

**Funding Circle Holdings plc**  
**Half Year 2021 Results**

Embargoed until 7.00am, 9 September 2021

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

Funding Circle Holdings plc ("Funding Circle"), today announces results for the six months ended 30 June 2021.

**Samir Desai CBE, CEO and Founder, said:**

*"This has been another strong period of progress and growth within the business. I am pleased we have exceeded our previous guidance and delivered £53.3 million of AEBITDA and £35.5 million of operating profit in the first half of 2021.*

*We continue to make strong progress with scaling our Instant Decision Lending technology in the UK with now more than 60% of loan decisions automated. Average loan applications are completed in 6 minutes and decisions follow in just 9 seconds, providing borrowers with an unmatched experience.*

*I am particularly pleased that we are using this technology to launch new products to help solve more small business problems. Our API and FlexiPay products are now in beta testing with existing customers and the wait list is now open for our Card product.*

*We are seeing an acceleration in the shift towards online in small business lending as a result of Covid and this has opened up an enlarged opportunity for Funding Circle and we are well placed to capture this going forward."*

**Performance Highlights**

	H1 2021 £m	H1 2020 £m	H2 2020 £m
<b>Loans under Management (LuM)</b>	<b>4,933</b>	<b>3,722</b>	<b>4,214</b>
<b>Originations</b>	<b>1,635</b>	<b>1,112</b>	<b>1,630</b>
Fee income ("Operating income")	94.5	64.8	90.9
Net investment income <sup>1</sup>	26.1	36.4	29.9
<b>Total income</b>	<b>120.6</b>	<b>101.2</b>	<b>120.8</b>
Fair value gains / (losses)	8.1	(96.1)	(22.2)
<b>Net income</b>	<b>128.7</b>	<b>5.1</b>	<b>98.6</b>
<b>AEBITDA<sup>2</sup></b>	<b>53.3</b>	<b>(84.1)</b>	<b>20.3</b>
<b>Operating profit / (loss)</b>	<b>35.5</b>	<b>(113.5)</b>	<b>7.2</b>
<b>Profit / (loss) before taxation</b>	<b>35.4</b>	<b>(115.1)</b>	<b>7.0</b>
<b>Cash</b>	<b>168.1</b>	<b>131.2</b>	<b>103.3</b>
<b>Net Assets</b>	<b>254.1</b>	<b>216.9</b>	<b>217.6</b>

**Financial Summary:**

- Total Income of £120.6m (H1 2020: £101.2m) up 19% year-on-year.
- Record loans under management of £4.93 billion (H1 2020: £3.72 billion) up 33% and originations of £1.64 billion (2020: £1.11 billion) up 47% year-on-year.
- Adjusted EBITDA of £53.3m (H1 2020: negative £84.1m) with AEBITDA margin<sup>3</sup> of 44%.
- Operating profit of £35.5m (H1 2020: £113.5m loss) with operating profit margin<sup>3</sup> of 29%.

<sup>1</sup> Net investment income, represents investment income less investment expense.

<sup>2</sup> Adjusted EBITDA ("AEBITDA") represents operating profit/(loss) before depreciation and amortisation, share based payment charges, associated social security costs, foreign exchange gains / (losses), and exceptional items. A reconciliation between AEBITDA and operating profit/(loss) is shown in the Business Review.

<sup>3</sup>Adjusted EBITDA margin represents AEBITDA divided by total income. Operating profit margin represents operating profit divided by total income.

- Net assets of £254.1m, (31 December 2020: £217.6m), including cash of £168.1m (31 December 2020: £103.3m).

#### **Operating and Strategic Summary:**

- **Our machine learning and technology platform continues to revolutionise the small business borrowing experience:**
  - Funding Circle leverages machine learning risk models, built over the last 10 years, to provide instant decisions for small businesses.
  - This year we have continued to scale our Instant Decision Lending technology and now c.60% of loan decisions are fully automated. This figure is up from c.50% at our Full Year results in March, and we are well on our way to our long-term target of c.80%.
  - Instant Decision Lending delivers significant benefits for Funding Circle, including lowering processing costs as well as significantly improving the borrower experience.
- **Instant Decision Lending technology is already providing us with opportunities to launch new solutions to help SMEs:**
  - Over the next 12 months we are leveraging this technology to launch new funding solutions in the UK to help small business owners solve more problems.
    - **API:** a new Application Programming Interface (API) to help embed Funding Circle into partners' websites and platforms. Sandbox testing environment launched in Q3 2021 with 5 initial partners in the finance broking sector. We anticipate on-boarding new partners and optimising the API during H2 2021 and throughout 2022.
    - **FlexiPay:** payment finance product for SMEs. FlexiPay helps businesses spread the cost of paying invoices offering borrowers the ability to settle invoices for a one-off 3% fee and then spread the repayment over 3 months, interest free. Beta launched in Q3 2021 for existing borrowers
    - **Card:** SME card providing 1% cashback and nothing to pay for one month. Opportunity to settle the balance in full at the end of the month or spread the repayment with FlexiPay. Wait list now open for existing borrowers.
- **SMEs have remained resilient during Covid:**
  - We continue to see impressive performance from small businesses who have responded to the pandemic with agility and resilience.
  - Despite the subsequent waves of the pandemic, the flow of borrowers missing payments for the first time has remained low and stable.
  - This strong performance by SMEs was reflected in a fair value gain on the loans we hold for sale in H1 2021.
- **Demand from investors to fund loans remains high:**
  - Approximately £5 billion of loans under management have been funded by a diverse mix of investors.
  - We continued to see high demand from investors to fund loans during H1 2021 and we have signed a number of lending agreements with institutions, including Atom Bank in the UK and Congressional Bank in the US, to fund loans in H2 2021 and beyond.
  - We are well funded to meet any level of demand we anticipate seeing in H2 2021.
- **Loan performance demonstrates quality of portfolio:**
  - All cohorts of loans are performing inline, or ahead of, our expectations and on track to deliver positive returns to investors.
    - We are well-positioned to take advantage of the structural changes that are currently reshaping the SME lending market; Covid has led to a rapid acceleration in the shift towards online in small business lending that will benefit Funding Circle.

- There has been strong demand from investors looking for attractive risk-adjusted returns despite the economic downturn.
- Whilst government support has been significant over the past 18 months, many SMEs expect to continue to have ongoing financing needs.
- Since the start of the pandemic, Governments have stepped in to support SMEs, demonstrating their strategic importance to the economic recovery and future growth.

**Full year outlook:**

- The business performed strongly in H1 2021 and the financial performance was above expectations.
- We remain mindful of the uncertain economic environment. In line with our expectations, there has been an initial reduction in lending as we have transitioned to operating our core loan product alongside government guarantee programmes in the UK and the US.
- As the economic environment becomes clearer we anticipate an acceleration in lending and are well placed to capture this going forward.
- We continue to expect AEBITDA will be skewed towards H1 with an expectation of H2 AEBITDA profit in the low single digit millions.

**CEO transition:**

- As announced in a separate release today, Lisa Jacobs, Managing Director of Funding Circle UK will succeed Samir Desai CBE as Chief Executive Officer from January 1st 2022. After 12 years as CEO, Samir has decided to step back from day-to-day activities at the end of this year and transition to a new role as Non-Executive Director.

**Analyst presentation:**

A presentation for analysts will be held today via webcast at 9:30am. Please contact [ir@fundingcircle.com](mailto:ir@fundingcircle.com) if you wish to attend. An on-demand replay will also be available on the Funding Circle website following the presentation.

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**About Funding Circle:**

Funding Circle (LSE: FCH) is a small and medium enterprise ("SME") loans platform. Since launching in 2010, investors and lenders across Funding Circle's geographies - including retail investors, banks, specialty finance companies, asset management companies, insurance companies, government-backed entities and funds - have lent approximately £13 billion to c.120,000 businesses globally.

**Forward looking statements and other important information**

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

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

## Business Review

At Funding Circle we deliver an excellent customer experience for small businesses powered by our machine learning and technology.

A great customer experience is built on exceptional fundamentals and seamless technology. Since our launch, we have built a technology platform that is revolutionising SME lending. A decade of research and development has created an inflection point for Funding Circle. 8th Generation machine learning risk models using Open Banking data and over 10 years of proprietary data underpin our Instant Decision Lending platform in the UK. This enables SME owners to receive a decision in minutes, from the start of an application to receipt of approval.

Today, as the leading global platform for small business loans we have helped approximately 120,000 small businesses to access more than £13 billion. Our investment in technology has resulted in strong customer satisfaction scores and high repeat rates, helping us to grow alongside our small businesses.

We believe that as we get bigger and help more small businesses access the finance they need to grow, we will create a stronger platform that drives significant competitive advantage. This creates a virtuous circle that will enable us to continue to help thousands of small businesses and drive market share.

### 2021 overview

H1 2021 was a strong half year building upon the good performance in the second half of 2020. The SME government guarantee schemes in both the UK and US were extended further, allowing the Group to deliver record levels of lending to support SME businesses.

The Coronavirus Business Interruption Loan Scheme ("CBILS") in the UK ended on 31 March 2021 with applications received by that date continuing to be processed until June 2021 and the Paycheck Protection Program ("PPP") through the Small Business Administration ("SBA") in the US closed on 4 May 2021. From June 2021 the UK moved to relaunching our core product alongside the Recovery Loan Scheme, the 80% government guarantee scheme introduced post CBILS, and the US relaunching its core product.

As a result, originations in H1 2021 totalled £1,635 million. This compared to £1,112 million in H1 2020 which had comprised two months of strong trading in January and February 2020 prior to the pandemic, followed by lower trading volumes in March and April as the Group became accredited to operate under the SME government guarantee programmes in the UK and US. Originations rebounded strongly from May onwards and in the second half of 2020 originations were £1,630 million.

	Originations (half year ended 30 June)			Originations (half year ended 31 December)
	2021	2020	Change	2020
	£m	£m		£m
United Kingdom	1,381	662	109%	1,449
United States	247	410	(40%)	171
Developing Markets	7	40	(83%)	10
Total	1,635	1,112	47%	1,630

Loans under management grew in the period by 17% to £4,933 million. This includes loans under the PPP scheme of £333 million which borrowers can apply to be forgiven by the US government providing certain conditions of use are satisfied.

