

**Company Registration No. 07123934**

**Funding Circle Holdings Limited**

**Report and Financial Statements**

**31 December 2011**



# **Funding Circle Holdings Limited**

## **Report and financial statements 2011**

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# **Funding Circle Holdings Limited**

## **Report and financial statements 2011**

### **Officers and professional advisers**

#### **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 from 12 July 2011)  
London  
SE1 0JF  
United Kingdom

81 Oxford Street (effective until 12 July 2011)  
London  
W1D 2EU

#### **Auditor**

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

H W Fisher & Company (resigned 30 April 2012)  
Acre House  
11-15 William Road  
London  
NW1 3ER  
United Kingdom

# **Funding Circle Holdings Limited**

## **Directors' report**

The company was incorporated on 13 January 2010. It acquired the entire share capital of Funding Circle Limited on 1 February 2010. The directors present their report and group financial statements for Funding Circle Holdings Limited (the "Company") for the year ended 31 December 2011.

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 that of a holding company. The principal activity of its subsidiary, Funding Circle Limited, is to facilitate the raising of finance for businesses through a website.

### **Directors**

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

S Desai  
A D Learoyd  
J Meekings  
L Edmans (resigned 9 March 2011)  
A Morgan (resigned 9 March 2011)  
A Mullinger (resigned 9 March 2011)  
N Rimer (appointed 9 March 2011)  
E Wray (appointed 9 August 2011)

### **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

7 August 2012

## **Funding Circle Holdings Limited**

### **Statement of directors' responsibilities**

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 Holdings Limited**

We have audited the financial statements of Funding Circle Holdings Limited for the year ended 31 December 2011 which comprise the consolidated profit and loss account, the consolidated balance sheet and the related notes 1 to 23. 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 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 group's and of the parent company's affairs as at 31 December 2011 and of the group's 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 matters prescribed in the Companies Act 2006**

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

### **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, United Kingdom  
7 August 2012

## Funding Circle Holdings Limited

### Consolidated profit and loss account Year ended 31 December 2011

		Year ended 31 December 2011 £	Period ended 31 December 2010 £
	Notes		
<b>Turnover</b>	2	505,594	24,659
Cost of sales		(60,308)	-
<b>Gross profit</b>		445,286	24,659
Administrative expenses		(1,588,270)	(542,851)
<b>Operating loss</b>	3	(1,142,984)	(518,192)
Other interest receivable and similar income		1,375	193
Finance costs	6	(181,654)	-
<b>Loss on ordinary activities before taxation</b>		(1,323,263)	(517,999)
Tax on loss on ordinary activities	7	-	-
<b>Loss for the year/period</b>		<u>(1,323,263)</u>	<u>(517,999)</u>

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

There are no recognised gains and losses other than those passing through the profit and loss account

