

**Funding Circle Holdings plc**  
**Full Year 2023 Results**  
Embargoed until 7.00am, 7 March 2024

THIS ANNOUNCEMENT INCLUDES INSIDE INFORMATION AS DEFINED IN ARTICLE 7 OF THE MARKET  
ABUSE REGULATION NO. 596/2014

**FULL YEAR PERFORMANCE IN LINE WITH EXPECTATIONS**

**GO FORWARD FOCUS ON PROFITABLE UK BUSINESS  
£25M SHARE BUYBACK PROGRAMME ANNOUNCED**

Funding Circle Holdings plc ("Funding Circle") today announces results for the twelve months ended 31 December 2023.

**Lisa Jacobs, Funding Circle CEO, says:**

*"I'm pleased with our 2023 performance. We delivered a solid set of results in FY 2023, in line with our expectations, and made good progress against our multi-product strategy. In the UK, we have expanded our product range with the rollout of our Card product so customers can now borrow, pay and spend with Funding Circle. Our UK Loans business was profitable and our FlexiPay business grew strongly with transactions nearly quadrupling. We continue to deliver a superior experience for our customers.*

*"Looking ahead, we will be focused on our UK business – comprising UK Loans and FlexiPay – to drive improved Group cash and profits and deliver greater shareholder value. Whilst the US business offers attractive long term growth, it also requires a significant amount of cash and capital to grow the SBA proposition and we don't believe that this is the best course of action for the Group. We have received indications of interest for the US business and will update further in due course.*

*"Our go forward UK business will be PBT profitable in H2 2024 and has an attractive growth and profitability profile over the medium term. We look forward to executing against our plan to help more SMEs get the funding they need to win and to capture growth in a large, underserved market.*

*"We believe the share price materially undervalues the business and as such will be buying back up to £25m shares."*

**Executive Summary:**

- We delivered a solid Group performance in line with expectations:
  - Total income grew 7% to £162.2m (FY 2022: £151.0m); Group AEBITDA of negative £3.9m (FY 2022: £9.5m) with strong profit in UK Loans offset by continued investment into FlexiPay and the US business.
  - Profitable UK Loans business with AEBITDA of £21.3m (FY 2022: £13.8m) and PBT of £6.5m (FY 2022: loss before tax of £1.8m). FlexiPay transactions almost quadrupled to £234m (FY 2022: £59m).
  - Loan returns remain robust and attractive with continued institutional investor demand to fund loans; £1.1bn of forward flow agreements in the UK.
- We continue to execute against the three strategic pillars of our medium-term plan:
  - **Attract more businesses:** strengthening existing distribution channels and expanding into new embedded and intermediated channels to enable more businesses to reach us.
    - FlexiPay extends our product range so customers can now borrow, pay and spend with Funding Circle, driving increased relevance and attracting new customers.
    - Launched second year of sports sponsorship with Premiership Rugby and secured Jamie George as our brand ambassador, driving increased brand metrics.
  - **Say yes to more businesses:** serving more businesses through an expanded set of Funding Circle products and further integration with third party lenders.
    - Marketplace (where we refer businesses we cannot support to other lenders) showing continued strong momentum, with over £100m UK lending through 2023.
    - Continued innovation in core product with expanded product offering via the third iteration of the UK government Recovery Loan Scheme since August.
  - **#1 in new products:** using our capabilities to enter new markets where we can develop market-leading products.
    - FlexiPay transactions grew ~4x in 2023, with £297m FlexiPay transactions since launch.
    - Completed FlexiPay card launch – now available to new and existing customers, with over 6,600 cards issued so far.

- Looking ahead, we are focused on a profitable UK business with attractive growth prospects, which we believe will deliver greater shareholder value:
  - Received early indications of interest in the US business and will provide an update in due course.
  - Go-forward UK business combines scalable and profitable UK Loans business with high-growth FlexiPay business.
  - Over the next 3-4 years we expect net income growth of 15-20% CAGR with PBT margins of >15%

## Performance Highlights

	2023 £m	2022 <sup>1</sup> £m
<b>Originations:</b>		
i) Loans Originations	1,456	1,422
ii) FlexiPay Transactions	234	59
<b>Loans under Management (LuM):</b>		
i) Loans under Management	3,284	3,725
ii) FlexiPay Balances	56	18
<b>Key Financials:</b>		
Operating income	154.8	133.7
Net investment income <sup>2</sup>	7.4	17.3
<b>Total income</b>	<b>162.2</b>	<b>151.0</b>
Fair value gains	8.7	4.8
<b>Net income</b>	<b>168.2</b>	<b>155.8</b>
<b>AEBITDA<sup>2</sup></b>	<b>(3.9)</b>	<b>9.5</b>
<b>Loss before taxation</b>	<b>(33.2)</b>	<b>(12.9)</b>
<b>Cash</b>	<b>221.4</b>	<b>177.7</b>
<b>Net Assets</b>	<b>246.8</b>	<b>284.0</b>

## Financial Summary:

- Loans Originations growth of 2% to £1.5bn (2022: £1.4bn) reflects prudent approach to lending. Commercial lending saw strong growth.
- LuM reduced to £3.3bn (2022: £3.7bn), reflecting the repayment of government loans.
- FlexiPay saw continued momentum with transactions almost quadrupling to £234m (2022: £59m) and end of month balances up to £56m (2022: £18m).
- Operating income grew to £154.8m (2022: £133.7m) following origination yield increases, income from FlexiPay and improved interest on corporate cash.
- Net investment income was £7.4m (2022: £17.3m) and, as expected, continues to reduce as investments amortise down or have been sold.
- Fair value gains of £8.7m (2022: £4.8m) from the strong credit performance of on balance sheet loans.
- AEBITDA of negative £3.9m (2022: positive £9.5m) reflects planned investment in both the US Loans business and FlexiPay.
- The UK Loans business was AEBITDA positive at £21.3m (2022: £13.8m) and profitable at a PBT level at £6.5m (2022: loss before tax of £1.8m).
- Loss before tax was £33.2m (2022: loss before tax of £12.9m) reflecting the above planned investments.
- Net assets remain robust at £246.8m (2022: £284.0m), with the reduction down to investment in the US Loans business and FlexiPay. Group cash is £221.4m (2022: £177.7m), of which £169.6m (2022: £165.6m) is unrestricted<sup>3</sup>.

<sup>1</sup> To improve clarity and to better reflect our evolving business, we made certain changes to the presentation of our financial results within our Half Year 2023 results which are reflected in our Full Year 2023 results. All interest earned is now shown within Total Income (and consequently AEBITDA), where previously interest earned on cash was presented below operating profit. With no meaningful other items between operating profit and profit before tax we no longer present an operating profit line item. Comparative financial information has been re-presented with further detail provided in Note 2.

<sup>2</sup> For definitions of non-GAAP measures refer to Note 2.

<sup>3</sup> Unrestricted cash refers to total cash less cash that is restricted in use. The restricted cash is cash that is not available for general use by the company as it is held within investment vehicles and generally payable to third parties.

**Outlook:**

We set out the following guidance for 2024:

FY 2024		
	UK Loans	FlexiPay
<b>Total income</b>	>10% growth	3x growth
<b>PBT</b>	Margins of 8-12% (20-25% AEBITDA margins)	Continued investment, with losses at a similar level to FY23

The UK businesses (UK Loans and FlexiPay) will be PBT positive from H2 2024

**Board changes**

Eric Daniels will not be standing for re-election as a Director at the Company's AGM on 15 May 2024.

**Share buyback**

Funding Circle announces that it intends to commence a discretionary programme to purchase ordinary shares of £0.001 each in its share capital, up to maximum consideration of £25 million, because the share price materially undervalues the business. Funding Circle intends to conduct the programme in accordance with and under the terms of and capacity available under the general authority granted by its shareholders at its Annual General Meeting held on 11 May 2023, subject to available distributable reserves. Funding Circle will announce further details of the programme separately.

**Analyst presentation:**

Management will host an analyst and shareholder presentation and conference call at 9:30am UK time (GMT), on Thursday 7 March 2024, including an opportunity to ask questions.

To watch and listen to the webcast, with the opportunity to submit written questions, please use [this link](#) to register and gain access to the event.

For conference call access, with the opportunity to ask live questions, please dial +44 33 0551 0200 or +1 786 697 3501. Quote Funding Circle when prompted by the operator.

An on-demand replay and transcript will also be available on the Funding Circle website following the presentation.

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**About Funding Circle:**

Funding Circle (LSE: FCH) is the UK's leading SME lending platform. Its mission is to build the place where small businesses get the funding they need to win.

Funding Circle enables small businesses to access funding – offering an unrivalled customer experience powered by data and technology.

For institutional investors, Funding Circle provides access to an alternative asset class in an underserved market, with robust and attractive returns.

Globally, Funding Circle has extended more than £16bn in credit to c.150,000 businesses.

**Forward looking statements and other important information:**

This document contains forward looking statements, which are statements that are not historical facts and that reflect Funding Circle's beliefs and expectations with respect to future events and financial and operational performance. These forward looking statements involve known and unknown risks, uncertainties, assumptions, estimates and other factors, which may be beyond the control of Funding Circle and which may cause actual results or performance to differ materially from those expressed or implied from such forward looking statements. Nothing contained within this document is or should be relied upon as a warranty, promise or representation, express or implied, as to the future performance of Funding Circle or its business. Any historical information contained in this statistical information is not indicative of future performance.

The information contained in this document is provided as of the dates shown. Nothing in this document should be construed as legal, tax, investment, financial, or accounting advice, or solicitation for or an offer to invest in Funding Circle.

## Business Review

Funding Circle is the UK's leading SME lending platform. We operate in a large, attractive and growing market, with over £80bn of outstanding debt in the UK SME market and £1.3trn of B2B SME payments each year.

What sets us apart is an unrivalled customer experience powered by data and technology. This advantage is clear in our credit assessment process, with our models 3x better at discriminating risk than traditional bureau scores. It also delivers superior results for our customers. 80% of UK applicants receive an instant decision, we have a strong NPS of 79 and see strong repeat usage, especially with FlexiPay.

We made good, solid progress in 2023 despite a challenging macroeconomic environment. Alongside progressing the launch of new products and delivering against our strategic pillars, our priority has been to serve our small business customers responsibly and deliver robust loan returns in a high inflation environment.

At a Group level, we delivered financial results in line with expectations with total income of £162.2m, up 7%, and AEBITDA loss of £3.9m, reflecting a strong step-up in profitability from our UK Loans business and investment in FlexiPay and in US Loans. We closed the year with a very healthy unrestricted cash balance of £169.6m, up from £165.6m, as legacy investments paid down, offsetting the operating cash outflow in the US and FlexiPay.

During the year, we saw good momentum in our two UK businesses - UK Loans and FlexiPay. Our more mature UK Loans business is profitable and margins improved half-on-half. In 2023, UK Loans delivered AEBITDA profit of £21.3m and PBT of £6.5m, up from £13.8m and a loss of £1.8m in 2022, respectively.

Our newer FlexiPay business, which helps small businesses manage their cashflows, delivered strong growth in 2023, building on a successful full launch of the product in 2022. Transactions near quadrupled to £234m, compared to £59m in 2022, as we saw FlexiPay quickly become an essential and ongoing part of customers cashflow management toolkit. We more than trebled the number of active accounts to c.6,500 at the end of 2023 and we have been encouraged by the increasingly predictable repeat behaviour among users. We also continued to innovate and expand our product set in 2023. In the second half we launched our integrated FlexiPay card. Whilst this remains at an early stage, with its launch, customers can now borrow, pay and spend with Funding Circle.

In the US, we made steady progress. We saw good growth in the first half of 2023, which moderated as the year progressed. Total income for US Loans was £32.5m in 2023, from £29.1m in 2022, and the business recorded an AEBITDA loss of £10.6m, increasing from a loss of £3.1m in 2022. During the year, the team were successful in receiving the tentative award of an SBA 7(a) licence.

We have now reached a point where future growth in the US will require significant cash and capital to grow the SBA proposition. Against this, we have determined that a focus on our profitable UK business will deliver greater shareholder value with improved profitability and cash generation. We have received early indications of interest in the US business and will provide a further update in due course.

In the last two years, we've transitioned our UK business from a single product line to one that today enables SMEs to not only borrow over the long term, but also pay and spend. We are realising our multiproduct vision, thereby expanding our addressable market, increasing the level of engagement with our customers and strengthening the platform from which we can continue to grow.

