Funding Circle Holdings plc
Half Year 2024 Results

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

STRONG HALF YEAR PERFORMANCE AND DELIVERY AGAINST STRATEGIC OBJECTIVES
SIMPLER, LEANER AND PROFITABLE BUSINESS WITH HIGH GROWTH

Funding Circle Holdings plc ("Funding Circle" or the "Group") today announces results for the six months ended 30 June 2024.

Commenting on the results, Lisa Jacobs, Funding Circle CEO, says:
"We are delivering on the plan I laid out in March to be simpler, leaner and profitable whilst continuing to show strong growth. In May, we simplified and streamlined the business to deliver £15m annualised savings in 2025 and in July we completed the sale of our US business for a gain of £10m.

The first half was stronger than our expectations with annual revenue growth of over 30%; 12% up on H2 2023. We were profitable a half earlier than we set out in our guidance in March and are today upgrading our guidance to be profitable for the full year (versus prior guidance of H2 profitable).

We are reaffirming our medium-term guidance of 15-20% revenue growth and PBT margins of more than 15% and continue to be excited about the long-term growth and profitability of the business as we execute against our plan.

We will commence a further share buyback of up to £25m following the conclusion of the existing £25m share buyback."

£m	H1 2024	H2 2023[1]	H1 2023[1]
UK Term Loan originations	**692**	589	471
FlexiPay Transactions	**226**	144	90
Net income ("Revenue")[2]	**79.1**	70.4	59.7
Profit/(loss) before taxation (before exceptional items)	**0.5**	(2.5)	(7.4)
Loss before taxation (after exceptional items)	**(2.1)**	(2.5)	(7.4)
Unrestricted Cash[3]	**164.4**	169.6	172.5

Financial Summary:
- For the Continuing Group, UK Term Loan ("Term Loan") originations grew to £692m (H1 2023: £471m) and FlexiPay transactions scaled to £226m (H1 2023: £90m) underlining the strength of the business.
- Net income ("Revenue") was £79.1m, 32% growth on H1 2023 and 12% on H2 2023.
- PBT pre-exceptionals was £0.5m (H2 2023: PBT negative £2.5m and H1 2023: PBT negative £7.4m) reflecting the profitable growing Term loans business funding the planned investment in FlexiPay.
- Term Loans increased profitability with PBT pre-exceptionals of £9.2m (H2 2023: £5.1m and H1 2023: £1.4m).
- Exceptional items of £2.6m related to the simplification and streamlining of the business announced in May 2024, led to a Loss before tax of £2.1m (H1 2023: £7.4m loss).
- Unrestricted cash remained healthy at £164.4m (31 December 2023: £169.6m).
- Robust and attractive returns across all products with continued institutional investor demand; c.£2bn of future funding in place.

Operational & Strategic Summary:
- Executed against our plan for a simpler, leaner and profitable business:
  - Successful sale of US business to iBusiness Funding for a gain on sale of £10m.
  - Progressed cost-efficiency actions, to deliver c.£15m of annualised benefit in 2025 and, together with the US sale, reduced total headcount to c.760 (Dec 2023: c.1,100).

- Continued to drive growth and innovate across all our products to support our strategic ambitions:
  - **Term Loans:** launched the government's Growth Guarantee Scheme (GGS); expanded product segments and third-party integrations within our Marketplace offering. This offering now accounts for 11% of term loan originations to provide the widest possible support to small businesses.
  - **FlexiPay:** 57% growth in transaction value on H2 2023 to £226m (H2 2023: £144m and H1 2023: £90m); continued enhancement of proposition, including increased flexibility of repayment terms.
  - **Cashback Credit Card:** beta launched in Q3 with full roll-out in H2 2024.

1 The comparative financial information has been re-presented to exclude the US business which is presented as discontinued operations.
2 Net income is also referred to as "Revenue".
3 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. £23.1m of cash at 30 June 2024 relates to the US business and is held in a disposal Group.

Outlook: Attractive, growing and profitable business

- Term Loans revenue growth guidance remains at greater than 10% year on year growth. We expect PBT margins to be ahead of our previous guidance.
- FlexiPay guidance remains unchanged. FlexiPay revenue growth will be 3X that of the prior year and FlexiPay losses will be similar to that of the prior year.
- Building on the H1 2024 performance, the Group will be PBT profitable for the Full Year vs H2 2024 in previous guidance. Over the Medium Term we expect revenue growth of 15-20% CAGR with PBT margins of >15%.

FY 2024

	Term Loans	FlexiPay
Revenue	>10% growth vs. 2023	3x growth vs 2023
Profit before tax[1]	>12% margins (25% AEBITDA margins)	Continued investment, with losses at a similar level to FY23
Profit before tax[1]	The UK businesses (Term Loans and FlexiPay) will be PBT positive for 2024	

1 Pre-exceptional items

Share buyback

We announced a share buyback programme of up to £25m in March 2024 which is expected to complete in Q4 2024. We intend to do a further share buyback of up to £25m once the existing programme completes and will announce this programme separately before it commences.

Board changes

As we announced in May, Oliver White, Executive Director and CFO, will be standing down from his role. He will begin his transition to Tony Nicol, currently Director of Finance and Investor Relations, today and step down from the Board on 1 January 2025. We are hugely grateful to Oliver for his contribution to Funding Circle and the important role he has played in putting the Company in a strong position to grow in the coming years.

Analyst presentation:
Management will host a presentation and conference call for institutional investors and analysts at 9:30am UK time (BST), on Thursday 5 September 2024.

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 Half Year Results' when prompted by the operator.

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

Investor relations and media relations:
Funding Circle Investor Relations
Tony Nicol
ir@fundingcircle.com

Funding Circle Media Relations
Angeli Everitt (+44 20 3830 1325)
press@fundingcircle.com

Headland Consultancy
Stephen Malthouse and Jack Gault (+44 20 3805 4822)

Forward looking statements and other important information:

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. In the UK, Funding Circle has extended £13.6bn in credit to c.103,500 businesses.

We provide 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. 76% of applicants receive an instant decision, we have a strong NPS of 75 and see strong repeat usage, especially with FlexiPay.

We are constantly looking at ways to innovate our product offering which enables customers to borrow, pay later and spend with Funding Circle and serve more small business needs. In Q3, we commenced a beta roll out of a new Cash-back Credit Card for everyday business spending.

We were pleased with the strong operational and strategic performance in H1 2024, with strong growth from both of our continuing business units compared to H2 2023 and H1 2023. The Group comprises two ongoing trading business units, each at differing stages of maturity. The US business was sold on 1 July 2024 and is therefore treated as discontinued in the period.

Originations and transactions	**H1 2024 £m**	H2 2023 £m	H1 2023 £m
Continuing operations			
UK Term Loan originations	**692**	589	471
FlexiPay transactions	**226**	144	90
Discontinued operations			
US Term Loan originations	**164**	186	210

Term Loans

The Term Loans business originations were progressively up against H1 and H2 2023. We saw growth through our commercial loans, our participation in the third iteration of the Recovery Loan Scheme ("RLS"), as well as more originations through our marketplace of third party lenders where we refer SMEs to other finance providers if we are unable to lend to them directly. Through our suite of products we are able to support as many SMEs as possible by providing access to financing.

Originations were £692m in H1 2024, increasing from £471m in H1 2023, and were higher than the £589m in H2 2023.

Originations were funded through forward flow agreements with institutional investors and, as at 30 June 2024, we had forward flow agreements in place totalling £1.8bn.

In July 2024, we gained accreditation to participate in the longer term government guaranteed programme, the Growth Guarantee Scheme ("GGS"). This will allow us to help provide finance to SMEs in parts of the market we otherwise would not.

FlexiPay

Our line of credit product, FlexiPay, has demonstrated significant growth to date and we continue to invest in this business unit. Transactions continue to grow, more than doubling since H1 2023 to £226m, and we are experiencing strong customer engagement.

FlexiPay customers can choose to pay later via bank transfer or through a FlexiPay card with approximately 90% of transactions via bank transfer.

FlexiPay is funded by Funding Circle capital and a senior debt facility of £150m.

Loans under Management (LuM)	30 June 2024	31 December 2023	30 June 2023
	£m	£m	£m
Continuing operations			
Loans under management			
UK Term Loans	**2,777**	2,853	3,021
Other	**n/a**	11	22
Total	**2,777**	2,864	3,043
FlexiPay balances	**81**	56	34
Discontinued operations			
US Term Loans	**438**	420	398

Loans under management from continuing operations declined in the period by 3% to £2,777m. This was principally driven by continued repayment on the government loan schemes, CBILS and RLS, offset by growth in loans under management from commercial lending and the participation in the third iteration of RLS. As at 30 June 2024 UK government-guaranteed loans represented £1,315m compared to £1,462m commercial loans (31 December 2023: £1,555m government-guaranteed and £1,298m commercial loans).

Segmental highlights

Continuing operations			30 June 2024					30 June 2023[4]
			United Kingdom			United Kingdom	Other[5]	Total
	Term Loans	FlexiPay	Total	Term Loans	FlexiPay	Total	Term Loans	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Operating income	67.2	10.1	77.3	55.4	2.3	57.7	0.3	58.0
Net investment income	1.6	-	1.6	1.7	-	1.7	-	1.7
Total income	**68.8**	**10.1**	**78.9**	57.1	2.3	59.4	0.3	59.7
Fair value gains/(losses)	2.8	-	2.8	0.4	-	0.4	-	0.4
Cost of funds	-	(2.6)	(2.6)	-	(0.4)	(0.4)	-	(0.4)
Net income ("Revenue")	**71.6**	**7.5**	**79.1**	57.5	1.9	59.4	0.3	59.7
Adjusted EBITDA	18.3	(7.3)	11.0	8.8	(7.8)	1.0	(0.2)	0.8
Discount unwind on lease liabilities	(0.3)	-	(0.3)	(0.1)	-	(0.1)	-	(0.1)
Depreciation, amortisation, impairment and modification gains/(losses)	(5.8)	(0.7)	(6.5)	(5.5)	(0.5)	(6.0)	-	(6.0)
Share-based payments and social security costs	(3.5)	(0.7)	(4.2)	(1.8)	(0.3)	(2.1)	-	(2.1)
Foreign exchange gains/(losses)	0.5	-	0.5	-	-	-	-	-
Profit/(loss) before tax and exceptional items	**9.2**	**(8.7)**	**0.5**	**1.4**	**(8.6)**	**(7.2)**	**(0.2)**	**(7.4)**
Exceptional items	(2.3)	(0.3)	(2.6)	-	-	-	-	-
Profit/(loss) before tax	**6.9**	**(9.0)**	**(2.1)**	1.4	(8.6)	(7.2)	(0.2)	(7.4)

UK Term Loans business

The Term Loans business delivered operating income of £67.2m in H1 2024, compared with £55.4m in H1 2023, primarily through origination growth. Investment income of £1.6m decreased slightly from £1.7m in H1 2023 following continued amortisation of invested capital.

Term Loans generated AEBITDA of £18.3m in H1 2024 compared to £8.8m in H1 2023, with AEBITDA margin improvement. Despite slightly lower net investment income, we benefitted from favourable fair value movements, primarily from investment in trusts and co-investments, which were sold earlier than originally anticipated, thereby accelerating the receipt of future cash flows which were valued at a discount.