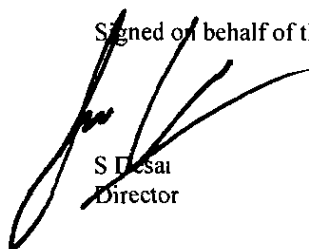
# Funding Circle Holdings Limited

## Consolidated balance sheet As at 31 December 2011

		2011		2010	
	Notes	Group £	Company £	Group £	Company £
<b>Fixed assets</b>					
Tangible assets	10	32,946	-	4,003	-
Investments	11	-	3,000,488	-	900
		<u>32,946</u>	<u>3,000,488</u>	<u>4,003</u>	<u>900</u>
<b>Current assets</b>					
Debtors	13	55,849	-	32,249	688,100
Cash at bank and in hand		<u>1,527,192</u>	<u>110,000</u>	<u>195,671</u>	<u>21,203</u>
		<u>1,583,041</u>	<u>110,000</u>	<u>227,920</u>	<u>709,303</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(319,440)</u>	<u>(154,333)</u>	<u>(39,719)</u>	<u>-</u>
<b>Net current assets</b>		<u>1,263,601</u>	<u>(44,333)</u>	<u>188,201</u>	<u>709,303</u>
<b>Total assets less current liabilities</b>		<u>1,296,547</u>	<u>2,956,155</u>	<u>192,204</u>	<u>710,203</u>
<b>Creditors: amounts falling due after one year</b>	15	<u>(2,236,849)</u>	<u>(2,236,849)</u>	<u>-</u>	<u>-</u>
<b>Total assets less total liabilities</b>		<u>(940,302)</u>	<u>719,306</u>	<u>192,204</u>	<u>710,203</u>
<b>Capital and reserves</b>					
Called up share capital	16	74,272	74,272	74,272	74,272
Share premium account	16	635,931	635,931	635,931	635,931
Profit and loss account	19	(1,841,262)	(181,654)	(517,999)	-
Other reserve	15,19	<u>190,757</u>	<u>190,757</u>	<u>-</u>	<u>-</u>
<b>Total shareholders' (deficit)/funds</b>	19,23	<u>(940,302)</u>	<u>719,306</u>	<u>192,204</u>	<u>710,203</u>

The financial statements of Funding Circle Holdings Limited, registered number 07123934 were approved by the Board of Directors on 7 August 2012

Signed on behalf of the Board of Directors



S. Desai  
Director



# **Funding Circle Holdings Limited**

## **Notes to the consolidated financial statements Year ended 31 December 2011**

### **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 group made a loss of £1,323,263 during the year ended 31 December 2011 (2010 loss of £517,999) as a result of significant investment in technology and marketing. Further losses are expected during 2012.

The Company raised £2.4 million through the issue of redeemable, cumulative and convertible preference shares in March and June 2011 with a further £10 million in March 2012 from the issue of cumulative and convertible preference shares. The directors are confident that this funding will enable the group to continue trading until it reaches full profitability. The directors therefore consider it appropriate to prepare the accounts on a 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.

#### **Basis of consolidation**

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2011. Intra-group sales, profits and balances are eliminated fully on consolidation.

Merger accounting, as permitted by Financial Reporting Standard No 6 'Acquisitions and mergers', has been adopted in connection with the acquisition of Funding Circle Limited in February 2010 as this acquisition did not represent a change in management and ownership. Under merger accounting, the group financial statements are presented as if Funding Circle Limited had been part of the group since its incorporation in July 2009.

#### **Turnover**

Turnover represents fees receivable from lenders and borrowers for the arranging of finance.

#### **Tangible fixed assets and depreciation**

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
Fixtures and fittings	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.

# Funding Circle Holdings Limited

## Notes to the consolidated financial statements Year ended 31 December 2011

### 1. Accounting policies (continued)

#### Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

### 2. Turnover

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

### 3. Operating loss

	Year ended 31 December 2011 £	Period ended 31 December 2010 £
Operating loss is stated after charging		
Depreciation of owned tangible assets	6,797	1,433
Operating lease rentals		
- Plant and machinery	60,000	121,836
- Land and buildings	46,519	18,984
Fees payable to the group's auditor for the audit of the group's annual accounts	15,750	9,500
	<u>122,566</u>	<u>151,753</u>

### 4. Directors' emoluments

	Year ended 31 December 2011 £	Period ended 31 December 2010 £
Emoluments for qualifying services	<u>136,976</u>	<u>46,500</u>

## Funding Circle Holdings Limited

### Notes to the consolidated financial statements Year ended 31 December 2011

#### 5 Employees

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

	2011 Number	2010 Number
Administrative	9	5
<b>Employment costs (including Directors' emoluments) during the year</b>		
	2011 £	2010 £
Wages and salaries	419,174	78,606
Social security costs	45,621	6,941
	<u>464,795</u>	<u>85,547</u>

