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FUNDING CIRCLE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2010

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FUNDING CIRCLE LIMITED

COMPANY INFORMATION

Directors

S Desai
A D Learoyd
J Meekings
N Rimer

Secretary

J Meekings

Company number

06968588

Registered office

81 Oxford Street
London
W1D 2EU

Auditors

H W Fisher & Company
Acre House
11 - 15 William Road
London
NW1 3ER
United Kingdom

FUNDING CIRCLE LIMITED

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FUNDING CIRCLE LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2010

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. The directors present their report and financial statements for the period ended 31 December 2010.

Principal activities

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

Directors

The directors who served during the period were:

S. Desai	(Appointed 21 July 2009)
I. Edmans	(Appointed 21 May 2010 and resigned 9 March 2011)
A. D. Larooyd	(Appointed 25 February 2010)
J. Meekings	(Appointed 21 July 2009)
A. Morgan	(Appointed 21 May 2010 and resigned 9 March 2011)
A. C. A. Mullinger	(Appointed 27 October 2009 and resigned 9 March 2011)

In addition, N. Rimer was appointed a director on 9 March 2011.

Disclosure of information to auditors

Each of the directors has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditors are unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditors are aware of such information.

Auditors

H. W. Fisher & Company were appointed auditors to the company and, in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put to the members.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the board



S. Desai

Director

Dated

25/3/2011

FUNDING CIRCLE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' 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 period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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 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.

FUNDING CIRCLE LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FUNDING CIRCLE LIMITED

We have audited the financial statements of Funding Circle Limited for the period ended 31 December 2010 set out on pages 4 to 12. 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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement on page 2, 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.

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 2010 and of its loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period 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.

N N Siganporia (Senior Statutory Auditor)

for and on behalf of H W Fisher & Company

Chartered Accountants

Statutory Auditor

Acre House
11 - 15 William Road
London
NW1 3ER
United Kingdom

Dated 25 MARCH 2011

FUNDING CIRCLE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31 DECEMBER 2010

	Notes	Period ended 31 December 2010 £
Turnover	2	24,659
Administrative expenses		(542,851)
Operating loss	3	(518,192)
Other interest receivable and similar income		193
Loss on ordinary activities before taxation		(517,999)
Tax on loss on ordinary activities	6	-
Loss for the period	15	(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 2010**

	Notes	2010	
		£	£
Fixed assets			
Tangible assets	7		4,003
Investments	8		1
			<u>4,004</u>
Current assets			
Debtors	9	32,249	
Cash at bank and in hand		174,468	
		<u>206,717</u>	
Creditors amounts falling due within one year	10	<u>(39,719)</u>	
Net current assets			<u>166,998</u>
Total assets less current liabilities			<u>171,002</u>
Creditors amounts falling due after more than one year			
Amounts owed to parent company to be converted into equity	11		688,101
Capital and reserves			
Called up share capital	13	900	
Profit and loss account	15	(517,999)	
		<u></u>	
Shareholders' funds	16		<u>(517,099)</u>
			<u>171,002</u>

Approved by the Board and authorised for issue on 25/3/2011



S Devar
Director

FUNDING CIRCLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2010

1 Accounting policies

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention

The company made a loss of £517,999 during its first period of trading as a result of significant investment in technology and marketing. Further losses are expected during 2011 but the directors anticipate that the company will break-even by the end of 2012 and become profitable from 2013 onwards.

The company's holding company, Funding Circle Holdings Limited, has raised £2 million through an issue of shares in March 2011 and the directors are confident that this new funding 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.

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.

1.2 Compliance with accounting standards

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

1.3 Revenue recognition

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

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	33.3% per annum on a straight line basis
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1.5 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.

1.6 Investments

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

1.7 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.8 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.