Profit before tax and exceptional items was £9.2m in H1 2024, up from £1.4m in H1 2023 primarily due to the growth in AEBITDA, and after exceptional items was £6.9m.

4 The comparative financial information has been re-presented to exclude the US business which is presented as discontinued operations.
5 As the Other segment is immaterial this has been absorbed into the UK Term Loans segment for 2024.

FlexiPay

FlexiPay generated operating income of £10.1m (H1 2023: £2.3m) with the increase driven by transaction and fee growth. The fee charged on FlexiPay for each drawdown against lines of credit averaged 5.0% (H1 2023: 3.4%) which is paid in equal instalments along with the repayment of each drawdown balance. Longer payment terms of up to 12 months have also been introduced in H1 2024 for a higher fee, which contributed to the increased fee growth. Where transactions are made using the card we also earn an interchange fee of c.1.75%

FlexiPay is funded through Funding Circle invested capital and a senior debt facility with Citibank. The interest payable on this facility is shown in "cost of funds" and is based on SONIA plus a margin. This facility is for £150m with the ability to upsize further.

AEBITDA for the period was negative at £7.3m (H1 2023: negative £7.8m). The principal costs incurred are staff-related costs, marketing costs and expected credit losses.

This product is a lifetime product which benefits from repeat business from customers with marketing incurred up front to onboard customers as well as the up-front recognition of expected credit losses.

As the business continues to build, we anticipate there to be continuing investment with a resultant growth in the cost base, principally marketing and ECL.

US Term Loans business

As was previously announced, the Group signed an agreement in June 2024 to sell the US business to iBusiness Funding, LLC ("iBF"). The sale was completed on 1 July 2024, and as a result the US business will not be deconsolidated until H2 2024. The operations of the US business are presented in a single line as discontinued operations within the financial statements with the assets and liabilities on the balance sheet presented as a disposal group.

Originations declined in H1 2024 to £164m compared with £186m in H2 2023 and £210m in H1 2023.

Total income for the US was £14.0m (H1 2023: £16.9m). Operating income fell to £13.3m (H1 2023: £14.5m) comprising a reduction in transaction fees as a result of lower originations, but growth in servicing fees as LuM improved. Net investment income and fair value reduced as the legacy loans held at fair value through profit and loss continued to amortise steadily.

Further details regarding the sale of the US can be found under subsequent events.

Profit and loss

	Before exceptional items	Exceptional items	30 June 2024 Total	30 June 2023[6] Total
	£m	£m	£m	£m
Transaction fees	**42.1**	–	**42.1**	29.6
Servicing fees	**18.6**	–	**18.6**	20.4
Interest income	**14.1**	–	**14.1**	5.1
Other fees	**2.5**	–	**2.5**	2.9
Operating income	**77.3**	–	**77.3**	58.0
Investment income	**1.6**	–	**1.6**	1.7
Investment expense	-	–	–	–
Total income	**78.9**	–	**78.9**	59.7
Fair value gains	**2.8**	–	**2.8**	0.4
Cost of funds	**(2.6)**	–	**(2.6)**	(0.4)
Net income ("Revenue")	**79.1**	–	**79.1**	59.7
People costs	**(36.1)**	**(2.3)**	**(38.4)**	(31.7)
Marketing costs	**(22.3)**	–	**(22.3)**	(17.6)
Depreciation, amortisation and impairment	**(6.5)**	**(0.3)**	**(6.8)**	(6.0)
(Charge)/credit for expected credit losses	**(3.8)**	–	**(3.8)**	(2.0)
Other costs	**(9.9)**	–	**(9.9)**	(9.8)
Operating expenses	**(78.6)**	**(2.6)**	**(81.2)**	(67.1)
Profit before tax from continuing operations	**0.5**	**(2.6)**	**(2.1)**	(7.6)
Loss for the period from discontinued operations	**(10.2)**	–	**(10.2)**	(10.5)

Group total income from continuing operations was £78.9m (H1 2023: £59.7m), up 32%, and revenue was £79.1m (H1 2023: £59.7m). Revenue is total income plus fair value movements on SME loans held for sale and investments in trusts and includes cost of funds on the senior debt facility for FlexiPay.

The Group made a profit before tax (before exceptional items) from continuing operations of £0.5m (H1 2023: loss before tax of £7.4m).

The exceptional items of £2.6m related to restructuring undertaken in the UK. The majority of this related to redundancy costs. After exceptional items, the loss before tax from continuing operations was £2.1m for the period (H1 2023: loss of £7.4m).

The US results, which are shown as discontinued operations were a loss for the period of £10.2m (H1 2023: £10.5m).

Operating income includes transaction fees, servicing fees, interest income from loans held at amortised cost, interest on cash balances and other fees and was £77.3m (H1 2023: £58.0m).

- *Transaction fees*, representing fees earned on originations, increased to £42.1m (H1 2023: £29.6m) driven by originations as the business continued to expand its term loan offerings to more segments of the market. Average origination fee yields decreased in the Term Loans business to 6.1% (H1 2023: 6.3%)
- *Servicing fees,* representing income for servicing Loans under Management, were £18.6m (H1 2023: £20.4m), down in line with LuM. The fees move in line with the quantum of Loans under Management, which decreased in the Term Loans business as growth in LuM from commercial and RLS 3 lending was offset by continued repayment on the government loan schemes outpacing the impact of new originations. Servicing fees are not charged on FlexiPay lines of credit. Servicing yields remain similar to 2023 levels.
- *Interest income* represents the fees earned on FlexiPay lines of credit and interest earned on cash and cash equivalents. FlexiPay interest income has increased to £9.3m (H1 2023: £2.3m) driven by transaction levels and the average fees on transactions which were 5.0% in the period (H1 2023: 3.4%). This is where we charge a fee which is spread over a number of months, in line with borrower repayments.

  Interest earned on cash and cash equivalents increased to £4.6m (H1 2023: £2.8m) which has increased in line with base rates. Unrestricted cash balances have remained at broadly similar levels period on period.

  Interest on other loans held at amortised cost totalled £0.2m (H1 2023: £nil).
- *Other fees* arose principally from collection fees we recovered on defaulted loans.

6 The comparative period has been re-presented to show the results of the US business within discontinued operations.

Net investment income represents the investment income, less investment expense, on loans held on balance sheet at fair value and declined to £1.6m (H1 2023: £1.7m). This was driven by the continued amortisation of the remaining loans on balance sheet.

Cost of funds includes the interest paid on the senior debt facility for FlexiPay. The Group leverages its funding of the FlexiPay product with this facility. The interest is based on SONIA plus a margin.

Net income ("Revenue"), defined as total income after fair value adjustments and cost of funds, was £79.1m (H1 2023: £59.7m). The fair value gain in the period of £2.8m (H1 2023: £0.4m) related primarily to certain investment in trusts and co-investments, which were sold earlier than originally anticipated thereby accelerating the receipt of future cash flows, which were valued at a discount. As the on-balance sheet loans continue to amortise down, we would expect fair value gains/losses to decline in future.

Operating expenses

At an overall level, operating expenses increased compared with H1 2023. Operating costs movements were driven by cost increases from investment in the FlexiPay business including increased expected credit losses. Whilst costs increased in the established Term Loans business compared to H1 2023, they were held flat from H2 2023 as a result of ongoing cost management.

Exceptional items – restructuring

As part of its ongoing commitment to profitability, the Group launched a cost efficiency programme during the period. These actions are expected to deliver an annualised run rate cost saving of ~£15 million in 2025 and an actual reduction in the overall number of roles by c.120. This resulted in redundancy costs of £2.3 million and impairment of capitalised development spend intangible assets of £0.3 million which were treated as exceptional items.

People costs (including contractors) represent the Group's largest ongoing operating cost. These increased during the period by 14% to £36.1m (H1 2023: £31.7m), after the capitalisation of development spend and before exceptional items. This was driven by wage inflation and headcount growth for the FlexiPay team as it scales. Headcount across Term Loans business has reduced by 4%.

The share-based payment charge for the period, included in people costs, was £4.2m (H1 2023: £2.1m) largely driven by a higher share price which increases the national insurance associated with the awards.

	30 June 2024 Continuing operations £m	30 June 2023 Continuing operational £m	Change %
People costs (before exceptional items)	**41.3**	36.9	12%
Less capitalised development spend ("CDS")	**(5.2)**	(5.2)	0%
People costs net of CDS	**36.1**	31.7	14%
Average headcount (incl. contractors)	**834**	843	-1%
Period-end headcount (incl. contractors)	**814**	831	-2%

Following the restructuring, the headcount of the continuing business was c.760.

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 £22.3m (H1 2023: £17.6m).

Excluding FlexiPay, the Term Loans businesses invested 29% of operating income in marketing (H1 2023: 28%) with two thirds of marketing being through the broker channel, similar to H1 2023. Conversion rates have improved since H1 2023 by nearly 20%.

Depreciation, amortisation and impairment costs of £6.8m (H1 2023: £6.0m) 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. The increase in the year primarily reflects the increased level of amortisation from capitalised projects. Included within this charge is £0.3m exceptional impairment of intangibles related to projects used for activities deprioritised as a result of our go forward focus.

Expected credit losses principally relate to the IFRS9 charge for FlexiPay where we account for actual and future expected credit losses from SME's defaulting on their lines of credit. We would expect this charge to increase as FlexiPay grows.

Balance sheet and investments

The Group's net equity was £229m at 30 June 2024 (31 December 2023: £247m). This includes the US business until it was sold on 1 July 2024. This reduction reflects the Group's operating losses, the share buyback by the Group 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			30 June 2024	31 December 2023
	Loans business[7]	FlexiPay	Legacy loans at fair value	CBILS/RLS/ Commercial co-investments	Private funds	Total	Total
	£m	£m	£m	£m	£m	£m	£m
SME loans	4.7	71.6	8.2	18.7	1.0	**104.2**	102.0
Cash and cash equivalents							
Unrestricted	163.4	1.0	-	-	-	**164.4**	169.6
Restricted	1.1	20.7	-	5.9	-	**27.7**	51.8
Other assets/(liabilities)	-	3.4	-		-	**3.4**	2.7
Borrowings/bonds	(1.6)	(72.4)	-	-	-	**(74.0)**	(56.9)
Cash and net investments	**167.6**	**24.3**	**8.2**	**24.6**	**1.0**	**225.7**	269.2
Other assets	51.2	-	-	-	-	**51.2**	47.1
Other liabilities	(42.0)	-	-	(5.9)	-	**(47.9)**	(69.5)
Equity	**176.8**	**24.3**	**8.2**	**18.7**	**1.0**	**229.0**	246.8

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

Investment in product/vehicles	**30 June 2024 £m**	31 December 2023 £m
1. Legacy loans at fair value	8	19
2. CBILS/RLS/Commercial co-investments[8]	19	25
3. Private funds	1	2
Net invested	**28**	46
4. FlexiPay	24	18
Total net invested capital	**52**	64

1. *Legacy 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 with £5.9m legacy loans associated with the US being sold with the US business on 1 July 2024.

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.

