

Company Registration No. 06968588

Funding Circle Limited

Report and Financial Statements

31 December 2012



Funding Circle Limited

Report and financial statements 2012

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Funding Circle Limited

Officers and professional advisors

Directors

S Desai
A D Learoyd
J Meekings
N Rimer
E Wray

Secretary

J Meekings (effective until 16 May 2012)
Ovalsec Limited (effective from 16 May 2012)

Registered Office

99 Southwark Street (effective until 05 November 2012)
London
SE1 0JF
United Kingdom

3 Dorset Rise (effective from 05 November 2012)
London
EC4Y 8EN

Auditor

Deloitte LLP
Hill House
11 Little New Street
London
EC4A 3LR
United Kingdom

Funding Circle Limited

Directors' Report

The directors present their report together with the financial statements for Funding Circle Limited (the "Company") for the year ended 31 December 2012. The Company was incorporated on 21 July 2009. It commenced developing a website to facilitate the raising of finance for businesses in January 2010. The website became operational in August 2010. The Company became a wholly-owned subsidiary of Funding Circle Holdings Limited in February 2010.

This Directors' Report has been prepared in accordance with the special provisions relating to small companies under s418 of the Companies Act 2006.

Principal activities

The principal activity of the Company is to facilitate the raising of finance for businesses through a website.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

Directors

The directors who served during the year and as at the date of this report were:

S Desai
A D Learoyd
J Meekings
N Rimer
C Wray

Auditor

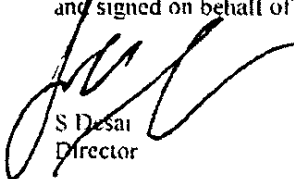
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Deloitte LLP have expressed their willingness to accept the appointment as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



S Desai
Director

31 July 2013

Funding Circle Limited

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent auditor's report to the members of Funding Circle Limited

We have audited the financial statements of Funding Circle Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

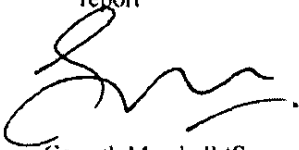
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Funding Circle Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns or
- certain disclosures of directors' remuneration specified by law are not made or
- we have not received all the information and explanations we require for our audit
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report



Garrath Marshall (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

31 July 2013

Funding Circle Limited

Profit and loss account Year ended 31 December 2012

| | Notes | 2012 £ | 2011 £ |
|---------------------------------------------|-------|--------------------|--------------------|
| Turnover | 2 | 1,925,845 | 505,594 |
| Cost of sales | | (440,098) | (87,772) |
| Gross profit | | 1,485,747 | 417,822 |
| Administrative expenses | | (5,543,097) | (1,560,806) |
| Operating loss | 3 | (4,057,350) | (1,142,984) |
| Interest receivable and similar income | | 34,152 | 1,375 |
| Loss on ordinary activities before taxation | | (4,023,198) | (1,141,609) |
| Tax credit on loss on ordinary activities | 6 | 187,868 | - |
| Loss for the year | 13 | <u>(3,835,330)</u> | <u>(1,141,609)</u> |

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains or losses other than those passing through the profit and loss account in the current or prior year and as such, no statement of recognised gains and losses has been presented