#### 6. Finance costs

	2011 £	2010 £
8% Cumulative preference share dividends	<u>181,654</u>	<u>-</u>

#### 7. Taxation

	2011 £	2010 £
Current tax charge	<u>-</u>	<u>-</u>
<b>Factors affecting the tax charge for the year</b>		
	2011 £	2010 £
Loss on ordinary activities before taxation	<u>(1,323,263)</u>	<u>(517,999)</u>
Loss on ordinary activities before taxation multiplied by standard blended rate of UK corporation tax of 20 25% (2010 21 00%)	<u>(267,961)</u>	<u>(108,780)</u>
Effects of		
Non deductible expenses	3,809	1,733
Depreciation add back	1,376	301
Capital allowance	(7,237)	(96)
Unrelieved tax losses	<u>270,013</u>	<u>106,842</u>
	<u>267,961</u>	<u>108,780</u>
<b>Current tax charge</b>	<u>-</u>	<u>-</u>

## Funding Circle Holdings Limited

### Notes to the consolidated financial statements Year ended 31 December 2011

#### 8. Deferred tax

Deferred tax is provided as follows:

	Year ended 31 December 2011		Period ended 31 December 2010	
	Group £	Company £	Group £	Company £
Accelerated capital allowances	(5,593)	-	204	-
Tax losses available	332,102	-	106,842	-
	<u>326,509</u>	<u>-</u>	<u>107,046</u>	<u>-</u>
Unrecognised deferred tax asset	(326,509)	-	(107,046)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Provision for deferred taxation	-	-	-	-

The group has tax losses of £1,660,508 to carry forward against future trading profits. Deferred tax assets of £326,509 have not been recognised in these accounts because there is insufficient certainty over their recoverability.

#### 9. Company loss for the financial year

The company did not trade during the year. Loss for the current year of £181,654 is the interest expense on the redeemable and convertible preference shares issued during the year.

#### 10. Tangible fixed assets

Group	Computer equipment £	Furniture & fixtures £	Total £
<b>Cost</b>			
At 31 December 2010	5,436	-	5,436
Additions	28,633	7,106	35,739
	<u>34,069</u>	<u>7,106</u>	<u>41,175</u>
At 31 December 2011			
<b>Depreciation</b>			
At 31 December 2010	1,433	-	1,433
Charge for the year	5,791	1,006	6,797
	<u>7,224</u>	<u>1,006</u>	<u>8,230</u>
At 31 December 2011			
<b>Net book value</b>			
At 31 December 2011	26,845	6,100	32,945
	<u>4,003</u>	<u>-</u>	<u>4,003</u>
At 31 December 2010			

## Funding Circle Holdings Limited

### Notes to the consolidated financial statements Year ended 31 December 2011

#### 11. Fixed asset investments

Company	Investments in group undertakings £
<b>Cost</b>	
At 31 December 2010	900
Additions	2,999,588
At 31 December 2011	3,000,488
<b>Net book value</b>	
At 31 December 2011	3,000,488
At 31 December 2010	900

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

#### 12. Fixed asset investments

##### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Ownership	Country of registration or incorporation	Shares held Class	%
<b>Subsidiary undertakings</b>				
Funding Circle Limited	Direct	England	Ordinary	100
Funding Circle Recoveries Limited	Indirect	England	Ordinary	100
Funding Circle Asset Finance Limited	Indirect	England	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows

	Principal activity
Funding Circle Limited	Facilitate the raising of finance through a website
Funding Circle Recoveries Limited	The company did not trade during the year
Funding Circle Asset Finance Limited	The company is dormant since incorporation

## Funding Circle Holdings Limited

### Notes to the consolidated financial statements Year ended 31 December 2011

#### 13. Debtors

	2011		2010	
	Group £	Company £	Group £	Company £
Amounts owed by group undertakings	-	-	-	688,100
Rent deposit	34,800	-	-	-
Other debtors	11,879	-	5,947	-
Prepayments and accrued income	9,170	-	26,302	-
	<u>55,849</u>	<u>-</u>	<u>32,249</u>	<u>688,100</u>

Amounts falling due after more than one year and included in the debtors above are

	2011		2010	
	Group £	Company £	Group £	Company £
Amounts owed by group undertakings	<u>-</u>	<u>-</u>	<u>-</u>	<u>688,100</u>