7 Loans business includes the US and therefore includes £1.6m of PPP loans together with the associated Federal Reserve borrowings.
8 These vehicles are bankruptcy remote.

Cash flow

At 30 June 2024, the Group's cash position was £192.1m (31 December 2023: £221.4m). Of this balance £164.4m (31 December 2023: £169.6m) is unrestricted in its use.

Restricted cash was £27.7m (31 December 2023: £51.8m) and relates to cash held in the funding vehicle of FlexiPay together with amounts owed to the British Business Bank ("BBB") for guarantee fees collected from institutional investors under the participation of the CBILS and RLS schemes. The reduction relates to the payment of the guarantee fees to the BBB in H1 2024.

Total cash movements have principally been driven by:

i) Trading performance
ii) Timing of working capital movements associated with UK government loan guarantee payments received from investors still to be paid to the British Business Bank
iii) Monetisation of on-balance sheet SME loans as they have continued to pay down
iv) Ongoing investment in FlexiPay lines of credit with external bank debt
v) Purchase of shares as part of the share buyback programme.

Free cash flow, which is an alternative performance measure, is defined in the glossary. 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:

	30 June 2024 £m	30 June 2023 £m
Adjusted EBITDA from continuing operations	**11.0**	0.8
Adjusted EBITDA from discontinued operations	**(8.7)**	(3.8)
Adjusted EBITDA	**2.3**	(3.0)
Fair value adjustments	**(5.0)**	(3.4)
Purchase of tangible and intangible assets	**(7.5)**	(6.8)
Payment of lease liabilities	**(2.4)**	(3.0)
Working capital/other	**0.7**	(1.0)
Free cash flow (excl. restricted cash movement due to guarantee fee payment)	**(11.9)**	(17.2)
Cash movement due to guarantee fee payment	**(25.2)**	12.1
Free cash flow	**(37.1)**	(5.1)
Net distributions from associates	**0.5**	0.7
Net movement in trusts and co-investments	**9.1**	3.4
Net movement in lines of credit (net of borrowings)	**(7.4)**	15.0
Net movement in SME loans at amortised cost (net of borrowings)	**1.5**	(1.9)
Net movement in loans at fair value through profit and loss (net of bonds)	**12.2**	16.2
Share buyback/purchase of own shares	**(8.2)**	(1.8)
Effect of foreign exchange	**0.1**	(0.7)
Movement in the year	**(29.3)**	25.8
Cash and cash equivalents at the beginning of the period	**221.4**	177.7
Cash and cash equivalents at the end of the period	**192.1**	203.5

Of the cash and cash equivalents at 30 June 2024, £23.1m was presented within a disposal group related to the US business.

Subsequent events

Disposal of the US business:

The sale of the US business to iBF was completed after the balance sheet date on 1 July 2024.

The Group received cash consideration of £32.5m and incurred estimated direct transaction costs for legal and advisory and other costs of £2.2m. Additionally share options that had been granted to US employees who transferred with the sold business lapsed resulting in a credit of £1.5m. £23.1m of cash and cash equivalents transferred with the sold assets.

The net assets of the US business were £22.2m (£0.9m net liability after excluding cash mentioned above), resulting in an estimated gain on sale for the Group of £9.6m.

The assets and liabilities of the US business were deconsolidated on 1 July 2024. As a result, the cumulative retranslation of the net assets of the Group's net investment in the US business were recycled from the foreign currency translation reserve into realised foreign exchange gains in the statement of comprehensive income totalling £8.6m. This resulted in an estimated total gain as a result of disposal of £18.2m. There was no tax on the gain.

Details of the sale of the US business:	**£m**
Consideration received:	
i) Cash consideration at prevailing exchange rate	32.5
ii) Net assets disposed on (including cash and cash equivalents of £23.1m)	(22.2)
Gross gain on sale	**10.3**
iii) Direct transaction costs for legal, advisory and other costs	(2.2)
Net impact of (early vesting)/lapsing US share options[9]	1.5
Other disposal related costs	**(0.7)**
Gain on sale	**9.6**
Reclassification of foreign currency translation reserve[9]	8.6
Total gain as a result of disposal after reclassification of foreign currency translation reserve	**18.2**

The below table illustrates the immediate impact of the above sale of the US business on the net assets of the Group:

	30 June 2024	**ii) Disposal of US business**	**i) and iii) Proceeds from sale of US business (less costs to sell)[9]**	**01 July 2024**
	£m	**£m**	**£m**	**£m**
Cash and cash equivalents (including those held in disposal group)	192.1	(23.1)	32.5	201.5
Other disposal group assets	12.9	(12.9)	–	–
Other assets	145.9	–	–	145.9
Total assets	**350.9**	**(36.0)**	**32.5**	**347.4**
Disposal group liabilities	13.8	(13.8)	–	–
Other liabilities	108.1	–	2.2	110.3
Total liabilities	**121.9**	**(13.8)**	**2.2**	**110.3**
Net assets	**229.0**	**(22.2)**	**30.3**	**237.1**

Share buyback
In the period to 30 June 2024, as part of the Group's share buyback programme of up to £25m, announced in March 2024, the Group has bought back 12,036,655 ordinary shares at a cost of £8.2m.

We intend to do a further share buyback of up to £25m once the existing programme completes which is expected in Q4 2024 and will announce this programme separately before it commences.

9 The net impact of (early vesting)/lapsing US share options of £1.5m credit and reclassification of foreign currency translation reserve of £8.6m related to the sale of the US business are not included in the table above as they are predominantly a reclassification within reserves and therefore not net asset impacting.

Principal risks and uncertainties

The Group's principal risks and uncertainties were disclosed on pages 59 to 69 of the Funding Circle Holdings plc 2023 Annual Report and Accounts after review and approval by the Board. The Group considers that the overall principal risks and uncertainties, risk appetite, key risks and management of risks remain unchanged for the six months ended 30 June 2024.

The principal risks include:

- Strategic risk, including the economic environment and environmental, social and governance risk;
- Funding and balance sheet risk;
- Credit risk, including borrower acquisition and portfolio management risk;
- Regulatory, reputation and conduct risk;
- Operational risk, including process risk, financial crime and client money risk; and
- Technology risk, including information security and data risk.

Statement of Directors' Responsibilities

The Directors confirm that these condensed interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority, give a true and fair view of the assets, liabilities, financial position and profit and loss as required by DTR 4.2.4 and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last Annual Report and Accounts.

The maintenance and integrity of the Funding Circle Holdings plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that might have occurred to the interim financial statements since they were initially presented on the website.

The Directors of Funding Circle Holdings plc are listed in the Funding Circle Holdings plc Annual Report and Accounts for 31 December 2023. A list of current directors is maintained on the Funding Circle Holdings plc website: www.corporate.fundingcircle.com.

By order of the Board

Lisa Jacobs, Chief Executive Officer

5 September 2024

Oliver White, Chief Financial Officer

5 September 2024

Condensed consolidated statement of comprehensive income

For the six months to 30 June 2024 (unaudited)

	Note	Before exceptional items £m	Exceptional items[1] £m	6 months to 30 June 2024 Total £m	6 months to 30 June 2023 (Re-presented)[2] Total £m
Transaction fees		**42.1**	**–**	**42.1**	29.6
Servicing fees		**18.6**	**–**	**18.6**	20.4
Interest income[3]		**14.1**	**–**	**14.1**	5.1
Other fees		**2.5**	**–**	**2.5**	2.9
Operating income	6	**77.3**	**–**	**77.3**	58.0
Investment income		**1.6**	**–**	**1.6**	1.7
Investment expense		**–**	**–**	**–**	–
Total income	6	**78.9**	**–**	**78.9**	59.7
Fair value gains		**2.8**	**–**	**2.8**	0.4
Cost of funds		**(2.6)**	**–**	**(2.6)**	(0.4)
Net income[4]	6	**79.1**	**–**	**79.1**	59.7
People costs		**(36.1)**	**(2.3)**	**(38.4)**	(31.7)
Marketing costs		**(22.3)**	**–**	**(22.3)**	(17.6)
Depreciation, amortisation and impairment		**(6.5)**	**(0.3)**	**(6.8)**	(6.0)
Expected credit loss charge	7, 15, 19	**(3.8)**	**–**	**(3.8)**	(2.0)
Other costs		**(9.9)**	**–**	**(9.9)**	(9.8)
Operating expenses	7	**(78.6)**	**(2.6)**	**(81.2)**	(67.1)
Profit/(loss) before taxation	**6**	**0.5**	**(2.6)**	**(2.1)**	(7.4)
Income tax	8	**(0.2)**	**–**	**(0.2)**	(0.2)
Profit/(loss) for the period from continuing operations		**0.3**	**(2.6)**	**(2.3)**	(7.6)
Loss for the period from discontinued operations	4	(10.2)	**–**	(10.2)	(10.5)
Loss for the period		**(9.9)**	**(2.6)**	**(12.5)**	(18.1)
Other comprehensive income					
Items that may be reclassified subsequently to profit and loss:					
Exchange differences on translation of foreign operations – continuing operations		**(0.1)**	**–**	**(0.1)**	0.3
Exchange differences on translation of foreign operations – discontinued operations	4	**(0.2)**	**–**	**(0.2)**	(2.7)
Total comprehensive loss for the period		**(10.2)**	**(2.6)**	**(12.8)**	(20.5)
Total comprehensive loss attributable to:					
Owners of the parent					
Profit/(loss) from continuing operations		**0.2**	**(2.6)**	**(2.4)**	(7.3)
Loss from discontinued operations	4	**(10.4)**	**–**	**(10.4)**	(13.2)
Total loss attributed to owners of the parent		**(10.2)**	**(2.6)**	**(12.8)**	(20.5)
Earnings per share					
Basic and diluted (loss)/earnings per share from continuing operations	9	**0.1p**		**(0.7)p**	(2.2)p
Basic and diluted (loss)/earnings per share from discontinued operations	9	**(2.9)p**		**(2.9)p**	(3.0)p

[1] Exceptional items are detailed in Note 5.
[2] The comparative consolidated statement of comprehensive income has been re-presented to reflect the results of the US business as a discontinued operation. See note 4
[3] Interest income recognised on assets held at amortised cost under the effective interest rate method and £4.1 million (2023: £2.5 million) on money market funds held at fair value through profit and loss.
[4] Net income is also referred to as "Revenue".