The notes on pages 8-16 constitute an integral part of the financial statements

Funding Circle Limited

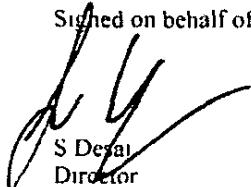
Balance sheet As at 31 December 2012

| | Notes | 2012 £ | 2011 £ |
|-------------------------------------------------------------|-------|--------------------|--------------------|
| Fixed assets | | | |
| Tangible assets | 7 | 335,498 | 32,946 |
| Investments | 8 | 2 | 2 |
| | | <u>335,500</u> | <u>32,948</u> |
| Current assets | | | |
| Debtors | 9 | 538,490 | 56,849 |
| Cash at bank and in hand | | 6,259,018 | 1,417,192 |
| | | <u>6,797,508</u> | <u>1,474,041</u> |
| Creditors amounts falling due within one year | 10 | <u>(577,555)</u> | <u>(166,109)</u> |
| Net current assets | | <u>6,219,953</u> | <u>1,307,932</u> |
| Total assets less current liabilities and net assets | | <u>6,555,453</u> | <u>1,340,880</u> |
| Total assets less total liabilities | | <u>6,555,453</u> | <u>1,340,880</u> |
| Capital and reserves | | | |
| Called up share capital | 11 | 11,931,089 | 2,970,789 |
| Share premium | 12 | 119,302 | 29,699 |
| Profit and loss account | 13 | <u>(5,494,938)</u> | <u>(1,659,608)</u> |
| Shareholders' funds | 14 | <u>6,555,453</u> | <u>1,340,880</u> |

The notes on pages 8-16 constitute an integral part of the financial statements

The financial statements of Funding Circle Limited, registered number 06968588 were approved by the Board of Directors on 25 July 2013

Signed on behalf of the Board of Directors


S Desai
Director

Funding Circle Limited

Notes to the financial statements Year ended 31 December 2012

1. Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with the applicable United Kingdom law and accounting standards

Going concern

The Company made a loss of £3,835,330 during the year ended 31 December 2012 (2011: loss of £1,141,609), its second trading period, as a result of significant investment in staff, technology and marketing. Further losses are expected during 2013.

During the year ended 31 December 2012, the parent company converted an £8m intercompany receivable balance from the Company into capital investment in the Company and made an additional capital investment of £1.1m by cash. The directors are confident that the sustained funding from the parent company will enable Funding Circle Limited to continue trading until it reaches full profitability. The cash balance of the company as at 31 December 2012 was £6.3m (2011: £1.4m). Having made enquiries with management, the directors therefore consider it appropriate to prepare the accounts on the going concern basis.

Cash flow statement

The Company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

Revenue recognition

Turnover represents fees receivable from lenders and borrowers for the arranging of finance. Borrowers' revenue is recognised immediately upon acceptance of the loans by borrowers. Completion fees are automatically deducted from the amount borrowed. Secondary market revenue is recognised upon sales of loan parts by lenders. Service revenue is recognised upon repayments of loan parts. Due to the conditions of the trade, there are no partially completed contracts on the balance sheet date and no advance payments from customers.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life, as follows:

| | |
|------------------------|--------------------|
| Computer equipment | 33.3% per annum |
| Furniture and fixtures | 20-33.3% per annum |

Leasing

Rental payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the

Funding Circle Limited

Notes to the financial statements Year ended 31 December 2012

1. Accounting policies (continued)

inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

Group accounts

The financial statements present information about the Company as an individual undertaking and not about its group. The Company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Funding Circle Holdings Limited, a company incorporated in the United Kingdom, and is included in the consolidated accounts of that company

2. Turnover

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

3. Operating loss

| | 2012 £ | 2011 £ |
|----------------------------------------------------------------|----------------|----------------|
| Operating loss is stated after charging | | |
| Depreciation of owned tangible assets | 36,489 | 6,797 |
| Operating lease rentals | | |
| - Other assets | 90,510 | 60,000 |
| - Land and buildings | 122,967 | 46,519 |
| Auditor's remuneration for audit services (including expenses) | 22,600 | 15,750 |
| Auditor's remuneration for tax advisory services | 6,600 | 5,800 |
| Auditor's remuneration for other services | 23,930 | - |
| | <u>283,106</u> | <u>134,866</u> |

4. Directors' emoluments

| | 2012 £ | 2011 £ |
|------------------------------------|----------------|----------------|
| Emoluments for qualifying services | <u>315,207</u> | <u>136,976</u> |