Loans under Management			
	30 June 2021 £m	31 December 2020 £m	Change
United Kingdom	4,072	3,271	24%
United States	733	759	(3)%
Developing Markets	128	184	(30)%
Total	4,933	4,214	17%

## Geographic highlights

Net income/(loss)	30 June 2021				30 June 2020			
	United Kingdom £m	United States £m	Developing Markets £m	Total £m	United Kingdom £m	United States £m	Developing Markets £m	Total £m
Total income	98.8	20.2	1.6	120.6	59.3	38.0	3.9	101.2
Fair value gain/(loss)	0.3	7.8	-	8.1	(34.8)	(61.3)	-	(96.1)
Net income/(loss)	99.1	28.0	1.6	128.7	24.5	(23.3)	3.9	5.1

Segment profit	30 June 2021				30 June 2020			
	United Kingdom £m	United States £m	Developing Markets £m	Total £m	United Kingdom £m	United States £m	Developing Markets £m	Total £m
Adjusted EBITDA	41.0	11.8	0.5	53.3	(22.1)	(54.1)	(7.9)	(84.1)
Depreciation and amortisation	(5.6)	(2.7)	-	(8.3)	(4.1)	(3.4)	(0.7)	(8.2)
Share-based payments and social security costs	(4.2)	(0.6)	-	(4.8)	(3.0)	(1.2)	(0.1)	(4.3)
Foreign exchange losses	-	(0.8)	-	(0.8)	-	-	-	-
Exceptional items	-	(3.9)	-	(3.9)	-	(12.0)	(4.9)	(16.9)
Operating profit/(loss)	31.2	3.8	0.5	35.5	(29.2)	(70.7)	(13.6)	(113.5)

## United Kingdom

During the period, the UK continued to operate under CBILS, which provides an 80% government guarantee to investors.

Whilst the scheme closed to applicants on 31 March 2021, applications received by that date continued to be processed until June 2021 with no more processing permitted past that date.

We originated £1,381 million of loans in H1 2021 with loans under management growing by 24% to £4,072 million at 30 June 2021. In total since the CBILS scheme was introduced we originated £2,993 million of loans.

The UK delivered total income growth of 67% to £98.8 million in H1 2021 (H1 2020: £59.3 million). H1 2020 was impacted by the disruption caused by the pandemic and lower trading volumes in March and April whilst we became accredited to operate the government guarantee scheme in the UK. The total income for H1 2021 was also 6% higher than the total income delivered in H2 2020 with a strong level of servicing income.

Operating income in H1 2021 was £85.8 million (H1 2020: £43.3 million) and net investment income was £13.0 million (H1 2020: £16.0 million) as the investments in SME loans on balance sheet continued to amortise down.

In addition to trading, in June 2021, the UK sold 1,800 non-performing loans. This allowed us to accelerate the return of £16.0 million of cash to retail investors.

With a strong trading performance during the period, the UK generated operating AEBITDA<sup>4</sup> of £27.7 million (H1 2020: negative £3.3 million). Investment AEBITDA<sup>4</sup>, which represents investment income, investment expense and fair value gains and losses was £13.3 million (H1 2020: negative £18.8 million). H1 2020 experienced a significant fair value loss as the pandemic impacted the value of the loans that Funding Circle held on its balance sheet.

Total AEBITDA was £41.0 million (H1 2020 negative £22.1 million) with an AEBITDA margin of 42%. Operating profit was £31.2 million (H1 2020: loss of £29.2 million) with a margin of 32%.

### ***United States***

Like the UK, the US had a strong six months of trading in 2021 as it continued to originate PPP loans. Under this scheme, the SBA will forgive the loans if the funds are used to pay eligible expenses such as payroll costs of employees. This scheme ceased in May 2021 and since then the US has recommenced lending of its core product as well as originating government guarantee loans through the SBA on behalf of banks.

The US business originated £247 million of loans during H1 2021 to 12,854 businesses (H1 2020: 4,321 businesses). Due to the scheme design, the value of the loans was lower but the yield per loan was higher for loans originated in 2021 compared to those originated in 2020. This compared to £410 million in H1 2020 and £171 million in H2 2020 although the PPP programme was paused between September and December 2020 before relaunching in January 2021.

In July 2020, the US business was granted access to the use of the Federal Reserve's PPP liquidity facility. This allows for lending to be undertaken with funds coming directly from this facility. Prior to that date, all PPP lending was done through our marketplace (referral) model. PPP loans are 100% guaranteed by the SBA. Originations funded through the PPP liquidity facility totalled £205 million in H1 2021 compared to £24 million in H2 2020. When loans are forgiven by the SBA, the debt associated with them from the facility is also extinguished.

Loans under management totalled £733 million at 30 June 2021, with £333 million of this being PPP loans.

Total income for the US was £20.2 million (H1 2020: £38.0 million). Operating income was £7.1 million (H1 2020 £17.6 million) and Investment income was £13.1 million compared to £20.4 million in H1 2020. Similar to the UK, the reduction in investment income reflects the amortising nature of the investment in SME loans held on balance sheet.

An additional £16.3 million of transaction fees were generated in H1 2021. However, PPP loans originated under the PPP liquidity facility are held on balance sheet until they have been forgiven by the SBA. Accordingly, under IFRS 9 we are required to spread the £16.3 million over the expected life of those loans.

In June 2021, the US sold c.£63 million of loans held in the warehouse to an asset manager crystallising c.£38 million of net cash proceeds and a fair value gain of £5.2 million.

Operating AEBITDA for the period was negative £9.1 million (H1 2020: negative £13.2 million) albeit with deferred revenues of £16.3 million being spread over the future expected term of the PPP loans on balance sheet.

Investment AEBITDA was £20.9 million (H1 2020: negative £40.9 million) reflecting an improvement in the economic outlook for the SME loans on balance sheet together with the £5.2m fair value gain following the loan sale. Similar to the UK, H1 2020 experienced a significant fair value loss as the pandemic impacted the value of the loans that Funding Circle held on its balance sheet.

Total AEBITDA was £11.8 million compared to negative AEBITDA of £54.1 million in H1 2020 and operating profit was £3.8 million (H1 2020: loss £70.7 million).

As part of the US restructuring announced in 2020, we downsized our premises in San Francisco which resulted in an exceptional impairment of £3.9 million but importantly a future cash saving of

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<sup>4</sup> Investment AEBITDA is defined as investment income, investment expense and fair value adjustments, and operating AEBITDA represents AEBITDA excluding investment AEBITDA.

c£2 million per year.

## Finance review

### Overview

Group total income was £120.6 million (H1 2020: £101.2 million), up 19%. Net income for the year was £128.7 million (H1 2020: £5.1 million). Net income is total income less fair value movements on SME loans held for sale. In H1 2020 the Group experienced significant fair value losses on the SME loans held for sale following the impact of Covid 19 on SME borrowers. The fair value gain in H1 2021 reflects a better performance from the SME loans together with a £5.2 million gain following the disposal of the loans in the US warehouses.

AEBITDA was £53.3 million (H1 2020: negative £84.1 million), which was comprised of £19.1 million operating AEBITDA (H1 2020: negative £24.4 million) and £34.2 million investment AEBITDA (H1 2020: negative £59.7 million).

The Group's operating profit was £35.5 million for the period (H1 2020: loss of £113.5 million). The exceptional items in 2020 relate to the restructuring of the Developing Markets and US businesses with a further impairment of its premises in 2021 as the US sublet and downsized its office space in San Francisco to control costs.

### Profit and loss

	30 June 2021			30 June 2020		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Transaction fees	70.5	-	70.5	47.8	-	47.8
Servicing fees	21.9	-	21.9	13.8	-	13.8
Other fees	2.1	-	2.1	3.2	-	3.2
<b>Fee income ("operating income")</b>	<b>94.5</b>	<b>-</b>	<b>94.5</b>	<b>64.8</b>	<b>-</b>	<b>64.8</b>
Investment income	33.5	-	33.5	49.8	-	49.8
Investment expense	(7.4)	-	(7.4)	(13.4)	-	(13.4)
<b>Total income</b>	<b>120.6</b>	<b>-</b>	<b>120.6</b>	<b>101.2</b>	<b>-</b>	<b>101.2</b>
Fair value gains/(losses)	8.1	-	8.1	(96.1)	-	(96.1)
<b>Net income</b>	<b>128.7</b>	<b>-</b>	<b>128.7</b>	<b>5.1</b>	<b>-</b>	<b>5.1</b>
People costs	(39.4)	-	(39.4)	(44.5)	(3.8)	(48.3)
Marketing costs	(27.4)	-	(27.4)	(22.4)	-	(22.4)
Depreciation, amortisation and impairment	(8.3)	(3.9)	(12.2)	(8.2)	(12.4)	(20.6)
Loan repurchase charge	(0.1)	-	(0.1)	(5.5)	-	(5.5)
Other costs	(14.1)	-	(14.1)	(21.1)	(0.7)	(21.8)
<b>Operating expenses</b>	<b>(89.3)</b>	<b>(3.9)</b>	<b>(93.2)</b>	<b>(101.7)</b>	<b>(16.9)</b>	<b>(118.6)</b>
<b>Operating profit/(loss)</b>	<b>39.4</b>	<b>(3.9)</b>	<b>35.5</b>	<b>(96.6)</b>	<b>(16.9)</b>	<b>(113.5)</b>

## Total income

Total income for the Group was £120.6 million (H1 2020: £101.2 million). Total income represents operating income and investment income, less investment expense.

**Operating income** includes transaction fees, servicing fees, and other fees and was £94.5 million (H1 2020: £64.8 million).

- *Transaction fees*, representing fees earned on originations, grew 47% to £70.5 million. The overall increase in transaction fees over H1 2020 was driven by a strong trading performance for a full six month period, whereas H1 2020 experienced lower trading volumes during March and April whilst the Group became accredited to operate the government guaranteed lending schemes in the UK and the US. Both the UK and US saw high levels of activity particularly as the schemes reached their conclusion.

Yields on CBILS loans in the UK were fixed at 4.75% with yields of nearly 9% on US PPP loans, higher than the 3% in H1 2020 as: i) we were funding loans through the PPP liquidity facility operated by the Federal Reserve as opposed to through the referral programme in H1 2020; and ii) the yields on the higher volume, lower value loans were higher.

In addition to the above fees, as the PPP loans that are retained on balance sheet until they are forgiven are held at amortised cost, the transaction fees associated with them are spread over the expected life of the loans. Accordingly £16.3 million of transaction fees for which cash has been received in the period were deferred from H1 2021 and are included within trade and other payables on the balance sheet.

- *Servicing fees*, representing income for servicing loans under management, increased to £21.9 million from £13.8 million in H1 2020 following on from the heightened origination activity since May 2020.

Overall servicing yield was 0.9% compared with 0.7% in H1 2020 with yields on CBILS loans at 1.25%. There is no servicing fee earned on PPP loans.

- *Other fees* arise principally from a fee premium we received from certain institutional investors in the year in respect of buying back certain defaulted loans under a historic loan purchase commitment and from collections fees.

*Net investment income* represents the investment income, less investment expense, on loans invested within Funding Circle's investment vehicles and was £26.1 million (H1 2020: £36.4 million). This has reduced as the loans invested in continue to amortise down.