Condensed consolidated balance sheet

As at 30 June 2024 (unaudited)

	Note	30 June 2024 £m	31 December 2023 Re-presented[1] £m
Non-current assets			
Intangible assets	10	**22.9**	23.0
Property, plant and equipment	11	**10.2**	5.0
Investment in associates	12	**1.0**	1.5
Investment in trusts and co-investments	15	**18.0**	25.2
SME loans held at amortised cost[1]	15	**2.8**	6.7
Trade and other receivables		–	1.4
		54.9	62.8
Current assets			
SME loans held at fair value through profit and loss[1]	15	**2.3**	18.6
Lines of credit	15	**71.6**	50.0
Trade and other receivables		**17.1**	20.4
Cash and cash equivalents	17	**169.0**	221.4
Cash and cash equivalents held in disposal group assets	4, 17	**23.1**	–
Other disposal group assets[2]	4	**12.9**	–
		296.0	310.4
Total assets		**350.9**	373.2
Current liabilities			
Trade and other payables		**22.7**	54.3
Bank borrowings	13, 16	**72.4**	54.7
Short-term provisions and other liabilities	14	**4.4**	1.5
Lease liabilities	11	**1.6**	7.2
Disposal group liabilities[2]	4	**13.8**	–
		114.9	117.7
Non-current liabilities			
Long-term provisions and other liabilities	14	**0.6**	1.1
Bank borrowings	13, 16	**–**	2.2
Lease liabilities	11	**6.4**	5.4
		7.0	8.7
Total liabilities		**121.9**	126.4
Equity			
Share capital		**0.4**	0.4
Share premium account		**293.3**	293.1
Foreign exchange reserve		**13.9**	14.2
Share options reserve		**23.7**	24.0
Accumulated losses		**(102.3)**	(84.9)
Total equity		**229.0**	246.8
Total equity and liabilities		**350.9**	373.2

1. SME loans have been presented under aggregated headings and the comparative period re-presented in order to simplify the presentation of these loans as the balances become less material. See note 1 for details.
2. The assets and liabilities of the US business at 30 June 2024 have been presented under "Disposal group assets" and "Disposal group liabilities" respectively. See note 4 for further details.

These condensed interim financial statements were approved by the Board on 05 September 2024. They were signed on behalf of the Board by:

O White
Director

Condensed consolidated statement of changes in equity

For the six months to 30 June 2024 (unaudited)

	Share capital £m	Share premium account £m	Foreign exchange reserve £m	Share options reserve £m	(Accumulated losses)/retained earnings £m	Total equity £m
Balance as at 1 January 2024	0.4	293.1	14.2	24.0	(84.9)	**246.8**
Loss for the period	-	-	-	-	(12.5)	**(12.5)**
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	(0.3)	-	-	**(0.3)**
Transactions with owners						
Issue of share capital	-	0.2	-	-	-	**0.2**
Purchase of own shares held in employee benefit trust	-	-	-	-	-	**-**
Buyback and cancellation of own shares	-	-	-	-	(8.2)	**(8.2)**
Transfer of share option costs	-	-	-	(3.3)	3.3	**-**
Employee share schemes – value of employee services	-	-	-	3.0	-	**3.0**
Unaudited balance at 30 June 2024	**0.4**	**293.3**	**13.9**	**23.7**	**(102.3)**	**229.0**
Balance as at 1 January 2023	0.4	293.1	16.9	22.2	(48.6)	284.0
Loss for the period	-	-	-	-	(18.1)	(18.1)
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	(2.4)	-	-	(2.4)
Transactions with owners						
Issue of share capital	-	-	-	-	-	-
Purchase of own shares held in employee benefit trust	-	-	-	-	(1.8)	(1.8)
Transfer of share option costs	-	-	-	(2.7)	2.7	-
Employee share schemes – value of employee services	-	-	-	2.5	-	2.5
Unaudited balance as at 30 June 2023	0.4	293.1	14.5	22.0	(65.8)	264.2

Condensed consolidated statement of cash flows

For the six months to 30 June 2024 (unaudited)

	Note	**6 months to 30 June 2024**	6 months to 30 June 2023 Re-presented[1]
		£m	£m
Net cash outflow from operating activities	16	**(52.4)**	(11.1)
Investing activities			
Purchase of intangible assets		**(5.3)**	(6.4)
Purchase of property, plant and equipment		**(2.2)**	(0.4)
Originations of SME loans held at amortised cost[1]	15	**(0.2)**	(3.5)
Cash receipts from SME loans held at amortised cost[1]	15	**2.2**	17.5
Originations of SME loans held at fair value through profit and loss[1]	15	**-**	(12.0)
Cash receipts from SME loans held at fair value through profit and loss[1]	15	**12.2**	21.1
Proceeds from sale of SME loans held at fair value through profit and loss[1]	15	**-**	30.6
Investment in trusts and co-investments	15	**(1.5)**	-
Cash receipts from investment in trusts and co-investments	15	**10.6**	3.4
Redemption in associates	12	**0.5**	0.6
Dividends from associates	12	**-**	0.1
Net cash inflow from investing activities		**16.3**	51.0
Financing activities			
Proceeds from bank borrowings	16	**20.0**	30.8
Repayment of bank borrowings	16	**(2.9)**	(15.9)
Payment of bond liabilities	15	**-**	(23.5)
Proceeds from the exercise of share options		**0.2**	-
Purchase of own shares		**-**	(1.8)
Share buyback		**(8.2)**	-
Proceeds from subleases		**0.4**	0.6
Payment of lease liabilities		**(2.8)**	(3.6)
Net cash inflow/(outflow) from financing activities		**6.7**	(13.4)
Net (decrease)/increase in cash and cash equivalents		**(29.4)**	26.5
Cash and cash equivalents at the beginning of the period		**221.4**	177.7
Effect of foreign exchange rate changes		**0.1**	(0.7)
Cash and cash equivalents at the end of the period	17	**192.1**	203.5

1. SME loan related cash flows have been presented under aggregated headings and the comparative period re-presented. See note 1 for details.

Cash flows from discontinued operations are shown in note 4.

Notes to the condensed interim financial statements
For the six months to 30 June 2024 (unaudited)

1. Basis of preparation

General information

Funding Circle Holdings plc ('the Company') is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The Company's registered office is 71 Queen Victoria Street, London, EC4V 4AY.

These condensed interim financial statements have been prepared as at, and for the six months to, 30 June 2024. The comparative financial information presented has been prepared for the six months to 30 June 2023 and as at 31 December 2023.

The interim financial information presented as at, and for the six months to, 30 June 2024 comprise the Company and its subsidiaries (together referred to as the "Group"). The consolidated financial statements of the Group as at, and for the year to, 31 December 2023 are available on request from the Company's registered office and via the Company's website.

Going concern

The Group made a total comprehensive loss of £12.8 million during the six months to 30 June 2024 (30 June 2023: £20.5 million loss). As at 30 June 2024 the Group had net assets of £229.0 million (31 December 2023: £246.8 million). This included cash and cash equivalents of £192.1 million (31 December 2023: £221.4 million) of which £27.7 million (31 December 2023: £51.8 million) is restricted. Additionally within the net assets the Group holds £52.2 million (31 December 2023: £63.5 million) of invested capital, some of which is capable of being monetised if liquidity needs arise.

The condensed interim 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 12 months from the date of approval of the condensed interim financial statements).

The Group has prepared detailed cash flow forecasts for the next 15 months and has updated the going concern assessment.

The base case scenario assumes:

- The economic environment remains uncertain. This is factored into the 2024 credit risk strategies which include stressed assumptions;
- Ongoing investment in FlexiPay along with growth in UK Term Loans following the exit of the US loans business;
- FlexiPay sees significant growth in top line as lines of credit become established and the cash back card becomes a fully functional offering;
- The Group continues to fund the lines of credit through its balance sheet along with the senior banking facility; and
- 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 stress scenario in which:

- Further macroeconomic volatility continues through the period with elevated inflation and interest rates reducing Core 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 its regulatory capital requirements. In the downside scenario the risk of 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 PPP Liquidity Facility ("PPPLF") previously used to fund Payment Protection Programme ("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.

Basis of preparation

These condensed interim financial statements, which have been reviewed and not audited, have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with UK adopted IAS 34, "Interim Financial Reporting". They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year to 31 December 2023 which have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial information included in these condensed interim financial statements does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 (the 'Act'). The statutory accounts for the year ended 31 December 2023 have been reported on by the Company's auditors and were delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditor's report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 of the Act.

Significant changes in the current reporting period

The financial position and performance of the Group was affected by the following events and transactions during the six months to 30 June 2024:

i) Sale of the US business

As was previously announced in the 31 December 2023 financial results, the Group sought to divest of the US business. A competitive bid process was undertaken with interested parties and a sale agreement was signed on 24 June 2024 to sell the business to IBusiness Funding, LLC ("iBF") and completion occurred on 1st July 2024. As a result of the sale of the US business unit, the business and assets related to the US were considered to form a disposal Group under IFRS 5 'Non-current assets held for sale and discontinued operations'. The operations of the US business have been disclosed in the consolidated statement of comprehensive income separately as a discontinued operation, and the comparative period restated on the same basis and the assets and liabilities of the US are presented as disposal group assets and liabilities on the balance sheet as at 30 June 2024. Details related to the discontinued operations can be found in note 4.

The US business was subsequently deconsolidated on 1 July 2024. Details of the events subsequent to the balance sheet date can be found in note 20.

ii) Simplification and streamlining of business

As part of its ongoing commitment to profitability, the Group launched a cost efficiency programme during the period. This process will result in a simpler, leaner and better positioned UK focused operation. Non-recurring costs to achieve these changes have been recorded as exceptional items. See note 5.

iii) Launch of share buyback programme

As was previously announced, the Group commenced a share buyback programme in March 2024 to buy and cancel up to £25 million of shares in order to return value to shareholders. The nominal cost of the shares cancelled reduces the Group's share capital with an equal increase in the capital redemption reserve. The full cost of the buyback inclusive of stamp duty and broker fees is debited to retained earnings. In the period to 30 June 2024, 12,036,655 shares were purchased for consideration of £8.2 million inclusive of fees and expenses under the programme.

iv) Modification to UK office lease

During February 2024, the Group signed an agreement to modify the terms of its lease on the two levels of the UK office previously expiring in March 2025, shortening one to expire in June 2024 and extending the other to March 2035 with termination options in March 2030. Both were accounted for as a lease modification. See note 11 for details.

v) Investment in trust and co-investment transactions

During the period ended 30 June 2024, certain warehouses invested in trusts in which FC is a minority co-investor sold their loan assets to a third party and FC partially re-invested alongside the purchaser. As a result of the transaction, the net cash flows from the investment were realised sooner and a net fair value gain of £2.2m was recognised through fair value gains in the consolidated statement of comprehensive income. The cash flows related to the transaction are presented net within 'Cash receipts from investment in trusts and co-investments' in the statement of cash flows, reflecting the net settlement of the realisation and re-investment.

2. Changes in material accounting policies

With the exception of the below, the accounting policies, methods of computation and presentation adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adoption.

Re-presentation of SME loans:

On the balance sheet "SME loans (securitised)", "SME loans (warehouse)" and "SME loans (other)" held at fair value through profit and loss have been presented under "SME loans held at fair value through profit and loss" and "SME loans (Other)" held at amortised cost have been presented under "SME loans held at amortised cost" in order to simplify the presentation of these loans as the balances become less material with the comparative period re-presented on this basis. This presentation and re-presentation has been applied to the applicable notes and cash flow statement throughout these accounts.

Discontinued operations and deconsolidation

When the Group intends to sell assets or business units, IFRS 5 'Non-current assets held for sale and discontinued operations' is applied. An asset or group of assets is treated as a discontinued operation if:

- it is available for immediate sale in its present condition;

- the sale must be highly probable, with management committed to a plan to sell the asset and an active programme to locate a buyer initiated; and

- the sale should be expected to be completed within 1 year of classification as held for sale.

