

Company Registration No. 06968588

Funding Circle Limited

Report and Financial Statements

31 December 2011

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Funding Circle Limited

Report and financial statements 2011

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Funding Circle Limited

Officers and professional advisors

Directors

S Desai
A D Learoyd
J Meekings
N Rimer
E Wray

Secretary

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

Registered Office

99 Southwark Street (effective 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 Limited

Directors' report

The directors present their report together with the financial statements for Funding Circle Limited (the "Company") for the year ended 31 December 2011. The Company was incorporated on 21 July 2009. It commenced developing a website to facilitate the raising of finance, for businesses in January 2010. The website became operational in August 2010. The Company became a wholly-owned subsidiary of Funding Circle Holdings Limited in February 2010.

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

Principal activities

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

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

Directors

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

S Desai

A D Learoyd

J Meekings

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

17 August 2012

Funding Circle 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 Limited

We have audited the financial statements of Funding Circle Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. 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 Company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on 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 Limited

Profit and loss account Year ended 31 December 2011

		Year ended 31 December 2011 £	Period from incorporation to 31 December 2010 £
Turnover	2	505,594	24,659
Cost of sales		(60,308)	-
Gross profit		445,286	24,659
Administrative expenses		(1,588,270)	(542,851)
Operating loss	3	(1,142,984)	(518,192)
Interest receivable and similar income		1,375	193
Loss on ordinary activities before taxation		(1,141,609)	(517,999)
Tax on loss on ordinary activities	6	-	-
Loss for the year/period	13	(1,141,609)	(517,999)

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 Limited

Balance sheet As at 31 December 2011

	Notes	2011 £	2010 £
Fixed assets			
Tangible assets	7	32,946	4,003
Investments	8	2	1
		<u>32,948</u>	<u>4,004</u>
Current assets			
Debtors	9	56,849	32,249
Cash at bank and in hand		1,417,192	174,468
		<u>1,474,041</u>	<u>206,717</u>
Creditors amounts falling due within one year	10	<u>(166,109)</u>	<u>(39,720)</u>
Net current assets		<u>1,307,932</u>	<u>166,997</u>
Total assets less current liabilities		<u>1,340,880</u>	<u>171,001</u>
Creditors amounts falling due after more than one year			
Amounts owed to parent company to be converted into equity	11	-	(688,100)
		<u>-</u>	<u>(688,100)</u>
Total assets less total liabilities		<u>1,340,880</u>	<u>(517,099)</u>
Capital and reserves			
Called up share capital	12	2,970,789	900
Share premium	12	29,699	-
Profit and loss account	13	(1,659,608)	(517,999)
		<u>(1,659,608)</u>	<u>(517,999)</u>
Shareholders' funds/(deficit)	14	<u>1,340,880</u>	<u>(517,099)</u>

The financial statements of Funding Circle Limited, registered number 06968588 were approved by the Board of Directors on 7 August 2012

Signed on behalf of the Board of Directors



S Desai
Director

Funding Circle Limited

Notes to the 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 Company made a loss of £1,141,609 during the year ended 31 December 2011 (2010 loss of £517,999), its second trading period, as a result of significant investment in technology and marketing. Further losses are expected during 2012.

The parent company agrees to provide continued financial support to the Company.

During the year ended 31 December 2011, the parent company converted an £1.8m intercompany receivable balance from the Company into capital investment in the Company and made an additional capital investment of £1.2m by cash. The directors are confident that the sustained funding from the parent company will enable Funding Circle Limited to continue trading until it reaches full profitability. The 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.

Revenue recognition

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.

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.

Funding Circle Limited

Notes to the financial statements Year ended 31 December 2011

1. Accounting policies (continued)

Group accounts

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

2. Turnover

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

3. Operating loss

	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		
- Other assets	60,000	121,836
- Land and buildings	46,519	18,984
Auditors' remuneration (including expenses)	15,750	6,500
	<u>128,066</u>	<u>148,753</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>

5. Employees

Number of employees

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

	2011 Number	2010 Number
Administrative	<u>9</u>	<u>5</u>

Funding Circle Limited

Notes to the financial statements Year ended 31 December 2011

5. Employees (continued)

Employment costs (including Directors' emoluments) during the year

	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. Taxation

	2011 £	2010 £
Current tax charge	<u>-</u>	<u>-</u>
Factors affecting the tax charge for the year		
	2011 £	2010 £
Loss on ordinary activities before taxation	<u>(1,141,609)</u>	<u>(517,999)</u>
Loss on ordinary activities before taxation multiplied by blended standard rate of UK corporation tax of 20.25% (2010: 21.00%)	<u>(231,176)</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	233,228	106,842
	<u>231,176</u>	<u>108,780</u>
Current tax charge	<u>-</u>	<u>-</u>