We expect our go forward business will be profitable in the second half of 2024. Over the next 3-4 years, we expect a net income growth CAGR in the range of 15-20% with profit margins improving to greater than 15%. Within that, our UK Loans business will grow between 10-15% with margins improving year on year. We expect FlexiPay to reach AEBITDA profitability in 2025.

Given the strength of our business today and the future growth and profitability profile, we believe that our current share price materially undervalues the business. As such we are announcing a share buyback of up to £25m.

We're excited about the future of the UK business. Our strategy is focused on expanded distribution, increased conversion and an expanded product set, which is underpinned by a robust balance sheet and strong cash position. We are well-placed to deliver on our growth prospects and help more SMEs get the funding they need to win.

## Overview of the year ended 31 December 2023

The performance in 2023 was in line with our expectations, with total income growth in each business unit compared to 2022 and controlled investment in US Loans and FlexiPay.

The UK Loans business originations were in line with 2022, with growth in commercial lending despite a slower economic recovery than initially expected. UK Loans showed AEBITDA growth to £21.3m (2022: £13.8m) and profit before tax of £6.5m (2022: loss before tax of £1.8m).

The US Loans business showed originations and LuM growth on 2022 with originations at £396m (2022: £327m) and LuM at £420m (2022: £375m).

Our line of credit product, FlexiPay, has demonstrated significant growth to date and we are investing to support the momentum we see in this product. Its transaction levels continue to grow (more than quadrupled in 2023 compared to 2022) following continuing strong customer engagement and the launch of FlexiPay card in September 2023.

## Segmental highlights (unaudited)

	31 December 2023					31 December 2022				
	Loans			FlexiPay	Total	Loans			FlexiPay	Total
	United Kingdom £m	United States £m	Other £m	United Kingdom £m	£m	United Kingdom £m	United States £m	Other £m	United Kingdom £m	£m
<b>Originations:</b>										
Loans Originations	1,060	396	-	-	1,456	1,095	327	-	-	1,422
FlexiPay Transactions	-	-	-	234	234	-	-	-	59	59
<b>LuM:</b>										
Loans under Management	2,853	420	11	-	3,284	3,311	375	39	-	3,725
FlexiPay Balances	-	-	-	56	56	-	-	-	18	18

	31 December 2023					31 December 2022 <sup>4</sup>				
	Loans			FlexiPay	Total	Loans			FlexiPay	Total
	United Kingdom £m	United States £m	Other £m	United Kingdom £m	£m	United Kingdom £m	United States £m	Other £m	United Kingdom £m	£m
<b>Net income</b>										
Operating income <sup>4</sup>	117.8	28.7	0.4	7.9	154.8	109.0	21.6	1.6	1.5	133.7
Net investment income	3.6	3.8	-	-	7.4	9.8	7.5	-	-	17.3
<b>Total income</b>	<b>121.4</b>	<b>32.5</b>	<b>0.4</b>	<b>7.9</b>	<b>162.2</b>	<b>118.8</b>	<b>29.1</b>	<b>1.6</b>	<b>1.5</b>	<b>151.0</b>
Fair value gains/(losses)	3.1	5.6	-	-	8.7	(2.4)	7.2	-	-	4.8
Cost of funds	-	-	-	(2.7)	(2.7)	-	-	-	-	-
<b>Net income</b>	<b>124.5</b>	<b>38.1</b>	<b>0.4</b>	<b>5.2</b>	<b>168.2</b>	<b>116.4</b>	<b>36.3</b>	<b>1.6</b>	<b>1.5</b>	<b>155.8</b>
<b>Adjusted EBITDA<sup>4</sup></b>	<b>21.3</b>	<b>(10.6)</b>	<b>(0.2)</b>	<b>(14.4)</b>	<b>(3.9)</b>	<b>13.8</b>	<b>(3.1)</b>	<b>2.8</b>	<b>(4.0)</b>	<b>9.5</b>
Discount unwind on lease liabilities <sup>4</sup>	(0.2)	(0.4)	-	-	(0.6)	(0.2)	(0.7)	-	-	(0.9)
Depreciation, amortisation and impairment	(11.3)	(10.3)	-	(1.3)	(22.9)	(11.7)	(5.2)	(0.1)	-	(17.0)
Share-based payments and social security costs	(3.3)	(1.8)	-	(0.5)	(5.6)	(3.9)	(0.8)	-	-	(4.7)
Foreign exchange gains/(losses)	-	(0.2)	-	-	(0.2)	0.2	-	-	-	0.2
<b>Profit/(loss) before tax</b>	<b>6.5</b>	<b>(23.3)</b>	<b>(0.2)</b>	<b>(16.2)</b>	<b>(33.2)</b>	<b>(1.8)</b>	<b>(9.8)</b>	<b>2.7</b>	<b>(4.0)</b>	<b>(12.9)</b>
<b>Operating AEBITDA<sup>5</sup></b>	<b>14.6</b>	<b>(20.0)</b>	<b>(0.2)</b>	<b>(14.4)</b>	<b>(20.0)</b>	<b>6.4</b>	<b>(17.8)</b>	<b>2.8</b>	<b>(4.0)</b>	<b>(12.6)</b>
<b>Investment AEBITDA<sup>5</sup></b>	<b>6.7</b>	<b>9.4</b>	<b>-</b>	<b>-</b>	<b>16.1</b>	<b>7.4</b>	<b>14.7</b>	<b>-</b>	<b>-</b>	<b>22.1</b>

<sup>4</sup> The comparative financial information has been re-presented with Operating profit now removed and instead AEBITDA is reconciled to profit before tax. The three items below Operating profit were finance income, finance costs and share of profit of associates. The finance income which represents interest income on cash and cash equivalents is now included within 'Operating Income' and was £2.3m in 2022 and £8.7m in 2023. The share of profits of associates is included within other operating costs and is included within AEBITDA and was £0.4m in 2022 and £0.1m in 2023. Finance costs which represent the discount unwind on lease liabilities is included within other operating costs and is included below AEBITDA alongside the depreciation associated with our leased premises. Refer to Note 2.

<sup>5</sup> Investment AEBITDA is defined as investment income, investment expense and fair value adjustments, and operating AEBITDA represents AEBITDA excluding investment AEBITDA.

### ***United Kingdom Loans business***

Originations were £1,060m in 2023, compared to £1,095m in 2022, with growth in non-government backed ("commercial") lending and through our marketplace of third party lenders.

In H1 2022, the business was originating significant levels under the government's Recovery Loan Scheme ("RLS2") which ended in June 2022 and therefore we anticipated originations would reduce in H1 2023 compared to the previous year. A smaller Recovery Loan Scheme, ("RLS3"), has continued since then and is due to end in June 2024 and we have been participating in that since August 2023.

Originations continue to be funded through forward flow agreements with institutional investors. Funding was provided by a number of banks and asset managers during 2023 and we are well placed for funding in 2024 with forward flow agreements in excess of £1.5bn.

Bank of England base rate increases during 2023 have raised the cost of borrowing for SMEs, but targeted marketing, strong relationships with brokers and continued focus on customer experience have enabled us to grow commercial lending despite these headwinds.

LuM decreased in 2023 as growth in commercial lending was offset by continued repayment on the government loan schemes (CBILS and RLS). As at 31 December 2023, UK government-guaranteed loans represented £1,555m (31 December 2022: £2,325m).

UK Loans operating income grew to £117.8m in 2023, compared with £109.0m in 2022. Origination yield improvements and higher interest generated on corporate cash balances were partially offset by lower servicing fees (as a result of lower LuM). Investment income of £3.6m decreased from £9.8m in 2022, in line with expectations and following the sale of previously securitised loans in H2 2022, as well as continued amortisation of remaining loans on balance sheet.

The UK AEBITDA grew to £21.3m in 2023 compared to £13.8m in 2022, with AEBITDA margin improvement as well as increased interest from corporate cash balances (with no additional costs and therefore resulting in undiluted AEBITDA increase). Investment AEBITDA was £6.7m in 2023, down slightly from £7.4m in 2022. Despite lower net investment income, we benefitted from favourable fair value movements with overall stronger loan performance than we expected during 2023. Profit before tax was £6.5m in 2023, up from negative £(1.8)m in 2022 due to the growth in AEBITDA.

### ***United States Loans business***

Originations grew to £396m in 2023, after a strong H1 23 and despite a tough economic backdrop. In April 2023, the SBA relaxed the requirements for loans <\$500k under its SBA7(a) programme. This has encouraged more businesses to apply for SBA7(a) loans, which to date we have not provided, and as a result we saw a drop in demand for our core loans.

At the same time, the SBA offered three new SBA7(a) licences and we applied for, and were granted subject to final approval of supporting documents, a licence to participate in the programme by the SBA.

As with the UK Loans business, originations were funded through forward flow agreements with institutional investors and during 2023 we onboarded three new financial institutions to add to our existing investor base.

LuM grew to £420m as at 31 December 2023 (31 December 2022: £375m) with government-guaranteed PPP loans at £4m as at 31 December 2023 (31 December 2022: £28m).

Total income for US Loans was £32.5m in 2023, up from £29.1m in 2022 as origination and yield growth was partially offset by a reduction in investment income following the amortisation of SME loans held on balance sheet. There remained strong recoveries and lower than expected defaults driving a positive fair value. H1 2022 benefitted from £2.5m of PPP deferred income, this did not recur in 2023.

AEBITDA of negative £10.6m in 2023 was as expected as planned investments to scale the business continued.

### ***FlexiPay***

FlexiPay transactions have almost quadrupled in 2023 to £234m compared to £59m in 2022. Drawn lines of credit at 31 December 2023 grew to £56m, in line with transaction growth.

Total income for FlexiPay was £7.9m in 2023, increasing from £1.5m in 2022 as a result of transactions and fee growth. The fee charged on FlexiPay for each drawdown against lines of credit averaged 4.6% (2022: 3.0%) which is paid in three equal instalments along with the repayment of each drawdown balance. FlexiPay card was launched in September 2023 and is now issued to each new FlexiPay customer. When customers transact using the card, we also earn an interchange fee of 1.75% alongside existing FlexiPay drawdown fees.

The AEBITDA for the period was negative at £14.4m (2022: negative £4.0m) as investment continues to support product momentum. The principal costs incurred are staff-related costs, marketing costs and expected credit losses which are required to be recognised up front on the drawn and undrawn lines of credit.

Until June 2023, FlexiPay was solely funded through Funding Circle invested capital. From June 2023, FlexiPay has also been funded through a senior debt facility with Citibank with interest payable on this facility shown in "cost of funds".

## Finance Review

### Overview

Group total income was £162.2m (2022: £151.0m), up 7%, and net income was £168.2m (2022: £155.8m).

Net income is total income plus fair value movements on SME loans held for sale and investments in trusts and now also includes cost of funds. In June 2023, the Group levered its funding of the FlexiPay product with a senior debt facility. Associated costs and the interest payable on this debt is shown within cost of funds.

The Group's loss before tax was £33.2m for the year (2022: loss of £12.9m). This includes £5.8m (2022: £1.8m) of impairment on the San Francisco leased offices following the exit of tenants and a write down on capitalised development following an annual impairment assessment on the US Loans cash generating unit.

### Profit and loss (unaudited)

	31 December 2023	31 December 2022 <sup>6</sup>
	£m	£m
Transaction fees	88.7	77.5
Servicing fees	42.4	47.9
Interest income	16.7	4.2
Other fees	7.0	4.1
<b>Operating income</b>	<b>154.8</b>	<b>133.7</b>
Investment income	8.0	22.0
Investment expense	(0.6)	(4.7)
<b>Total income</b>	<b>162.2</b>	<b>151.0</b>
Fair value gains	8.7	4.8
Cost of funds	(2.7)	-
<b>Net income</b>	<b>168.2</b>	<b>155.8</b>
People costs	(94.4)	(85.9)
Marketing costs	(48.4)	(38.4)
Depreciation, amortisation and impairment	(22.9)	(17.0)
(Charge)/credit for expected credit losses	(4.4)	1.5
Other costs	(31.3)	(28.9)
<b>Operating expenses</b>	<b>(201.4)</b>	<b>(168.7)</b>
<b>Loss before tax</b>	<b>(33.2)</b>	<b>(12.9)</b>

**Operating income** includes transaction fees, servicing fees, interest income from loans held at amortised cost, interest on cash balances and other fees and was £154.8m (2022: £133.7m).