**Net income**, defined as total income after fair value adjustments, was £128.7 million (H1 2020: £5.1 million). This reflects an increase in operating income of £29.7 million and a reduction in net investment income of £10.3 million. The significant fair value loss in H1 2020 was largely attributable to the impact that Covid-19 economic stress had on SME borrowers. Following improved performance of the SME loans held on balance sheet, the fair value adjustment in H1 2021 was £8.1 million as opposed to negative £96.1 million in H1 2020. However, there remains an expectation of ongoing stress and economic uncertainty into H2, which is factored into our valuation of these loans.

## Operating expenses

Operating expenses before exceptional items have reduced by 12% or £12.4 million from H1 2020. This is as a result of cost management initiatives in 2020 with the restructuring of the Developing Markets and the US and a reduction in the loan repurchase charge in Developing Markets.

Operating expenses included certain exceptional items in H1 2020 driven by goodwill impairment and restructuring costs of the Developing Markets and the US business. A further impairment charge was incurred in H1 2021 as the US sublet its San Francisco office downsizing into smaller accommodation as part of its cost control measures. Including these items, operating expenses reduced by £25.4 million to £93.2 million.

**People costs (including contractors)** which represent the Group's largest ongoing operating cost

decreased during the period by 19% to £43.4 million, before the capitalisation of development spend. This was driven by a decrease in average headcount of 15% following the reorganisation of the US and Developing Markets businesses in H1 2020. Exceptional items in relation to this were £3.8 million. The share-based payment charge for the period, included in people costs, was £4.8 million (H1 2020: £4.3 million).

	30 June 2021 £m	30 June 2020 £m	Change %
People costs	43.4	53.7	(19%)
Less capitalised development spend ("CDS")	(4.0)	(5.4)	(26%)
People costs net of CDS	39.4	48.3	(18%)
Average headcount (incl. contractors)	915	1,076	(15%)
Period-end headcount (incl. contractors)	931	1,004	(7%)

**Marketing costs** increased in the period from £22.4 million to £27.4 million principally driven by broker commissions. Marketing spend overall was 29% of operating income (H1 2020: 35%).

**Depreciation amortisation and impairment costs** of £12.2 million (2020: £20.6 million) largely represent the amortisation of the cost of the Group's capitalised technology development and impairment of assets.

A charge of £3.9 million was recorded in H1 2021 to impair the right of use asset and office fixtures associated with the San Francisco office which was sublet. H1 2020 included an impairment charge of £12.4 million associated with the restructure of the Developing Markets and US business. Excluding these items, depreciation and amortisation was flat on H1 2020.

**Loan repurchase charges** relate to certain historical circumstances when in new markets, predominantly Germany and the Netherlands, Funding Circle entered into arrangements to buyback certain defaulted loans from certain financial institutions under a loan purchase commitment. In return the business received a fee premium (reflected in Other fees). Under IFRS 9 this commitment is accounted for under the expected credit loss model. In H1 2020, there was a charge of £5.5 million caused by the impact of Covid-19 increasing the likelihood that there would be further defaulted loans to buyback.

**Other costs** principally includes cost of sales, data and technology costs and property costs and have reduced in H1 2021 following the restructuring of the Developing Markets and US businesses.

## Balance sheet and investments

With strong performance from the business during the period, the Group's net equity has grown from £217.6 million at 31 December 2020 to £254.1 million as at 30 June 2021.

The Group's balance sheet includes £149.0 million of net equity from the operating business. Funding Circle also has various investment vehicles it uses to invest in SME loans. The net equity in these vehicles totalled £105.1 million. The table below sets out the Group's net equity:

							30 June 2021	31 December 2020
	Operating business	PPP Loans	Warehouse SPVs	Securitisation SPVs	Investment in trusts and co- investments	Other investments	Total	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Investment in SME loans	0.7	226.5	108.8	207.1	37.0	9.7	589.8	558.8
Cash	134.2	0.8	9.5	15.7	7.9	-	168.1	103.3
Other assets/(liabilities)	-	1.0	-	2.7	(7.9)	-	(4.2)	11.1
Borrowings/bonds	-	(228.3)	(81.3)	(204.1)	-	-	(513.7)	(489.8)
<b>Cash &amp; Investments</b>	<b>134.9</b>	<b>-</b>	<b>37.0</b>	<b>21.4</b>	<b>37.0</b>	<b>9.7</b>	<b>240.0</b>	<b>183.4</b>
Other assets	95.3	-	-	-	-	-	95.3	109.0
Other liabilities	(81.2)	-	-	-	-	-	(81.2)	(74.8)
<b>Equity</b>	<b>149.0</b>	<b>-</b>	<b>37.0</b>	<b>21.4</b>	<b>37.0</b>	<b>9.7</b>	<b>254.1</b>	<b>217.6</b>

The table below provides a further breakdown of Funding Circle's net equity invested in these vehicles:

Investment type	30 June 2021 £m	31 December 2020 £m
1. Securitisation SPVs <sup>1</sup>		
Vertical	8	12
Horizontal	13	4
2. Warehouse SPVs <sup>1</sup>	37	70
3. Investment in trusts and co-investments <sup>1</sup>	37	21
4. Other investments	10	11
<b>Total</b>	<b>105</b>	<b>118</b>

<sup>1</sup> These vehicles are bankruptcy remote

### 1. Securitisation SPVs

- Vertical - Funding Circle is required by regulation to retain a 5% equal participation in all classes of bonds issued. This has continued to pay down.
- Horizontal - once loans are securitised, we temporarily hold the residual horizontal tranches with the intention to sell once seasoned. These tranches have the potential to earn greatest returns, but they also absorb losses first. The timing of the pandemic meant that it was not feasible to dispose of all these horizontal tranches in 2020 but we still intend to do so in the foreseeable future. As the loans are valued at fair value using discounted cash flow forecasts, improved economic assumptions have increased the value of the horizontals.

### 2. Warehouse SPVs

In warehouses we deploy our equity and third party bank debt to aggregate loans temporarily prior to securitisation/sale. The debt is senior which means the equity is more exposed to changes in the valuation of loans. The warehouses in both the UK and US continued to amortise during the period.

In June 2021, the Group sold £63 million of loans held in the warehouse to an asset manager crystallising £38 million of net cash proceeds and a fair value gain of £5.2 million.

### 3. Investment in trusts and co-investments

As part of our participation in the CBILS and RLS programmes we are required to co-invest c.1% alongside institutional investors. As the underlying SME loans are 80% guaranteed our exposure is limited. The growth in these investments has been driven by the strong originations in the period.

### 4. Other investments

There are a small amount of Other Investments, comprising seed investments in Private Funds which are in amortisation.

## Cash flow

As at 30 June 2021, the Group held cash and cash equivalents of £168.1 million, up from £103.3 million at the end of 2020. Of the balance, £25.1 million (2020: £38.9 million) was held and restricted for use within the warehouse and securitisation vehicles.

As at 30 June 2021, the Group was due net £18 million of fees which were subsequently received in August 2021.

**Free cash flow**, which is an alternative performance measure, represents the net cash flows from operating activities less the cost of purchasing intangible assets, property, plant and equipment, lease payments and interest received. It excludes the warehouse and securitisation financing and funding cash flows.

Free cash flow has principally improved due to operating cash flows from transaction fee income and investment income while controlling marketing and people costs year on year together with the working capital benefit of receiving net £27 million of fees due at 31 December 2020 which were subsequently received in February 2021.

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

	30 June 2021 £m	30 June 2020 £m
<b>Adjusted EBITDA</b>	<b>53.3</b>	(84.1)
Fair value adjustments	(8.1)	96.1
Purchase of tangible and intangible assets	(4.6)	(5.9)
Payment of lease liabilities	(3.8)	(3.5)
Working capital / other	29.0	(12.2)
<b>Free cash flow</b>	<b>65.8</b>	(9.6)
Net investment in associates	1.4	0.6
Net investment in trusts and co-investments	(15.7)	(3.9)
Net investment in PPP loans	3.5	-
Net investment in warehouses and securitisations	9.8	(22.8)
Other	0.3	0.1
Effect of foreign exchange	(0.3)	2.3
<b>Movement in the period</b>	<b>64.8</b>	(33.3)
Cash and cash equivalents at the beginning of the period	103.3	164.5
<b>Cash and cash equivalents at the end of the period</b>	<b>168.1</b>	131.2

## Principal risks and uncertainties

The Group's principal risks and uncertainties were disclosed on pages 40 to 47 of the 2020 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 2021.

The principal risks include:

- Strategic risk, including the economic environment;
- Funding and balance sheet risk, including platform funding risk and balance sheet risk;
- Credit risk, including borrower acquisition and portfolio management risk;
- Regulatory, reputation and conduct risk, including regulatory risk, reputation risk and conduct risk/treating customers fairly; and
- Operational risk, including process risk, information security, financial crime, technology risk and client money 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 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 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 authors 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 2020, with the exception of the following changes in the period: Mrs Catherine Keers resigned on 19 May 2021, Mr Robert Steel resigned on 19 May 2021, Mr Matthew King was appointed on 19 May 2021 and Mrs Helen Beck was appointed on 1 June 2021. A list of current directors is maintained on the Funding Circle Holdings plc website: [www.corporate.fundingcircle.com](http://www.corporate.fundingcircle.com).