The total emoluments of the highest paid director did not exceed £200,000 in either the current or previous period. The highest paid director did not exercise any share options in the year. The highest paid director is not a member of any defined benefit pension schemes

Funding Circle Limited

Notes to the financial statements Year ended 31 December 2012

5. Employees

Number of employees

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

| | 2012 Number | 2011 Number |
|----------------|----------------|----------------|
| Administrative | <u>31</u> | <u>9</u> |

Employment costs (including Directors' emoluments) during the year

| | 2012 £ | 2011 £ |
|-----------------------|------------------|----------------|
| Wages and salaries | 1,756,427 | 419,174 |
| Social security costs | <u>205,965</u> | <u>45,621</u> |
| | <u>1,962,392</u> | <u>464,795</u> |

6. Taxation

| | 2012 £ | 2011 £ |
|--------------------------------------|------------------|-----------|
| Current tax (credit)/ charge | (125,987) | - |
| Adjustments in respect of prior year | <u>(61,881)</u> | <u>-</u> |
| | <u>(187,868)</u> | <u>-</u> |

Funding Circle Limited

Notes to the financial statements Year ended 31 December 2012

6. Taxation (continued)

Factors affecting the tax charge for the year

| | 2012 £ | 2011 £ |
|-----------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Loss on ordinary activities before taxation | <u>(4,023,198)</u> | <u>(1,141,609)</u> |
| Loss on ordinary activities before taxation multiplied by blended standard rate of UK corporation tax of 20% (2011: 20.25%) | (804,640) | (231,176) |
| Effects of | | |
| Non deductible expenses | 115,096 | 3,809 |
| Accelerated capital allowances | 5,665 | (5,861) |
| Research & Development tax credit | (125,987) | - |
| Adjustments in respect of prior years | (61,881) | - |
| Unrelieved tax losses | <u>683,879</u> | <u>233,228</u> |
| Current tax (credit)/charge | <u>(187,868)</u> | <u>-</u> |

Deferred tax is provided as follows:

Deferred tax is calculated at 20% (2011: 20%) analysed over the following timing differences

| | 2012 £ | 2011 £ |
|---------------------------------|------------------|------------------|
| Accelerated capital allowances | 5,665 | (5,593) |
| Tax losses available | <u>970,878</u> | <u>332,102</u> |
| | 976,543 | 326,509 |
| Unrecognised deferred tax asset | <u>(976,543)</u> | <u>(326,509)</u> |
| Provision for deferred taxation | <u>-</u> | <u>-</u> |

The Company has tax losses of £4,854,390 to carry forward against future trading profits. Deferred tax assets of £976,543 (2011: £326,509) have not been recognised in these accounts because there is insufficient evidence over their recoverability.

Funding Circle Limited

Notes to the financial statements Year ended 31 December 2012

7. Tangible fixed assets

| | Computer equipment £ | Furniture and fixtures £ | Total £ |
|---------------------------------|----------------------------|--------------------------------|------------|
| Cost | | | |
| At 31 December 2011 | 34,070 | 7,106 | 41,176 |
| Additions | 98,078 | 254,727 | 352,805 |
| Disposals | (7,755) | (10,941) | (18,696) |
| At 31 December 2012 | 124,393 | 250,892 | 375,285 |
| Accumulated depreciation | | | |
| At 31 December 2011 | 7,224 | 1,006 | 8,230 |
| Charge for the year | 24,232 | 12,257 | 36,489 |
| Disposals | (1,229) | (3,703) | (4,932) |
| At 31 December 2012 | 30,227 | 9,560 | 39,787 |
| Net book value | | | |
| At 31 December 2012 | 94,166 | 241,332 | 335,498 |
| At 31 December 2011 | 26,846 | 6,100 | 32,946 |

8. Fixed asset investments

| | Investments in subsidiary undertakings |
|-------------------------------------------|----------------------------------------------|
| Cost | |
| At 1 January 2012 and at 31 December 2012 | 2 |

