

FUNDING CIRCLE LIMITED

Annual Report and Financial Statements

For the Year Ended

31 December 2014

Registered number: 06968588

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FUNDING CIRCLE LIMITED

Annual report and financial statements for the year ended 31 December 2014

Contents

	Page:
Officers and professional advisers	1
Strategic report	2
Report of the directors	4
Directors' responsibilities statement	5
Independent auditor's report	6
Statement of comprehensive income	8
Statement of changes in equity	9
Statement of financial position	10
Statement of cash flows	12
Notes forming part of the financial statements	13-43

FUNDING CIRCLE LIMITED

Officers and professional advisers

Directors

S Desai
A D Learoyd
J Meekings
N Rimer
E Wray

Secretary

L Vernall (appointed 15 July 2014)
E Ziranova (resigned 9 May 2014)

Registered office

3 Dorset Rise
London
EC4Y 8EN

Auditor

Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR
United Kingdom

Bankers

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

FUNDING CIRCLE LIMITED

Strategic report for the year ended 31 December 2014

The directors present their strategic report on the company for the year ended 31 December 2014. The directors in preparing this strategic report have complied with s414c of the Companies act 2006.

Principal Activity

Funding Circle is an online marketplace which can help businesses access fast and simple finance, whilst investors have the potential to earn better returns by lending to them. Directly connecting people and organisations who want to lend, with vetted, established businesses who want to borrow.

General Business Review

In 2014, growing the company was the main objective. This is clearly demonstrated by the turnover which increased by 122% from £5,339,301 to £11,845,516. The losses increased from £3,961,177 to £10,848,909. This is due to the company continually investing in growth, particularly around increased marketing and technology spend, as the gross margin remains stable at 78%. The trend of growth in revenue is expected to continue in 2015.

The company has obtained an intercompany loan from its parent entity of £11,000,000 which is repayable on or before 1st January 2019.

The Company owns 100% of Funding Circle Trustee Limited (formally Funding Circle Recoveries Ltd) and Funding Circle Asset Finance Limited (the "Subsidiaries"). On 17 February 2014, Funding Circle Limited acquired 100% share capital of "Funding Circle Property Finance Limited" and "Funding Circle Solutions Limited" (a dormant company, incorporated on 17 February 2014 in the United Kingdom).

In Q3 2015, Funding Circle will be able to apply for full authorisation under the Financial Conduct Authority (FCA) regulation. This is a positive step that Funding Circle welcomes, to maintain industry-wide high standards.

Analysis of Key Performance Indicators

The key performance indicators of the Company are revenue (set out above), number of loans listed and the amount (cumulatively £593m as at 8 April 2015), the number of active lenders (38,782 as at 8 April 2015) and the control of expenses. As part of the budgetary process, targets are set with respect to operating expenses in order to effectively manage the activities of the Company. Performance is reviewed on a regular basis and appropriate actions are taken as required.

Principal Risks and Uncertainties

The principal risks and uncertainties that the Company faces include, among others, risks related to competition, management of growth, new products and technologies, seasonality, 3rd party sales channels, commercial agreements, slower economy, system interruptions, government regulations and taxation and fraud. To date, there are no probable material uncertainties that could adversely affect the Company.

FUNDING CIRCLE LIMITED

Strategic report for the year ended 31 December 2014 (*Continued*)

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

Going Concern

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

During the financial year, the Company has entered into a loan facility agreement with Funding Circle Holdings Limited (parent company). Under the term of the agreement, the parent company will provide an unsecured Sterling term loan facility of a total principal amount not exceeding £30,000,000 (thirty million pounds) to the Company. Any drawn amount under the facility bears an interest of 3.5% above the base rate of the Bank of England and is repayable with the principal amount at the end of the facility term of 5 years on 1st January 2019.

At the year-end the Company has drawn down £11,000,000 under the facility agreement. Further information supporting the going concern basis may be found in note 1 to the financial statements.

The directors consider that the Company has the ability to remain in operation for the foreseeable future and continue to meet its liabilities as they fall due. The group of which the Company is a member has detailed forecasts for the next 24 months and the Company's monthly cash burn is expected to decrease over the coming 2 years.

Post Balance Sheet Events


In March 2015, the Company entered into a new 10-year office lease agreement to facilitate its operations. The directors expect that the existing lease will be sublet before the end of 2015.

Future Developments

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

Funding Circle will be applying for FCA full authorisation in September 2015.

By order of the board



S Desai
Director

10 April 2015

FUNDING CIRCLE LIMITED

Report of the directors for the year ended 31 December 2014

The directors present their report on the affairs of the Company together with the Annual financial statements of Funding Circle Limited (the "Company") and auditor's report, for the year ended 31 December 2014. 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 Limited in February 2010.

Going Concern

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Funding Circle Holdings Limited, the company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further information supporting the going concern basis may be found in note 2 to the financial statements.

Directors

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

S Desai
A D Learoyd
J Meekings
N Rimer
E Wray

Auditors

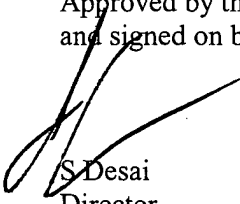
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's 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 confirmation of the audit firm for the 2015 financial group audit will be made at the next Annual General Meeting.