By order of the Board

Samir Desai, Chief Executive Officer

Oliver White, Chief Financial Officer

9 September 2021

# Condensed consolidated statement of comprehensive income

For the six months to 30 June 2021 (unaudited)

		Unaudited 6 months to 30 June 2021			Unaudited 6 months to 30 June 2020		
	Note	Before exceptional items £m	Exceptional items <sup>1</sup> £m	Total £m	Before exceptional items £m	Exceptional items <sup>1</sup> £m	Total £m
Transaction fees		70.5	-	70.5	47.8	-	47.8
Servicing fees		21.9	-	21.9	13.8	-	13.8
Other fees		2.1	-	2.1	3.2	-	3.2
<b>Fee income</b>		<b>94.5</b>	<b>-</b>	<b>94.5</b>	<b>64.8</b>	<b>-</b>	<b>64.8</b>
Investment income		33.5	-	33.5	49.8	-	49.8
Investment expense		(7.4)	-	(7.4)	(13.4)	-	(13.4)
<b>Total income</b>		<b>120.6</b>	<b>-</b>	<b>120.6</b>	<b>101.2</b>	<b>-</b>	<b>101.2</b>
Fair value gains/(losses)		8.1	-	8.1	(96.1)	-	(96.1)
<b>Net income</b>		<b>128.7</b>	<b>-</b>	<b>128.7</b>	<b>5.1</b>	<b>-</b>	<b>5.1</b>
People costs		(39.4)	-	(39.4)	(44.5)	(3.8)	(48.3)
Marketing costs		(27.4)	-	(27.4)	(22.4)	-	(22.4)
Depreciation, amortisation and impairment		(8.3)	(3.9)	(12.2)	(8.2)	(12.4)	(20.6)
Loan repurchase charge		(0.1)	-	(0.1)	(5.5)	-	(5.5)
Other costs		(14.1)	-	(14.1)	(21.1)	(0.7)	(21.8)
<b>Operating expenses</b>	5	<b>(89.3)</b>	<b>(3.9)</b>	<b>(93.2)</b>	<b>(101.7)</b>	<b>(16.9)</b>	<b>(118.6)</b>
<b>Operating profit/(loss)</b>		<b>39.4</b>	<b>(3.9)</b>	<b>35.5</b>	<b>(96.6)</b>	<b>(16.9)</b>	<b>(113.5)</b>
Finance income		0.1	-	0.1	0.3	-	0.3
Finance costs		(0.6)	-	(0.6)	(0.8)	-	(0.8)
Share of net profit/(loss) of associates		0.4	-	0.4	(1.1)	-	(1.1)
<b>Profit/(loss) before taxation</b>		<b>39.3</b>	<b>(3.9)</b>	<b>35.4</b>	<b>(98.2)</b>	<b>(16.9)</b>	<b>(115.1)</b>
Income tax	7	(2.0)	-	(2.0)	(0.1)	-	(0.1)
<b>Profit/(loss) for the period</b>		<b>37.3</b>	<b>(3.9)</b>	<b>33.4</b>	<b>(98.3)</b>	<b>(16.9)</b>	<b>(115.2)</b>
<b>Other comprehensive income</b>							
Items that may be reclassified subsequently to profit and loss:							
Exchange differences on translation of foreign operations		(0.4)	-	(0.4)	8.7	-	8.7
<b>Total comprehensive profit/(loss) for the period</b>		<b>36.9</b>	<b>(3.9)</b>	<b>33.0</b>	<b>(89.6)</b>	<b>(16.9)</b>	<b>(106.5)</b>
<b>Total comprehensive profit/(loss) attributable to:</b>							
Owners of the parent		36.9	(3.9)	33.0	(89.6)	(16.9)	(106.5)
<b>Profit/(loss) per share</b>							
Basic profit/(loss) per share	8	10.6p		9.5p	(28.2)p		(33.0)p
Diluted profit/(loss) per share	8	9.8p		8.8p	(28.2)p		(33.0)p

<sup>1</sup> Exceptional items are detailed within note 6.

# Condensed consolidated balance sheet

As at 30 June 2021 (unaudited)

		Unaudited 30 June 2021	31 December 2020 (Restated) <sup>1</sup>
	Note	£m	£m
<b>Non-current assets</b>			
Intangible assets	9	23.5	24.4
Property, plant and equipment	10	16.6	28.7
Investments in associates	11	9.7	11.0
Investment in trusts and co-investments	12	37.0	21.2
Investment in SME loans (other)	12	227.2	25.0
		<b>314.0</b>	110.3
<b>Current assets</b>			
Investment in SME loans (warehouse)	12	108.8	221.8
Investment in SME loans (securitised)	12	207.1	279.8
Trade and other receivables		58.9	67.0
Cash and cash equivalents	17	168.1	103.3
		<b>542.9</b>	671.9
<b>Total assets</b>		<b>856.9</b>	782.2
<b>Current liabilities</b>			
Trade and other payables		55.5	34.1
Bank borrowings	13	81.3	171.2
Bonds		204.1	294.3
Lease liabilities	10	7.3	7.3
Short-term provisions and other liabilities	14	5.0	8.7
		<b>353.2</b>	515.6
<b>Non-current liabilities</b>			
Long-term provisions and other liabilities	14	1.1	1.2
Bank borrowings	13	228.3	24.3
Lease liabilities	10	20.2	23.5
<b>Total liabilities</b>		<b>602.8</b>	564.6
<b>Equity</b>			
Share capital		0.3	0.3
Share premium account		292.9	292.6
Foreign exchange reserve		9.3	9.7
Share options reserve		15.4	13.6
Accumulated losses		(63.8)	(98.6)
<b>Total equity</b>		<b>254.1</b>	217.6
<b>Total equity and liabilities</b>		<b>856.9</b>	782.2

1. See note 1.

These condensed interim financial statements were approved by the Board on 9 September 2021. 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 2021 (unaudited)

	Note	Share capital £m	Share premium account £m	Foreign exchange reserve £m	Share options reserve £m	(Accumulated losses)/retained earnings £m	Total equity £m
<b>Balance as at 1 January 2021</b>		0.3	292.6	9.7	13.6	(98.6)	217.6
Profit for the period		-	-	-	-	33.4	33.4
<b>Other comprehensive income:</b>							
Exchange differences on translation of foreign operations		-	-	(0.4)	-	-	(0.4)
<b>Transactions with owners</b>							
Issue of share capital		-	0.3	-	-	-	0.3
Transfer of share option costs		-	-	-	(1.4)	1.4	-
Employee share schemes – value of employee services		-	-	-	3.2	-	3.2
<b>Unaudited balance at 30 June 2021</b>		<b>0.3</b>	<b>292.9</b>	<b>9.3</b>	<b>15.4</b>	<b>(63.8)</b>	<b>254.1</b>
<b>Balance as at 1 January 2020</b>		0.3	292.3	8.0	11.9	6.5	319.0
Loss for the period		-	-	-	-	(115.2)	(115.2)
<b>Other comprehensive income:</b>							
Exchange differences on translation of foreign operations		-	-	8.7	-	-	8.7
<b>Transactions with owners</b>							
Issue of share capital		0.1	0.2	-	-	-	0.3
Transfer of share option costs		-	-	-	(1.3)	1.3	-
Employee share schemes – value of employee services		-	-	-	4.1	-	4.1
<b>Unaudited balance at 30 June 2020</b>		<b>0.4</b>	<b>292.5</b>	<b>16.7</b>	<b>14.7</b>	<b>(107.4)</b>	<b>216.9</b>

# Condensed consolidated statement of cash flows

For the six months to 30 June 2021 (unaudited)

	Note	Unaudited 6 months to 30 June 2021	Unaudited 6 months to 30 June 2020
		£m	£m
<b>Net cash inflow/(outflow) from operating activities</b>	16	<b>74.1</b>	<b>(0.6)</b>
<b>Investing activities</b>			
Purchase of intangible assets		(4.2)	(5.5)
Purchase of property, plant and equipment		(0.4)	(0.4)
Purchase of SME loans (other)		(202.6)	-
Purchase of SME loans (warehouse phase)		-	(289.6)
Cash receipts from SME loans (warehouse phase)		53.1	63.5
Proceeds from sale of SME loans (warehouse phase)		63.6	-
Cash receipts from SME loans (securitised)		77.7	108.0
Investment in trusts and co-investments		(15.7)	(3.9)
Redemption in associates		1.4	0.3
Dividends from associates		-	0.3
Interest received		0.1	0.4
<b>Net cash outflow from investing activities</b>		<b>(27.0)</b>	<b>(126.9)</b>
<b>Financing activities</b>			
Proceeds from bank borrowings		206.1	206.5
Repayment of bank borrowings		(91.8)	(200.6)
Proceeds from issuance of bonds		-	190.1
Payment of bond liabilities		(92.8)	(100.7)
Proceeds from the exercise of share options		0.3	0.1
Payment of lease liabilities		(3.8)	(3.5)
<b>Net cash inflow from financing activities</b>		<b>18.0</b>	<b>91.9</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>65.1</b>	<b>(35.6)</b>
Cash and cash equivalents at the beginning of the period		103.3	164.5
Effect of foreign exchange rate changes		(0.3)	2.3
<b>Cash and cash equivalents at the end of the period</b>		<b>168.1</b>	<b>131.2</b>

# Notes to the condensed interim financial statements

For the six months to 30 June 2021 (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 2021. The comparative financial information presented has been prepared as at, and for the six months to 30 June 2020 and as at 31 December 2020.

The interim financial information presented as at, and for the six months to, 30 June 2021 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 2020 are available on request from the Company's registered office and via the Company's website.

### Going concern

The Group made a total comprehensive profit of £33.0 million during the six months to 30 June 2021 (30 June 2020: loss of £106.5 million). As at 30 June 2021 the Group had net assets of £254.1 million (31 December 2020: £217.6 million). This included cash and cash equivalents of £168.1 million (31 December 2020: £103.3 million) of which £25.1 million (31 December 2020: £38.9 million) is held within the warehouse and securitisation vehicles. Additionally within the net assets the Group holds £105.1 million (31 December 2020: £118.3 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).

After the extension of CBILS lending, the UK business saw strong performance in originations and is well positioned to facilitate further lending under the Recovery Loan Scheme ("RLS"), while resuming the facilitation of non-government guarantee lending. The US business similarly experienced high originations after the extension of the Paycheck Protection Programme ("PPP") and has resumed core lending since PPP ended. The combination of strong originations along with the sale of assets in the US warehouses, detailed further below, has resulted in a strong cash position supporting the resilience of the Group.

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 expectation of the RLS scheme running until December 2021;
- There is no monetisation of committed capital through asset sales in H2 2021;
- There is no further extension to the PPP government scheme in the US;
- Non-government scheme lending on the platform increases from H2 2021 but with overall originations down on H1 2021;
- Lending in the US steadily increases; and
- Costs and headcount remain relatively flat but with increased investment in technology and risk roles in H2 2021.

Management prepared a stress scenario in which:

- Macroeconomic volatility occurs following the tapering of government support in H2 2021 along with increased inflation and interest rates reducing originations;
- Investment returns reduce owing to increased funding costs, widening discount rates and deterioration in loan performance;
- An operational event occurring requiring a cash outlay; and
- 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 subordinate tranches of investments it owns.

Even in the stress scenario, sufficient cash is forecast to be generated to meet liabilities as they fall due without the requirement to take significant mitigating actions or restructuring. The Group does not currently rely on committed or uncommitted borrowing facilities with the exception of borrowings used to fund warehouse SME loan purchases and draw downs on the PPPLF to fund PPP loans, and does not have undrawn committed borrowing facilities available to the wider Group.

Management have reviewed the financial covenants the Group must adhere to in relation to its servicing agreements. These are with institutional investors and debt facilities associated with borrowings used to fund SME loan originations in warehouses, which require minimum levels of unrestricted cash in the Group and maintaining maximum debt to tangible net worth ratios. Even in stressed scenarios there is not considered to be a material risk of a covenant breach despite a narrowing of headroom in the near term.