FUNDING CIRCLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2010

2 Turnover

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

3 Operating loss	2010
	£
Operating loss is stated after charging:	
Depreciation of owned tangible fixed assets	1,433
Operating lease rentals	
- Other assets	121,836
- Land and buildings	18,984
Auditors' remuneration (including expenses and benefits in kind)	6,500
	<u><u> </u></u>

4 Directors' emoluments	2010
	£
Emoluments for qualifying services	46,500
	<u><u> </u></u>

5 Employees

Number of employees

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

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

Employment costs	2010
	£
Wages and salaries	78,606
Social security costs	6,941
	<u><u> </u></u>
	<u><u>85,547</u></u>

FUNDING CIRCLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2010

6	Taxation	2010
	Current tax charge	-
		<u> </u>
	Factors affecting the tax charge for the period	
	Loss on ordinary activities before taxation	(517,999)
		<u> </u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21.00%	(108,780)
		<u> </u>
	Effects of	
	Non deductible expenses	1,733
	Depreciation add back	301
	Capital allowances	(96)
	Unrelieved tax losses	106,842
		<u> </u>
		108,780
		<u> </u>
	Current tax charge	-
		<u> </u>
7	Tangible fixed assets	Computer equipment
		£
	Cost	
	At 21 July 2009	-
	Additions	5,436
		<u> </u>
	At 31 December 2010	5,436
		<u> </u>
	Depreciation	
	At 21 July 2009	-
	Charge for the period	1,433
		<u> </u>
	At 31 December 2010	1,433
		<u> </u>
	Net book value	
	At 31 December 2010	4,003
		<u> </u>

FUNDING CIRCLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2010

8 Fixed asset investments

	Shares in subsidiary undertakings
	£
Cost	
At 21 July 2009	-
Additions	1
	<hr/>
At 31 December 2010	1
	<hr/>
Net book value	
At 31 December 2010	1
	<hr/> <hr/>

This company holds the entire share capital of Funding Circle Recoveries Limited, a company incorporated in England which was dormant throughout the period

9 Debtors	2010
	£
Other debtors	5,947
Prepayments and accrued income	26,302
	<hr/>
	32,249
	<hr/> <hr/>

10 Creditors amounts falling due within one year	2010
	£
Trade creditors	18,707
Taxes and social security costs	2,257
Other creditors	60
Accruals and deferred income	18,695
	<hr/>
	39,719
	<hr/> <hr/>

FUNDING CIRCLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2010

11 Creditors amounts falling due after more than one year	2010
	£
Amounts owed to group undertakings	688,101

This long term liability represents an amount due to the holding company, Funding Circle Holdings Limited. It is the intention of the company to convert this borrowing into share capital in the near future.

12 Provisions for liabilities

Deferred tax is provided as follows

Deferred tax is calculated at 21% analysed over the following timing differences

	2010
	£
Accelerated capital allowances	204
Tax losses available	106,842
	<hr/>
	107,046
Unrecognised deferred tax asset	(107,046)
	<hr/>
Provision for deferred taxation	-

The company has tax losses of approximately £510,000 to carry forward against future trading profits. Deferred tax assets of £107,046 have not been recognised in these accounts because there is insufficient certainty over their recoverability.

13 Share capital	2010
	£
Allotted, called up and fully paid	
900 ordinary shares of £1 each	900

During the period, 900 ordinary shares of £1 each were issued for a consideration of £900.

FUNDING CIRCLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2010

14 Share option arrangements

On 21 May 2010 the holding company, Funding Circle Holdings Limited, issued options over 18,566 shares to Mr L. Edmans, a director, and over 3,676 shares to an employee. The options issued to Mr L. Edmans were cancelled in March 2011.

The options over 3,676 shares issued to the employee are exercisable in two tranches upto 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.

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

15 Statement of movements on profit and loss account

	Profit and loss account
	£
Loss for the period	(517,999)

16 Reconciliation of movements in shareholders' funds

	2010
	£
Loss for the financial period	(517,999)
Proceeds from issue of shares	900
Net depletion in shareholders' funds	(517,099)
Opening shareholders' funds	-
Closing shareholders' funds	(517,099)

FUNDING CIRCLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2010

17 Financial commitments

At 31 December 2010 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2011

	Land and buildings	Other
	2010	2010
	£	£
Operating leases which expire		
Within one year	7,297	12,726
Between two and five years	-	69,600
	<hr/>	<hr/>
	7,297	82,326
	<hr/> <hr/>	<hr/> <hr/>

18 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

19 Controlling parties

The directors regard Funding Circle Holdings Limited, a company incorporated in England, as the ultimate parent company