Where these criteria are met, the assets in the disposal group are measured at the lower of fair value less cost to sell and their carrying value at the point they are considered to meet the criteria. The results from the discontinued operations are presented separately in the consolidated statement of comprehensive income with the comparative period restated on a like for like basis.

Where a business unit of the Group is held as a discontinued operation with the intention of selling it, it will remain consolidated for as long as the criteria for control as defined by IFRS 10 – 'Consolidated Financial Statements' are met. All three of these criteria must be met in order to control an entity:

- power over the investee;

- exposure, or rights, to variable returns from its involvement with the investee; and

- the ability to use its power over the investee to affect the amount of the investor's returns.

While an agreement might be signed to sell the operation, if the Group continues to meet the criteria for control between signing and closing the transaction, deconsolidation will only occur on closing once the criteria are no longer met.

Share buybacks

Shares purchased and cancelled by the Group as part of the share buyback programme reduce the equity of the Group. The nominal cost of the shares purchased and cancelled is treated as a reduction in share capital with an offsetting increase in the capital redemption reserve. The capital redemption reserve is a non-distributable reserve which can be used to pay up new shares allotted as fully paid bonus shares. The cost of the share purchase inclusive of stamp duty and broker fees is debited to retained earnings.

3. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated interim financial statements requires the Group to make estimates and judgements that affect the application of policies and reported amounts. Critical judgements represent key decisions made by management in the application of the Group accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a key source of estimation uncertainty.

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The significant judgements and estimates applied by the Group in the interim financial statements have been applied on a consistent basis with the financial statements for the year to 31 December 2023.

Critical judgements

a) Consolidation and deconsolidation of special purpose vehicles ("SPVs")

As part of its asset-backed securitisation programmes in the past, and more recently in scaling up the FlexiPay product, the Group has established SPVs. Judgement is required in determining who is most exposed to the variability of returns and who has the ability to affect those returns and therefore who should consolidate these vehicles and subsequently deconsolidate them. Where the Group has a significant interest in the junior notes or tranches of the SPVs, the Group is deemed to be exposed to the majority of the variability of the returns of those vehicles and controls them, and therefore consolidates them. Where this proportional interest is reduced, the Group considers whether the vehicles should be deconsolidated.

b) Loans originated through the platform

The Group originates SME loans through its platform which are funded primarily by banks, asset managers and other institutional investors or by usage of its own capital. Judgement is required to determine whether these loans should be recognised on the Group's balance sheet. Where the Group, its subsidiaries or SPVs which it consolidates have legal and beneficial ownership to the title of those SME loans, they are recognised on the Group's balance sheet. Where this is not the case, the loans are not recognised at the point of origination.

c) Recognition of deferred tax

Under IAS 12, a deferred tax asset should be recognised for all deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary difference or tax losses can be utilised.

While the board-approved forecasts project the UK to be in a taxable profit position for the year ended 31 December 2024 and beyond, there are risks to achieving this forecast and as a result it is not considered highly probable. Management have used judgement in determining whether there is sufficient certainty to recognise a deferred tax asset. The "European Securities and Markets Authority ("ESMA") has previously issued guidance relating to the recognition of deferred tax assets in response to companies recognising assets too early only to subsequently write them off. One of the key indicators suggested by ESMA for the recognition of deferred tax is whether taxable profit is being recognised from which an entity has begun to offset losses. This is not yet the case for the UK business and management have determined not to recognise a deferred tax asset as a result. Had management determined a different level of certainty regarding the taxable profits of the UK for the year end and beyond, then a deferred tax asset may have been recognised.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty that the Directors have made in the process of applying the Group's accounting policies and have the most significant effect on the amounts recognised in the interim financial statements.

a) Expected credit loss impairment of FlexiPay lines of credit (notes 14, 15 and 19)

At 30 June 2024 the Group held £80.4 million of drawn FlexiPay lines of credit and £223.1 million of undrawn lines of credit, gross of expected credit loss impairment allowances.

While other financial assets of the Group are held at amortised cost, the FlexiPay lines of credit are the most sensitive to estimation uncertainty due to the higher balance outstanding and more limited historical data.

An expected credit loss impairment allowance is held against the lines of credit of £10.9 million (£8.8 million related to drawn lines of credit and £2.1 million related to undrawn).

The Group estimates the expected credit loss allowance following IFRS 9 through modelling the exposure at default based on observed trends related to the overall line of credit facility and the proportion drawn at the time of default. 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.

The area most sensitive to estimation uncertainty is the probability of default related to stage 1 lines of credit which is based on actual experience and the probability weighting of the forward-looking scenarios utilised. Currently a baseline scenario, upside scenario and downside scenario are utilised which are probability weighted 70% baseline, 10% upside and 20% downside, which provide a blended stage 1 probability of default of 4.7%. If 100% probability weighting was to be applied to the upside scenario the probability of default related to stage 1 lines of credit would decrease by 140 bps to 3.3% and the expected credit loss impairment provision would decrease by £1.3 million (£0.6 million on drawn lines of credit and £0.7 million on undrawn lines of credit). If a 100% probability weighting was to be applied to the downside scenario, the stage 1 probability of default would increase 80 bps to 5.5% and the expected credit loss impairment would increase by £0.7 million (£0.4 million on drawn lines of credit and £0.3 million on undrawn lines of credit). It is considered that the above sensitivities represent the range of reasonably possible outcomes in relation to the probability of default on stage 1 FlexiPay lines of credit.

4. Discontinued operations

The Group announced on 7th March 2024 its intention to divest of the US business. As of this date, the US business was considered to form a disposal group and was reclassified as a discontinued operation. An agreement was signed on 24 June 2024 to sell the business to iBusiness Funding LLC and the transaction completed on 1 July 2024. As a result, Group retained control of the US business until 1st July 2024 at which point it was deconsolidated, after the balance sheet date, with the US business continuing to be classified as a discontinued operation on the balance sheet as at 30 June 2024. More details regarding the subsequent sale can be found in note 20 – subsequent events.

The current period and comparative period loss for the year from discontinued operations, segmental results, cash flows from discontinued operations and component elements of the disposal group assets and liabilities are detailed below.

Discontinued operations	**Note**	**30 June 2024** **£m**	30 June 2023 £m
Transaction fees		**10.3**	12.1
Servicing fees		**2.1**	1.6
Interest income		**0.7**	0.7
Other fees		**0.2**	0.1
Operating income		**13.3**	14.5
Net investment income		**0.7**	2.4
Total income		**14.0**	16.9
Fair value gains		**2.2**	3.0
Net income		**16.2**	19.9
People costs		**(16.0)**	(13.1)
Marketing costs		**(3.7)**	(6.3)
Depreciation, amortisation, impairment and modification gains/(losses)		**(0.3)**	(4.3)
(Charge)/credit for expected credit losses	**15**	**(0.1)**	0.1
Other costs		**(6.2)**	(5.5)
Operating expenses		**(26.3)**	(29.1)
(Loss)/profit before taxation		**(10.1)**	(9.2)
Income tax	**8**	**(0.1)**	(1.3)
(Loss)/profit for the period from discontinued operations		**(10.2)**	(10.5)
Other comprehensive income			
Exchange differences on translation of foreign operations – discontinued operations		**(0.2)**	(2.7)
Total comprehensive loss for the period attributable to owners of the parent		**(10.4)**	(13.2)
Earnings per share			
Basic and diluted (loss)/earnings per share from discontinued operations	**9**	**(2.9p)**	(3.0p)

Segmental AEBITDA from discontinued operations

	30 June 2024	30 June 2023
	£m	£m
Adjusted EBITDA	**(8.7)**	(3.8)
Discount unwind on lease liabilities	**(0.2)**	(0.3)
Depreciation, amortisation, impairment and modification gains/(losses)	**(0.3)**	(4.3)
Share-based payments and social security costs	**(1.0)**	(0.7)
Foreign exchange gains/(losses)	**0.1**	(0.1)
Loss before tax	**(10.1)**	(9.2)

Cash flow	30 June 2024	30 June 2023
	£m	£m
Cash and cash equivalents at the beginning of the period	**22.3**	13.8
Net cash outflow from operating activities	**(8.6)**	(6.6)
Net cash inflow from investing activities	**9.8**	50.4
Net cash outflow from financing activities	**(0.6)**	(39.4)
Net increase in cash generated	**0.6**	4.4
Effect of foreign exchange rate changes	**0.2**	(0.7)
Cash and cash equivalents at the end of the period	**23.1**	17.5

Assets and liabilities held for sale include the following items as at 30 June 2024

The below presents the assets and liabilities of the disposal group as they would appear on the Group's balance sheet were they not held in a disposal Group. All assets are presented as current disposal group assets and all liabilities as current disposal group liabilities on the condensed consolidated balance sheet.

	Note	30 June 2024
		£m
Non-current assets		
Property, plant and equipment	11	0.3
Investment in trusts and co-investments	15	0.7
SME loans held at amortised cost	15	1.9
Trade and other receivables		1.0
		3.9
Current assets		
SME loans held at fair value through profit and loss	15	5.9
Trade and other receivables		3.1
Cash and cash equivalents	17	23.1
		32.1
Total assets		**36.0**
Current liabilities		
Trade and other payables		4.7
Lease liabilities	11	3.6
		8.3
Non-current liabilities		
Bank borrowings	13, 16	1.6
Lease liabilities	11	3.9
		5.5
Total liabilities		**13.8**
Total net assets		**22.2**

5. Exceptional items

The Group reflects its underlying financial results in the 'before exceptional items' column of the condensed consolidated statement of comprehensive income in order to provide a clear and consistent view of trading performance.

As part of its ongoing commitment to profitability, the Group launched a simplification and streamlining programme during the period. This process will result in a simpler, leaner and better positioned UK focused operation. This resulted in redundancy costs of £2.3 million and impairment of capitalised development spend intangible assets of £0.3 million, which were treated as exceptional items.

6. 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 two continuing business and one discontinued US business operating segments. Reporting on this basis is reviewed by the Executive Committee ("ExCo") which is the chief operating decision maker ("CODM"). The ExCo is made up of the Executive Directors and other senior management and is responsible for the strategic decision making of the Group.

The Other segment historically included the Group's term loan businesses in Germany and the Netherlands. The Other segment has been presented within UK Term Loans for the period 30 June 2024 on the basis it is no longer individually material. The comparative period to 30 June 2023 has not been re-presented as it is immaterial.

The ExCo measures the performance of each segment primarily by reference to profit before tax. Additionally, the ExCo utilises a non-GAAP measure, Adjusted EBITDA, which is defined as profit 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. AEBITDA is a measure of Group performance as it allows comparability of the underlying performance of the business. The segment reporting, including AEBITDA, 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.