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



S Desai
Director
3 Dorset Rise
London, EC4Y 8EN

10 April 2015

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

Independent 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 2014 which comprise the statement of comprehensive income, statement of changes in equity, statement of financial position and statement of cash flows and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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

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.



Garrath Marshall (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London

13 April 2015

FUNDING CIRCLE LIMITED

Statement of comprehensive income for the year ended 31 December 2014

	Note	31 December 2014	31 December 2013
		£	£
Revenue	5	11,845,516	5,339,301
Cost of sales		(2,581,293)	(1,169,463)
Gross profit		9,264,223	4,169,838
Administrative expenses		(20,021,132)	(8,455,896)
Operating loss	6	(10,756,909)	(4,286,058)
Finance income	9	99,418	91,056
Finance costs	9	(188,494)	-
Foreign exchange (losses)/gains		(2,924)	37
Loss before taxation		(10,848,909)	(4,194,965)
Income tax credit	10	-	233,788
Loss for the year		(10,848,909)	(3,961,177)
Other comprehensive income		-	-
Total comprehensive loss for the year		(10,848,909)	(3,961,177)
Loss and total comprehensive loss attributable to:			
Owners of the parent		(10,848,909)	(3,961,177)

All amounts relate to continuing activities.

The notes on pages 13 to 43 form part of these financial statements.

FUNDING CIRCLE LIMITED

Statement of changes in equity for the year ended 31 December 2014

	Share capital £	Capital Reserve £	Share premium £	Retained earnings £	Total £
Balance at 1 January 2013	11,931,089	-	119,302	(5,521,574)	6,528,817
Loss for the year	-	-	-	(3,961,177)	(3,961,177)
Capital contribution (note 19)	-	5,326,911	-	-	5,326,911
Balance at 31 December 2013	11,931,089	5,326,911	119,302	(9,482,751)	7,894,551
Balance at 1 January 2014	11,931,089	5,326,911	119,302	(9,482,751)	7,894,551
Loss for the year	-	-	-	(10,848,909)	(10,848,909)
Balance at 31 December 2014	11,931,089	5,326,911	119,302	(20,331,660)	(2,954,358)

The notes on pages 13 to 43 form part of these financial statements.

FUNDING CIRCLE LIMITED

Statement of financial position as at 31 December 2014

	Note	31 December 2014	31 December 2013
		£	£
Non-current assets			
Intangible assets	11	96,729	90,390
Property, plant and equipment	12	870,136	670,885
Investments in subsidiary undertakings	13	4	2
		<u>966,869</u>	<u>761,277</u>
Current assets			
Current asset investments	14	174,520	-
Trade and other receivables	15	1,243,203	866,024
Cash and cash equivalents		8,103,931	7,548,025
		<u>9,521,654</u>	<u>8,414,049</u>
Total assets		<u><u>10,488,523</u></u>	<u><u>9,175,326</u></u>
Current liabilities			
Trade and other payables	16	(2,258,583)	(1,164,795)
Short-term provisions	17	(68,318)	-
		<u>7,194,753</u>	<u>7,249,254</u>
Net current assets		<u>7,194,753</u>	<u>7,249,254</u>
Non-current liabilities			
Long-term provisions	17	(115,980)	(115,980)
Amount owed to parent undertaking	18	(11,000,000)	-
		<u>(13,442,881)</u>	<u>(1,280,775)</u>
Total liabilities		<u><u>(13,442,881)</u></u>	<u><u>(1,280,775)</u></u>
Net (liabilities) / assets		<u><u>(2,954,358)</u></u>	<u><u>7,894,551</u></u>

FUNDING CIRCLE LIMITED**Statement of financial position as at 31 December 2014**

	Note	31 December 2014	31 December 2013
		£	£
Equity			
Share capital	19	11,931,089	11,931,089
Share premium account	19	119,302	119,302
Capital reserve	19	5,326,911	5,326,911
Retained deficit	20	(20,331,660)	(9,482,751)
		<hr/>	<hr/>
Equity shareholder's (deficit)/reserves		(2,954,358)	7,894,551
		<hr/> <hr/>	<hr/> <hr/>

The financial statements of Funding Circle Limited (Registered number: 06968588) were approved by the Board and authorised for issue on 9 April 2015. They were signed on its behalf by:



Director
S Desai

The notes on pages 13 to 43 form part of these financial statements.

FUNDING CIRCLE LIMITED

Statement of cash flows for the year ended 31 December 2014

	Note	31 December 2014	31 December 2013
		£	£
Net cash used in operations	21	(9,521,400)	(3,663,493)
Interest paid		(188,494)	-
Income tax paid		-	-
Net cash used in operating activities		(9,709,894)	(3,663,493)
Investing activities			
Capitalisation of development costs		-	(94,320)
Purchase of property, plant and equipment		(524,204)	(371,147)
Purchase of intangible assets		(134,894)	-
Investment in property development loans		(174,520)	-
Interest received		99,418	91,056
Net cash outflow from investing activities		(734,200)	(374,411)
Financing activities			
Cash inflow from parent undertaking		11,000,000	5,326,911
Net cash inflow from financing activities		11,000,000	5,326,911
Net increase in cash and cash equivalents		555,906	1,289,007
Cash and cash equivalents at the beginning of the year		7,548,025	6,259,018
Cash and cash equivalents at the end of the year		8,103,931	7,548,025

The notes on pages 13 to 42 form part of these financial statements.