The Directors have made inquiries of management and considered budgets and cash flow forecasts for the Group and have, at the time of approving these interim financial statements, a reasonable expectation that the Group has adequate resources to continue in as a going concern 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 2020 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRS in conformity with the requirements of the Companies Act 2006, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Standard Interpretations Committee (IFRS-IC).

In the year to 31 December 2021 the annual financial statements will be prepared in accordance with IFRS as adopted by the UK Endorsement Board and that this change in basis of preparation is required by UK company law for the purposes of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and the cessation of the transition period on 31 December 2020. This change does not constitute a change in accounting policy but rather a change in framework which is required to ground the use of IFRS in company law. There is no impact on recognition, measurement or disclosure between the two frameworks.

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 to 31 December 2020 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.

### **Representation of comparative information**

Investment in SME loans (other) of £24.3 million and related bank borrowings of £24.3 million have been reclassified in the comparative period from current to non-current to reflect the expected life of PPP loan assets and the contractual life of the PPPLF borrowings. The reclassification has no impact on the profit and loss or net assets of the Group.

### **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 2021:

i) Sale of US warehouse loan assets

In June 2021, Funding Circle sold SME loan assets from the warehouses in the US for £63.6 million as part of its strategy of monetising pre-pandemic investments resulting in a fair value gain on sale of £5.2 million. The bank borrowings associated with the loans were fully repaid using the proceeds.

ii) The UK Government's Recovery Loan Scheme ("RLS") and relaunch of core lending

During the period, Funding Circle became an accredited lender under RLS, the new government guaranteed loan scheme successor to CBILS. Under the terms of the scheme Funding Circle is required to co-invest in loans originated through this scheme. The loans are beneficially owned by investors under trust structures in which Funding Circle retains a small stake. Additionally core loans have been re-launched and are originated via the same trust structures in the UK.

In certain RLS and core loan co-investments in the UK and in the re-launch of core lending in the US, Funding Circle co-invests in notes of the leveraged structured vehicles on a pari passu basis along with majority investors. These notes are subordinate to senior notes issued to the senior borrowing facility provider of the vehicle. These vehicles are the sole beneficiaries of the trust structures under which loans are originated by drawing down on the subordinate and senior note facilities during an investment period. Once the investment period ends the vehicles distribute returns from the amortisation of the associated loans to the senior and subordinate note holders after paying any running expenses of the vehicle.

The Group does not consolidate the trusts or the structured vehicles or the loans held within the trusts or borrowings and other net assets of the vehicles, recognising its interest in the loans or vehicles instead as investment in trusts and co-investment assets on the balance sheet. This investment is held at FVTPL.

iii) Paycheck protection programme ("PPP") loan funding

During the period, the US Government's PPP scheme was extended until May 2021. Funding Circle continued to fund PPP loans via its lending platform, predominantly drawing down on the US Government's Federal PPP lending facility. As a result the Group holds £226.5 million (31 December 2020: £24.3 million) of PPP loans on balance sheet included within Investment in SME loans (other) with corresponding draw down on the SBA facility of £228.3 million (31 December 2020: £24.3 million) included within Bank borrowings. The PPP loans on balance sheet and PPPLF liability may not directly offset due to timing of cash payments and forgiveness of the loans and repayment of the liability. These loans are recognised initially at fair value and are subsequently held at amortised cost as the business model under which the assets are held is to collect contractual cash flows. The loans are guaranteed and borrowers are incentivised to apply for forgiveness on the loans. Once a loan is forgiven by the SBA, the loan and related borrowing are extinguished. Fee income and costs related to the origination of the PPP loans is amortised under IFRS 9 over the expected life of the loans which is estimated at 16 months. Where forgiveness occurs earlier than 16 months, the fee income and costs recognition is accelerated. See note 3 for further details.

## 2. Changes in significant accounting policies

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 to 31 December 2020. 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.

## 3. Critical accounting estimates and judgments

The preparation of the consolidated 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 financial statements have been applied on a consistent basis with the financial statements for the year to 31 December 2020.

### *Critical judgements*

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

As part of its asset-backed securitisation programmes, the Group has established warehouse and securitisation 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 tranches of the securitisation vehicles or the subordinated debt in the warehouses, 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 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, other institutional investors, funds, national entities, retail 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.

### *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 financial statements.

#### a) Fair value of financial instruments (note 15)

At 30 June 2021, the carrying value of the Group's financial assets held at fair value was £418.4 million (31 December 2020: £547.9 million) and the carrying value of financial liabilities carried at fair value was £11.8 million (31 December 2020: £7.8 million).

In accordance with IFRS 13 Fair Value Measurement, the Group categorises financial instruments carried on the consolidated balance sheet at fair value using a three-level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal estimation applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation estimation techniques including discounted cash flow analysis and valuation models. The most significant estimation is with respect to discount rates and default rates.

Since 31 December 2020 the assumptions related to estimating fair value have been revised to reflect the observed actual performance of SME loans and a revision to the timing of the assumed defaults to occur later given the extension of government support measures to H2 2021. The combination of favourable observed performance and later defaults on an amortising pool of loans has led to a lower lifetime cumulative default expectation and a higher relative estimation of fair value compared to the carrying value of the loans. Additionally, market drivers of discount rates such as observed tightening in collateralised loan obligation spreads have resulted in the estimated cash flows being discounted at a lower rate which has led to a higher relative estimation of fair value compared to carrying value of the loans and bonds.

A sensitivity to the default rates and discount rate are illustrated below.

Description	Fair value (£m)	Unobservable input	Inputs	Relationship of unobservable inputs to fair value
Investment in SME loans – (warehouse)	108.8	Lifetime cumulative default rate as % of original	UK 15.4%	A change in the lifetime cumulative default rate would have the following impact: UK: +260/-90 bps would decrease/increase fair value by £(6.2) million/ £1.9 million respectively.
Investment in SME loans – (securitised)	207.1	Lifetime cumulative default rate as % of original	US 21.2% and 22.0% <sup>1</sup> UK 16.5%	A change in the lifetime cumulative default rate would have the following impact: US SPV1 <sup>1</sup> : +200/-70 bps would decrease/increase fair value by £(3.1) million/ £1.0 million respectively. US SPV1 <sup>2</sup> : +290/-80 bps would decrease/increase fair value by £(5.8) million/ £1.7 million respectively. UK: +220/-70 bps would decrease/increase fair value by £(4.9) million/ £1.5 million respectively.
Bonds (Unrated)	(11.8)	Lifetime cumulative default rate of associated assets.	16.5%	A change in the lifetime cumulative default rate by +220/-70 bps would decrease/increase fair value by £1.9 million and (£0.5) million respectively.

<sup>1</sup>Two cumulative default rates are presented for the US representing the portfolios in each of the two respective securitisation vehicles. Separate sensitivities to default rates for the US securitisation vehicles represent the respective seasoning of the loans and the different reasonably possible range of outcomes.

The above sensitivities represent management's estimate of the reasonably possible range of outcomes and as a result the fair value of the assets and liabilities measured at fair value could materially diverge from management's estimate.

Description	Fair value (£m)	Unobservable input	Inputs	Relationship of unobservable inputs to fair value
Investment in SME loans – (warehouse)	108.8	Risk-adjusted discount rate	UK 7.2%	A change in the discount rate by +/-100 bps would decrease/increase fair value by £1.3 million.
Investment in SME loans – (securitised)	207.1	Risk-adjusted discount rate	US 7.5% UK 7.2%	A change in the discount rate by +/-100 bps would decrease/increase fair value by £2.4 million.
Bonds (Unrated)	(11.8)	Risk-adjusted discount rate	10.4%	A change in the discount rate by +700/-100 bps would decrease/increase fair value by £1.8 million / £(0.3)million respectively.

It is considered that the range of reasonably possible outcomes in relation to the discount rates used is presented above and as a result the fair value of the assets could materially diverge from management's estimate.

As the discount rate is risk-adjusted, it should be noted that the sensitivities to discount rate and to lifetime cumulative default rate contain a level of overlap regarding credit risk. The sensitivity in expected lifetime cumulative defaults should not also be applied to the sensitivity of the credit risk element of the risk-adjusted discount rate and the sensitivities are most meaningful viewed independently of each other.

#### b) Expected life of PPP loans

The Group has originated PPP loans that are on balance sheet and are measured at amortised cost. Transaction fee income and broker commission expense associated with these loans is treated under IFRS 9 as an adjustment to the effective interest rate and are amortised over the expected life of the loans. While the contractual life of the PPP loans is up to five years, due to the design of the PPP loan programme, the loans are expected to be forgiven in a shorter period of time. The Group has determined that the estimated expected life of PPP loans is 16 months from origination. In arriving at this estimate, it has considered: the timeframe in which PPP borrowers are incentivised to apply for forgiveness prior to being required to commence repayments on the loans; recent steps the SBA had

taken to streamline the forgiveness process; and trends in historical PPP loans. The impact of the estimate on the period ended 30 June 2021 is the extent to which fee income and broker cost is deferred. At 30 June 2021 £16.3 million fee income received and £1.4 million of broker commission expense incurred was deferred to future periods.

Were the expected life to be 3 months longer at 19 months, an additional £0.7 million of fee income and an additional £0.1 million of costs would be deferred to future periods and not recognised in the period to 30 June 2021. A reduction in the expected life by 3 months to 13 months would increase the fee income recognised in the period to 30 June 2021 by £1.0m and the broker commissions recognised by £0.1m with a corresponding reduction in balances deferred to future periods.

Management considers that the reasonably possible range of outcomes to be +/- 3 months, however if the SBA further streamlines the forgiveness process or takes steps to offer automatic forgiveness of loans then the expected life could be shorter.

c) Estimated impairment of non-financial assets (note 6 and 10)

Non-financial assets (primarily intangible assets and property plant and equipment) are held within the Group within cash generating units ("CGUs") which are expected to benefit from the assets. The Group has three CGUs, being Funding Circle USA ("FCUSA") and its subsidiaries, Funding Circle Limited ("FCUK") and its subsidiaries and the German and Dutch businesses (Funding Circle Continental Europe or "FCCE"). These assets are assessed annually for impairment or when indicators of impairment are identified. In the 6 months ended 30 June 2021 it was determined there were not indicators of impairment and an interim Group impairment review was not undertaken. However for individual right-of-use assets and other fixed assets associated with the San Francisco office, impairment was identified as a result of sub-leasing the offices amounting to £3.9 million.

#### 4. 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 three geographic operating segments. Reporting on this basis is reviewed by the Global Leadership Team ('GLT') which is the chief operating decision-maker ('CODM'). The GLT is made up of the Executive Directors and other senior management and is responsible for the strategic decision making of the Group.