- *Transaction fees*, representing fees earned on originations, increased to £88.7m (2022: £77.5m), driven by improved origination fee yields in each business segment. Loan originations were in line with 2022.  
Average origination fee yields grew in the UK Loans business to 6.2% (2022: 5.5%) and yields in the US Loans business grew to 5.9% (2022: 4.6%).
- *Servicing fees*, representing income for servicing Loans under Management, were £42.4m (2022: £47.9m), down on 2022. The fees move in line with the quantum of loans under management, which decreased in the UK Loans business as growth in UK LuM from commercial lending was offset by continued repayment on the government loan schemes. Servicing fees are not charged on FlexiPay lines of credit or on the PPP loans. Servicing yields remain similar to 2022 levels.
- *Interest income* represents FlexiPay income, interest earned on loans held at amortised cost and on cash and cash equivalents. FlexiPay interest income has increased to £7.8m (2022: £1.5m). This is where we charge a fee which is spread over three months, in line with borrower repayments. Interest earned on cash and cash equivalents has also increased to £8.7m (2022: £2.3m) which has increased in line with base rates.
- *Other fees* arose principally from collection fees we recovered on defaulted loans, some of which was accelerated through investors selling some of their non-performing loan portfolios.

**Net investment income** represents the investment income, less investment expense, on loans held on balance sheet at fair value and declined to £7.4m (2022: £17.3m) as expected. This was driven by the continued amortisation of the remaining loans and the buyout and wind up of the securitisation vehicles in the UK Loans business and US Loans business during 2022 and subsequent sale of certain loan portfolios in October 2022. The Group wound up the last remaining US securitisation vehicle (SBIZ-20A) in April 2023.

**Net income**, defined as total income after fair value adjustments and cost of funds, was £168.2m (2022: £155.8m).

<sup>6</sup> The comparative financial information has been re-presented to include interest income on cash and cash equivalents within 'Operating Income'. The impact of this was an increase in the interest income line of £2.3m in 2022 and £8.7m in 2023. Finance costs were £0.9m in 2022 and £0.6m in 2023 and the share of profits of associates was £0.4m in 2022 and £0.1m in 2023 and are both now included in Other costs on the grounds of materiality. Refer to Note 2.



The fair value gain in the period related to the loans on balance sheet held at fair value reflected ongoing strong performance from the SME loans with lower defaults and higher recoveries than expected, in part offset by higher discount rates driven by UK and US base rates. As the on-balance sheet loans continue to amortise down, we would expect fair value gains/losses to continue to diminish.

### Operating expenses

At an overall level, operating expenses increased compared with 2022. Operating costs movements were driven by cost increases in the US Loans business and cost investment in the FlexiPay business including increased expected credit losses. Costs remained flat in the established UK Loans business as a result of ongoing cost management.

**People costs (including contractors)** represent the Group's largest ongoing operating cost. These increased during the period by 10% to £94.4m (2022: £85.9m), after the capitalisation of development spend. This was driven by wage inflation and headcount growth for the FlexiPay and US Loans teams, whilst headcount across UK Loans business has reduced by 7%. The average salary per head increased by 3.5% but below wage inflation.

The share-based payment charge for the period, included in people costs, was £5.6m (2022: £4.7m).

	31 December 2023 £m	31 December 2022 £m	Change %
People costs	105.7	98.4	7
Less capitalised development spend ("CDS")	(11.3)	(12.5)	(10)
People costs net of CDS	94.4	85.9	10
Average headcount (incl. contractors)	1,074	1,035	4
Period-end headcount (incl. contractors)	1,101	1,075	2

**Marketing costs** comprise above the line marketing channels (direct mail and online), brand spend and commission payments made to brokers. Marketing increased in the period to £48.4m (2022: £38.4m), and reached 31% of operating income (2022: 29%), driven by media spend investments in the FlexiPay and US businesses and higher broker commissions. Excluding FlexiPay, the Loans businesses invested 30% of operating income in marketing (2022: 28%) with lower conversion in the current economic environment impacting marketing efficiency.

**Depreciation, amortisation and impairment costs** of £22.9m (2022: £17.0m) largely represent the amortisation of the cost of the Group's capitalised technology development and the depreciation of right-of-use assets related to the Group's office leases. With a weakening commercial property market in San Francisco, the Group has impaired its sublet office space by £2.0m. This follows an impairment of the San Francisco office in 2022 of £1.8m. Additionally we impaired the capitalised development spend in the US Loans business following our annual impairment exercise as near term cash flows of the cash generating unit do not support the carrying amounts.

Following these impairments we would expect a reduction in these costs going forwards.

**Expected credit losses** principally relate to the IFRS9 charge for FlexiPay where we account for actual and expected credit losses from SMEs defaulting on their lines of credit. We would expect this charge to increase as FlexiPay grows. The probability of default is estimated utilising observed trends and combining these with forward-looking information including different macroeconomic scenarios which are probability weighted. The loss given default is driven by assumptions regarding the level of recoveries collected after defaults occur.

**Other operating costs**, which consist of loan processing costs, data and technology, professional fees and staff and office related costs, have grown as the Group continued to invest in growth in the US Loans and FlexiPay businesses. The increase is driven by inflation, higher volumes, loan processing costs and higher office costs, with lower subtenant contributions received in the US for its San Francisco office.

## Balance sheet and investments

The Group's net equity was £247m at 31 December 2023 (31 December 2022: £284m). This reduction reflects the Group's loss after tax, the purchase of own shares by the Employee Benefit Trust ("EBT") and foreign exchange losses on the retranslation of the investment in the US Loans business.

The majority of the Group's balance sheet is represented by cash and invested capital as shown below. The invested capital is in certain SME loans, either directly or historically through investment vehicles, and in the FlexiPay lines of credit.

Operating business			Investment business			31 December 2023	31 December 2022
	Loans business <sup>1</sup>	FlexiPay	Legacy securitisation, warehouse and other loans at fair value	CBILS/RLS/Commercial co-investments	Private funds	Total	Total
	£m	£m	£m	£m	£m	£m	£m
SME loans/Lines of credit	6.7	50.0	18.6	25.2	1.5	102.0	141.3
Cash and cash equivalents							
Unrestricted	169.0	0.6	-	-	-	169.6	165.6
Restricted	1.1	19.6	-	31.1	-	51.8	12.1
Other assets/(liabilities)	-	2.7	-	-	-	2.7	0.9
Borrowings/bonds	(2.2)	(54.7)	-	-	-	(56.9)	(46.3)
Cash and net investments	174.6	18.2	18.6	56.3	1.5	269.2	273.6
Other assets	47.1	-	-	-	-	47.1	64.1
Other liabilities	(38.4)	-	-	(31.1)	-	(69.5)	(53.7)
Equity	183.3	18.2	18.6	25.2	1.5	246.8	284.0

<sup>1</sup> Loans business includes £2.2m of PPP loans together with the associated Federal Reserve borrowings which we expect will both reduce as the remaining PPP loans are forgiven.

The table below provides a summation of Funding Circle's net invested capital in products and vehicles:

	31 December 2023	31 December 2022
	£m	£m
Investment in product/vehicles		
1. Legacy securitisation, warehouse and other loans at fair value	19	46
2. CBILS/RLS/Commercial co-investments <sup>2</sup>	25	32
3. Private funds	2	3
<b>Net invested</b>	<b>46</b>	<b>81</b>
FlexiPay <sup>2</sup>	18	16
<b>Total net invested capital</b>	<b>64</b>	<b>97</b>

<sup>2</sup> These vehicles are bankruptcy remote

1. *SME loans at fair value* – this relates to the legacy loans previously held in SPVs and warehouses. During 2023, the Group called options to wind down the US securitisation (SBIZ-20A) and in 2022, the Group called options to wind down UK (SBOLT-19A) and US (SBIZ-19A) securitisations and bought out the remaining bondholders. These loans continue to amortise down.
2. *CBILS/RLS/Commercial co-investments* – as part of our participation in the CBILS and RLS UK government-guaranteed loan schemes, we were required to co-invest c.1% alongside institutional investors.
3. *Private funds* – there are a small amount of other loans, comprising seed investments in private funds held as associates.

## Cash flow

At 31 December 2023, the Group's cash position was £221.4m (31 December 2022: £177.7m). Of this balance £169.6m (31 December 2022: £165.6m) is unrestricted in its use with £51.8m (£12.1m) being restricted.

Restricted cash relates to cash held in the funding vehicle of FlexiPay together with amounts due to be paid to the British Business Bank ("BBB") for guarantee fees collected from institutional investors under the participation of the CBILS and RLS schemes.

Total cash movements have principally been driven by:

- i) Trading performance
- ii) Sale of temporary funding loans in the US Loans business
- iii) Monetisation of on-balance sheet SME loans as they have continued to pay down offset by the wind down and buyout of the SBIZ-20A external bonds
- iv) Leveraging the investment in FlexiPay lines of credit with external bank debt
- v) Timing of working capital movements associated with UK government loan guarantee payments received from investors still to be paid to the British Business Bank

**Free cash flow**, which is an alternative performance measure, represents the net cash flows from operating activities less the cost of purchasing intangible assets, property, plant and equipment and lease payments. It excludes the investment vehicle financing and funding cash flows together with FlexiPay lines of credit. The Directors view this as a key liquidity measure and it is the net amount of cash used or generated to operate and develop the Group's platform each year.

The table below shows how the Group's cash has been utilised:

	31 December 2023 £m	31 December 2022 <sup>1</sup> £m
<b>Adjusted EBITDA</b>	<b>(3.9)</b>	9.5
Fair value adjustments	<b>(8.7)</b>	(4.8)
Purchase of tangible and intangible assets	<b>(12.2)</b>	(13.9)
Payment of lease liabilities	<b>(6.0)</b>	(6.1)
Working capital/other	<b>25.9</b>	0.9
<b>Free cash flow</b>	<b>(4.9)</b>	(14.4)
Net distributions from associates	<b>1.2</b>	5.4
Net movement in trusts and co-investments	<b>4.8</b>	3.6
Net movement in lines of credit	<b>15.8</b>	(16.0)
Net movement in other SME loans	<b>15.8</b>	(22.4)
Net movement in warehouses and securitisation vehicles	<b>13.6</b>	-
Purchase of own shares	<b>(1.8)</b>	(8.7)
Other	-	2.4
Effect of foreign exchange	<b>(0.8)</b>	3.8
<b>Movement in the year</b>	<b>43.7</b>	(46.3)
Cash and cash equivalents at the beginning of the period	<b>177.7</b>	224.0
<b>Cash and cash equivalents at the end of the period</b>	<b>221.4</b>	177.7

<sup>1</sup>The comparative information has been re-presented consistent with the Income Statement.

# Principal risks and uncertainties

The principal risks and uncertainties for the Group are as follows:

<b>Strategic Risk</b> Strategic risk is defined as the failure to build a sustainable, diversified and profitable business that can successfully adapt to environment changes due to the inefficient use of Funding Circle's available resources.
<i>i) Strategic risk</i> The risk that Funding Circle does not achieve its key business objectives and maintain its competitive advantage and business operations. <i>ii) Economic environment</i> Financial risk that is associated with macroeconomic or political factors that may affect Funding Circle's financial and/or credit performance. <i>iii) Environmental, social and governance risk</i> Environment, social and/or governance events or circumstances could cause an actual or potential material negative impact on Funding Circle's financial performance or reputation.
<b>Funding and Balance Sheet Risk</b> Funding and balance sheet risk is defined as the risks associated with platform funding (matching borrower demand and supply of funding), capital commitments and corporate liquidity through normal and stress scenarios.
<i>i) Funding Risk</i> The risk that demand from borrowers for loans cannot be fulfilled or can only be met at an uneconomic price. This risk varies with the economic attractiveness of Funding Circle loans as an investment, the level of diversification of funding sources and the level of resilience of these funding sources through economic cycles. <i>ii) Balance Sheet Risk</i> The risk that Funding Circle investment positions reduce in value or cannot be exited at an economically viable price. The risk that Funding Circle liabilities cannot be met when and where they fall due or can only be met at an uneconomic price.
<b>Credit Risk</b> Credit risk is the risk of financial loss to an investor should any borrower fail to fulfil their contractual repayment obligations. Credit risk management is the sum of activities necessary to deliver a risk profile at portfolio level in line with Funding Circle management's expectations, in terms of net loss rate, risk-adjusted rate of return and its volatility through economic cycles.
<i>i) Credit Risk</i> <i>a) Borrower acquisition</i> Credit performance and returns of new loans can deviate from expectations due to several factors: changes in credit quality of incoming applications, calibration of risk models or strategy parameters, and control gaps in processing loan applications. <i>b) Portfolio risk management</i> Credit performance and returns of existing portfolio can deviate from expectations due to several factors: deterioration of credit environment, increased competition driving higher prepayment rates, effectiveness of portfolio monitoring, collections and recoveries.
<b>Regulatory, Reputation and Conduct Risk</b> Regulatory, reputation and conduct risk is defined as engaging in activities that detract from Funding Circle's goal of being a trusted and reputable company with products, services and processes designed for customer success and delivered in a way that will not cause customer detriment or regulatory censure.
<i>i) Regulatory Risk</i> The risk that Funding Circle's ability to effectively manage its regulatory relationships is compromised or diminished, that the Group's governance and controls framework is not satisfactory given business growth, or that there is business interruption by reason of non-compliance with regulation or the introduction of business-

impacting regulation.