	30 June 2024[1]			30 June 2023[1]				
	Continuing operations			Continuing operations				
	United Kingdom			United Kingdom			Other	Total
	Term Loans	**FlexiPay**	**Total**	Term Loans	FlexiPay	Total	Term Loans	Total
	£m	**£m**	**£m**	£m	£m	£m	£m	£m
Transaction fees	41.8	0.3	42.1	29.6	-	29.6	-	29.6
Servicing fees	18.6	-	18.6	20.2	-	20.2	0.2	20.4
Interest Income	4.3	9.8	14.1	2.8	2.3	5.1	-	5.1
Other fees	2.5	-	2.5	2.8	-	2.8	0.1	2.9
Operating income	**67.2**	**10.1**	**77.3**	55.4	2.3	57.7	0.3	58.0
Net investment income	**1.6**	-	**1.6**	1.7	-	1.7	-	1.7
Total income	**68.8**	**10.1**	**78.9**	57.1	2.3	59.4	0.3	59.7
Fair value gains/(losses)	2.8	-	2.8	0.4	-	0.4	-	0.4
Cost of funds	-	(2.6)	(2.6)	-	(0.4)	(0.4)	-	(0.4)
Net income	**71.6**	**7.5**	**79.1**	57.5	1.9	59.4	0.3	59.7
Adjusted EBITDA	18.3	(7.3)	11.0	8.8	(7.8)	1.0	(0.2)	0.8
Discount unwind on lease liabilities	(0.3)	-	(0.3)	(0.1)	-	(0.1)	-	(0.1)
Depreciation, amortisation, impairment and modification gains/(losses)	(5.8)	(0.7)	(6.5)	(5.5)	(0.5)	(6.0)	-	(6.0)
Share-based payments and social security costs	(3.5)	(0.7)	(4.2)	(1.8)	(0.3)	(2.1)	-	(2.1)
Exceptional items	(2.3)	(0.3)	(2.6)	-	-	-	-	-
Foreign exchange gains/(losses)	0.5	-	0.5	-	-	-	-	-
Profit/(loss) before tax	**6.9**	**(9.0)**	**(2.1)**	1.4	(8.6)	(7.2)	(0.2)	(7.4)

1.The period to 30 June 2024 has presented 'Other' Term Loans within the UK business segment on the basis that the legacy European operations included within Other are immaterial. The comparative period has not been re-presented. The segmental results of the US business are not presented above and are presented within note 4 – Discontinued Operations.

7. Operating expenses

Continuing operations	Before exceptional items	Exceptional items	30 June 2024 Total	30 June 2023 Total
	£m	£m	£m	£m
Depreciation and amortisation	**6.9**	**-**	**6.9**	6.0
Modification gains/(losses)	**(0.4)**	**-**	**(0.4)**	-
Impairment of intangibles, ROU assets and net investment in subleases[1]	**-**	**0.3**	**0.3**	-
Employment costs (including contractors)	**36.1**	**2.3**	**38.4**	31.7
Marketing costs (excluding employee costs)	**22.3**	**-**	**22.3**	17.6
Data and technology costs	**3.6**	**-**	**3.6**	3.3
(Charge)/credit for expected credit losses	**3.8**	**-**	**3.8**	2.0
Other expenses	**6.3**	**-**	**6.3**	6.5
Total operating expenses related to continuing operations	**78.6**	**2.6**	**81.2**	67.1

8. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The estimated average annual tax rate used for the six months to 30 June 2024 (excluding the tax charge on Research and Development Expenditure Credits (RDEC)) is (2.09%), compared to 8.07% for the six months to 30 June 2023, which was primarily driven by the revaluation of the deferred tax asset related to US losses. The deferred tax asset was derecognised in December 2023.

The major components of income tax expense in the condensed consolidated statement of comprehensive income are:

	30 June 2024	30 June 2023
	£m	£m
Current tax		
Corporation taxation on continuing operations	0.2	0.2
Corporation taxation on discontinued operations	0.1	0.1
Total current tax	0.3	0.3
Deferred tax		
Deferred taxation on continuing operations	-	-
Deferred taxation on discontinued operations	-	1.2
Total deferred tax	-	1.2
Total tax charge/(credit) on continuing operations	0.2	0.2
Total tax charge/(credit) on discontinued operations	0.1	1.3

The above tax charge includes the amount of tax deducted from the gross RDEC credit receivable for 2024 of £0.2 million (2023: £0.2 million) and the state taxes of £0.1 million (2023: £0.1 million) expected to be paid in the US on taxable profits for the six months to 30 June 2024.

The Group has unrelieved tax losses of £182.8m (31 December 2023: £183.4m) of which £114.5m relates to continuing operations and are available for offset against future taxable profits and £68.3m relates to discontinued operations.

Based on the Group's current financial projections and current transfer pricing arrangements, the estimate of the deferred tax asset in respect of a portion of these losses arising in the US was £nil at 30 June 2024 (June 2023: £5.4 million, December 2023: £nil). The US business at 30 June 2024 is represented as discontinued operations.

9. (Loss) / Earnings per share

	30 June 2024 Total £m	30 June 2024 Before exceptional items £m	30 June 2023 £m
(Loss)/profit for the period from continuing operations	(2.3)	0.3	(7.6)
Basic weighted average number of ordinary shares in issue (million)	346.3	346.3	344.8
Basic (Loss)/profit per share from continuing operations	(0.7)p	0.1p	(2.2)p

(Loss)/profit for the period from continuing operations	(2.3)	0.3	(7.6)
Diluted weighted average number of ordinary shares in issue (million)	346.3	389.9	344.8
Diluted (loss)/profit per share from continuing operations	(0.7)p	0.1p	(2.2)p

	30 June 2024 Total £m	30 June 2023 Total £m
(Loss)/profit for the period from discontinued operations	(10.2)	(10.5)
Basic weighted average number of ordinary shares in issue (million)	346.3	344.8
Basic (Loss)/profit per share from discontinued operations	(2.9)p	(3.0)p

(Loss)/profit for the period from discontinued operations	(10.2)	(10.5)
Diluted weighted average number of ordinary shares in issue (million)	346.3	344.8
Diluted (loss)/profit per share from discontinued operations	(2.9)p	(3.0)p

10. Intangible assets

	Capitalised development costs £m	Computer software £m	Total £m
Net book value			
At 31 December 2023	22.8	0.2	23.0
At 30 June 2024	**22.7**	**0.2**	**22.9**

The amount of intangible assets held in disposal groups at 30 June 2024 was £nil.

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

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

	30 June 2024 Total	**30 June 2024 Of which is presented within disposal group**	31 December 2023 Total
	£m	**£m**	£m
Property, plant and equipment (owned)	2.7	-	1.7
Right-of-use assets	7.8	0.3	3.3
	10.5	0.3	5.0

In February 2024, the Group signed an amendment to shorten the lease term on one of the UK office floors to 30 June 2024 and extend the term on the other floor. The modification of the lease which was shortened resulted in a net modification gain of £0.4m, and the lease liability and right of use asset net of accumulated depreciation were de-recognised at 30 June 2024. The extension of the term on the other floor resulted in an increase to the lease liability of £6.3 million and right of use asset of £6.4 million before depreciation. Leasehold improvement additions associated with re-fitting the retained floor totalled £1.5m.

At the balance sheet date, £0.3 million of right of use assets and £7.5 million of lease liabilities had been reclassified to disposal groups.

Lease liabilities

	30 June 2024 Total	**30 June 2024 Of which is presented within disposal group**	31 December 2023 Total
	£m	**£m**	£m
Current	**5.2**	**3.6**	7.2
Non-current	**10.3**	**3.9**	5.4
Total	**15.5**	**7.5**	12.6

12. Investment in associates

The Group holds 8.3% of Funding Circle UK SME Direct Lending Fund I at 30 June 2024 (31 December 2023 and 30 June 2023: 8.3%) which is accounted for as investment in associates.

The Group's share of profit from associates in the period was £nil (30 June 2023: share of profit of £0.1 million), the Group received capital distributions of £0.5 million (30 June 2023: £0.6 million) and dividends of £nil (30 June 2023: £0.1 million).

13. Borrowings

During 2024 the Group continued to operate a leveraged warehouse for the purposes of scaling up the FlexiPay product with a total committed facility of up to £150m which can be upsized to £325m. The drawn balance on the facility at 30 June 2024 was £72.4 million (31 December 2023: £54.7 million). Interest is charged on the drawn balance at SONIA plus a margin, together with a commitment fee. The forward flow period of the facility was extended to mature in August 2025 effective June 2024.

During 2024, in the US, the Group has a drawn balance of £1.6 million (31 December 2023: £2.2 million) on the PPP Liquidity Facility available from the Federal Reserve Bank at a fixed interest rate of 0.35% to fund PPP loans held on the Group's balance sheet. The balance of both loans and borrowings reduces as the loans are forgiven by the Small Business Administration ("SBA"). The loans and borrowings are presented in disposal groups at 30 June 2024.

14. Provisions and other liabilities

	Dilapidation	Loan repurchase	Restructuring (Exceptional)[1]	Other liabilities[2]	Total
	£m	£m	£m	£m	£m
At 1 January 2023	1.1	0.5	—	0.5	2.1
Exchange differences	—	—	—	—	—
Additional provision/liability	—	0.3	—	0.8	1.1
Amount utilised	—	(0.3)	—	(0.2)	(0.5)
Amount reversed	—	(0.2)	—	-	(0.2)
At 30 June 2023	1.1	0.3	-	1.1	2.5
Exchange differences	—	—	—	—	—
Additional provision/liability	—	—	—	0.4	0.4
Amount utilised	—	(0.2)	—	(0.1)	(0.3)
Amount reversed	—	—	—	—	—
At 31 December 2023	1.1	0.1	—	1.4	2.6
Exchange differences	—	—	—	—	—
Additional provision/liability	—	—	2.3	0.7	3.0
Amount utilised	(0.3)	(0.1)	—	—	(0.4)
Amount reversed	(0.2)	—	—	—	(0.2)
At 30 June 2024	**0.6**	**—**	**2.3**	**2.1**	**5.0**

1 See note 5 for details.

2 Other liabilities includes £2.1 million (31 December 2023: £1.4 million) of expected credit loss impairment allowance related to undrawn FlexiPay lines of credit.

Current and non-current

	30 June 2024	31 December 2023
	£m	£m
Current	**4.4**	1.5
Non-current	**0.6**	1.1
Total	**5.0**	2.6

15. Financial risk management

The Group's financial risks and risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year to 31 December 2023.

Financial risks arising from financial instruments are analysed into credit risk, liquidity risk, market risk (including currency risk, interest rate risk and other price risk) and foreign exchange risk. These condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements. Details of how these risks are managed are discussed in the Funding Circle Holdings plc's financial statements for the year ended 31 December 2023.

There has not been a significant change in the Group's financial risk management processes or policies since the year end. The assumptions used in determining the level of defaults and recoveries which determine the fair value of loans remain consistent with those used at 31 December 2023.