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014

1 Accounting policies

General information

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

These financial statements have been approved for issue by the Board of Directors on 9 April 2015.

Going concern

The Company's business activities together with the factors likely to affect its future development and position are set out in the Principal Activity and General Business Review section of the Strategic Report on page 3.

The Company made a loss of £10,848,909 during the year ended 31 December 2014 (2013: loss of £3,961,177), as a result of significant investment in staff, technology, new products and marketing. Further losses are expected during 2015. The directors forecast that additional funds will be required from the parent entity, within the twelve months from the date of signing the accounts, to invest in the growth of the business. Having made appropriate enquiries, the Directors have confirmed the continuing financial support of Funding Circle Holdings Limited, the immediate parent Company, and its ability to provide such support, and have therefore continued to adopt the going concern basis in preparing financial statements.

During the financial year, the Company has entered into a loan facility agreement with Funding Circle Holdings Limited (parent company). Under the term of the agreement, the parent company will provide an unsecured Sterling term loan facility of a total principal amount not exceeding £30,000,000 (thirty million pounds) to the Company. Any drawn amount under the facility bears an interest of 3.5% above the base rate of the Bank of England and is repayable with the principal amount at the end of the facility term of 5 years on 1st January 2019. At the year-end the Company has drawn down £11,000,000 under the facility agreement. The directors consider that the Company has the ability to remain in operation for the foreseeable future and continue to meet its liabilities as they fall due. The group has detailed forecasts for the next 24 months and the Company's monthly cash burn decreases over the coming 2 years.

Basis of preparation

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

These annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the year the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014

1 Accounting policies (continued)

Basis of preparation (continued)

Immediate Parent Undertaking

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

Changes in accounting policy and disclosures

(a) Standards and amendments to existing standards and interpretations effective on or after 1 January 2014 adopted by the Company

Standard/ interpretation	Content	Applicable for financial years beginning on/after
IFRS 10 (Amendment)	Consolidated Financial Statements	1 January 2014
IFRS 12 (Amendment)	Disclosure of Interests in Other Entities	1 January 2014
IAS 27 (Amendment)	Separate Financial Statements	1 January 2014
IAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014

Amendments to IFRS 10, IFRS 12 and IAS 27

The directors of the Company made an assessment in accordance with the criteria of the standard and concluded that the Company is not an investment entity hence application of Amendments to IFRS 10, IFRS 12 and IAS 27 have had no impact on the Company.

IAS 32 - Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendments address inconsistencies in current practice when applying the offsetting criteria.

They clarify:

- The meaning of 'currently has a legally enforceable right of set-off.
- That some gross settlement systems may be considered equivalent to net settlement.

The amendments are part of the IASB's offsetting project. As part of that project, the IASB also separately issued Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7).

As the Company does not have any financial assets and financial liabilities that qualify for offset, the adoption of the amendments has no impact on the disclosures, or on the amounts recognised in the Company's financial statements.

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 (Continued)

1 Accounting policies (continued)

Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(a) Standards and amendments to existing standards and interpretations effective on or after 1 January 2014 adopted by the Company (continued)

IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

As the Company does not have any derivatives that are subject to novation, the adoption of these amendments has had no impact on the disclosures or on the amounts recognised in the Company's financial statements.

(b) New standards, amendments and interpretations issued but not effective for the financial period beginning 1 January 2014 and not early adopted

The following new and amended standards and interpretations have been issued and are mandatory for the Company's accounting periods beginning on or after 1 January 2014 or later periods and may have a material impact on the Company:

Standard/ interpretation	Content	Applicable for financial years beginning on/after
IFRS 9	Financial instruments: Classification and measurement	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2017
IFRS 11 (Amendments)	Accounting for acquisitions of interests in joint operations	1 January 2016
IAS 16 and IAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation	1 July 2014
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016

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

IFRS 9, 'Financial instruments' – classification and measurement

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and amended in October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The standard also results in one impairment method replacing the numerous impairment methods in IAS 39 that arise from the different classification categories

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 *(Continued)*

1 Accounting policies (continued)

Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(b) New standards, amendments and interpretations issued but not effective for the financial period beginning 1 January 2014 and not early adopted

The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on 1 January 2018.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Company is yet to assess IFRS 15's full impact and intends to adopt IFRS 15 no later than the accounting period beginning on 1 January 2018.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Company's financial statements.

Amendments to IAS 16 and IAS 38 Clarifications of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 *(Continued)*

1 Accounting policies (continued)

Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(b) New standards, amendments and interpretations issued but not effective for the financial period beginning 1 January 2014 and not early adopted

Amendments to IAS 16 and IAS 38 Clarifications of Acceptable Methods of Depreciation and Amortisation (continued)

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Company uses the straight-line method for depreciation for fixed assets. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Company's financial statements.

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

The amendments address a conflict between the requirements of IAS 28(2011) and IFRS 10. In accordance with IAS 28(2011), the gain or loss resulting from the sale or contribution of a non monetary asset to a joint venture or associate in exchange for an equity interest in that joint venture or associate is restricted to the extent of the unrelated investors' interests in the joint venture or associate. In contrast, IFRS 10 requires full profit or loss recognition on the loss of control of a subsidiary including a sale or contribution of the subsidiary to a joint venture or associate.