Funding Circle Limited

Notes to the financial statements Year ended 31 December 2011

6 Taxation (continued)

Deferred tax is provided as follows:

Deferred tax is calculated at 20% (2010 21%) analysed over the following timing differences

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

The Company has tax losses of £1,660,508 to carry forward against future trading profits. Deferred tax assets of £326,508 (2010 £107,046) have not been recognised in these accounts because there is insufficient certainty over their recoverability.

7. Tangible fixed assets

	Computer equipment £	Furniture & fixtures £	Total £
Cost			
At 31 December 2010	5,436	-	5,436
Additions	28,634	7,106	35,740
At 31 December 2011	<u>34,070</u>	<u>7,106</u>	<u>41,176</u>
Accumulated depreciation			
At 31 December 2010	1,433	-	1,433
Charge for the year/period	5,791	1,006	6,797
At 31 December 2011	<u>7,224</u>	<u>1,006</u>	<u>8,230</u>
Net book value			
At 31 December 2011	<u>26,846</u>	<u>6,100</u>	<u>32,946</u>
At 31 December 2010	<u>4,003</u>	<u>-</u>	<u>4,003</u>

Funding Circle Limited

Notes to the financial statements Year ended 31 December 2011

8. Fixed asset investments

	Investments in group undertakings £
Cost	
At 1 January 2011	1
Additions	1
	<hr/>
At 31 December 2011	2
	<hr/>
Net book value	
At 31 December 2011	2
	<hr/>
At 31 December 2010	1
	<hr/> <hr/>

The Company holds the entire share capital of Funding Circle Recoveries Limited a company incorporated in England which was active in the year and the entire share capital of Funding Circle Asset Management Limited, a company incorporated in England on 2 November 2011 which has been dormant since incorporation

9. Debtors

	2011 £	2010 £
Other debtors	11,879	5,947
Prepayments and accrued income	9,170	26,302
Rent deposit	34,800	-
Amounts due from parent company	1,000	-
	<hr/>	<hr/>
	56,849	32,249
	<hr/> <hr/>	<hr/> <hr/>

10. Creditors: amounts falling due within one year

	2011 £	2010 £
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
Amounts due from subsidiary undertakings	2	1
	<hr/>	<hr/>
	166,109	39,720
	<hr/> <hr/>	<hr/> <hr/>

Funding Circle Limited

Notes to the financial statements Year ended 31 December 2011

11. Creditors: amounts falling due after more than one year

	2011 £	2010 £
Amounts owed to parent company	-	688,100

The balance at 31 December 2010 was a liability due to the parent company. During the year ended 31 December 2011, the full payable balance has been converted to share capital investment by the parent company.

12. Share capital

	2011 £	2010 £
Allotted, called up and fully paid		
2,970,789 ordinary shares (2010: 900 ordinary shares) of £1 each	2,970,789	900
Share premium	29,699	-

During the year ended 31 December 2011, the Company has issued 2,969,889 ordinary shares at £1 each by way of conversion of the balance payable to the parent company of £1,776,331 and additional issuance of ordinary shares to the parent company of £1,223,257, giving rise to a share premium of £29,699. Funding Circle Holdings Limited remains the sole shareholder of the Company.

13. Statement of movements in reserves

	Profit and loss account £
Retained earnings as at 31 December 2010	(517,999)
Loss for the year	(1,141,609)
Retained earnings as at 31 December 2011	(1,659,608)

14. Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Loss for the financial year/period	(1,141,609)	(517,999)
Proceeds from issue of shares	2,999,588	900
Net increase/(decrease) in shareholders' funds	1,857,979	(517,099)
Opening shareholders' deficit	(517,099)	-
Closing shareholders' funds	1,340,880	(517,099)

Funding Circle Limited

Notes to the financial statements Year ended 31 December 2011

15 Financial commitments

At 31 December 2011 the Company was committed to making the following annual payments under non-cancellable operating leases as follows

	2011		2010	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire				
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>

16. Related party transactions

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

17 Ultimate parent company

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

18. Comparatives

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