The three reportable segments consist of the geographic segments: the United Kingdom, the United States and Developing Markets. The Developing Markets segment includes the Group's businesses in Germany and the Netherlands.

The GLT measures the performance of each segment by reference to a non-GAAP measure, adjusted EBITDA which is defined as profit/loss before finance income and costs, taxation, depreciation and amortisation ("EBITDA"); and additionally excludes share-base payment charges and associated social security costs, foreign exchange, and exceptional items (see note 6). Together with Operating profit/loss, adjusted EBITDA is a key measure of Group performance as it allows better comparability of the underlying performance of the business.

Net income/(loss)	30 June 2021				30 June 2020			
	United Kingdom £m	United States £m	Developing Markets £m	Total £m	United Kingdom £m	United States £m	Developing Markets £m	Total £m
<b>Total income</b>	<b>98.8</b>	<b>20.2</b>	<b>1.6</b>	<b>120.6</b>	59.3	38.0	3.9	101.2
Fair value gains/(losses)	0.3	7.8	-	8.1	(34.8)	(61.3)	-	(96.1)
<b>Net income/(loss)</b>	<b>99.1</b>	<b>28.0</b>	<b>1.6</b>	<b>128.7</b>	24.5	(23.3)	3.9	5.1

Segment profit	30 June 2021				30 June 2020			
	United Kingdom £m	United States £m	Developing Markets £m	Total £m	United Kingdom £m	United States £m	Developing Markets £m	Total £m
<b>Adjusted EBITDA</b>	<b>41.0</b>	<b>11.8</b>	<b>0.5</b>	<b>53.3</b>	(22.1)	(54.1)	(7.9)	(84.1)
Depreciation and amortisation	(5.6)	(2.7)	-	(8.3)	(4.1)	(3.4)	(0.7)	(8.2)
Share-based payments and social security costs	(4.2)	(0.6)	-	(4.8)	(3.0)	(1.2)	(0.1)	(4.3)
Foreign exchange losses	-	(0.8)	-	(0.8)	-	-	-	-
Exceptional items	-	(3.9)	-	(3.9)	-	(12.0)	(4.9)	(16.9)
<b>Operating profit/(loss)</b>	<b>31.2</b>	<b>3.8</b>	<b>0.5</b>	<b>35.5</b>	(29.2)	(70.7)	(13.6)	(113.5)

## 5. Operating expenses

	30 June 2021			30 June 2020		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
	£m	£m	£m	£m	£m	£m
Depreciation, amortisation and impairment	8.3	3.9	12.2	8.2	12.4	20.6
Rental income and other recharges	(0.5)	-	(0.5)	(0.4)	-	(0.4)
Employment costs (including contractors)	39.4	-	39.4	44.5	3.8	48.3
Marketing costs (excluding employee costs)	27.4	-	27.4	22.4	-	22.4
Data and technology costs	4.4	-	4.4	5.7	-	5.7
Loan repurchase charge	0.1	-	0.1	5.5	-	5.5
Other expenses	10.2	-	10.2	15.8	0.7	16.5
<b>Total operating expenses</b>	<b>89.3</b>	<b>3.9</b>	<b>93.2</b>	<b>101.7</b>	<b>16.9</b>	<b>118.6</b>

## 6. 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.

During the period to 30 June 2021 certain floors of the San Francisco office were sublet to third parties for the remainder of the term of the head lease for an amount lower than the head lease rental. As a result the sublease was determined to be a finance lease which resulted in the right-of-use asset being de-recognised and a net investment in sublease recognised on the balance sheet. The difference between the carrying value of the right-of-use asset and the net investment in the sublease was £3.3 million (2020: £nil) and has been recorded in the statement of comprehensive income as an impairment under exceptional items. Additionally it was determined that the fixed assets associated with the office were impaired in full as they were no longer used by the Group resulting in impairment of £0.6 million (2020: £nil). There was no cash movement in relation to the impairment (2020: £nil).

In the prior period, the Group announced the restructuring the German and Dutch (Developing Markets) businesses. This restructuring resulted in one-off costs totaling £4.9 million. These comprised redundancy costs of £3.8 million, accelerated depreciation on the right of use assets of £0.4 million and other costs of £0.7 million. Cash payments associated with redundancy and other costs totaled £0.7 million to 30 June 2021 (to 30 June 2020: £2.4 million).

In the prior period, the Group recognised a goodwill impairment in relation to the Funding Circle USA business of £12.0 million. There was no cash movement in relation to the impairment.

## 7. 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 2021 (excluding the tax charge on Research and Development Expenditure Credits (RDEC)) is 5.30%, compared to nil% for the six months to 30 June 2020. The major components of income tax expense in the condensed consolidated statement of comprehensive income are:

	30 June 2021 £m	30 June 2020 £m
<b>Current tax</b>		
UK corporation taxation	2.0	0.1
Total current tax	2.0	0.1
<b>Total tax charge</b>	<b>2.0</b>	<b>0.1</b>

The above tax charge includes the amount of tax deducted from the gross RDEC credit receivable for 2021 and 2020 of £0.2m.

The Group has unrelieved tax losses that are available for offset against future taxable profits. The Group has not recognised a deferred tax asset in respect of these losses as there is not sufficient evidence of suitable continuing profits being generated to utilise these losses.

## 8. Earnings/(losses) per share

	30 June 2021 £m	30 June 2020 £m
Profit/(loss) for the period	33.4	(115.2)
Basic weighted average number of ordinary shares in issue (million)	350.4	348.8
Basic profit/(loss) per share	9.5p	(33.0)p
Profit/(loss) for the year before exceptional items	37.3	(98.3)
Basic weighted average number of ordinary shares in issue (million)	350.4	348.8
Basic profit/(loss) per share before exceptional items	10.6p	(28.2)p
Profit/(loss) for the period	33.4	(115.2)
Diluted weighted average number of ordinary shares in issue (million)	381.0	348.8
Diluted profit/(loss) per share	8.8p	(33.0)p
Profit/(loss) for the year before exceptional items	37.3	(98.3)
Diluted weighted average number of ordinary shares in issue (million)	381.0	348.8
Diluted profit/(loss) per share before exceptional items	9.8p	(28.2)p

## 9. Intangible assets

	Capitalised development costs	Computer software	Other intangibles	Total
	£m	£m	£m	£m
Net book value				
At 31 December 2020	24.2	0.1	0.1	24.4
At 30 June 2021	23.2	0.2	0.1	23.5

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

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

	30 June 2021 £m	31 December 2020 £m
Property, plant and equipment (owned)	3.0	3.9
Right-of-use assets	13.6	24.8
	<b>16.6</b>	<b>28.7</b>

During the period, right of use assets related to the US San Francisco office were sublet in a finance sublease. As a result the right of use asset was derecognised and a net investment in sub-lease was recognised within other receivables.

### Lease liabilities – maturity analysis

	30 June 2021 £m	31 December 2020 £m
No later than one year	7.3	7.3
Later than one year and no later than five years	19.8	21.7
Later than five years	0.4	1.8
<b>Total</b>	<b>27.5</b>	<b>30.8</b>

### Lease liabilities

	30 June 2021 £m	31 December 2020 £m
Current	7.3	7.3
Non-current	20.2	23.5
<b>Total</b>	<b>27.5</b>	<b>30.8</b>

## 11. Interest in associates

The Group holds 23.6% of Funding Circle European SME Direct Lending Fund I and 8.3% of Funding Circle UK SME Direct Lending Fund I at 30 June 2021 (30 December 2020 and 30 June 2020: 23.6% and 8.3%) which are accounted as investments in associates.

The Group's share of profit from associates in the period was £0.4 million (30 June 2020: share of losses of £1.1 million), the Group received capital distributions of £1.4 million (30 June 2020: £0.8 million) and the Group made additional investment of £nil into the funds (30 June 2020: £0.4 million).

## 12. Investments in SME loans

	30 June 2021 £m	31 December 2020 (Restated) <sup>1</sup> £m
<b>Non-current</b>		
Investment in loans (other) – amortised cost	227.2	25.0
Investment in trusts and co-investments– FVTPL	37.0	21.2
<b>Total non-current</b>	<b>264.2</b>	<b>46.2</b>
<b>Current</b>		
Investment in loans (warehouse) – FVTPL	108.8	221.8
Investment in SME loans (securitised) – FVTPL	207.1	279.8
<b>Total Current</b>	<b>315.9</b>	<b>501.6</b>
<b>Total</b>	<b>580.1</b>	<b>547.8</b>

1. See note 1.

## 13. Borrowings

During 2021, the Group maintained revolving credit facility agreements of up to £220 million in the UK and \$180 million and \$175 million for the Group's US ABS programmes respectively. The facilities were drawn down in order to fund the purchase of SME loans for the warehouses.

In the prior year, due to the impact of Covid-19 and the refocus towards CBILS and PPP loan originations, the warehouses ceased reinvestment of proceeds from SME loans and commenced paying down the outstanding facility balances during 2020.

During the period to 30 June 2021 the loans in the US warehouses were sold and the borrowing facilities fully paid down using the proceeds. As at 30 June 2021, the amounts drawn in the UK and US totalled £81.3 million (31 December 2020: £120.6 million) and \$nil million (31 December 2020: \$69.2 million) respectively. Interest is payable on the borrowings in the UK at 2.25% plus 1 month LIBOR and in the US were 2.5% plus the 3 month commercial paper rate on the first facility and at 3 month USD LIBOR + 2% on the second facility respectively.

Additionally in the US the Group has drawn \$315.5 million (31 December 2020: \$33.1 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 PPPLF contractually mature in up to five years however is extinguished at the point the corresponding PPP loans are forgiven.

## 14. Provisions and other liabilities

	Dilapidation	Loan repurchase	Restructuring <sup>1</sup>	Other <sup>1</sup>	Total
	£m	£m	£m	£m	£m
<b>At 1 January 2020</b>	0.9	2.9	-	0.2	4.0
Additional provision/liability	-	5.5	4.5	0.9	10.9
Amount utilised	-	(2.0)	(2.4)	(0.2)	(4.6)
<b>At 30 June 2020</b>	0.9	6.4	2.1	0.9	10.3
Exchange differences	-	0.2	-	(0.1)	0.1
Additional provision/liability	-	0.7	1.5	2.3	4.5
Amount utilised	-	(2.1)	(2.5)	(0.4)	(5.0)
<b>At 31 December 2020</b>	0.9	5.2	1.1	2.7	9.9
Exchange differences	-	(0.3)	-	(0.1)	(0.4)
Additional provision/liability	-	0.1	-	1.2	1.3
Amount utilised	-	(1.9)	(0.6)	-	(2.5)
Amount reversed	-	-	(0.1)	(2.1)	(2.2)
<b>At 30 June 2021</b>	<b>0.9</b>	<b>3.1</b>	<b>0.4</b>	<b>1.7</b>	<b>6.1</b>

<sup>1</sup>Restructuring provision is in relation to reorganisation of the US, German and Dutch businesses, see note 6. Other provisions includes provisions for operational buybacks.