The amendment to IFRS 10 introduces an exception from the general requirements of full gain or loss recognition on the loss of control over a subsidiary.

The exception applies to the loss of control over a subsidiary that does not contain a business, as defined in IFRS 3, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method.

The gain or loss resulting from such transactions is recognised in the parent's profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture that was the counterparty of the transaction. The same requirements apply to related amounts previously recognised in other comprehensive income that would be reclassified to profit or loss on loss of control as a result of such transactions.

Amendments to IAS 28(2011) Investments in Associates and Joint Ventures The guidance on gains or losses from 'upstream' and 'downstream' transactions and partial elimination of such gains or losses has been amended so that it only relates to transactions involving assets that do not constitute a business, as defined in IFRS 3.

The directors of the Company do not anticipate that the application of these amendments to IFRS 10 and IAS 28 will have a material impact on the Company's financial statements.

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 (Continued)

1 Accounting policies (continued)

Basis of preparation (continued)

Foreign currency translation

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

Investments in subsidiaries

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

Revenue recognition

Turnover represents fees receivable from lenders and borrowers for the arranging of finance. Revenue earned from borrowers is recognised immediately upon acceptance of the loans by borrowers. Completion fees are automatically deducted from the amount borrowed and recognised at that point as the Company has the right to consideration. Revenue from lenders 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.

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 accounts is generated in the UK and sourced from transactions relating to property loans, direct loans, broker loans, lender fees and secondary market fees. Fees on these transactions are calculated based on the above revenue recognition policy.

Intangible assets

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

Capitalised development costs	straight-line over 2 years
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Computer software	straight-line over licence period
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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

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 *(Continued)*

1 Accounting policies (continued)

Basis of preparation (continued)

Interest Receivable

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

Expenses

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

Development Costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from the Company's development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Leases

Rentals payable under operating leases are charged to 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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 (*Continued*)

1 Accounting policies (continued)

Financial instruments

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables financial assets, and available-for sale financial assets as appropriate. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

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

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the Statement of Comprehensive Income

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

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

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 (*Continued*)

1 Accounting policies (continued)

Financial instruments (continued)

Financial liabilities

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

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Provisions

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

Share capital

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

Current and deferred tax

The tax expense for the period comprises current and deferred tax. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the year end date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affect neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted at the year-end date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax balances are not discounted.

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

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 (Continued)

2 Financial risk management

The board of directors have overall responsibility for the establishment and oversight of the Company's risk management framework.

The risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and ensure any limits are adhered to. The Company's activities are reviewed regularly and potential risks are considered.

Risk factors

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk (including currency risk, interest rate risk and other price risk)

Principal financial instruments

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

- Current asset investments
- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

Categorisation of financial assets and financial liabilities

The table shows the carrying amounts and fair values of financial assets and financial liabilities by category of financial instrument as at 31 December 2014:

	Carried at amortised cost – Asset/(liabilities)		Carried at fair value	
	Carrying amount	Fair value	Based on market derived data	Based on individual valuation parameters
	£	£	£	£
Assets per statement of financial position				
Current asset investments	-	-	174,520	-
Trade and other receivables	1,243,203	1,243,203	-	-
Cash and cash equivalents	8,103,931	8,103,931	-	-
	<u>9,347,134</u>	<u>9,347,134</u>	<u>174,520</u>	<u>-</u>
Liabilities per statement of financial position				
Trade and other payables	(2,258,583)	(2,258,583)	-	-
Loans from related parties	(11,000,000)	(11,000,000)	-	-
	<u>(13,258,583)</u>	<u>(13,258,583)</u>	<u>-</u>	<u>-</u>

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 (*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 2013:

	Carried at amortised cost – Asset/(liabilities)		Carried at fair value	
	Carrying amount	Fair value	Based on market derived data	Based on individual valuation parameters
	£	£	£	£
Assets per statement of financial position				
Trade and other receivables	866,024	866,024	-	-
Cash and cash equivalents	7,548,025	7,548,025	-	-
	<u>8,414,049</u>	<u>8,414,049</u>	<u>-</u>	<u>-</u>
Liabilities per statement of financial position				
Trade and other payables	(1,164,795)	(1,164,795)	-	-
	<u>(1,164,795)</u>	<u>(1,164,795)</u>	<u>-</u>	<u>-</u>

Financial instruments measured at amortised cost

Financial instruments measured at amortised cost, rather than fair value, include cash and cash equivalents, trade and other receivables, trade and other payables, and loans from related parties. Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value.

Financial instruments measured at fair value

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement.

Disclosure of fair value measurements by level is according to the following fair value measurement hierarchy:

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 (Continued)

2 Financial risk management (continued)

Categorisation of financial assets and financial liabilities (continued)

Financial instruments measured at fair value (continued)

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

	Fair value measurement at year ends					
	Level 1	Level 2		Level 3		
	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £
Financial assets						
Current asset investments	-	-	174,520	-	-	-
	<u>-</u>	<u>-</u>	<u>174,520</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>174,520</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities						
Trade and other payables	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The fair value of financial instruments that are not traded in an active market (for example, current asset investments) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

Financial risk factors

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash and cash equivalents held at banks.