*ii) Reputation Risk*

Operational or performance failures could lead to negative publicity that could adversely affect our brand, business, results, operations, financial condition or prospects.

*iii) Conduct Risk/Treating Customers Fairly*

Funding Circle's activities (or the failure to satisfactorily perform its activities) could impact the delivery of fair customer outcomes.

### **Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

*i) Process Risk*

Failure to originate and service loans in line with Funding Circle internal policies, investor guidelines and third party loan guarantees (e.g. the British Business Bank) may result in Funding Circle repurchasing loans from investors. The risk of operational incident could impact the ability to originate new loans or the ability to service loans through collections from borrowers and return of money to investors.

*ii) Financial Crime*

Risk of regulatory breach, financial loss or reputational damage arising from a failure to adequately manage or prevent money laundering, terrorist financing, bribery and corruption, or to comply with sanctions regulations.

*iii) Client Money Risk*

Failure of Funding Circle to adequately protect and segregate client money may lead to financial loss, reputational damage and regulatory censure.

### **Technology Risk**

Technology Risk refers to the potential negative consequences that can arise from the use or implementation of technology, including hardware, software, and data management systems. Technology risks can arise from a variety of sources, including hardware failures, software bugs, cyber attacks, data breaches, and user errors. In response to evolving threats and the rise of Gen AI, Technology risk has been designated a "Principle Risk" for 2024, ensuring stringent oversight and proactive mitigation.

*i) Technology Risk*

Failure of the technology platform could have a material adverse impact on Funding Circle's business, results of operations, financial condition or prospects.

*ii) Information Risk*

Failure to protect the confidential information of Funding Circle's borrowers, investors and IT systems may lead to financial loss, reputational damage and regulatory censure.

*iii) Data Risk*

Failure in our ability to acquire, use, secure and transform our data assets could result in adverse material impacts across Funding Circle.

# Unaudited consolidated statement of comprehensive income

for the year ended 31 December 2023

		31 December 2023	31 December 2022 (re-presented) <sup>1</sup>
	Note	£m	£m
Transaction fees		88.7	77.5
Servicing fees		42.4	47.9
Interest income <sup>2</sup>		16.7	4.2
Other fees		7.0	4.1
<b>Operating income</b>		<b>154.8</b>	<b>133.7</b>
Investment income		8.0	22.0
Investment expense		(0.6)	(4.7)
<b>Total income</b>		<b>162.2</b>	<b>151.0</b>
Fair value gains		8.7	4.8
Cost of funds		(2.7)	—
<b>Net income</b>	3	<b>168.2</b>	<b>155.8</b>
People costs	4, 5	(94.4)	(85.9)
Marketing costs	4	(48.4)	(38.4)
Depreciation, amortisation and impairment	4	(22.9)	(17.0)
(Charge)/credit for expected credit losses	4, 13	(4.4)	1.5
Other costs	4	(31.3)	(28.9)
<b>Operating expenses</b>	4	<b>(201.4)</b>	<b>(168.7)</b>
<b>Loss before taxation</b>		<b>(33.2)</b>	<b>(12.9)</b>
Income tax (charge)/credit	6	(5.1)	6.0
<b>Loss for the year</b>		<b>(38.3)</b>	<b>(6.9)</b>
<b>Other comprehensive income/(expense)</b>			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		(2.7)	5.8
<b>Total comprehensive loss for the year</b>		<b>(41.0)</b>	<b>(1.1)</b>
<b>Total comprehensive loss attributable to:</b>			
<b>Owners of the Parent</b>		<b>(41.0)</b>	<b>(1.1)</b>
<b>Loss per share</b>			
<b>Basic and diluted loss per share</b>	7	<b>(11.1)p</b>	<b>(2.0)p</b>

1. The comparative consolidated statement of comprehensive income has been re-presented to include interest income on cash and cash equivalents within "Interest income" which was previously presented within "Finance income". Finance costs and share of net profit of associates are now presented within "Other costs" as these are not considered material to present separately. Refer to note 2.
2. Interest income recognised on assets held at amortised cost under the effective interest rate method and £6.5 million (2022: £1.6 million) on money market funds at fair value through profit and loss.

All amounts relate to continuing activities.

# Unaudited consolidated balance sheet

as at 31 December 2023

	Note	31 December 2023 £m	31 December 2022 £m
<b>Non-current assets</b>			
Intangible assets	8	23.0	28.2
Property, plant and equipment	9	5.0	10.0
Investment in associates		1.5	2.7
Investment in trusts and co-investments	10, 13	25.2	28.7
SME loans (other)	10, 13	6.7	24.8
Deferred tax asset	6	—	6.9
Trade and other receivables	11	1.4	3.4
		<b>62.8</b>	<b>104.7</b>
<b>Current assets</b>			
SME loans (warehouse)	10, 13	1.3	2.4
SME loans (securitised)	10, 13	16.4	45.8
SME loans (other)	10, 13	0.9	20.9
Lines of credit	10, 13	50.0	16.0
Trade and other receivables	11	20.4	16.5
Cash and cash equivalents	14	221.4	177.7
		<b>310.4</b>	<b>279.3</b>
<b>Total assets</b>		<b>373.2</b>	<b>384.0</b>
<b>Current liabilities</b>			
Trade and other payables	12	54.3	31.8
Bonds	10, 13	—	23.7
Bank borrowings	10, 13	54.7	—
Short-term provisions and other liabilities		1.5	1.0
Lease liabilities		7.2	7.2
		<b>117.7</b>	<b>63.7</b>
<b>Non-current liabilities</b>			
Long-term provisions and other liabilities		1.1	1.1
Bank borrowings	10, 13	2.2	22.6
Lease liabilities		5.4	12.6
<b>Total liabilities</b>		<b>126.4</b>	<b>100.0</b>
<b>Equity</b>			
Share capital		0.4	0.4
Share premium account		293.1	293.1
Foreign exchange reserve		14.2	16.9
Share options reserve		24.0	22.2
Accumulated losses		(84.9)	(48.6)
<b>Total equity</b>		<b>246.8</b>	<b>284.0</b>
<b>Total equity and liabilities</b>		<b>373.2</b>	<b>384.0</b>

The condensed financial statements were approved by the Board and authorised for issue on 7 March 2024. They were signed on behalf of the Board by:

**Oliver White**

**Director**

Company registration number 07123934

# Unaudited consolidated statement of changes in equity

for the year ended 31 December 2023

	Share capital £m	Share premium account £m	Foreign exchange reserve £m	Share options reserve £m	Accumulated losses £m	Total equity £m
<b>Balance at 1 January 2022</b>	0.4	293.0	11.1	19.1	(35.6)	288.0
Loss for the year	—	—	—	—	(6.9)	(6.9)
<b>Other comprehensive income/(expense)</b>						
Exchange differences on translation of foreign operations	—	—	5.8	—	—	5.8
<b>Total comprehensive income/(expense)</b>	—	—	5.8	—	(6.9)	(1.1)
<b>Transactions with owners</b>						
Transfer of share option costs	—	—	—	(2.6)	2.6	—
Purchase of own shares held in employee benefit trust	—	—	—	—	(8.7)	(8.7)
Issue of share capital	—	0.1	—	—	—	0.1
Employee share schemes – value of employee services	—	—	—	5.7	—	5.7
<b>Balance at 31 December 2022</b>	<b>0.4</b>	<b>293.1</b>	<b>16.9</b>	<b>22.2</b>	<b>(48.6)</b>	<b>284.0</b>
Loss for the year	—	—	—	—	(38.3)	(38.3)
<b>Other comprehensive income/(expense)</b>						
Exchange differences on translation of foreign operations	—	—	(2.7)	—	—	(2.7)
<b>Total comprehensive income/(expense)</b>	—	—	(2.7)	—	(38.3)	(41.0)
<b>Transactions with owners</b>						
Transfer of share option costs	—	—	—	(3.8)	3.8	—
Purchase of own shares held in employee benefit trust	—	—	—	—	(1.8)	(1.8)
Issue of share capital	—	—	—	—	—	—
Employee share schemes – value of employee services	—	—	—	5.6	—	5.6
<b>Balance at 31 December 2023</b>	<b>0.4</b>	<b>293.1</b>	<b>14.2</b>	<b>24.0</b>	<b>(84.9)</b>	<b>246.8</b>



# Unaudited consolidated statement of cash flows

for the year ended 31 December 2023

		31 December 2023	31 December 2022 (re-presented) <sup>1</sup>
	Note	£m	£m
<b>Net cash outflow from operating activities</b>	14	<b>(25.6)</b>	<b>(8.1)</b>
<b>Investing activities</b>			
Purchase of intangible assets	8	(11.5)	(12.7)
Purchase of property, plant and equipment	9	(0.7)	(1.2)
Originations of SME loans (other)	13	(16.6)	(24.0)
Cash receipts from SME loans (other)	13	21.8	59.5
Cash receipts from SME loans (warehouse phase)	13	2.0	2.8
Proceeds from sale of SME loans (other)	13	30.4	—
Cash receipts from SME loans (securitised)	13	35.0	86.8
Proceeds from sale of SME loans (securitised)	13	—	39.5
Investment in trusts and co-investments	13	(1.8)	(6.4)
Cash receipts from investments in trusts and co-investments	13	6.6	10.0
Redemption in associates		1.1	5.1
Dividends from associates		0.1	0.3
<b>Net cash inflow from investing activities</b>		<b>66.4</b>	<b>159.7</b>
<b>Financing activities</b>			
Proceeds from bank borrowings	14	55.8	—
Repayment of bank borrowings	14	(20.9)	(57.9)
Payment of bond liabilities	14	(23.4)	(129.1)
Proceeds from the exercise of share options		—	0.1
Proceeds from subleases		1.2	1.2
Purchase of own shares		(1.8)	(8.7)
Payment of lease liabilities	14	(7.2)	(7.3)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>3.7</b>	<b>(201.7)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>44.5</b>	<b>(50.1)</b>
Cash and cash equivalents at the beginning of the year		177.7	224.0
Effect of foreign exchange rate changes		(0.8)	3.8
<b>Cash and cash equivalents at the end of the year</b>	14	<b>221.4</b>	<b>177.7</b>

1. The comparative year to 31 December 2022 has been re-presented to classify "Interest received", which was previously a component of investing activities, as a component of operating income. This mirrors the re-presentation of interest on cash and cash equivalents within "Interest income" on the consolidated statement of comprehensive income.

# Notes forming part of the unaudited consolidated financial statements

for the year ended 31 December 2023

## 1. Basis of accounting

The unaudited consolidated financial statements are prepared under the historical cost basis except for certain financial instruments that are carried at fair value through profit and loss ("FVTPL").

## 2. Basis of preparation

The financial statements included in this preliminary announcement have been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct Authority, and the principles of UK-adopted international accounting standards, but do not comply with the full disclosure requirements of these standards. The financial information for the year ended 31 December 2022 is derived from the statutory financial statements for that year which have been delivered to the Registrar of Companies. The auditor reported on those financial statements: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006.