### Current and non-current

	30 June 2021	31 December 2020
	£m	£m
Current	5.0	8.7
Non-current	1.1	1.2
<b>Total</b>	<b>6.1</b>	<b>9.9</b>

### Loan repurchase liability

In certain historical circumstances, in the less mature markets, Funding Circle has entered into arrangements with institutional investors to assume the credit risk on the loan investments made by the institutional investors. Under the terms of the agreements, the Group is required either to make payments when the underlying borrower fails to meet its obligation under the loan contract or buy the defaulted loan from the investors at its carrying value. In return for these commitments, the Group is entitled to the excess returns or additional income which is recorded as other income.

Under IFRS 9, the Group is required to provide for these loan repurchases under the expected credit loss ("ECL") model.

The liability related to each loan arranged is based on the ECLs associated with the probability of default of that loan in the next 12 months unless there has been a significant increase in credit risk of that loan since origination. The Group assumes there has been a significant increase in credit risk if outstanding amounts on the loan investment exceed 30 days, in line with the rebuttable presumption per IFRS 9.

The Group defines a default, classified within non-performing, as a loan investment with any outstanding amounts exceeding a 90-day due date, which reflects the point at which the loan is considered to be credit-impaired. Under the loan repurchase contracts, this was the point at which there is an obligation for the Group to make a payment under the contract or buy back the loan. However, while the buyback agreement is contractually defined as 90 days past due, due to the impact of Covid-19, a consent letter was signed with the institutional investors in April 2020 to accommodate loans on forbearance plans whereby loans on such plans will be repurchased at 180

days past due. However, the definition of default for the purposes of expected credit losses remains 90 days past due and the buyback may lag the default definition applied.

If the loan is bought back by the Group, at the point of buy back, the financial asset associated with the purchase meets the definition of purchased or originated credit impaired ("POCI"); this element of the reserve is therefore based on lifetime ECLs.

The Group bands each loan investment using an internal risk rating and assesses credit losses on a collective basis.

	Performing: 12-month ECL £m	Underperforming: Lifetime ECL £m	Non- performing: Lifetime ECL £m	Total £m
<b>At 1 January 2020</b>	2.1	0.8	-	2.9
Liability against new loans originated	-	-	-	-
Exchange differences	0.1	0.1	-	0.2
Liability against loans transferred from performing	(0.3)	0.5	4.9	5.1
Amounts utilised	-	-	(4.1)	(4.1)
Loans repaid	(0.8)	-	-	(0.8)
Change in probability of default	1.1	0.1	0.7	1.9
<b>At 31 December 2020</b>	2.2	1.5	1.5	5.2
Liability against new loans originated	-	-	-	-
Exchange differences	(0.3)	-	-	(0.3)
Liability against loans transferred from performing	(0.1)	(0.4)	0.9	0.4
Amounts utilised	-	-	(1.9)	(1.9)
Loans repaid	(0.6)	-	-	(0.6)
Change in probability of default	0.7	(0.5)	0.1	0.3
<b>At 30 June 2021</b>	1.9	0.6	0.6	3.1

	Expected credit loss coverage (%)	Basis for recognition of loan repurchase liability	Gross assets of external parties subject to loan repurchase liability (£m)	Loan repurchase liability (£m)
<b>As at 31 December 2020</b>				
Performing (due in 30 days or less)	10.8	12 month ECL	20.3	2.2
Underperforming (31–90 days overdue)	71.5	Lifetime ECL	2.1	1.5
Non-performing (90+ days overdue)	79.0	Lifetime ECL	1.9	1.5
<b>Total</b>			24.3	5.2
<b>As at 30 June 2021</b>				
Performing (due in 30 days or less)	13.8	12 month ECL	13.7	1.9
Underperforming (31–90 days overdue)	63.7	Lifetime ECL	1.0	0.6
Non-performing (90+ days overdue)	77.0	Lifetime ECL	0.8	0.6
<b>Total</b>			15.5	3.1

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

Macroeconomic scenarios are probability weighted within the model and include stress scenarios of: i) low losses, a high GDP, market confidence and political stability; ii) normal losses based on baseline economic conditions; iii) high losses with manufacturing and political instability; iv) very high losses reflecting Covid-19 stress scenarios with an acceleration of defaults to a peak in H2 2021 as government support schemes are eased and then de-stress gradually afterwards.

The stress scenario used was a geography-weighted scenario reflecting higher losses on the Netherlands book than that of the German portion of the loan book, resulting in a blended stress of defaults peaking in H2 2021 and de-stressing gradually afterwards.

The expected credit loss model includes actual defaults determined by monthly cohort, adjusted for forecasted lifetime cumulative default rates. It applies the latest default curve and lifetime default rates tailored to each cohort based on the expected lifetime default rate. When actual defaults trend higher than the curve, the forecast default curve is shifted upwards to align with actual performance. Estimated recoveries from defaults are discounted back to their present value using the effective interest rate.

Estimation is required in assessing individual loans and when applying statistical models for collective assessments, using historical trends from past performance as well as forward-looking information including macroeconomic forecasts such as changes in interest rates, GDP and inflation in each market together with the impact on loan defaults. The most significant estimation is with default rates on performing loans. For the period ended 30 June 2021 the weighted average lifetime default rate is estimated at 20.6% (31 December 2020: 20.5%). If the weighted average default rate estimate were to change by +/-250bps the liability would change by £1.2 million for the period ended 30 June 2021 (31 December 2020: £1.2 million from +/-240bps). It is considered that the range of reasonably possible outcomes in annual default rates used might be +/-250bps and as a result it is possible that the liability in future could diverge from management's estimate

The maximum exposure the Group might have to pay at the balance sheet date if 100% of eligible loans were required to be bought back would be £15.5 million (31 December 2020: £24.3 million). This would be dependent on the timing of any eligible loans defaulting. Repayments of eligible loans are no longer reinvested and therefore the final loan is due to expire in December 2024, along with the associated financial guarantees. At 30 June 2021, there is only one portfolio of loans.

## 15. Financial risk management

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 to 31 December 2020.

There has not been a significant change in the Group's financial risk management processes or policies since the year end.

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

- investments;
- 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 2021				31 December 2020			
	Assets at fair value through profit and loss	Amortised cost	Other	Total	Assets at fair value through profit and loss	Amortised cost	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Assets</b>								
Investments in SME loans (other)	-	227.2	-	227.2	-	25.0	-	25.0
Investment in SME loans (warehouse)	108.8	-	-	108.8	221.8	-	-	221.8
Investment in SME loans (securitised)	207.1	-	-	207.1	279.8	-	-	279.8
Investment in trusts and co-investments	37.0	-	-	37.0	21.2	-	-	21.2
Trade and other receivables	0.1	21.9	-	22.0	0.3	19.4	-	19.7
Cash and cash equivalents	65.4	102.7	-	168.1	24.8	78.5	-	103.3
	<b>418.4</b>	<b>351.8</b>	<b>-</b>	<b>770.2</b>	<b>547.9</b>	<b>122.9</b>	<b>-</b>	<b>670.8</b>
<b>Liabilities</b>								
Trade and other payables	-	(12.7)	-	(12.7)	-	(7.7)	-	(7.7)
Loan repurchase liability	-	-	(3.1)	(3.1)	-	-	(5.2)	(5.2)
Bank borrowings	-	(309.6)	-	(309.6)	-	(195.5)	-	(195.5)
Bonds	(11.8)	(192.3)	-	(204.1)	(7.8)	(286.5)	-	(294.3)
Lease liabilities	-	(27.5)	-	(27.5)	-	(30.8)	-	(30.8)
	<b>(11.8)</b>	<b>(542.1)</b>	<b>(3.1)</b>	<b>(557.0)</b>	<b>(7.8)</b>	<b>(520.5)</b>	<b>(5.2)</b>	<b>(533.5)</b>

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

**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 2020.

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.

The fair value of financial instruments that are not traded in an active market (for example, investments in SME loans) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. 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 to 31 December 2020: none).

**Fair value measurement using**

	<b>30 June 2021</b>			<b>31 December 2020</b>		
	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
<b>Financial assets</b>						
Trade and other receivables	-	0.1	-	-	0.1	0.2
Investment in SME loans (warehouse)	-	-	108.8	-	-	221.8
Investment in SME loans (securitised)	-	-	207.1	-	-	279.8
Investment in trusts and co-investments	-	-	37.0	-	-	21.2
Cash and cash equivalents	65.4	-	-	24.8	-	-
	<b>65.4</b>	<b>0.1</b>	<b>352.9</b>	<b>24.8</b>	<b>0.1</b>	<b>523.0</b>
<b>Financial liabilities</b>						
Bonds	-	-	(11.8)	-	-	(7.8)
	<b>-</b>	<b>-</b>	<b>(11.8)</b>	<b>-</b>	<b>-</b>	<b>(7.8)</b>

The fair value of investment in SME loans (warehouse) has been estimated by discounting future cash flows of the loans using discount rates that reflect the changes in market interest rates and observed market conditions at the reporting date. The estimated fair value and carrying amount of the investment in SME loans (warehouse) was £108.8 million at 30 June 2021 (31 December 2020: £221.8 million).

The fair value of investment in SME loans (securitised) represents loan assets in the securitisation vehicles and has been estimated by discounting future cash flows of the loans using discount rates that reflect the changes in market interest rates and observed market conditions at the reporting date. The estimated fair value and carrying amount of the investment in SME loans (securitised) was £207.1 million at 30 June 2021 (31 December 2020: £279.8 million).

Bonds represent the unrated tranches of bond liabilities measured at fair value through profit and loss (the rated tranches of bonds are measured at amortised cost). The fair value has been estimated by discounting future cash flows in relation to the bonds using discount rates that reflect the changes in market interest rates and observed market conditions at the reporting date. The estimated fair value and carrying amount of the bonds was £11.8 million at 30 June 2021 (31 December 2020: £7.8 million).

Investment in trusts and co-investments represent the Group's investment in the trusts and unconsolidated vehicles used to fund CBILS, RLS and core loans and is measured at fair value through profit and loss. The fair value has been estimated by discounting future cash flows in relation to the trusts and co-investments using discount rates that reflect the changes in market interest rates and observed market conditions at the reporting date. The estimated fair value and carrying amount of the investment in trusts and co-investments was £37.0 million at 30 June 2021 (31 December 2020: £21.2 million).