The Company holds the entire share capital of Funding Circle Recoveries Limited a company incorporated in the United Kingdom and the entire share capital of Funding Circle Asset Finance Limited a company incorporated in the United Kingdom on 2 November 2011

Funding Circle Limited

Notes to the financial statements Year ended 31 December 2012

9. Debtors

| | 2012 £ | 2011 £ |
|---------------------------------|----------------|---------------|
| Trade debtors | 1,471 | - |
| Other debtors | 30,940 | 11,879 |
| Tax credits receivable | 187,868 | - |
| Prepayments and accrued income | 124,694 | 9,170 |
| Rent deposit | 191,241 | 34,800 |
| Amounts due from parent company | - | 1,000 |
| Amounts due from subsidiaries | 2,276 | - |
| | <u>538,490</u> | <u>56,849</u> |

10. Creditors, amounts falling due within one year

| | 2012 £ | 2011 £ |
|----------------------------------------|----------------|----------------|
| Trade creditors | 277,603 | 114,260 |
| Taxes and social security costs | 83,171 | 25,273 |
| Other creditors | - | 60 |
| Accruals and deferred income | 216,781 | 26,514 |
| Amounts due to subsidiary undertakings | - | 2 |
| | <u>577,555</u> | <u>166,109</u> |

11. Called up share capital

| | 2012 £ | 2011 £ |
|-------------------------------------------------------------------------|-------------------|------------------|
| Allotted, called up and fully paid | | |
| 11,931,089 ordinary shares (2011: 2,970,789 ordinary shares) of £1 each | <u>11,931,089</u> | <u>2,970,789</u> |

12. Share premium

| | | |
|--|----------------|---------------|
| | <u>119,302</u> | <u>29,699</u> |
|--|----------------|---------------|

During the year ended 31 December 2012, the Company has issued 8,960,300 ordinary shares of £1 each by way of conversion of the balance payable to the parent company of £7,966,025 and additional cash consideration received of £1,083,878, giving rise to an increase in share premium of £89,603. Funding Circle Holdings Limited remains the sole shareholder of the Company.

Funding Circle Limited

Notes to the financial statements Year ended 31 December 2012

13 Statement of movements in reserves

| | Profit and loss account £ |
|-----------------------------------------|------------------------------------|
| Retained deficit as at 31 December 2011 | (1 659,608) |
| Loss for the year | (3,835,330) |
| Retained deficit as at 31 December 2012 | <u>(5,494 938)</u> |

14 Reconciliation of movements in shareholders' funds

| | 2012 £ | 2011 £ |
|---------------------------------------|------------------|------------------|
| Loss for the financial year | (3,835,330) | (1,141,609) |
| Proceeds from issue of shares | 9 049 903 | 2 999 588 |
| Net increase in shareholders' funds | 5,214,573 | 1,857 979 |
| Opening shareholders' funds/(deficit) | 1 340 880 | (517,099) |
| Closing shareholders' funds | <u>6,555,453</u> | <u>1,340,880</u> |

15. Financial commitments

At 31 December 2012 the Company was committed to making the following annual payments under non-cancellable operating leases as follows

| | 2012 | | 2011 |
|-------------------------------|----------------------------|------------|----------------------------|
| | Land and buildings £ | Other £ | Land and buildings £ |
| Operating leases which expire | | | |
| Within one year | - | - | - |
| Between two and five years | 254,988 | - | 69 600 |
| | <u>254,988</u> | <u>-</u> | <u>69,600</u> |

16. Related party transactions

The Company has taken advantage of the exemption conferred by Financial Reporting Standard No 8 from the requirement to disclose details of transactions with group companies

17 Ultimate parent company

The directors regard Funding Circle Holdings Limited, a company incorporated in the United Kingdom and registered in England and Wales, as the immediate and ultimate parent company. The directors regard Samir Desai who is also a director of the Company as the ultimate controlling party.