The unaudited financial information contained in this announcement does not constitute the statutory financial statements of the Group as at and for the year ended 31 December 2023, but is derived from those financial statements, which have been prepared in accordance with UK-adopted international accounting standards. The financial statements themselves will be approved by the Board of Directors and reported on by the auditor and then subsequently delivered to the Registrar of Companies in due course. Accordingly, the financial information for FY22/23 is presented as unaudited in this announcement.

### *Going concern*

The financial statements are prepared on a going concern basis as the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future (which has been taken as at least 12 months from the date of approval of the financial statements).

The Group made a total comprehensive loss of £41.0 million during the year ended 31 December 2023 (2022: loss of £1.1 million). As at 31 December 2023, the Group had net assets of £246.8 million (2022: £284.0 million). This includes £221.4 million of cash and cash equivalents (2022: £177.7 million) of which £51.8 million (2022: £12.1 million) is held for specific purposes and is restricted in use. Additionally, within the net assets, the Group holds £63.5 million (2022: £96.5 million) of invested capital, some of which is capable of being monetised if liquidity needs arise.

The Group has prepared detailed cash flow forecasts for the next 15 months and has updated the going concern assessment to factor in the potential ongoing impact of inflation and related economic stress.

The base case scenario assumes:

- The economic environment still contains a high degree of uncertainty, this is factored into the 2024 credit risk strategies which include stressed assumptions;
- Ongoing investment in FlexiPay along with growth in UK loans with an exit of the US loans business;
- FlexiPay sees significant growth in top line as lines of credit become established and the card offering becomes a fully functional offering;
- The Group continues to fund the lines of credit through balance sheet along with the senior banking facility;
- Costs are controlled with any growth driven by marketing, expected credit losses (ECL) and cost of funds. Remaining costs grow but predominantly through inflation.

Management prepared a severe but plausible downside scenario in which:

- further macroeconomic volatility continues through the period with increased inflation and interest rates reducing originations and increasing costs;
- investment returns reduce owing to increased funding costs, widening discount rates and deterioration in loan performance;
- an operational event occurs requiring a cash outlay;
- a downside loss scenario is applied to Funding Circle's on-balance sheet investment in SME loans resulting in higher initial fair value losses and lower cash flows to the investments it owns; and
- a combined credit and liquidity risk stress for FlexiPay.

Management has reviewed financial covenants the Group must adhere to in relation to its servicing agreements. These are with institutional investors for which there are unrestricted cash, tangible net worth and debt to tangible net worth ratios. Management has also reviewed regulatory capital requirements. In the downside scenario the risk of covenant or capital requirement breach is considered remote. The Group does not currently rely on committed or uncommitted borrowing facilities, with the exception of a facility for the purpose of originating FlexiPay lines of credit

and a small remaining balance on the PPPLF previously used to fund PPP loans, and does not have undrawn committed borrowing facilities available to the wider Group.

The Directors have made enquiries of management and considered budgets and cash flow forecasts for the Group and have, at the time of approving these financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

#### ***Significant changes in the current reporting year***

The financial position and performance of the Group were affected by the following events and transactions during the year ended 31 December 2023:

##### ***i) Launch of FlexiPay leveraged warehouse***

During the year ended 31 December 2023, the Group set up a warehouse special purpose vehicle ("SPV") for the purposes of scaling up the FlexiPay product through bank borrowings. The vehicle is consolidated by the Group as a consequence of it having control through the design of the vehicle and ability to influence the returns and exposure to the majority of the variability of the cash flows generated by the vehicle. As a result, the underlying lines of credit and borrowings through the senior lending facility in the vehicle are also consolidated. The interest and other fees associated with the borrowing facility are presented within cost of funds. Details of the borrowing facility terms are outlined in note 13.

##### ***ii) Unwind of US SPV***

In April 2023, Funding Circle exercised the call rights associated with the ownership of the unrated junior residual tranches of Small Business Lending Trust 2020-A's bonds in the US. This resulted in Funding Circle buying out the remaining bondholders. The Group continues to recognise 100% of the previously securitised SME loans, which continue to be held at fair value through profit and loss within SME loans (securitised), as the Group continues to hold these with the intention of selling them.

All the Group's securitisation SPVs have now been unwound and all bond liabilities have now been repaid.

##### ***iii) Sale of SME loans (other)***

In February 2023, commercial loans in the US which had been temporarily funded by the Group with the intention of selling onwards, and were held at fair value through profit and loss, were sold to a third party investor for £30.4 million with a fair value loss of £0.4 million from the sale.

#### ***Re-presentation of interest income on cash and cash equivalents and impact on AEBITDA***

The business uses its cash resources where it makes the platform stronger. As a result, the Group historically invested in warehouse and securitisation vehicles (which are now all unwound), co-invested alongside investors and more recently in the FlexiPay product. Where cash is not invested in these areas, it is held at banks and in money market funds earning interest. Given its use is integral to the business and the Group is now earning interest through various mechanisms, we now show the interest we earn on bank deposits, money market funds and client money, previously shown in "Finance income", in "Interest income" within "Operating income". Finance costs and profit/(loss) from share of associates are now presented within "Other costs" as these are not considered material. The comparative financial presentation has been re-presented accordingly with an additional £2.3 million presented in "Interest income" previously presented in "Finance income", £0.5 million presented within "Other costs", £0.9 million of which was previously presented within "Finance costs" and £0.4 million credit which was previously presented in "Share of net profit from associates". The consolidated statement of cash flows and note 14 have also been re-presented to mirror this with interest received now forming part of cash flows from operating activities which were previously disclosed as investing activities, with the comparative period re-presented with £2.3 million included within cash flows from operations previously within cash flows from investing activities.

The Group's definition of the alternative performance measure, adjusted EBITDA, has consequently also been adjusted to take account of this re-presentation (refer note 3). The definition used is now profit for the period before finance costs (being the discount unwind on lease liabilities), taxation, depreciation, amortisation and impairment ("AEBITDA") and additionally excludes share-based payment charges and associated social security costs, foreign exchange and exceptional items. The comparative period AEBITDA is re-presented higher by £2.7 million including the re-presentation of interest income on bank deposits and share of net profit from associates.

### 3. Segmental information

IFRS 8 Operating Segments requires the Group to determine its operating segments based on information which is used internally for decision making. Based on the internal reporting information and management structures within the Group, it has been determined that there are four operating segments, three of which are term loans businesses arranged geographically and the fourth which is a line of credit business, FlexiPay, based in the United Kingdom. Reporting on this basis is reviewed by the Global Leadership Team ("GLT") which is the chief operating decision maker ("CODM"). The GLT is made up of the Executive Directors and other senior management and is responsible for the strategic decision making of the Group.

The four reportable segments are as shown in the following table. The other segment includes the Group's term loan businesses in Germany and the Netherlands.

The GLT measures the performance of each segment by reference to a non-GAAP measure, adjusted EBITDA, which is defined as profit/loss for the period before finance costs (being the discount unwind on lease liabilities), taxation, depreciation, amortisation and impairments ("AEBITDA"), and additionally excludes share-based payment charges and associated social security costs, foreign exchange and exceptional items. Together with profit/loss before tax, adjusted EBITDA is a key measure of Group performance as it allows better comparability of the underlying performance of the business. The segment reporting, including adjusted EBITDA, excludes the impact of the Group's transfer pricing arrangements as this is not information presented to, or used by, the CODM in decision making or the allocation of resources.

#### Net income

	31 December 2023					31 December 2022 (re-presented, see note 2)				
	Loans		FlexiPay		Total	Loans		FlexiPay		Total
	United Kingdom £m	United States £m	Other £m	United Kingdom £m		United Kingdom £m	United States £m	Other £m	United Kingdom £m	
Transaction fees	65.2	23.4	—	0.1	88.7	59.8	17.7	—	—	77.5
Servicing fees	38.8	3.4	0.2	—	42.4	44.8	2.4	0.7	—	47.9
Other fees	6.3	0.6	0.1	—	7.0	2.4	1.0	0.7	—	4.1
Interest income (including FlexiPay)	7.5	1.3	0.1	7.8	16.7	2.0	0.5	0.2	1.5	4.2
<b>Operating income</b>	<b>117.8</b>	<b>28.7</b>	<b>0.4</b>	<b>7.9</b>	<b>154.8</b>	<b>109.0</b>	<b>21.6</b>	<b>1.6</b>	<b>1.5</b>	<b>133.7</b>
<b>Net investment income</b>	<b>3.6</b>	<b>3.8</b>	<b>—</b>	<b>—</b>	<b>7.4</b>	<b>9.8</b>	<b>7.5</b>	<b>—</b>	<b>—</b>	<b>17.3</b>
<b>Total income</b>	<b>121.4</b>	<b>32.5</b>	<b>0.4</b>	<b>7.9</b>	<b>162.2</b>	<b>118.8</b>	<b>29.1</b>	<b>1.6</b>	<b>1.5</b>	<b>151.0</b>
Fair value gains/(losses)	3.1	5.6	—	—	8.7	(2.4)	7.2	—	—	4.8
Cost of funds	—	—	—	(2.7)	(2.7)	—	—	—	—	—
<b>Net income</b>	<b>124.5</b>	<b>38.1</b>	<b>0.4</b>	<b>5.2</b>	<b>168.2</b>	<b>116.4</b>	<b>36.3</b>	<b>1.6</b>	<b>1.5</b>	<b>155.8</b>

#### Segment profit/(loss)

	31 December 2023					31 December 2022 (re-presented, see note 2)				
	Loans		FlexiPay		Total	Loans		FlexiPay		Total
	United Kingdom £m	United States £m	Other £m	United Kingdom £m		United Kingdom £m	United States £m	Other £m	United Kingdom £m	
<b>Adjusted EBITDA</b>	<b>21.3</b>	<b>(10.6)</b>	<b>(0.2)</b>	<b>(14.4)</b>	<b>(3.9)</b>	<b>13.8</b>	<b>(3.1)</b>	<b>2.8</b>	<b>(4.0)</b>	<b>9.5</b>
Discount unwind on lease liabilities	(0.2)	(0.4)	—	—	(0.6)	(0.2)	(0.7)	—	—	(0.9)
Depreciation, amortisation and impairment	(11.3)	(10.3)	—	(1.3)	(22.9)	(11.7)	(5.2)	(0.1)	—	(17.0)
Share-based payments and social security costs	(3.3)	(1.8)	—	(0.5)	(5.6)	(3.9)	(0.8)	—	—	(4.7)
Foreign exchange (losses)/gains	—	(0.2)	—	—	(0.2)	0.2	—	—	—	0.2
<b>Profit/(loss) before tax</b>	<b>6.5</b>	<b>(23.3)</b>	<b>(0.2)</b>	<b>(16.2)</b>	<b>(33.2)</b>	<b>(1.8)</b>	<b>(9.8)</b>	<b>2.7</b>	<b>(4.0)</b>	<b>(12.9)</b>

#### 4. Operating expenses

	31 December 2023	31 December 2022 (re-presented, see note 2)
	£m	£m
Depreciation	4.3	5.1
Amortisation	12.4	10.1
Rental income and other recharges	(0.2)	(1.0)
Operating lease rentals:		
– Land and buildings	0.4	0.3
Employment costs (including contractors)	94.4	85.9
Marketing costs (excluding employment costs)	48.4	38.4
Data and technology	9.3	9.7
Expected credit loss impairment charge/(credit)	4.4	(1.5)
Impairment of intangible and tangible assets and investment in sublease (See notes 8, 9 and 13)	6.2	1.8
Other expenses	21.8	19.9
<b>Total operating expenses</b>	<b>201.4</b>	<b>168.7</b>

#### 5. Employees

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

	2023 Number	2022 Number
UK	666	686
FlexiPay	81	20
US	203	177
Other	9	10
	<b>959</b>	<b>893</b>

In addition to the employees above, the average monthly number of contractors during the year was 115 (2022: 142).

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

	31 December 2023 £m	31 December 2022 £m
Wages and salaries	80.9	72.2
Social security costs	7.8	7.6
Pension costs	2.2	1.9
Share-based payments	5.6	4.7
	<b>96.5</b>	<b>86.4</b>
Contractor costs	9.2	12.0
Less: capitalised development costs	(11.3)	(12.5)
<b>Employment costs net of capitalised development costs</b>	<b>94.4</b>	<b>85.9</b>

## 6. Income tax charge/(credit)

The Group is subject to all taxes applicable to a commercial company in its countries of operation. The UK (losses)/profits of the Company are subject to UK income tax at the standard corporation tax rate of 25% (23.5% is applied to the table below for 2023 as a blended rate for the year, as the increase in the statutory corporation tax rate to 25% was effective from 1 April 2023) (2022: 19%).