Fair value movements on investment in SME loans (warehouse), investment in SME loans (securitised), investments in trusts, and bonds (unrated) 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:

	Investment in SME loans (warehouse) £m	Investment in SME loans (Securitised) £m	Bonds (unrated) £m	Investment in trusts and co- investments £m	Trade and other receivables £m
Balance as at 1 January 2020	342.0	366.6	(20.0)	-	-
Additions	286.9	-	-	20.9	-
Securitisations	(214.2)	214.2	-	-	-
Transfers	(0.2)	-	-	-	0.2
Repayments	(146.9)	(211.7)	4.2	-	-
Disposal	-	-	(4.0)	-	-
Net (loss)/gain on the change in fair value of financial instruments at fair value through profit or loss	(43.4)	(87.2)	12.0	0.3	-
Foreign exchange loss	(2.4)	(2.1)	-	-	-
<b>Balance as at 31 December 2020</b>	<b>221.8</b>	<b>279.8</b>	<b>(7.8)</b>	<b>21.2</b>	<b>0.2</b>
Additions	-	-	-	15.7	-
Transfers	0.2	-	-	-	(0.2)
Repayments	(53.1)	(77.7)	-	-	-
Disposal	(63.6)	-	-	-	-
Net (loss)/gain on the change in fair value of financial instruments at fair value through profit or loss	4.7	7.2	(4.0)	0.2	-
Foreign exchange loss	(1.2)	(2.2)	-	(0.1)	-
<b>Balance as at 30 June 2021</b>	<b>108.8</b>	<b>207.1</b>	<b>(11.8)</b>	<b>37.0</b>	<b>-</b>

## Financial risk factors

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents held at banks. The Group's maximum exposure to credit risk by class of financial asset is as follows:

	30 June 2021	31 December 2020 (Restated) <sup>2</sup>
	£m	£m
<b>Non-current</b>		
Investment in SME loans (other)	227.2	25.0
Investment in trusts and co-investments	37.0	21.2
<b>Current</b>		
Investment in SME loans (warehouse)	108.8	221.8
Investment in SME loans (securitised)	207.1	279.8
<b>Trade and other receivables</b>		
- Trade receivables	0.9	1.6
- Other receivables	13.2	15.5
- Rent and other deposits	2.5	2.6
Cash and cash equivalent	168.1	103.3
<b>Total gross credit risk exposure</b>	<b>764.8</b>	<b>670.8</b>
Less bank borrowings and bond liabilities <sup>1</sup>	(513.7)	(489.8)
<b>Total net credit risk exposure</b>	<b>251.1</b>	<b>181.0</b>

1. Included within bank borrowings are \$315.5m (31 December 2020: \$33.1 million) in relation to draw downs on the PPPLF.

2. See note 1.

In addition the Group is subject to financial guarantees it has issued to buy back loans detailed in the loan repayment provision 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 £15.5 million (31 December 2020: £24.3 million). Investment in SME loans (warehouse) and investment in SME loans (securitised) relate to the underlying pool of SME loans in both the warehouse and securitisation vehicles. Whilst there is credit risk from the loans defaulting, these SME loans and the associated bank debt or third party bonds are held within bankruptcy remote vehicles. If the SME loans were to all default, then the bank debt holders or third party bondholders would not receive their money back. Therefore the overall exposure to the Group for these investments is the Group's net investment in the SME loans which is after taking account of the bank debt and third party bonds. The investment in SME loans (other) includes PPP loans funded by the use of the PPPLF. The loans are guaranteed by the US Government in the event of default and the loans are anticipated to be forgiven. At the point of default and subsequent collection of the guarantee or point of forgiveness, the loan and the respective borrowings under the PPPLF are extinguished.

Trade receivables represent invoiced amount 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 financial statements.

Other receivables includes amounts receivable in respect of credit impaired debts acquired by the Group. The carrying amount of these loans are stated net of impairment charges, represents the

Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

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.

### **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, as far as possible, that it will always 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 investments in loan securities held within the ABS warehouses are planned to be monetised within a short time horizon these are classified as current assets.

### **Interest rate risk**

#### **a) Interest rate risk sensitivity analysis – non trading interest (fixed rate)**

Interest on investments in 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 – non trading interest (floating rate)**

Interest on cash and cash deposit balances are subject to movements in LIBOR. The Directors monitors interest rate risk and note that interest rates remain near historical low. The Directors believe that any reasonable increase in the Libor rate would not significantly impact the Group.

Interest on UK warehouse borrowings are subject to movements in 1 month GBP LIBOR. However, the Group has taken out interest rate caps to mitigate the risk of interest rate rises.

Interest on bonds (in the UK) is subject to movements in the Sterling Overnight Index Average Rate ("SONIA"). However, the Group has mitigated the risk of increases in interest rates through the use of interest rate caps.

Following the financial crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR and other inter-bank offered rates ('IBORs') has become a priority for global regulators. There remains some uncertainty around the timing and precise nature of these changes. As described above the Group is exposed to GBP and USD LIBOR on bank borrowings.

The Group has monitored the market and output from industry working groups and regulators which manage the transition to the new benchmark interest rates away from GBP LIBOR to SONIA and USD LIBOR to SOFR. In response to the transition the Group has identified all its LIBOR exposures and is undertaking a plan to smoothly transition to alternative benchmark rates. Given the Group's exposures relate to bank borrowings, the impact is limited and the Group expects to rely on fall-back language within the contracts.

The amendments to IFRS 9 will be applied until uncertainty arising from the benchmark interest rate reforms that the Group is exposed to ends. This uncertainty will remain until the Group's contracts that reference LIBOR are amended to reference the alternative benchmark.

## 16. Cash outflow from operations

	30 June 2021 £m	30 June 2020 £m
Profit/(loss) before taxation	35.4	(115.1)
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	3.4	4.6
Amortisation of intangible assets	4.9	3.6
Impairment of goodwill (exceptional item)	-	12.0
Impairment of tangible assets (exceptional item)	3.9	0.4
Interest receivable	(0.1)	(0.3)
Interest payable	0.6	0.8
Non-cash employee benefits expense – share based payments and associated social security costs	4.4	4.3
Fair value adjustments	(8.1)	96.1
Movement in restructuring provision (exceptional item)	(0.7)	2.1
Movement in other provisions	(3.1)	4.2
Share of (gains)/losses of associates	(0.4)	1.1
Other non-cash movements	0.3	(0.4)
<i>Changes in working capital:</i>		
Movement in trade and other receivables	14.0	(18.8)
Movement in trade and other payables	19.6	4.8
<b>Net cash inflow/(outflow) from operating activities</b>	<b>74.1</b>	<b>(0.6)</b>

## Analysis of changes in liabilities from financing activities

	1 January 2020 £m	Cash flows £m	Exchange movements £m	Other non- cash movements £m	30 June 2020 £m
Bank borrowings	(265.8)	(5.9)	(7.7)	-	(279.4)
Bonds	(348.7)	(89.4)	(11.8)	11.9	(438.0)
Lease liabilities	(38.3)	3.5	(1.5)	0.1	(36.2)
<b>Liabilities from financing activities</b>	<b>(652.8)</b>	<b>(91.8)</b>	<b>(21.0)</b>	<b>12.0</b>	<b>(753.6)</b>

  

	1 January 2021 £m	Cash flows £m	Exchange movements £m	Other non- cash movements £m	30 June 2021 £m
Bank borrowings	(195.5)	(114.3)	0.2	-	(309.6)
Bonds	(294.3)	92.8	1.4	(4.0)	(204.1)
Lease liabilities	(30.8)	3.8	0.1	(0.6)	(27.5)
<b>Liabilities from financing activities</b>	<b>(520.6)</b>	<b>(17.7)</b>	<b>1.7</b>	<b>(4.6)</b>	<b>(541.2)</b>

## 17. Cash and cash equivalents

	30 June 2021 £m	31 December 2020 £m
Cash and cash equivalents	168.1	103.3

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 £33.9 million (31 December 2020: £44.2 million) in cash which is restricted in use. Of this: i) £1.0 million (31 December 2020: £1.0 million) is held in the event of rental payment defaults; ii) £25.1 million (31 December 2020: £38.9 million) is held in the securitisation and warehouse SPVs which has been collected for on-payment to lenders and bond holders and is therefore restricted in its use; iii) £7.8 million (31 December 2020: £4.3 million) is held within Funding Circle Focal Point Limited and Funding Circle Eclipse Limited and which is restricted in use to repaying investors in CBILS/RLS loans and paying CBILS and RLS-related costs to the UK Government.

At 30 June 2021, cash equivalents relating to money market funds totalled £65.4 million (31 December 2020: £24.8 million).

## 18. Related party transactions

The basis of remuneration of key management personnel remains consistent with that disclosed in the 2020 Annual Report and Accounts. There were no other related party transactions which had a material impact on these condensed interim financial statements.

## 19. Contingent liabilities

In common with other businesses, the Group is involved from time to time in disputes in the ordinary course of business. These disputes can include counter claims made by defaulted borrowers, against whom Funding Circle has filed a claim for the recovery of monies owed under a loan agreement. There is one current case in the US. Funding Circle considers these claims to be without any substantive legal merit and does not expect them to have a material adverse financial impact on the group's consolidated results or net assets, however as proceedings are in the early stages the outcome cannot be reliably measured.

## 20. 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 2020.

## 21. Subsequent events

There have been no subsequent events since the balance sheet date.

# 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
<b>Income statement</b>			
Adjusted EBITDA	EBITDA, while not defined under IFRS, is a widely accepted profit measure	Refer to Finance Review.	Profit/loss before finance income and costs, taxation, depreciation and amortisation (“EBITDA”) and additionally excludes share-based payment charges and associated social security costs, foreign exchange and exceptional items.
Investment AEBITDA and Operating AEBITDA	EBITDA, while not defined under IFRS, is a widely accepted profit measure	Refer to Finance Review.	Investment AEBITDA is defined as investment income, investment expense and fair value adjustments and operating AEBITDA represents AEBITDA excluding investment AEBITDA.
Net investment income	Net income	Refer to performance highlights	Net investment income, represents investment income less investment expense.
Exceptional items	None.	Refer to note 6.	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 GLT.
<b>Cash flow</b>			
Free cash flow	Cash generated from operating activities.	Refer to Finance Review.	Net cash flows from operating activities plus 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.

# **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 2021 Results of Funding Circle Holdings plc for the 6 month period ended 30 June 2021 (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.

### **What we have reviewed**

The interim financial statements comprise:

- the Condensed consolidated balance sheet as at 30 June 2021;
- 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 2021 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.

## **Responsibilities for the interim financial statements and the review**

### **Our responsibilities and those of the directors**

The Half Year 2021 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 2021 Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Half Year 2021 Results based on our review. 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.

### **What a review of interim financial statements involves**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. 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 2021 Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.