The Company's maximum exposure to credit risk by class of financial asset is as follows:-

	31 December 2014 £	31 December 2013 £
Trade and other receivables		
- Current asset investments	174,520	-
- Trade debtors	42,579	2,548
- Other debtors	273,588	26,852
- Tax credit receivable	233,820	233,820
- Prepayments and accrued income	313,554	225,773
- Rent deposit	376,222	374,052
- Amount due from group undertakings	3,440	2,979
Cash and cash equivalents	8,103,931	7,548,025

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 *(Continued)*

2 Financial risk management (continued)

Financial risk factors (continued)

Credit risk (continued)

Other debtors principally comprise of prepayments and amounts due from related companies. The recoverability of these amounts is reviewed on an ongoing basis.

The fair value of cash and cash equivalents at 31 December 2014 and 31 December 2013 approximates the carrying value. Further details regarding cash and cash equivalents can be found in note 21. Credit risk is mitigated as cash and cash equivalents are held with reputable institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's position.

The Company's liquidity position is monitored and reviewed on an ongoing basis by the directors.

The amounts disclosed in the below tables are the contractual undiscounted cash flows.

The maturity analysis of financial instruments at 31 December 2014 and 31 December 2013 is as follows:

	31 December 2014 £	31 December 2013 £
Financial assets – due within one year		
Current asset investments	174,520	-
Trade and other receivables – Demand and less than 1 month	1,243,203	866,024
Cash and cash equivalents – Demand and less than 1 month	8,103,931	7,548,025
	<u>9,521,654</u>	<u>8,414,049</u>
Financial liabilities – due within one year		
Trade and other payables – from 1 to 3 months	2,258,583	1,164,795
Amount owed to parent undertaking – due within 5 years	11,000,000	-
	<u>13,258,583</u>	<u>1,164,795</u>

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 (*Continued*)

2 Financial risk management (continued)

Financial risk factors (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risk arises from open position in interest bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

a) Price risk

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

b) Cash flow and fair value interest rate risk

The Company's interest rate risk is associated with cash and cash equivalent borrowings from the parent company. If the interest rate is variable, it represents the Company with cash flow interest rate risk. If the interest rate is fixed, there is a fair value interest rate risk.

The Company does not use interest rate swaps under which fixed interest liabilities are converted to variable rate in order to hedge the fair value interest rate risk.

c) Sensitivity analysis

IFRS 7 requires disclosure of sensitivity analysis for each type of market risk to which the entity is exposed at the report date showing how profit or loss and equity would have been affected by changing the relevant risk variables that were reasonably possible at that date.

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

Capital management

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

The directors' objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders.

3 Segmental analysis

The Company's operations are carried out solely in the UK. The results and net assets of the Company are derived from the provision of its platform.

4 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Property development loans receivable

Loans granted under property development scheme have been classified as financial assets at fair value through profit or loss under IAS 39. The above classification is mainly because all such loans are acquired principally for selling in the short term.

Loan loss provisioning

As well as the above property development loans, the Company holds certain loans on its balance sheet (see note 15). The Company reviews its loans portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgement as to whether there is any observable data indicating that there is a measureable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified within an individual loan in that portfolio. This evidence may include observable data indicating that there is an adverse change in the payment status of borrowers, 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.

A loan loss provision is made to cover the credit risk the Company could incur, should it decide to add further loans on to its balance sheet. The provision is based on Company's past experience and it is computed by applying to the newly lent loan balance for each period the 12 month average percentage of the default amount over the outstanding loan balance.

A provision in relation to the reimbursements payable to investors is calculated by applying an estimated default probability to the maximum contractual obligation. Provision on such loans is based on the repayment history of borrowers.

Detailed sensitivity analysis has been carried out and management is confident that the basis used in calculating the loan provision is reasonable. This situation will be closely monitored, and adjustments will be made in future periods if future market activity indicates that such are appropriate.

Decommissioning provision

The Statement of financial position includes a cumulative provision of £115,980 (2013: £115,980) in relation to Company's obligation to decommission the customisation of offices at the end of the tenancy of the leasehold premises. The provision recognised at the balance sheet date represents the best estimate of the expenditures required to settle the obligation in current prices provided by an independent firm providing Design and Building services.

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

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

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 (*Continued*)

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

Decommissioning provision (continued)

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

Employee benefits

(a) Short-term employee benefits

Short-term employee benefits, such as paid absences and other benefits, are accounted for on an accruals basis over the period which employees have provided services in the year. Bonuses are recognised to the extent that the Company has a present obligation to its employees that can be measured reliably.

(b) Share based payments

The Company operates an equity-settled, share based compensation plans, under which the Company receives services from employees as consideration for equity instruments (options and shares) of Funding Circle Holdings Limited (parent company). The fair value of the employee services received in exchange for the grant of the options and shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options and shares granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the Company over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options and shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Company revises its estimates of the number of options and shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the parent company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options and shares over its parent's equity instruments to its employees is treated as loan from the parent.

The fair value of the options and shares issued during the year and as at year end is deemed immaterial. Accordingly no charge is reflected in the profit and loss account.