	31 December 2023 £m	31 December 2022 £m
<b>Current tax</b>		
<b>UK</b>		
Current tax on (losses)/profits for the year	0.3	0.3
Adjustment in respect of prior years	(2.0)	(0.3)
	(1.7)	—
<b>US and Other</b>		
Current tax on (losses)/profits for the year	0.3	0.4
Adjustment in respect of prior years	(0.1)	0.5
	0.2	0.9
<b>Total current tax (credit)/charge</b>	<b>(1.5)</b>	<b>0.9</b>
<b>Deferred tax</b>		
<b>UK</b>		
Deferred tax on (losses)/profits for the year	—	—
Adjustment in respect of prior years	—	—
	—	—
<b>US and Other</b>		
Deferred tax on profits/(losses) for the year	6.6	(6.9)
Adjustments in respect of prior years	—	—
	6.6	(6.9)
<b>Total deferred tax charge/(credit)</b>	<b>6.6</b>	<b>(6.9)</b>
<b>Total tax charge/(credit)</b>	<b>5.1</b>	<b>(6.0)</b>

The above current tax charge represents the expected tax on the Research and Development Expenditure Credit ("RDEC") receivable for 2023 and US state taxes. In the prior year, the tax charge represents the tax liability on the Group's taxable profit, including state taxes, and the amount of tax deducted from the RDEC receivable for 2022.

The adjustment in respect of prior years in the UK relates to an expected tax refund from HMRC of £2m following the resubmission of a tax return for 2021. The deferred tax movement represents the write off of the deferred tax asset in respect of uncertainty related to the use of US losses.

The Group charge/(credit) for the year can be reconciled to the loss before tax shown per the consolidated statement of comprehensive income as follows.

### *Factors affecting the tax charge/(credit) for the year*

	31 December 2023 £m	31 December 2022 £m
Loss before taxation	(33.2)	(12.9)
Taxation on loss at 23.5% (2022: 19.0%)	(7.8)	(2.4)
Effects of:		
Research and development	0.3	0.3
Effect of foreign tax rates	0.3	0.3
Non-taxable/non-deductible expenses	0.7	1.0
Unrecognised timing differences	1.7	5.3
Unrecognised tax losses accumulated/(utilised)	5.6	(4.0)
Adjustment in respect of prior years	(2.1)	0.2
Deferred tax assets de-recognised/(recognised)	6.6	(6.9)
Impairment charge	(0.2)	0.2
<b>Total tax charge/(credit)</b>	<b>5.1</b>	<b>(6.0)</b>

The Group is taxed at different rates depending on the country in which the profits arise. The key applicable tax rates include the UK 23.5%, the US 21%, Germany 30% and the Netherlands 25%. The effective tax rate for the year was (-15.4%) (2022: 46.5%).

The statutory UK corporation tax rate is currently 25% (effective 1 April 2023). There is a blended rate in the UK of 23.5% for 2023.

The Group has de-recognised the deferred tax asset relating to the use of historic tax losses in the US (2022: asset recognised of £6.9 million in respect of £32.9 million of the US federal losses).

The Group utilised historical tax losses in the US for the first time in 2021. The Group's existing transfer pricing arrangements between the UK and US currently entitle the US to earn an agreed profit margin. Following the granting of a provisional SBA license in the US, the nature of the transfer pricing arrangements between the UK and US are expected to change. This, together with anticipated near-term trading losses in the US means that there are not

expected to be taxable profits to utilise brought forward trading losses in the near term. Accordingly the deferred tax asset associated with brought forward US trading losses has been de-recognised.

## 7. Loss per share

Basic loss per share amounts are calculated by dividing the loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

For diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares include those share options granted to employees under the Group's share-based compensation schemes which do not have an exercise price or where the exercise price is less than the average market price of the Company's ordinary shares during the year.

There is no difference in the weighted average number of shares used in the calculation of basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive.

The following table reflects the loss and share data used in the basic and diluted loss per share computations:

	31 December 2023	31 December 2022
Loss for the year (£m)	<b>(38.3)</b>	(6.9)
Weighted average number of ordinary shares in issue (million)	<b>344.4</b>	348.6
Basic and diluted loss per share	<b>(11.1)p</b>	(2.0)p

## 8. Intangible assets

	Capitalised development costs £m	Computer software £m	Other intangibles £m	Total £m
<b>Cost</b>				
At 1 January 2022	49.0	0.9	1.2	51.1
Exchange differences	1.9	—	—	1.9
Additions	12.7	—	—	12.7
Disposals	(8.8)	(0.1)	—	(8.9)
At 31 December 2022	54.8	0.8	1.2	56.8
At 1 January 2023	54.8	0.8	1.2	56.8
Exchange differences	(0.8)	—	—	(0.8)
Additions	11.3	0.2	—	11.5
Disposals	(4.1)	(0.6)	—	(4.7)
<b>At 31 December 2023</b>	<b>61.2</b>	<b>0.4</b>	<b>1.2</b>	<b>62.8</b>
<b>Accumulated amortisation</b>				
At 1 January 2022	24.4	0.6	1.2	26.2
Exchange differences	1.2	—	—	1.2
Charge for the year	10.0	0.1	—	10.1
Disposals	(8.8)	(0.1)	—	(8.9)
At 31 December 2022	26.8	0.6	1.2	28.6
At 1 January 2023	26.8	0.6	1.2	28.6
Exchange differences	(0.5)	0.1	—	(0.4)
Charge for the year	12.3	0.1	—	12.4
Impairment	3.9	—	—	3.9
Disposals	(4.1)	(0.6)	—	(4.7)
<b>At 31 December 2023</b>	<b>38.4</b>	<b>0.2</b>	<b>1.2</b>	<b>39.8</b>
<b>Carrying amount</b>				
<b>At 31 December 2023</b>	<b>22.8</b>	<b>0.2</b>	<b>—</b>	<b>23.0</b>
At 31 December 2022	28.0	0.2	—	28.2

Intangible assets of £3.9 million (2022: £nil) predominantly related to the US business have been fully impaired. This is as a result of the annual impairment review assessment of each cash generating unit. Given the uncertainty as to the near-term cash flows of the US business, the value in use assessment did not support the non-financial assets and the capitalised development costs of the US were impaired.

## 9. Property, plant and equipment, right-of-use assets and lease liabilities

The Group has right-of-use assets which comprise property leases held by the Group. Information about leases for which the Group is a lessee is presented below.

### *Analysis of property, plant and equipment between owned and leased assets*

	31 December 2023 £m	31 December 2022 £m
Property, plant and equipment (owned)	1.7	2.7
Right-of-use assets	3.3	7.3
	<b>5.0</b>	<b>10.0</b>

### *Reconciliation of amount recognised in the balance sheet*

	Leasehold improvements £m	Computer equipment £m	Furniture and fixtures £m	Right-of-use assets (property) £m	Total £m
<b>Cost</b>					
At 1 January 2022	4.7	2.7	1.9	31.0	40.3
Disposals	—	(0.8)	—	—	(0.8)
Additions <sup>1</sup>	0.5	1.0	0.1	0.7	2.3
Exchange differences	—	0.1	0.1	1.0	1.2
At 31 December 2022	5.2	3.0	2.1	32.7	43.0
At 1 January 2023	5.2	3.0	2.1	32.7	43.0
Disposals	—	(1.1)	—	—	(1.1)
Additions <sup>1</sup>	—	0.7	—	0.2	0.9
Exchange differences	—	—	—	(0.6)	(0.6)
Derecognition of right-of-use assets	—	—	—	—	—
<b>At 31 December 2023</b>	<b>5.2</b>	<b>2.6</b>	<b>2.1</b>	<b>32.3</b>	<b>42.2</b>
<b>Accumulated depreciation</b>					
At 1 January 2022	3.2	1.9	1.5	19.6	26.2
Disposals	—	(0.8)	—	—	(0.8)
Charge for the year	0.7	0.7	0.2	3.5	5.1
Impairment	—	—	—	1.8	1.8
Exchange differences	—	0.1	0.1	0.5	0.7
At 31 December 2022	3.9	1.9	1.8	25.4	33.0
At 1 January 2023	3.9	1.9	1.8	25.4	33.0
Disposals	—	(1.1)	—	—	(1.1)
Charge for the year	0.7	0.8	0.1	2.7	4.3
Impairment	—	0.1	0.1	1.3	1.5
Exchange differences	(0.1)	—	—	(0.4)	(0.5)
Derecognition of right-of-use assets	—	—	—	—	—
<b>At 31 December 2023</b>	<b>4.5</b>	<b>1.7</b>	<b>2.0</b>	<b>29.0</b>	<b>37.2</b>
<b>Carrying amount</b>					
<b>At 31 December 2023</b>	<b>0.7</b>	<b>0.9</b>	<b>0.1</b>	<b>3.3</b>	<b>5.0</b>
At 31 December 2022	1.3	1.1	0.3	7.3	10.0

1. Leasehold improvement and right-of-use asset additions in the year are non-cash in nature.

Certain right-of-use assets related to the US San Francisco office have been sublet under an operating sublease. Due to a further weakening of the San Francisco commercial property market, the estimated cash flows on the sublet no longer support the carrying value of the asset. As a result, an impairment of £1.3 million was recognised in the year ended 31 December 2023 (2022: £1.8 million).

Property, plant and equipment of £0.2 million (2022: £nil) related to the US business has been fully impaired. See note 8 for further details of this impairment.



## 10. SME loans and lines of credit

	31 December 2023 £m	31 December 2022 £m
<b>Non-current</b>		
SME loans (other) – amortised cost	6.7	24.8
Investment in trusts and co-investments – FVTPL	25.2	28.7
<b>Total non-current</b>	<b>31.9</b>	<b>53.5</b>
<b>Current</b>		
Lines of credit – amortised cost	50.0	16.0
SME loans (other) – FVTPL	0.9	20.9
SME loans (warehouse) – FVTPL	1.3	2.4
SME loans (securitised) – FVTPL	16.4	45.8
<b>Total current</b>	<b>68.6</b>	<b>85.1</b>
<b>Total</b>	<b>100.5</b>	<b>138.6</b>

## 11. Trade and other receivables

	31 December 2023 £m	31 December 2022 £m
Other receivables	1.4	3.4
<b>Non-current trade and other receivables</b>	<b>1.4</b>	<b>3.4</b>
Trade receivables	0.4	0.4
Other receivables	7.3	5.3
Prepayments	5.2	3.7
Accrued income	5.3	4.8
Rent and other deposits	2.2	2.3
<b>Current trade and other receivables</b>	<b>20.4</b>	<b>16.5</b>
	<b>21.8</b>	<b>19.9</b>

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

No trade receivables were overdue or impaired.

Included in rent and other deposits are £1.6 million of rental deposits (2022: £1.3 million) in respect of the Group's property leases which expire over the next five years.

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

## 12. Trade and other payables

	31 December 2023 £m	31 December 2022 £m
Trade payables	2.4	2.5
Other taxes and social security costs	4.2	5.0
Other creditors <sup>1</sup>	32.6	9.7
Accruals and deferred income	15.1	14.6
	<b>54.3</b>	<b>31.8</b>

1. Other creditors includes £30.7 million (2022: £7.5 million) due to the British Business Bank (BBB) primarily related to scheme lender fees collected from investors associated with government-guaranteed products.

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

### 13. Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

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

#### ***Risk factors***

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

- credit risk;
- liquidity risk; and
- market risk (including foreign exchange risk, interest rate risk and other price risk).

#### ***Principal financial instruments***

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

- SME loans;
- investments in trusts and co-investments;
- lines of credit;
- trade and other receivables;
- cash and cash equivalents;
- trade and other payables;
- bank borrowings;
- bonds;
- lease liabilities; and
- loan repurchase liabilities.