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

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

Categorisation of financial assets and financial liabilities

The table shows the carrying amounts of financial assets and financial liabilities by category of financial instrument:

	30 June 2024					**31 December 2023[1]**			
	Fair value through profit and loss	**Amortised cost**	**Other**	**Total**	**Of which is presented within disposal group**	Fair value through profit and loss	Amortised cost	Other	Total
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m
Assets									
SME loans held at amortised cost[1]	-	4.7	-	4.7	1.9	-	6.7	-	6.7
SME loans held at fair value through profit and loss[1]	8.2	-	-	8.2	5.9	18.6	-	-	18.6
Lines of credit	-	71.6	-	71.6	-	-	50.0	-	50.0
Investment in trusts and co-investments	18.7	-	-	18.7	0.7	25.2	-	-	25.2
Trade and other receivables	0.7	16.9	-	17.6	4.1	0.8	15.8	-	16.6
Cash and cash equivalents	147.9	44.2	-	192.1	23.1	150.1	71.3	-	221.4
	175.5	**137.4**	**-**	**312.9**	**35.7**	194.7	143.8	-	338.5
Liabilities									
Trade and other payables	-	(9.8)	-	(9.8)	(2.3)	-	(35.0)	-	(35.0)
Loan repurchase liability	-	-	-	-	-	-	-	(0.1)	(0.1)
Bank borrowings	-	(74.0)	-	(74.0)	(1.6)	-	(56.9)	-	(56.9)
Lease liabilities	-	(15.5)	-	(15.5)	(7.5)	-	(12.6)	-	(12.6)
	-	**(99.3)**	**-**	**(99.3)**	**(11.4)**	-	(104.5)	(0.1)	(104.6)

1. SME loans have been presented under aggregated headings and the comparative period re-presented. This presentation follows on all tables and references within this note. See note 1 for details.

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, lines of credit, bank borrowings, lease liabilities, 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.

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:

The fair value hierarchy has the following levels:

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

The definitions, details of the inputs and the valuation techniques in determining the fair values of the Group's financial instruments are shown in the Funding Circle Holdings plc financial statements for the year to 31 December 2023.

The Group's finance department performs the valuations of financial assets and liabilities required for financial reporting purposes, including Level 3 fair values.

There have been no changes in the valuation techniques for any of the Group's financial instruments held at fair value in each of the periods presented. Details regarding the assumptions used within such valuations are detailed in note 3.

The fair value of financial instruments that are not traded in an active market (for example, 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. The investments categorised as level 2 relate to derivative financial instruments. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements (year ended 31 December 2023: none).

	Fair value measurement using					
	30 June 2024			31 December 2023		
	Quoted prices in active markets (level 1)	**Significant observable inputs (level 2)**	**Significant unobservable inputs (level 3)**	Quoted prices in active markets (level 1)	Significant observable Inputs (level 2)	Significant unobservable inputs (level 3)
	£m	**£m**	**£m**	£m	£m	£m
Financial assets						
SME loans held at fair value through profit and loss	**-**	**-**	**8.2**	-	-	18.6
Trade and other receivables	**0.7**	**-**	**-**	0.8	-	-
Investment in trusts and co-investments	**-**	**-**	**18.7**	-	-	25.2
Cash and cash equivalents	**147.9**	**-**	**-**	150.1	-	-
	148.6	**-**	**26.9**	150.9	-	43.8

The fair value of all SME loans held at fair value have 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. SME loans held at fair value through profit and loss includes legacy loans previously held in warehouse and securitisation vehicles and loans temporarily funded by the Group. The estimated fair value and carrying amount of the SME loans held at fair value through profit and loss was £8.2 million at 30 June 2024 (31 December 2023: £18.6 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 £18.7 million at 30 June 2024 (31 December 2023: £25.2 million).

Fair value movements on SME loans held at fair value through profit and loss and investments in trusts and co-investments are recognised through the profit and loss as part of net income.

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

	SME loans held at fair value through profit and loss £m	**Investment in trusts and co-investments £m**
Balance as at 1 January 2023	69.1	28.7
Additions	12.0	-
Repayments	(21.1)	(3.4)
Disposal	(30.6)	-
Net gain/(loss) on the change in fair value of financial instruments at fair value through profit or loss	3.6	(0.2)
Foreign exchange (loss)/gain	(1.7)	(0.1)
Balance as at 30 June 2023	**31.3**	**25.0**
Additions	0.1	1.8
Repayments	(16.5)	(3.2)
Net gain/(loss) on the change in fair value of financial instruments at fair value through profit or loss	3.8	1.5
Foreign exchange loss	(0.1)	0.1
Balance as at 31 December 2023	**18.6**	**25.2**
Additions	-	**1.5**
Repayments	**(12.2)**	**(10.6)**
Net gain/(loss) on the change in fair value of financial instruments at fair value through profit or loss	**2.4**	**2.6**
Other non-cash movements	**(0.7)**	-
Foreign exchange loss	**0.1**	-
Balance as at 30 June 2024	**8.2**	**18.7**

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:

	30 June 2024 £m	31 December 2023 £m
Non-current		
SME loans held at amortised cost	**4.7**	6.7
Investment in trusts and co-investments	**18.7**	25.2
Trade and other receivables:		
- Other receivables	**1.0**	1.4
Current		
SME loans held at fair value through profit and loss	**8.2**	18.6
Lines of credit	**71.6**	50.0
Trade and other receivables		
- Trade receivables	**1.2**	0.4
- Other receivables	**8.9**	7.3
- Accrued income	**5.2**	5.3
- Rent and other deposits	**1.3**	2.2
Cash and cash equivalents	**192.1**	221.4
Total gross credit risk exposure	**312.9**	338.5
Less bank borrowings and bond liabilities[1]	**(74.0)**	(56.9)
Total net credit risk exposure	**238.9**	281.6

1. Included within bank borrowings are £1.6 m (31 December 2023: £2.2 million) in relation to draw downs on the PPPLF and £72.4 million (31 December 2023: £54.7 million) related to the FlexiPay warehouse.

In addition, the Group is subject to financial guarantees it has issued to buyback loans detailed in the loan repurchase liability in note 14. The Group's maximum exposure to credit risk on this financial guarantee were every eligible loan required to be bought back would be £0.1 million (31 December 2023: £0.4 million).

Additionally, an expected credit loss allowance related to undrawn lines of credit on the FlexiPay product of £2.1 million (31 December 2023: £1.4 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 £223.1 million (31 December 2023: £157.3 million).

Trade receivables represent 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 impairment is recorded in the interim 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. The credit risk on cash and cash equivalents is limited because the counterparties are banks with the majority holding credit ratings assigned by international credit rating agencies of A- or higher.

SME loans held at fair value through profit and loss relate to the underlying pool of SME loans which were in securitisation vehicles or which are loans which are from the legacy warehouses and SPVs but 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. This category also includes loans originated by the Group with the intention of selling onwards, which are held at FVTPL and are therefore disclosed as current.

The majority of lines of credit are held within a bankruptcy remote vehicle including bank borrowings. If the lines of credit were to all default, the senior lender would not receive all their money back. Therefore, the overall exposure of the Group for this investment is the Group's net investment in the lines of credit which is after taking account of third party borrowings.

SME loans held at amortised cost 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. This category also includes loans which have been brought back from investors and are held at amortised cost.

Lines of credit includes £71.6 million (2023: £50.0 million) of drawn amounts through the FlexiPay product, enabling businesses to spread UK invoices or payments over three months with the initial payment made on a borrowers behalf.

The gross principal value of SME loans held at amortised cost is £18.8 million (2023: £21.4 million) and drawn lines of credit held at amortised cost is £80.4 million (2023: £55.4 million), totalling £99.2 million (2023: £76.8 million).

An allowance for expected credit losses of £14.1 million (2023: £14.7 million) related to SME loans held at amortised cost and £8.8 million (2023: £5.4 million) related to drawn lines of credit, totalling £22.9 million (2023: £20.1 million), is held against these loans and drawn lines of credit as detailed below.

Of the above, £6.7 million (2023: £nil) of the gross principal value of SME loans held at amortised cost and £4.8 million (2023: £nil) of the expected credit loss allowance are held within a disposal group.

An expected credit loss impairment charge of £3.2 million (30 June 2023: £1.2 million charge) was recognised through the statement of comprehensive income in the period to 30 June 2024 within (charge)/credit for expected credit losses.

Additionally, an expected credit loss impairment charge was recognised relating to undrawn FlexiPay lines of credit of £0.7 million (30 June 2023: £0.8 million) and an expected credit loss impairment credit of £nil (30 June 2023: credit of £0.1 million) related to the loan repurchase liability were recognised as detailed in notes 14 and 19.

	Performing: 12-month ECL £m	**Underperforming: Lifetime ECL £m**	**Non-performing: Lifetime ECL £m**	**POCI Lifetime ECL £m**	**Total £m**
At 1 January 2023	1.1	0.3	0.9	14.1	16.4
Impairment against new lending and purchased assets	4.8	0.1	–	0.3	5.2
Exchange differences	–	–	–	(0.4)	(0.4)
Impairment against loans transferred from/(to) performing	(0.1)	0.2	1.0	–	1.1
Loans repaid	(4.0)	–	(0.1)	(0.6)	(4.7)
Change in probability of default or loss given default assumptions	(0.5)	–	–	0.3	(0.2)
At 30 June 2023	1.3	0.6	1.8	13.7	17.4
Impairment against new lending and purchased assets	7.8	–	0.1	0.3	8.2
Exchange differences	–	–	–	(0.1)	(0.1)
Impairment against loans transferred from/(to) performing	(0.2)	0.3	1.5	–	1.6
Loans repaid	(6.5)	–	(0.1)	(0.3)	(6.9)
Change in probability of default or loss given default assumptions	(0.8)	0.1	0.4	0.2	(0.1)
At 31 December 2023	1.6	1.0	3.7	13.8	20.1
Impairment against new lending and purchased assets	5.9	–	–	–	**5.9**
Exchange differences	–	–	(0.1)	(0.1)	**(0.2)**
Impairment against loans transferred from /(to) performing	(0.2)	2.3	3.1	–	**5.2**
Loans repaid	(5.2)	(1.7)	(0.2)	(0.7)	**(7.8)**
Impairment provision derecognised related to written off loans	–	–	–	(0.3)	**(0.3)**
Change in probability of default or loss given default assumptions	0.1	(0.1)	(0.5)	0.5	–
At 30 June 2024	**2.2**	**1.5**	**6.0**	**13.2**	**22.9**

	Expected credit loss coverage (%)	Basis for recognition of expected credit loss impairment	Gross lines of credit and SME loans held at amortised cost (£m)	Expected credit loss impairment (£m)	Net carrying amount (£m)
As at 31 December 2023					
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 –Purchased or originated as credit impaired (90+ days overdue)	93.9	Lifetime ECL	14.7	(13.8)	0.9
		Total	76.8	(20.1)	56.7
As at 30 June 2024					
Performing (due in 30 days or less)	**3.0**	12 month ECL	**75.5**	**(2.2)**	**73.3**
Underperforming (31–90 days overdue)	**48.7**	Lifetime ECL	**3.1**	**(1.5)**	**1.6**
Non-performing (90+ days overdue)	**83.9**	Lifetime ECL	**7.1**	**(6.0)**	**1.1**
POCI –Purchased or originated as credit impaired (90+ days overdue)	**97.9**	Lifetime ECL	**13.5**	**(13.2)**	**0.3**
		Total	**99.2**	**(22.9)**	**76.3**
Of which relates to disposal groups		Total	6.7	(4.8)	1.9

Of which is drawn FlexiPay lines of credit	Expected credit loss coverage (%)	Basis for recognition of expected credit loss impairment	Gross lines of credit (£m)	Expected credit loss impairment (£m)	Net carrying amount (£m)
As at 31 December 2023					
Performing (due in 30 days or less)	2.7	12-month ECL	50.3	(1.4)	48.9
Underperforming (31–90 days overdue)	54.5	Lifetime ECL	1.9	(1.0)	0.9
Non-performing (90+ days overdue)	93.6	Lifetime ECL	3.2	(3.0)	0.2
POCI –Purchased or originated as credit impaired (90+ days overdue)	—	Lifetime ECL	—	—	—
		Total	55.4	(5.4)	50.0
As at 30 June 2024					
Performing (due in 30 days or less)	**3.0**	12 month ECL	**71.1**	**(2.1)**	**69.0**
Underperforming (31–90 days overdue)	**48.9**	Lifetime ECL	**3.0**	**(1.5)**	**1.5**
Non-performing (90+ days overdue)	**83.3**	Lifetime ECL	**6.3**	**(5.2)**	**1.1**
POCI –Purchased or originated as credit impaired (90+ days overdue)	**-**	Lifetime ECL	**-**	**-**	**-**
		Total	**80.4**	**(8.8)**	**71.6**

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

The Group's liquidity position is monitored and reviewed on an ongoing basis by the Directors. As the business model is to sell investments in loans held at fair value through profit and loss where an attractive price can be found, these are classified as current assets.