#### 14. Creditors: amounts falling due within one year

	2011		2010	
	Group £	Company £	Group £	Company £
Amounts owed to group undertakings	-	1,000	-	-
Preference dividends payable	153,333	153,333	-	-
Trade creditors	114,260	-	18,707	-
Taxes and social security costs	25,273	-	2,257	-
Other creditors	60	-	60	-
Accruals and deferred income	26,514	-	18,695	-
	<u>319,440</u>	<u>154,333</u>	<u>39,719</u>	<u>-</u>

## Funding Circle Holdings Limited

### Notes to the consolidated financial statements Year ended 31 December 2011

#### 15. Creditors: amounts falling due after more than one year

The company issued redeemable and convertible preference shares during the year raising cash of £2.4m after transaction fees. The preference shares are convertible to ordinary shares at any time at an initial conversion rate of 1:1. The preference shares may be redeemed at the option of the holder at between 5 to 8 years after the closing date of the offering. The liability element of the preference shares of £2,236,849 is classified as creditors while the fair value of the convertible option of £190,757 is classified as other reserves within shareholders' equity. The preference shareholders are entitled to cumulative dividends at an annual rate of 8% of the purchase price.

#### 16. Share capital and share premium

	2011 £	2010 £
<b>Allotted, called up and fully paid</b>		
742,720 ordinary shares of 10p each	74,272	74,272

In February 2010, the company issued 500,000 ordinary shares of 10p each at par, partly in consideration for the acquisition of the entire share capital of Funding Circle Limited and partly for cash. Subsequently, the company issued a further 242,720 ordinary shares of 10p each for a consideration of £660,201 giving rise to a share premium of £635,931.

#### 17. Share option arrangements

In August 2011 the holding company, Funding Circle Holdings Limited, issued options over 31,996 shares to six employees. A further 6,856 options were issued to six additional employees in December 2011.

The options over 3,676 shares issued to an employee in the prior year are exercisable in two tranches up to 20 May 2020. The first tranche of 1,838 shares is exercisable at an option price of £2.72 per share when the holding company acquires a fair value of £15 million. The second tranche of 1,838 shares is exercisable at an option price per share of £15 million divided by the number of shares then in issue when the holding company acquires a fair value of £30 million.

For options issued in 2011, shares are exercisable in 13 tranches of 25% of shares after 12 months and 6.25% every 3 months up to 4 years following issue grant date. All shares are exercisable at an option price of £2.72 per share.

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

#### 18. Statement of movements in reserves

Group	Share premium account £	Profit and loss account £
Balance at 31 December 2010	635,931	(517,999)
Loss for the year	-	(1,323,262)
Balance at 31 December 2011	635,931	(1,841,262)

## Funding Circle Holdings Limited

### Notes to the consolidated financial statements Year ended 31 December 2011

#### 18 Statement of movements in reserves (continued)

Company	Share premium account £	Profit and loss account £
Balance at 31 December 2010	635,931	-
Loss for the year	-	(181,654)
Balance at 31 December 2011	<u>635,931</u>	<u>(181,654)</u>

#### 19. Reconciliation of movements in shareholders' funds

Group	2011 £	2010 £
Loss for the financial year	(1,323,262)	(517,999)
Proceeds from issue of shares	-	710,203
Other reserve (Note 15)	190,757	-
Net addition to shareholders' funds	<u>(1,132,506)</u>	<u>192,204</u>
Opening shareholders' funds	192,204	-
Closing shareholders' (deficit)/funds	<u>(940,302)</u>	<u>192,204</u>

#### 20. Financial commitments

At 31 December 2011 the group had annual commitments under non-cancellable operating leases as follows

	2011		2010	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date				
Within one year	-	-	7,297	12,726
Between two and five years	69,600	60,000	-	69,600
	<u>69,600</u>	<u>60,000</u>	<u>7,297</u>	<u>82,326</u>

#### 21. 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

#### 22. Comparatives

The comparatives are for the period from incorporation on 21 July 2009 to 31 December 2010

#### 23. Post balance sheet subsequent events

Subsequent to the year end, the Company has revoked the redemption rights for all preference shares in issue at 31 December 2011. In March 2012 the Company raised a further £10 million via the equity issuance of non-redeemable and non-dividend bearing preference shares