#### *Categorisation of financial assets and financial liabilities*

The tables show the carrying amounts of financial assets and financial liabilities by category of financial instrument as at 31 December 2023:

	Fair value through profit and loss £m	Amortised cost £m	Other £m	Total £m
<b>Assets</b>				
SME loans (other)	0.9	6.7	—	7.6
SME loans (warehouse)	1.3	—	—	1.3
SME loans (securitised)	16.4	—	—	16.4
Lines of credit	—	50.0	—	50.0
Investment in trusts and co-investments	25.2	—	—	25.2
Trade and other receivables	0.8	15.8	—	16.6
Cash and cash equivalents	150.1	71.3	—	221.4
	<b>194.7</b>	<b>143.8</b>	<b>—</b>	<b>338.5</b>

	Fair value through profit and loss £m	Amortised cost £m	Other £m	Total £m
<b>Liabilities</b>				
Trade and other payables	—	(35.0)	—	(35.0)
Loan repurchase liability	—	—	(0.1)	(0.1)
Bank borrowings	—	(56.9)	—	(56.9)
Bonds	—	—	—	—
Lease liabilities	—	(12.6)	—	(12.6)
	<b>—</b>	<b>(104.5)</b>	<b>(0.1)</b>	<b>(104.6)</b>

The tables show the carrying amounts of financial assets and financial liabilities by category of financial instrument as at 31 December 2022:

Assets	Fair value through profit and loss £m	Amortised cost £m	Other £m	Total £m
SME loans (other)	20.9	24.8	—	45.7
SME loans (warehouse)	2.4	—	—	2.4
SME loans (securitised)	45.8	—	—	45.8
Lines of credit	—	16.0	—	16.0
Investment in trusts and co-investments	28.7	—	—	28.7
Trade and other receivables	—	16.2	—	16.2
Cash and cash equivalents	121.6	56.1	—	177.7
	219.4	113.1	—	332.5

Liabilities	Fair value through profit and loss £m	Amortised cost £m	Other £m	Total £m
Trade and other payables	—	(12.2)	—	(12.2)
Loan repurchase liability	—	—	(0.5)	(0.5)
Bank borrowings	—	(22.6)	—	(22.6)
Bonds	—	(23.7)	—	(23.7)
Lease liabilities	—	(19.8)	—	(19.8)
	—	(78.3)	(0.5)	(78.8)

#### ***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, certain SME loans (other), FlexiPay lines of credit, bank borrowings, lease liabilities, certain bonds and trade and other payables. Due to their nature, the carrying value of each of the above financial instruments approximates to their fair value.

Bank borrowings consist of drawn amounts in the US of \$2.8 million (2022: \$27.3 million) on the PPP Liquidity Facility available from the Federal Reserve Bank at a fixed interest rate of 0.35%. They also comprise the drawn balance on a committed lending facility in the FlexiPay warehouse of £54.7 million (2022: £nil) at a floating rate of interest based on SONIA plus a margin.

#### ***Other financial instruments***

Loan repurchase liabilities are measured at the amount of loss allowance determined under IFRS 9.

#### ***Financial instruments measured at fair value***

IFRS 13 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:

- 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 assets or liabilities, either directly or indirectly; and
- level 3 inputs are unobservable inputs for the assets or liabilities.

The fair value of financial instruments that are not traded in an active market (for example, investments in SME loans) 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 are not based on observable market data, the instrument is included in level 3. An assessment that the level applied to financial instruments is appropriate and whether a transfer between levels is required is undertaken at the end of each accounting period. There were no transfers between levels during the year or prior year.

The Finance department of the Group performs the valuations of items required for financial reporting purposes, including level 3 fair values. This team reports to the Chief Financial Officer (“CFO”). Discussions of valuation processes and results are held regularly at Balance Sheet Management and Investment Valuation Committees along with regular updates provided to the Audit Committee.

	Fair value measurement using			Total £m
	Quoted prices in active markets (level 1) £m	Significant observable inputs (level 2) £m	Significant unobservable inputs (level 3) £m	
31 December 2023				
Financial assets				
SME loans (warehouse)	—	—	1.3	1.3
SME loans (securitised)	—	—	16.4	16.4
SME loans (other)	—	—	0.9	0.9
Trade and other receivables	0.8	—	—	0.8
Investment in trusts and co-investments	—	—	25.2	25.2
Cash and cash equivalents	150.1	—	—	150.1
	150.9	—	43.8	194.7
Financial liabilities				
Bonds	—	—	—	—
	—	—	—	—

	Fair value measurement using			Total £m
	Quoted prices in active markets (level 1) £m	Significant observable inputs (level 2) £m	Significant unobservable inputs (level 3) £m	
31 December 2022				
<b>Financial assets</b>				
SME loans (warehouse)	—	—	2.4	2.4
SME loans (securitised)	—	—	45.8	45.8
SME loans (other)	—	—	20.9	20.9
Investment in trusts and co-investments	—	—	28.7	28.7
Cash and cash equivalents	121.6	—	—	121.6
	121.6	—	97.8	219.4
<b>Financial liabilities</b>				
Bonds	—	—	—	—
	—	—	—	—

The fair value of all SME loans held at fair value has been estimated by discounting future cash flows of the loans using discount rates that reflect the changes in market interest rates and observed market conditions at the reporting date. The estimated fair value and carrying amount of the SME loans (warehouse) was £1.3 million at 31 December 2023 (2022: £2.4 million).

The fair value of SME loans (securitised) represents loan assets in the securitisation vehicles and legacy loans of this nature. The estimated fair value and carrying amount of the SME loans (securitised) was £16.4 million at 31 December 2023 (2022: £45.8 million).

Investment in trusts and co-investments represents the Group's investment in the trusts and other vehicles used to fund CBILS, RLS and certain commercial loans and is measured at fair value through profit and loss. The government-owned British Business Bank will guarantee up to 80% of the balance of CBILS loans in the event of default (and between 70% and 80% of RLS loans). The estimated fair value and carrying amount of the investment in trusts and co-investments was £25.2 million at 31 December 2023 (2022: £28.7 million).

The fair value of SME loans (other) represents loan assets temporarily funded by the Group in relation to the commercial loans. The estimated fair value and carrying amount of the SME loans (other) was £0.9 million (2022: £20.9 million).

The most relevant significant unobservable inputs relate to the default rate estimate and discount rates applied to the fair value calculation. However, it was determined that the reasonably possible range of outcomes from these inputs into the estimates are not material to the accounts.

Since 31 December 2022, the assumptions related to estimating fair value have been revised. The expected increases in defaults due to the macro environment of inflationary cost pressures experienced by small businesses and their customers in the year did not materialise to the extent expected as base rates peaked and plateaued and borrowers remained resilient. This has led to favourable observed performance with lower defaults and stable recoveries relative to expectations on many of the portfolios particularly the legacy SME loans (securitised) in the US. The expectation of a macro stress is now expected to occur later and grow at a slower pace, with a more marked impact in the UK from forward looking assumption changes than in the US. This has led to a lower lifetime cumulative default expectation and a higher relative estimation of fair value compared to the carrying value of the loans than at 31 December 2022.

With respect to investments in trusts and co-investments, where the Group holds a small pari-passu co-investment structured through leveraged warehouse vehicles which are majority owned by the majority equity investor, the increase in interest rates over the last year decreased the estimated fair value in certain of these structures which were not hedged. This was caused by floating rate interest paid on senior borrowing facilities within the vehicle expected to decrease the returns to the equity holders compared to previous expectations. The nature of the vehicles is such that, while the loans may be government guaranteed, an uptick in defaults in combination with higher borrowing costs will still reduce the lifetime return to the equity holder and the inbuilt mechanisms of the vehicles which prioritise protection of repayments to the senior lender could lead to cash flowing to the equity holder later and as a result the estimated fair value of the investment has decreased.

RLS and certain commercial loans which the Group holds through investments in trusts, have additionally underperformed against expectations, even relative to un-stressed assumptions. A revision to the underlying performance assumptions of this cohort of loans partially offset the favourable performance of CBILS loans and the favourable changes in UK macro assumptions.

There has additionally been increases in discount rates used to discount the estimated cash flows in the year, primarily driven by increases in the risk free rate, due to central bank interest rate rises in order to curb inflationary pressures. This, in turn, has led to a lower relative estimation of fair value compared to carrying value of the loans.

The result of the various factors outlined above is an £8.7 million net fair value gain during the year primarily driven by favourable performance of legacy securitisation loans relative to expectations of stressed performance over the year, however as these loans continue to amortise they are expected to become less sensitive to estimation uncertainty.

Sensitivities to unobservable assumptions in the valuation of SME loans and money market funds within cash and cash equivalents are not disclosed as reasonably possible changes in the current assumptions inclusive of default rates, discount rates and recovery rates would not be expected to result in material changes in the carrying values.

Fair value movements on SME loans (warehouse), SME loans (securitised), SME loans (other), investments in trusts and bonds (unrated) are recognised through the profit and loss account in fair value gains/(losses).

A reconciliation of the movement in level 3 financial instruments is shown as follows:

	SME loans (warehouse) £m	SME loans (securitised) £m	Bonds (unrated) £m	Investment in trusts and co-investments £m	SME loans (other) £m
At 1 January 2022	3.2	148.1	(12.8)	39.1	—
Additions	—	—	—	6.4	22.6
Repayments	(2.8)	(86.8)	16.3	(10.0)	(0.8)
Disposal	—	(39.5)	—	—	—
Net gain/(loss) on the change in fair value of financial instruments at fair value through profit and loss	2.0	14.7	(3.5)	(7.0)	(1.4)
Foreign exchange gain	—	9.3	—	0.2	0.5
At 31 December 2022	2.4	45.8	—	28.7	20.9
Additions	—	—	—	1.8	11.9
Repayments	(2.0)	(35.0)	—	(6.6)	(0.6)
Disposal	—	—	—	—	(30.4)
Net gain/(loss) on the change in fair value of financial instruments at fair value through profit and loss	1.0	6.8	—	1.3	(0.4)
Foreign exchange loss	(0.1)	(1.2)	—	—	(0.5)
<b>At 31 December 2023</b>	<b>1.3</b>	<b>16.4</b>	<b>—</b>	<b>25.2</b>	<b>0.9</b>

## Financial risk factors

### Credit risk

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

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

	31 December 2023 £m	31 December 2022 £m
<b>Non-current</b>		
SME loans (other)	6.7	24.8
Investment in trusts and co-investments	25.2	28.7
Trade and other receivables:		
– Other receivables	1.4	3.4
<b>Current</b>		
Lines of credit	50.0	16.0
SME loans (other)	0.9	20.9
SME loans (warehouse)	1.3	2.4
SME loans (securitised)	16.4	45.8
Trade and other receivables:		
– Trade receivables	0.4	0.4
– Other receivables	7.3	5.3
– Accrued income	5.3	4.8
– Rent and other deposits	2.2	2.3
Cash and cash equivalents	221.4	177.7
Total gross credit risk exposure	338.5	332.5
Less bank borrowings and bond liabilities <sup>1</sup>	(56.9)	(46.3)
Total net credit risk exposure	281.6	286.2

1. Included within bank borrowings are £2.2 million (2022: £22.6 million) in relation to draw downs on the PPPLF and £54.7 million related to the FlexiPay warehouse.

In addition, the Group is subject to financial guarantees it has issued to buy back loans. The Group's maximum exposure to credit risk on financial guarantees were every eligible loan required to be bought back would be £0.4 million (2022: £2.8 million).

An expected credit loss allowance related to undrawn lines of credit on the FlexiPay product of £1.4 million (2022: £0.3 million) is held within provisions and other liabilities. The Group's maximum exposure to credit risk on the undrawn lines of credit if they were all to be fully drawn would be £157.3 million (2022: £41.6 million).

SME loans (warehouse) and SME loans (securitised) relate to the underlying pool of SME loans from the legacy warehouses and SPVs that have since been purchased or novated into other Funding Circle entities, but remain held at FVTPL with the business model of holding the loans for sale.

SME loans (other) includes £0.9 million (2022: £20.9 million) loans originated by the Group with the intention of selling onwards, which are held at FVTPL and are therefore disclosed as current.

Under IFRS 9, the Group is required to provide for loans measured at amortised cost under the expected credit loss ("ECL") model. The impairment related to each loan is based on the ECLs associated with the probability of default of that loan in the next 12 months unless there has been a significant increase in credit risk of that loan since origination. The Group assumes there has been a significant increase in credit risk if outstanding amounts on the loan investment exceed 30 days, in line with the rebuttable presumption per IFRS 9.

