil) with Funding Circle Holdings plc. This was achieved through a capital contribution from Funding Circle Holdings plc and therefore there were no cash flows.

In the same period, the Company has drawn down £1.5m (2017: £nil) of additional funding under the above facility agreement. Total interest costs of £0.3m (2017: £0.5m) has been recognised in the Company Statement of comprehensive income. The carrying amount of this loan approximates to its fair value.

17 Share capital and share premium account

Share capital	**2018**	**2017**
	£m	**£m**
Authorised		
Ordinary shares of £1 each:	**Unlimited**	Unlimited
Called up, allotted and fully paid		
Ordinary shares of £1 each: 11,931,089 (2017: 11,931,089) issued	**11.9**	11.9

Share premium	**2018**	**2017**
	£m	**£m**
Balance at 1 January and 31 December	**0.1**	0.1

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

18 Capital reserve

	2018	2017
	£m	£m
Balance at 1 January	**52.8**	49.3
Capital contribution	**14.6**	-
Employee share schemes – value of employee services	**3.1**	3.5
Balance at 31 December	**70.5**	52.8

The Parent remains the sole shareholder of the Company.

During the financial year the company received funding of £14.6m (2017: £nil) from the Parent to meet its working capital requirements.

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 £3.1m (2017: £3.5m) from the Parent.

19 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:

Participants who hold vested Pre-IPO Options may exercise their Pre-IPO Options following the Parent's - Funding Circle Holdings plc's (FCH) - listing on the London Stock Exchange. Unvested Pre-IPO Options will continue to vest according to their current Service Condition schedule.

Post-IPO Employee Share Plan

Since FCH's Admission on the London Stock Exchange, the Parent company operates a single discretionary share-based long-term incentive plan (the "LTIP"). The main features of LTIP are set out below.

Form of LTIP awards

The Board grants awards in the form of options to acquire shares at no cost (a nil-cost option).

Performance conditions

LTIP Awards are not currently subject to performance conditions. The vesting of LTIP awards granted in the future to Executive Directors, which includes a director of the Company, will be subject to performance conditions. Refer to the Remuneration Report in the Group's Annual report and Accounts for further details.

Vesting and release of LTIP Awards

LTIP Awards currently vest subject to continued service only ("Time Based Vesting") in accordance with a vesting schedule set at grant.

Cessation of employment

LTIP Options may normally be exercised to the extent vested for a period of six months after ceasing employment or twelve months after death (or such other period as the Group Board may determine).

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

19 Share-based payment (continued)

Pre-IPO Employee Share Plans

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.

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. ESS shares have not been available for issue since 1 December 2017.

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.

All share-based incentives are subject to service conditions. Such conditions are not taken into account in the fair value of the service received. The fair value of services received in return for share-based incentives is measured by reference to the fair value of share-based incentives granted. The estimate of the fair value of the share-based

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

19 Share-based payment (continued)

Pre-IPO Employee Share Plans (continued)

Growth Shares with 'shadow' Unapproved Options (continued)

incentives is measured using either the Monte Carlo or Black-Scholes pricing model as is most appropriate for each scheme.

Charge for the period

Included in operating expenses is a charge for share-based payments and associated social security costs of £5.1m (2017: £3.5m) that arises from transactions accounted for as equity-settled share-based payment transactions.

Movement in the share plans

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

	EMI Options		Unapproved Options		ESS & Growth Shares		Total	
	Number and WAEP[1]		Number and WAEP		Number and WAEP		Number and WAEP	
	Number	£	Number	£	Number	£	Number	£
Outstanding at 1 January 2017	**3,648,537**	**0.027**	**3,217,029**	**0.240**	**8,378,475**	**0.321**	**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**	**13,420,528**	**0.351**	**21,413,367**	**0.290**