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 (Continued)

5 Revenue

	31 December 2014 £	31 December 2013 £
Revenue	11,845,516	5,339,301
	<u>11,845,516</u>	<u>5,339,301</u>

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

6 Operating Loss

	31 December 2014 £	31 December 2013 £
Loss for the year has been arrived after charging:		
Depreciation of property, plant and equipment	317,723	143,785
Amortisation of intangible assets	128,555	3,930
Research and Development costs	128,964	41,584
Operating lease rentals		
- Other assets	1,984	-
- Land and buildings	407,335	364,290
Auditor's remuneration for audit services (including expenses)	70,550	55,000
Auditor's remuneration for tax advisory services	100,784	71,005
	<u></u>	<u></u>

7 Remuneration of key management personnel (directors)

	31 December 2014 £	31 December 2013 £
Wages and salaries	320,140	259,659
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>320,140</u>	<u>259,659</u>

The remuneration of the directors, who are the key management personnel of the company, is set out above in aggregate for each of the relevant categories specified in IAS 24 Related Party Disclosures. The amount in respect of the highest paid director is £165,817.

FUNDING CIRCLE LIMITED**Notes forming part of the financial statements for the year ended 31 December 2014 (Continued)****8 Employees****Number of employees**

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

	2014 Number	2013 Number
IT	44	20
Finance	4	4
Operations and Administrative	85	46
	<u>133</u>	<u>70</u>

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

	31 December 2014 £	31 December 2013 £
Wages and salaries	6,846,596	3,371,668
Social security costs	831,112	376,430
	<u>7,677,708</u>	<u>3,748,098</u>

9 Finance Income

	31 December 2014 £	31 December 2013 £
Interest on bank deposits	99,418	91,056
	<u>99,418</u>	<u>91,056</u>

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 (*Continued*)

9	Finance costs	31 December 2014 £	31 December 2013 £
	Interest on long-term loan facility from parent undertaking	188,494	-
		<u>188,494</u>	<u>-</u>

During the financial year the company recognised an interest payable of £188,494 (2013: nil) on amount drawn of £11m under the long-term loan facility provided by the parent company (see note 18).

10 Taxation on loss on ordinary activities

The Company is subject to all taxes applicable to a commercial company in the United Kingdom. The UK business profits of the Company are subject to UK income tax at the prevailing basic rate of 20% (2013: 20%).

	31 December 2014 £	31 December 2013 £
UK income tax		
Current tax charge / (credit)	-	(233,820)
Adjustments in respect of prior years	-	32
	<u>-</u>	<u>(233,788)</u>
Total current tax	-	(233,788)
Deferred tax	-	-
	<u>-</u>	<u>-</u>
Total tax credit for the year	<u>-</u>	<u>(233,788)</u>

FUNDING CIRCLE LIMITEDNotes forming part of the financial statements for the year ended 31 December 2014 *(Continued)***10 Taxation on loss on ordinary activities (continued)****Factors affecting the tax charge for the year**

	31 December 2014 £	31 December 2013 £
Loss on operating activities before tax	(10,848,909)	(4,194,965)
Taxation on profit on operating activities at 20% (2013: 20%)	(2,169,782)	(838,993)
Effects of:		
Adjustments in respect of prior years	-	32
Non-deductible expenses	7,305	12,656
Unrelieved tax losses	2,170,817	656,902
Effects of group relief / other relief	34	-
Losses surrendered for R&D tax credit	-	188,945
Research & Development tax credit	-	(233,820)
Accelerated capital allowances	(8,374)	(19,510)
Total tax credit for the year	-	(233,788)

Deferred tax is provided as follows:

Deferred tax is calculated at 20% (2013: 20%) analysed over the following temporary differences:

	31 December 2014 £	31 December 2013 £
Accelerated capital allowances	69,577	55,120
Tax losses (revenue in nature)	(64,874)	(55,120)
Short term temporary differences	(4,703)	-
Provision for deferred taxation	-	-

No deferred tax asset has been recognised on unrelieved trading losses of £18,677,764 because in the opinion of the directors there is not sufficient visibility of suitable profits being generated to utilise the losses and recognise an asset.

FUNDING CIRCLE LIMITED**Notes forming part of the financial statements for the year ended 31 December 2014 (Continued)****11 Intangible assets**

	Capitalised Development costs £	Computer software £	Total £
Cost			
At 1 January 2013	-	-	-
Additions	94,320	-	94,320
	<hr/>	<hr/>	<hr/>
At 31 December 2013	94,320	-	94,320
Additions	-	134,894	134,894
	<hr/>	<hr/>	<hr/>
At 31 December 2014	94,320	134,894	229,214
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 January 2013	-	-	-
Charge for the year	3,930	-	3,930
	<hr/>	<hr/>	<hr/>
At 31 December 2013	3,930	-	3,930
Charge for the year	47,160	81,395	128,555
	<hr/>	<hr/>	<hr/>
At 31 December 2014	51,090	81,395	132,485
	<hr/>	<hr/>	<hr/>
Carrying amount			
At 31 December 2014	43,230	53,499	96,729
	<hr/>	<hr/>	<hr/>
At 31 December 2013	90,390	-	90,390
	<hr/>	<hr/>	<hr/>

The development costs incurred on the Company's Mobile Application (Software) is recorded as intangible assets. The software is capitalised at cost and amortised over its estimated useful life of 2 years. The amortisation commenced when the intangible asset was available for use.