Interest rate risk

a) Interest rate risk sensitivity analysis – fixed rate

Interest on SME loans and on the PPPLF borrowings is fixed until the maturity of the investment and is not impacted by market rate changes.

b) Interest rate risk sensitivity analysis – floating rate

Interest on cash and cash equivalent balances is subject to movements in base rates. The Directors monitor interest rate risk and note that rates have recently plateaued after a period of sustained rate rises with an expectation of base rate decreases going forward. The Directors believe that a reasonable decrease in the base rate of 100bps could reduce interest income recognised in the statement of comprehensive income. A 100bps reduction in interest rates applied to the Group's cash position is estimated to reduce annual interest income by £1.9 million based on the 30 June 2024 cash and cash equivalent balances.

Interest on bank borrowings related to the FlexiPay lines of credit are subject to movements in SONIA. The Group has partially protected itself through the use of an interest rate Cap with a strike price of 6.5% and a notional amount that increases in line with the projected draw downs on the senior borrowing facility.

If SONIA were to increase by 100bps, based on the drawn balance at 30 June 2024, the annualised interest expense recognised in cost of funds would increase by £0.7m.

Some of the Group's investment in trusts are through warehouse vehicles where the Group is a minority equity investor. The senior borrowing facilities utilised in these vehicles receive interest on borrowings in priority to payments to the equity investors at SONIA plus a margin. Increases in SONIA or anticipated future increases, could result in increased borrowing costs, reducing the expected cash returns to the equity investors of the investment held at fair value through profit and loss. The impact would be recognised in fair value gains and losses in the statement of comprehensive income. The vehicles had interest rate caps or interest rate swaps within their structures which can mitigate the impact of future rate rises during the period to 30 June 2024. Equally, decreases in SONIA may increase the fair value, however where swap arrangements are in place or where SONIA remains above the strike price of the interest rate caps after any such decrease, this would limit any expected increase in the fair value.

16. Cash (outflow)/inflow from operations

	30 June 2024 £m	30 June 2023 £m
(Loss)/profit before taxation from:		
Continuing operations	**(2.1)**	(7.4)
Discontinued operations	**(10.1)**	(9.2)
Total operations	**(12.2)**	(16.6)
Adjustments for:		
Depreciation of property, plant and equipment	**1.6**	2.3
Amortisation of intangible assets	**5.2**	6.0
Impairment of ROU assets and investment in sublease	**-**	2.0
Impairment of intangibles (exceptional item)	**0.3**	-
Interest payable	**0.5**	0.4
Non-cash employee benefits expense – share based payments and associated social security costs	**5.0**	2.8
Fair value adjustments	**(5.0)**	(3.4)
Movement in restructuring provision (exceptional item)	**2.3**	-
Movement in loan repurchase liability	**(0.1)**	(0.2)
Movement in other provisions	**0.2**	0.6
Share of gains of associates	**-**	(0.1)
ECL impairment	**3.9**	1.9
Other non-cash movements	**0.5**	(0.8)
Changes in working capital:		
Movement in trade and other receivables	**0.9**	(4.7)
Movement in trade and other payables	**(30.4)**	14.8
Tax paid	**(0.1)**	(0.3)
Originations of lines of credit	**(216.6)**	(90.2)
Cash receipts from lines of credit	**191.6**	74.4
Net cash (outflow)/inflow from operating activities	**(52.4)**	**(11.1)**

Analysis of changes in liabilities from financing activities

	1 January 2023 £m	Cash flows £m	Exchange movements £m	Other non-cash movements £m	30 June 2023 £m
Bank borrowings	(22.6)	(14.9)	0.6	-	(36.9)
Bonds	(23.7)	23.5	0.5	(0.3)	-
Lease liabilities	(19.8)	3.6	0.4	(0.4)	(16.2)
Liabilities from financing activities	(66.1)	12.2	1.5	(0.7)	(53.1)

	1 January 2024 £m	**Cash flows £m**	**Exchange movements £m**	**Other non-cash movements £m**	**30 June 2024 £m**
Bank borrowings	(56.9)	(17.1)	-	-	**(74.0)**
Lease liabilities	(12.6)	2.8	(0.1)	(5.6)	**(15.5)**
Liabilities from financing activities	**(69.5)**	**(14.3)**	**(0.1)**	**(5.6)**	**(89.5)**

17. Cash and cash equivalents

	30 June 2024	31 December 2023
	£m	£m
Cash and cash equivalents	**192.1**	221.4

At 30 June 2024, cash and cash equivalents of £23.1 million was presented within disposal groups.

The cash and cash equivalents balance is made up of cash, money market funds and bank deposits. The carrying amount of these assets is approximately equal to the fair value.

Included within cash and cash equivalents above is a total of £27.7 million (31 December 2023: £51.8 million) in cash which is restricted in use. Of this: i) £1.1 million (31 December 2023: £1.1 million) is held in the event of rental payment defaults; ii) a further £5.9 million (31 December 2023: £31.1 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 and iii) a further £20.7 million (31 December 2023: £19.6) of cash is held which is restricted for use in the FlexiPay warehouse.

At 30 June 2024, cash equivalents relating to money market funds totalled £147.9 million (31 December 2023: £150.1 million).

18. Related party transactions

The basis of remuneration of key management personnel remains consistent with that disclosed in the 2023 Annual Report and Accounts.

19. Contingent liabilities and commitments

As part of the ongoing business, the Group has operational requirements with its investors. At any point in time, it is possible that a particular investor may expect the Group to buyback their loan if the terms of business had not been fully complied with. Where a loan is bought back it is presented within SME loans held at amortised cost on the face of the consolidated balance sheet and held at amortised cost under IFRS 9.

In common with other businesses, the Group is involved from time to time in disputes in the ordinary course of business. There are no active cases expected to have a material adverse financial impact on the Group.

The Group has commitments related to undrawn amounts on issued FlexiPay lines of credit. At 30 June 2024, there were undrawn commitments of £223.1 million (31 December 2023: £157.3 million). An expected credit loss impairment allowance is held within other provisions by the Group of £2.1 million (2023: £1.4 million) in relation to the estimated credit losses the Group may be exposed to on these undrawn lines of credit.

20. Subsequent events

As described in note 4, the sale of the US business to iBF was completed after the balance sheet date on 1 July 2024.

The Group received cash consideration of £32.5m and incurred estimated direct transaction costs for legal, advisory and other costs of £2.2m. Additionally share options that had been granted to US employees who transferred with the sold business lapsed resulting in a credit of £1.5m. £23.1m of cash and cash equivalents transferred with the sold assets. The net assets of the US business were £22.2m (£0.9m net liability after excluding cash mentioned above), resulting in an estimated gain on sale for the Group of £9.6m.

The assets and liabilities of the US business were deconsolidated on 1 July. As a result, the cumulative retranslation of the net assets of the Group's net investment in the US business were recycled from the foreign currency translation reserve into realised foreign exchange gains in the statement of comprehensive income totalling £8.6m (non-cash). This resulted in a total estimated gain as a result of the disposal of £18.2m. There was no tax on the gain.

Details of the sale of the US business:	**£m**
Consideration received:	
Cash consideration at prevailing exchange rate	32.5
Net assets disposed on (including cash and cash equivalents of £23.1m)	(22.2)
Gross gain on sale	**10.3**
Direct transaction costs for legal, advisory and other costs	(2.2)
Net impact of (early vesting)/lapsing US share options[10]	1.5
Other disposal related costs	**(0.7)**
Gain on sale	**9.6**
Reclassification of foreign currency translation reserve[9]	8.6
Total gain as a result of disposal after reclassification of foreign currency translation reserve	**18.2**

[10] The net impact of (early vesting)/lapsing US share options of £1.5m credit and reclassification of foreign currency translation reserve of £8.6m related to the sale of the US business are not included in the table above as they are predominantly a reclassification within reserves and therefore not net asset impacting.

Glossary

Alternative performance measures

The Group uses a number of alternative performance measures ("APMs") within its financial reporting. These measures are not defined under the requirements of IFRS and may not be comparable with the APMs of other companies. The Group believes these APMs provide stakeholders with additional useful information in providing alternative interpretations of the underlying performance of the business and how it is managed and are used by the Directors and management for performance analysis and reporting. These APMs should be viewed as supplemental to, but not as a substitute for, measures presented in the financial statements which are prepared in accordance with IFRS.

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition
Income statement			
Adjusted EBITDA	EBITDA, while not defined under IFRS, is a widely accepted profit measure	Refer to Finance Review.	Profit for the year before finance costs (being the discount unwind on lease liabilities), taxation, depreciation and amortisation and impairment ("AEBITDA") and additionally excludes share-based payment charges and associated social security costs, foreign exchange and exceptional items.
Net investment income	Net income	Refer to performance highlights	Net investment income, represents investment income less investment expense.
Exceptional items	None	n/a	Items which the Group excludes from Adjusted EBITDA in order to present a measure of the Group's performance. Each item is considered to be significant in nature or size and is treated consistently between periods. Excluding these items from profit metrics provides the reader with additional performance information on the business across the business as it is consistent with how information is reported to the Board and ExCo. Refer to note 5
Cash flow			
Free cash flow	Cash generated from operating activities	Refer to Finance Review.	Net cash flows from operating activities less the cost of purchasing intangible assets, property, plant and equipment, lease payments and interest received. It excludes the warehouse and securitisation financing and funding cash flows and excludes cash flows on draw downs and repayment of FlexiPay lines of credit.

Independent review report to Funding Circle Holdings plc
Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Funding Circle Holdings plc's condensed consolidated interim financial statements (the "interim financial statements") in the Half Year 2024 Results of Funding Circle Holdings plc for the 6 month period ended 30 June 2024 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed consolidated balance sheet as at 30 June 2024;
- the Condensed consolidated statement of comprehensive income for the period then ended;
- the Condensed consolidated statement of cash flows for the period then ended;
- the Condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half Year 2024 Results of Funding Circle Holdings plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half Year 2024 Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half Year 2024 Results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Half Year 2024 Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Half Year 2024 Results, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Half Year 2024 Results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
5 September 2024