	EMI Options		Unapproved Options		ESS and Growth Shares		LTIP Awards		Total	
	Number and WAEP		Number and WAEP		Number and WAEP		Number and WAEP		Number and WAEP	
	Number	£	Number	£	Number	£	Number	£	Number	£
Outstanding at 1 January 2018	**3,239,750**	**0.027**	**4,753,089**	**0.296**	**13,420,528**	**0.351**	-	-	**21,413,367**	**0.290**
Granted during the period	-	-	4,379,192	0.319	-	-	854,875	-	**5,234,067**	**0.267**
Exercised during the period	(2,605,831)	0.027	(1,327,358)	0.326	-	-	-	-	**(3,933,189)**	**0.128**
Forfeited during the period	(3,007)	0.027	(298,098)	0.436	(28,125)	0.390	-	-	**(329,230)**	**0.429**
Converted on IPO	-	-	-	-	(13,392,403)	0.351	-	-	**(13,392,403)**	**0.351**
Outstanding at 31 December 2018	**630,912**	**0.027**	**7,506,825**	**0.299**	-	-	**854,875**	-	**8,992,612**	**0.251**

1. Weighted average exercise price

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

19 Share-based payment (continued)

Movement in the share plans (continued)

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 2018:

Range of exercise prices	EMI Options Number and WARCL[2] Number	EMI Options Years	Unapproved Options Number and WARCL Number	Unapproved Options Years	LTIP Awards Number and WARCL Number	LTIP Awards Years	Total Number and WARCL Number	Total Years
£0 - £0.008	-	-	2,721,850	9.5	854,875	9.8	3,576,725	9.6
£0.009 - £0.176	630,912	4.7	809,483	3.1	-	-	1,440,395	3.8
£0.177 - £0.471	-	-	3,527,522	9.0	-	-	3,527,522	9.0
£0.472- £1.75	-	-	447,970	9.5	-	-	447,970	9.5
	630,912	**4.7**	**7,506,825**	**8.5**	**854,875**	**9.8**	**8,992,612**	**8.4**

The following table summarises information about the share awards outstanding at 31 December 2017:

Range of exercise prices	EMI Options Number and WARCL[2] Number	EMI Options Years	Unapproved Options Number and WARCL Number	Unapproved Options Years	ESS and Growth Shares Number and WARCL Number	ESS and Growth Shares Years	Total Number and WARCL Number	Total Years
£0 - £0.008	-	-	-	-	9,228,475	7.8	9,228,475	7.8
£0.009 - £0.093	3,239,750	5.0	571,400	3.6	4,192,053	9.6	8,003,203	7.3
£0.094 - £0.279	-	-	185,685	7.1	-	-	185,685	7.1
£0.280 - £0.610	-	-	3,996,004	8.8	-	-	3,996,004	8.8
	3,239,750	**5.0**	**4,753,089**	**8.1**	**13,420,528**	**8.4**	**21,413,367**	**7.8**

2. Weighted average remaining contractual life

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

19 Share-based payment (continued)

Unapproved Options Scheme

The weighted average fair values of options granted under the Unapproved Options Scheme were £0.73 (2017: £0.23) per option respectively. These values were determined using the Black-Scholes valuation model. The significant inputs into the model are as follows:

	2018	**2017**
Share price (various times during the year)	**£1.89**	£0.52 and £0.55
Exercise price at / (between)	**£nil - £0.44**	£0.40
Expected life	**4 years**	4 years
Expected volatility	**48%**	45%
Risk-free interest rate (between)	**0.93% and 1.02%**	0.28% and 0.68%
Dividend yield	**Nil**	Nil

LTIP Awards

Since all LTIP awards were made post IPO, the Parent company has used its share price as the fair value of the LTIP awards granted during the year.

ESS Shares and Growth Shares with 'shadow' Unapproved Options

There were no ESS shares and Growth share with 'shadow' Unapproved options granted during the period. The IPO valuation exceeded the valuation thresholds pertaining to in issue ESS shares and Growth Shares and therefore, immediately prior to the IPO, the ESS shares and Growth shares were converted into ordinary shares of FCH as part of re-organisation and the attached shadow options were lapsed.