The Group defines a default, classified within non-performing, as a loan investment with any outstanding amounts exceeding a 90-day due date, which reflects the point at which the loan is considered to be credit impaired. In some circumstances where loans are bought back by the Group, the financial asset associated with the purchase meets the definition of purchased or originated credit impaired ("POCI"); this element of the impairment is therefore based on lifetime ECLs.

Lines of credit utilises the same default definition and probability of default under IFRS 9, however, they are assessed based on 12-month probability of default at the overall available line of credit level, estimating the expected utilisation of the line of credit at the estimated point of default.

SME loans (other) includes PPP loans funded by the use of the PPPLF. The loans are guaranteed by the US government in the event of default and the loans are anticipated to be forgiven. At the point of default and subsequent collection of the guarantee or point of forgiveness, the loan and the respective borrowings under the PPPLF are extinguished. SME loans (other) also includes loans which have been brought back from investors and are held at amortised cost.

Lines of credit comprises £50.0 million (2022: £16.0 million) of drawn amounts through the FlexiPay product net of expected credit loss impairment.

The gross principal value of SME loans (other) is £21.4 million (2022: £39.6 million) and drawn lines of credit held at amortised cost is £55.4 million (2022: £17.6 million), totalling £76.8 million (2022: £57.2 million), and an allowance for expected credit losses of £14.7 million (2022: £14.8 million) and £5.4 million (2022: £1.6 million) respectively, totalling £20.1 million (2022: £16.4 million), is held against these loans and drawn lines of credit as detailed below.

An impairment charge of £3.3 million (2022: impairment credit of £0.9 million) was recognised through the statement of comprehensive income in the year to 31 December 2023 within (provision)/credit for expected credit losses in the income statement related to drawn lines of credit and SME loans (other).

Additionally, an expected credit loss impairment charge was recognised relating to undrawn FlexiPay lines of credit of £1.1 million (31 December 2022: £0.3 million) and an expected credit loss impairment of £nil (31 December 2022: credit of £0.9 million) related to the loan repurchase liability were recognised.

The Group bands each loan investment at origination using an internal risk rating and assesses credit losses on a collective portfolio basis by product. Credit risk grades are not reported to management on an ongoing basis and the only borrower specific information that is produced and used is past due status. There is no significant concentration of credit risk to specific industries or geographical regions.

	Performing: 12-month ECL £m	Underperforming: Lifetime ECL £m	Non-performing: Lifetime ECL £m	POCI: Lifetime ECL £m	Total £m
At 1 January 2022	0.6	0.3	1.1	13.3	15.3
Impairment against new lending and purchased assets	0.1	—	—	1.1	1.2
Exchange differences	0.1	—	0.1	1.0	1.2
Impairment against loans transferred from/(to) performing	(0.1)	0.3	0.3	—	0.5
Loans repaid	(0.3)	(0.3)	(0.5)	(1.2)	(2.3)
Change in probability of default or loss given default assumptions	0.7	—	(0.1)	(0.1)	0.5
At 31 December 2022	1.1	0.3	0.9	14.1	16.4
Impairment against new lending and purchased assets	12.6	0.1	0.1	0.6	13.4
Exchange differences	—	—	—	(0.5)	(0.5)
Impairment against loans transferred from/(to) performing	(0.3)	0.5	2.5	—	2.7
Loans repaid	(10.5)	—	(0.2)	(0.9)	(11.6)
Change in probability of default or loss given default assumptions	(1.3)	0.1	0.4	0.5	(0.3)
At 31 December 2023	1.6	1.0	3.7	13.8	20.1

	Expected credit loss coverage %	Basis for recognition of expected credit loss impairment	Gross lines of credit and SME loans (other) £m	Provision for expected credit loss £m	Net carrying amount £m
<b>As at 31 December 2022</b>					
Performing (due in 30 days or less)	2.7	12 month ECL	39.2	(1.1)	38.1
Underperforming (31–90 days overdue)	36.5	Lifetime ECL	0.7	(0.3)	0.4
Non-performing (90+ days overdue)	43.1	Lifetime ECL	2.3	(0.9)	1.4
POCI (90+ days overdue)	94.2	Lifetime ECL	15.0	(14.1)	0.9
		Total	57.2	(16.4)	40.8
<b>As at 31 December 2023</b>					
Performing (due in 30 days or less)	2.9	12 month ECL	55.8	(1.6)	54.2
Underperforming (31–90 days overdue)	50.0	Lifetime ECL	2.0	(1.0)	1.0
Non-performing (90+ days overdue)	86.0	Lifetime ECL	4.3	(3.7)	0.6
POCI (90+ days overdue)	93.9	Lifetime ECL	14.7	(13.8)	0.9
		Total	76.8	(20.1)	56.7

Of which is FlexiPay drawn lines of credit	Expected credit loss coverage %	Basis for recognition of expected credit loss impairment	Gross lines of credit £m	Provision for expected credit loss £m	Net carrying amount £m
<b>As at 31 December 2022</b>					
Performing (due in 30 days or less)	5.3	12 month ECL	16.5	(0.8)	15.7
Underperforming (31–90 days overdue)	48.4	Lifetime ECL	0.5	(0.3)	0.2
Non-performing (90+ days overdue)	85.0	Lifetime ECL	0.6	(0.5)	0.1
POCI (90+ days overdue)	—	Lifetime ECL	—	—	—
		Total	17.6	(1.6)	16.0
<b>As at 31 December 2023</b>					
Performing (due in 30 days or less)	2.8	12 month ECL	50.3	(1.4)	48.9
Underperforming (31–90 days overdue)	52.6	Lifetime ECL	1.9	(1.0)	0.9
Non-performing (90+ days overdue)	93.8	Lifetime ECL	3.2	(3.0)	0.2
POCI (90+ days overdue)	—	Lifetime ECL	—	—	—
		Total	55.4	(5.4)	50.0

The risk and finance functions of the Group monitor the performance of the FlexiPay Lines of credit and SME loans (other) and calculate the ECL estimate required for financial reporting purposes. These teams report to the Chief Financial Officer (“CFO”) and Chief Risk Officer (“CRO”). Discussions of estimates, processes and results are held

regularly at Balance Sheet Management and Investment Valuation Committees along with regular updates provided to the Audit Committee.

The percentages above are a calculation based on the Group's past experience of delinquencies and loss trends, as well as forward-looking information in the form of macroeconomic scenarios governed by an impairment committee, which considers macroeconomic forecasts such as changes in interest rates, GDP and inflation which are incorporated into scenarios and probability weighted.

Estimation is required in assessing individual loans and when applying statistical models for collective assessments, using historical trends from past performance as well as forward-looking information including macroeconomic forecasts in each market together with the impact on loan defaults.

Trade receivables represent the invoiced amounts in respect of servicing fees due from institutional investors. The risk of financial loss is deemed minimal because the counterparties are well established financial institutions.

Ongoing credit evaluation is performed on the financial condition of other receivables and, where appropriate, a provision for expected credit losses is recorded in the financial statements.

Other receivables include net investment in subleases of offices representing the present value of future sublease payments receivable. Where appropriate, impairment is recorded where the receivable is in doubt.

Individual risk limits for banks and financial institutions are set by the Group with reference to external rating agencies. The Group's treasury policy has set limits and quantities that the Group must remain within. No credit or counterparty limits were exceeded during the year. The Group's cash and cash equivalents split by S&P counterparty rating were A/A- rated: £71.3 million (2022: £56.2 million), A+ or better rated: £150.1 million (2022: £121.5 million) and below A- rated: £nil (2022: £nil).

#### ***Impairment of net investment in subleases***

Certain right-of-use assets related to the US San Francisco office have been sublet under a financing sublease and are represented as net investments in subleases within other receivables. Due to a reduction in market values since inception of the sublet, the estimated cash flows expected on expiry of the existing sublet and expectations of further sublet are lower and as a result an impairment of £0.8 million was recognised in the year ended 31 December 2023 (31 December 2022: £nil). The impairment is disclosed in the condensed consolidated statement of comprehensive income within depreciation, amortisation and impairment.

### **14. Notes to the consolidated statement of cash flows**

#### ***Cash outflow from operating activities***

	31 December 2023	31 December 2022
	£m	(re-presented) <sup>1</sup> £m
Loss before taxation	(33.2)	(12.9)
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	4.3	5.1
Amortisation of intangible assets	12.4	10.1
Impairment of ROU assets, tangible and intangible assets and investment in sublease	6.2	1.8
Interest payable	0.6	0.9
Non-cash employee benefits expense – share-based payments and associated social security costs	5.6	4.7
Fair value losses/(gains)	(8.7)	(4.8)
Movement in restructuring provision	–	(0.2)
Movement in loan repurchase liability	(0.4)	(1.8)
Movement in other provisions	0.9	(0.1)
Share of gains of associates	(0.1)	(0.4)
Other non-cash movements	5.1	1.4
<b>Changes in working capital</b>		
Movement in trade and other receivables	(13.5)	8.8
Movement in trade and other payables	34.7	(3.7)
Tax paid	(0.6)	(1.0)
Originations of lines of credit	(230.4)	(59.6)
Cash receipts from lines of credit	191.5	43.6
<b>Net cash outflow from operating activities</b>	<b>(25.6)</b>	<b>(8.1)</b>

1. The comparative year to 31 December 2022 has been re-presented to present "Interest received" which was previously a component of investing activities as a component of operating income to mirror the re-presentation of interest on cash and cash equivalents within "Interest income" which was previously presented within "Finance income" on the consolidated statement of comprehensive income. As a result it is not disclosed separately above.

#### ***Cash and cash equivalents***

	31 December 2023	31 December 2022
	£m	£m



Cash and cash equivalents	221.4	177.7
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The cash and cash equivalents balance is made up of cash and money market funds. The carrying amount of these assets is approximately equal to their fair value. Included within cash and cash equivalents above is a total of £51.8 million (2022: £12.1 million) in cash which is restricted in use. Of this, £1.1 million (2022: £1.1 million) is restricted in use in the event of rental payment defaults and cash held in the securitisation SPVs of £nil (2022: £2.9 million) which has been collected for on-payment to bond holders and is therefore restricted in its use. £31.1 million (2022: £8.1 million) of cash is held which is restricted in use to repaying investors in CBILS and RLS loans and paying CBILS and RLS-related costs to the UK government. A further £19.6 million (2022: £nil) of cash is held which is restricted for use in the FlexiPay warehouse.

At 31 December 2023, money market funds totalled £150.1 million (2022: £121.6 million).

The group holds money on behalf of customers (client monies) in accordance with local regulatory rules. Since the group is not beneficially entitled to these amounts, they are excluded from the consolidated balance sheet and consolidated cash flow statement.

#### ***Analysis of changes in liabilities from financing activities***

	1 January 2022 £m	Cash flow £m	Exchange movements £m	Other non-cash movements £m	31 December 2022 £m
Bank borrowings	(73.2)	57.9	(7.3)	—	(22.6)
Bonds	(140.3)	129.1	(8.1)	(4.4)	(23.7)
Lease liabilities	(23.9)	7.3	(1.6)	(1.6)	(19.8)
<b>Liabilities from financing activities</b>	<b>(237.4)</b>	<b>194.3</b>	<b>(17.0)</b>	<b>(6.0)</b>	<b>(66.1)</b>

	1 January 2023 £m	Cash flow £m	Exchange movements £m	Other non-cash movements £m	31 December 2023 £m
Bank borrowings	(22.6)	(34.9)	0.6	—	(56.9)
Bonds	(23.7)	23.4	0.6	(0.3)	—
Lease liabilities	(19.8)	7.2	0.6	(0.6)	(12.6)
<b>Liabilities from financing activities</b>	<b>(66.1)</b>	<b>(4.3)</b>	<b>1.8</b>	<b>(0.9)</b>	<b>(69.5)</b>

#### **15. Subsequent events**

At the year end date, the Directors were considering the future direction of the US business. Whilst the US continues to offer attractive growth, it will require significant cash and capital under the SBA programme. Against this, we have determined that a simpler, more profitable UK business will deliver greater shareholder value with improved profitability and cash generation.

We have now reached a point, in March 2024, where we have announced our decision to focus on the UK opportunity and that we are in discussion with third parties regarding the US business. The financial impact of this is yet to be quantified.