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 using the straight-line method over the licence period.

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

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 *(Continued)*

12 Property, plant and equipment

	Computer equipment £	Furniture and fixtures £	Total £
Cost			
At 1 January 2013	124,393	321,722	446,115
Additions	130,642	285,655	416,297
Disposals	(6,947)	-	(6,947)
At 31 December 2013	248,088	607,377	855,465
Additions	344,870	179,334	524,204
Disposals	(12,832)	-	(12,832)
At 31 December 2014	580,126	786,711	1,366,837
Accumulated depreciation			
At 1 January 2013	30,227	14,282	44,509
Charge for the year	59,061	84,724	143,785
Elimination on disposals	(3,714)	-	(3,714)
At 31 December 2013	85,574	99,006	184,580
Charge for the year	135,283	182,440	317,723
Elimination on disposals	(5,602)	-	(5,602)
At 31 December 2014	215,255	281,446	496,701
Carrying amount			
At 31 December 2014	364,871	505,265	870,136
At 31 December 2013	162,514	508,371	670,885
At 31 December 2012	94,166	307,440	401,606

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

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 (Continued)

13 Investments in subsidiary undertakings

The Company's investments in subsidiary undertakings in these separate financial statements are accounted for at cost. On 17 February 2014, Funding Circle Limited acquired 100% share capital of "Funding Circle Solutions Limited" and "Funding Circle Property Finance Limited" (dormant companies, incorporated on 17 February 2014 in England and Wales, United Kingdom).

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

Name	Country of Incorporation	Net Assets/ (Liabilities) £	Revenues £	Profit/ (Loss) £	% Interest held
Funding Circle Trustee Limited	England & Wales	(6,571)	-	(65)	100
Funding Circle Asset Finance Limited	England & Wales	598	200	135	100
Funding Circle Solutions Limited	England & Wales	(34)	-	(35)	100
Funding Circle Property Finance Limited	England & Wales	(34)	-	(35)	100

14 Current asset investments

	31 December 2014 £	31 December 2013 £
Property development loans	174,520	-
	<u>174,520</u>	<u>-</u>

During the financial year, the Company has part funded certain property development loans that did not reach 100% funding from external investors. At the year-end, the Company has an investment of £174,520 in respect of these loans. It is the intention of the Company to sell these loans in the secondary market.

The Directors have considered the recoverability of these loans and likelihood of a default at the year-end and does not expect material losses from non-performance by the counterparties, thus no loss provisions have been made in respect of such loans in the financial statements, due to its immaterial value.

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 (*Continued*)

15 Trade and other receivables

	31 December 2014 £	31 December 2013 £
Amounts falling due within one year:		
Trade debtors	42,579	2,548
Other debtors	273,588	26,852
Tax credit receivable	233,820	233,820
Prepayments and accrued income	313,554	225,773
Rent deposit	376,222	374,052
Amount due from group undertakings	3,440	2,979
	<u>1,243,203</u>	<u>866,024</u>

Other debtors is shown net of a provision for impairment of £48,011 for loans held by the Company.

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

16 Trade and other payables

	31 December 2014 £	31 December 2013 £
Current liabilities:		
Trade and other payables		
Trade creditors	690,930	594,964
Taxes and social security costs	464,460	196,781
Other creditors	85,933	22,806
Accruals and deferred income	815,149	345,313
Amounts due to group undertakings	202,111	7,931
	<u>2,258,583</u>	<u>1,164,795</u>

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

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 (*Continued*)

17 Provisions

	Decommissioning £	Loan loss provision £	Total £
At 1 January 2014	115,980	-	115,980
Charged to the income statement: Loan loss provision	-	68,318	68,318
At 31 December 2014	115,980	68,318	184,298

The change in respect of the loan loss provision has been included in administrative expenses in the income statement. The provision balance is included under short term provisions in the financial statements.

Analysis of total provisions:

	31 December 2014 £	31 December 2013 £
Current	68,318	-
Non-current	115,980	115,980
	<u>184,298</u>	<u>115,980</u>

Non-current provision

The decommissioning provision represents an estimated cost for dismantling the customisation of offices and restoring the leasehold premises to original state at the end of the tenancy period. The provision is expected to reverse in 2017.

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 *(Continued)*

18 Amount owed to parent undertaking

During the financial year, the Company has entered into a loan facility agreement with Funding Circle Holdings Limited (parent company). Under the term of the agreement, the parent company will provide an unsecured Sterling term loan facility of a total principal amount not exceeding £30,000,000 (thirty million pounds) to the Company. Any drawn amount under the facility bears an interest of 3.5% above the base rate of the Bank of England and is repayable with the principal amount at the end of the facility term of 5 years on 1st January 2019.