In determining the fair value of such shadow options granted in the prior period, the Monte Carlo simulation model was used with the following inputs:

ESS Shares and Growth Shares

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

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

20 Accumulated losses

	£m
Balance at 1 January 2017	(51.3)
Loss and total comprehensive loss for the year	(0.5)
Balance at 31 December 2017	**(51.8)**
Loss and total comprehensive loss for the year	(13.1)
Balance as at 31 December 2018	**(64.9)**

21 Notes to the cash flow statement

Cash generated from operations

	2018 £m	2017 £m
Loss before tax for the year	**(14.5)**	(1.5)
Adjustments for:		
Depreciation of property, plant and equipment	**1.1**	1.0
Amortisation of intangible assets	**3.5**	2.4
Impairment of intangible assets	**-**	0.5
Non-cash employee benefits expense – share based payments and associated social security costs	**4.8**	3.5
Finance income	**(0.2)**	(0.1)
Finance costs	**0.3**	0.5
Tax credit received	**1.4**	1.0
Changes in working capital:		
Movement in trade and other receivables	**(4.7)**	(1.8)
Movement in trade and other payables	**9.9**	3.9
Net cash generated from operations	**1.6**	9.4

Cash and cash equivalents

	31 December 2018 £m	31 December 2017 £m
Cash and bank balances	**10.8**	14.1

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.

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

21 Notes to the cash flow statement (continued)

Analysis of changes in net funds

	1 January 2018	Cash flow	31 December 2018
	£m	£m	£m
Cash and bank balances	14.1	(3.3)	**10.8**

22 Operating lease arrangements

	2018	2017
	£m	£m
Lease payments under operating leases recognised as an expense in the year	**2.9**	2.9
Balance at 31 December	**2.9**	2.9

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:

	2018	2017
	£m	£m
Within one year	**3.4**	2.8
In the second to fifth year inclusive	**14.2**	11.2
After five years	**3.5**	6.3
Balance at 31 December	**21.1**	20.3

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

23 Dividends per share

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

24 Related party transactions

During the year, the Company entered into, and successfully won, a competition run by Nesta, a charitable organisation, with a prize of £100,000 to develop a finance modelling template that can be used by small businesses. Edward Wray is currently a trustee of Nesta.

During the year, the Company received funds from the Parent to the value of £1.5m (2017: £nil) under the facility agreement. Total interest charges of £0.3m (2017: £0.5m) have been recognised in the Statement of comprehensive income on drawdowns under the facility agreement (see note 16).

The Company also made payments for an amounts of £1.1m (2017: received payments of £0.1m) to third parties on behalf of the Parent.

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

24 Related party transactions (continued)

During the year, the Company has recognised total costs of £5.7m (2017: £nil) under the cooperation agreement with Funding Circle USA (an affiliate company owned by the Parent). In the same period, the Company made payments of £nil (2017: £0.1m) to third parties on behalf of Funding Circle USA and received payments of £0.6m (2017: £0.3m) made by the affiliate to third parties on behalf of the Company. The Company also made payments of £0.1m (2017: £0.2m) and received payments of £nil (2017: £0.1m) in settlement of the intercompany balance with affiliate during the year.

During the year, the Company has recognised the total interest income of £0.1m (2017: £0.1m) in respect of balances owing under the facility agreements with FCTL (see note 12).

During the year, the Company paid expenses for an amounts of £0.5m (2017: £0.1m) on behalf of Funding Circle CE GmbH. The Company also received payments of £0.4m (2017: £0.1m) 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**	
	2018	**2017**	**2018**	**2017**
	£m	**£m**	**£m**	**£m**
Short-term payables/receivables:				
Funding Circle Trustee Limited	**0.4**	0.4	-	-
Funding Circle Property Finance Limited	**0.2**	0.2	-	-
Funding Circle USA Inc	-	-	**6.3**	0.1
Funding Circle Holding plc	**0.8**	-	-	1.0
Funding Circle CE GmbH	**0.2**	0.1	-	-
Funding Circle Global Partners Limited	-	-	**0.2**	-
Inter-company loans:				
Funding Circle Holding plc	-	-	**1.5**	13.5
Funding Circle Trustee Limited	**2.1**	2.1	-	-
	3.7	2.8	**8.0**	14.6

25 Controlling party

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

26 Post balance sheet events

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