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

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 (*Continued*)

19 Share capital

	31 December 2014 £	31 December 2013 £
<i>Called up and allotted</i>		
Ordinary shares of £1 each: 11,931,089 issued	11,931,089	11,931,089
	<u>11,931,089</u>	<u>11,931,089</u>
Share premium account		
	31 December 2014 £	31 December 2013 £
Balance at 1 January	119,302	119,302
Premium arising on issue of equity shares	-	-
	<u>119,302</u>	<u>119,302</u>
Balance at 31 December	<u>119,302</u>	<u>119,302</u>
Capital reserve		
	31 December 2014 £	31 December 2013 £
Balance at 1 January	5,326,911	-
Capital contribution	-	5,326,911
	<u>5,326,911</u>	<u>5,326,911</u>
Balance at 31 December	<u>5,326,911</u>	<u>5,326,911</u>

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

During the financial year the company received a funding of nil (2013: £5,326,911) from its parent company to meet its working capital requirements. At the year end this amount is included as capital contribution in the Company's equity because it is the intention of the parent company to convert this balance into ordinary share capital of the Company.

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 (Continued)

20 Retained losses

	31 December 2014 £	31 December 2013 £
Balance at 1 January	(9,482,751)	(5,521,574)
Loss for the year	(10,848,909)	(3,961,177)
Balance at 31 December	<u>(20,331,660)</u>	<u>(9,482,751)</u>

21 Notes to the cash flow statement

Cash generated from operations

	31 December 2014 £	31 December 2013 £
Loss for the year	(10,848,909)	(3,961,177)
Adjustments for:		
Depreciation of property, plant and equipment	317,723	143,785
Loss on disposal of property, plant and equipment	7,230	3,235
Amortisation of intangible assets	128,555	3,930
Loan impairment provision	116,329	-
Interest received	(99,418)	(91,056)
Finance costs	188,494	-
Foreign exchange losses	2,924	-
Changes in working capital:		
Movement in trade and other receivables	(425,192)	(327,534)
Movement in trade and other payables	1,093,788	565,324
Net cash used in operations	<u>(9,521,400)</u>	<u>(3,663,493)</u>

FUNDING CIRCLE LIMITED**Notes forming part of the financial statements for the year ended 31 December 2014 (Continued)****21 Notes to the cash flow statement (continued)****Cash and cash equivalents**

	31 December 2014 £	31 December 2013 £
Cash and bank balances	8,103,931	7,548,025
	<hr/>	<hr/>
Balance at 31 December 2014	8,103,931	7,548,025
	<hr/>	<hr/>

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

Analysis of changes in net debts

	1 January 2014 £	Cash flow £	31 December 2014 £
Cash and bank balances	7,548,025	555,906	8,103,931
	<hr/>	<hr/>	<hr/>
Total net funds	7,548,025	555,906	8,103,931
	<hr/>	<hr/>	<hr/>

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 (*Continued*)

22 Operating lease arrangements

	31 December 2014 £	31 December 2013 £
Lease payments under operating leases recognised as an expense in the year	409,319	271,036
	<hr/>	<hr/>
Balance at 31 December 2014	409,319	271,036
	<hr/>	<hr/>

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

	31 December 2014 £	31 December 2013 £
Within one year	408,708	407,335
In the second to fifth year inclusive	706,775	1,109,762
After five years	-	-
	<hr/>	<hr/>
Total at 31 December 2014	1,115,483	1,517,097
	<hr/>	<hr/>

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

23 Dividends per share

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

FUNDING CIRCLE LIMITED

Notes forming part of the financial statements for the year ended 31 December 2014 *(Continued)*

24 Related party transactions

During the year, the Company received cash transfers from the parent company to the value of £11,000,000 (2013: £5,300,000) and accrued corresponding interest to the value of £188,493. It has also paid £81,877 (2013: £7,095) to external parties on behalf of the parent and accepted parent's payments of £56,342 (2013: £34,006) to third parties on behalf of the Company.

The Company paid £130 (2013: £248) to external parties on behalf of Funding Circle Asset Finance Limited, £130 (2013: £455) on behalf of Funding Circle Trustee Limited, £100 (2013: nil) on behalf of Funding Circle Property Finance Limited and £100 (2013: nil) on behalf of Funding Circle Solutions Limited. It has also accepted payments of £31,251 (2013: £7,968) made to third parties by Funding Circle USA. Each of the above mentioned companies represents a company under common control to Funding Circle Limited.

The following amounts were outstanding at the balance sheet date:

	Amount owed by related parties		Amount owed to related parties	
	2014	2013	2014	2013
	£	£	£	£
Funding Circle Trustee Limited	1,636	1,506	-	-
Funding Circle Asset Finance Limited	1,603	1,473	-	-
Funding Circle Property Finance Limited	101	-	-	-
Funding Circle Solutions Limited	100	-	-	-
Funding Circle USA	-	-	39,182	7,931
Funding Circle Holdings Limited	-	-	162,929	-
Loan due to Funding Circle Holdings Limited	-	-	11,000,000	-
	<u>3,440</u>	<u>2,979</u>	<u>11,202,111</u>	<u>7,931</u>

25 Controlling party

The directors regard Funding Circle Holdings Limited, a company incorporated in the United Kingdom and registered in England and Wales, as the immediate and ultimate parent company. The Company does not have a single controlling party.

26 Post balance sheet events

In March 2015, the Company entered into a new 10-year office lease agreement to facilitate its operations. The directors expect that the existing lease will be sublet before the end of 2015.