Funding Circle Holdings plc
Full Year 2024 Results

STRONG GROWTH WITH PROFIT AHEAD OF EXPECTATIONS
ON TRACK TO DELIVER MEDIUM TERM GUIDENCE

Funding Circle Holdings plc ("Funding Circle" or the "Group") today announces results for the twelve months ended 31 December 2024.

Lisa Jacobs, Funding Circle CEO, commented:

"2024 was a transformative year for Funding Circle. We successfully executed our plan to build a simpler, leaner, and more profitable business while making strong progress in expanding our Term Loans and FlexiPay offerings. The results we are reporting today show strong revenue growth of 23% to £160m and FY profit of £3.4m, ahead of market expectations.

"Strong SME demand drove growth in our Term Loans business, allowing us to support more borrowers than ever and increase originations by 33%. At the same time, FlexiPay, our shorter-term lending product, continues to see rapid adoption.

"Our commitment to product expansion, powered by our leading data and technology capabilities, has strengthened our role in supporting small businesses. The launch of our Cashback credit card in the second half of the year enhances our offering, enabling businesses not only to borrow and pay later but also to spend with Funding Circle.

"With strong foundations in place, we are confident in our strategy and the opportunities ahead. We remain on track to achieve our medium-term target of over £200m in revenue, with PBT margins exceeding 15%."

	FY 2024	FY 2023[1]
	£m	£m
Credit extended[2]	**1,899**	1,294
Balances under management[2]	**2,833**	2,922
Revenue[3]	**160.1**	130.1
Profit/(loss) before taxation (before exceptional items)	**3.4**	(9.9)
Profit/(loss) before taxation (after exceptional items)	**0.8**	(9.9)
Unrestricted Cash[4]	**150.5**	169.6

Financial Summary:

- For the Continuing Group[1], credit extended grew 47% to £1,899m (2023: £1,294m):
  - Continued momentum in UK Term Loan ("Term Loan") originations up 33% to £1,407m (2023: £1,060m).
  - Strong growth in FlexiPay transactions, more than doubling to £492m (2023: £234m).
- Balances under management were slightly lower at £2,833m (2023: £2,922m) in line with expectations:
  - Term Loan Loans under Management ("LuM") of £2,714m (2023: £2,853m) reflects the repayment of legacy Covid government-guaranteed loans and is expected to grow in 2025.
  - FlexiPay balances, which drive FlexiPay's revenue, doubled to £119m (2023: £58m).
- Revenue was £160.1m with 23% growth on 2023 with a strong performance from both Term Loans and FlexiPay.
- Significant move to profit, with profit before tax (PBT) pre-exceptionals of £3.4m (2023: Loss before tax £9.9m).
- Term Loans increased profitability with PBT pre-exceptionals of £19.0m (2023: £6.5m) reflecting strong cost actions and operating leverage, which covers the investment in FlexiPay and the Cashback credit card.
- Exceptional items of £2.6m, related to the simplification and streamlining of the business announced in May 2024, led to a profit before tax of £0.8m (2023: £9.9m loss).

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[1] The comparative financial information has been re-presented to exclude the US business which is presented as discontinued operations. The Continuing Group excludes the US discontinued operations.
[2] Credit extended includes Originations and Transactions and Balances under management include LuM and Lines of Credit.
[3] Net income is also referred to as "Revenue".
[4] Unrestricted cash refers to total cash less cash that is restricted in use.

- Unrestricted cash remained healthy at £150.5m (2023: £169.6m), with a decrease due to the two share buyback programmes in the year, which are anticipated to conclude in Q2 2025. As at 31 December 2024, £33.7m worth of shares (33.5m shares) of the total £50m of announced buybacks had been purchased.

Operational & Strategic Summary:

- Delivered on our plan for a simpler, leaner and profitable business:
  - Successful sale of US business to iBusiness Funding for a gain on sale of £10m.
  - Progressed cost-efficiency actions and on track to deliver c.£15m of annualised benefit in 2025 and, together with the US sale, reduced total headcount to 726 (Dec 2023: 1,101 including US).

- Continued to drive growth and innovate across all our products to support our strategic ambitions:
  - **Term Loans:** Origination growth of 33% with increasing PBT margins to 13.3%, driven by product innovation and cost actions. Launched the government's Growth Guarantee Scheme (GGS) loans, allowing us to extend credit to a broader set of the market. Grew the breadth of our Marketplace product set, monetising our distribution strength, and allowing us to extend credit to businesses that we can't help directly get the funding they need.
  - **FlexiPay:** Continued strong growth from both new and existing customers, with 70% of 2024 revenue from existing customers (pre-2024). Transactions doubled and closing balances grew 105% to £119m.
  - **Cashback credit card:** Launched in H2 2024 with steady uptake in users and borrower usage exceeding expectations.

- Robust and attractive Term Loan returns through the cycle:
  - Annualised net returns on Term Loans consistently ~5%, above cost of capital, to institutional investors.

Looking ahead:

- Our refreshed strategic priorities are focused on customer-led profitable growth:
  - **Get to yes:** get the right product to the right business, through credit excellence and product improvements.
  - **Expand our audience:** target new segments; deepen and expand our distribution channels.
  - **Scale our products:** capitalise on the large market opportunity by focusing on refining and scaling our products to drive growth and margin expansion.
  - **Build a seamless lifetime customer experience:** deliver an exceptional experience throughout our customers' lifetime journey with our expanded product set, as their trusted financial partner.

We have made a good start to the year, we have attractive growth opportunities and are on track to deliver our medium term guidance in 2026 of 15-20% revenue CAGR from FY23 and PBT margins of >15%, equating to:

  - Revenue of at least £200m
  - Profit before tax of at least £30m

Board Changes

The Company noted in the FY 2023 Annual Report and Accounts that there would be some upcoming changes in Board composition in respect of some of its long-tenured Directors.

Geeta Gopalan, Chair of the Audit & Risk Committee and Senior Independent Director, and Neil Rimer, Non-Executive Director, have both informed the Board of their intention to step down later this year. To ensure a smooth transition and maintain Board continuity, they will stand for re-election at the forthcoming Annual General Meeting and, subject to shareholder approval, intend to continue to serve as Directors until suitable candidates have been identified and appointed.

With Ken Stannard now in place as Chair Designate, the Nomination Committee has renewed its search process for independent Non-Executive Directors, with the appropriate skills and experience to drive the business through the next phase of growth.

Analyst presentation:
Management will host a presentation and conference call for institutional investors and analysts at 9:30am UK time (BST), on Thursday 6 March 2025.

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

For conference call access, please dial +44 33 0551 0200 or +1 786 697 3501. Quote 'Funding Circle Full Year Results' when prompted by the operator.

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

For further details:

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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.

About us:
Funding Circle is the UK's leading SME finance platform. We operate in a large, attractive and growing market, with over £80bn of outstanding debt in the UK SME market and £1.3trn of B2B SME payments each year. In the UK, Funding Circle has extended £14.6bn in credit to c.110,000 businesses.

We provide an unrivalled customer experience, powered by data and technology. This advantage is clear in our credit assessment process, with our models 3x better at discriminating risk than traditional bureau scores. It also delivers superior results for our customers. 77% of applicants receive an instant decision, we have a strong NPS of 79 and see strong repeat usage, especially with FlexiPay.

We are constantly looking at ways to innovate our product offering which enables customers to borrow, pay later and spend with Funding Circle and serve more small business needs. In Q3 2024, we launched a new Cashback credit card for everyday business spending.

Business Review

2024 was a successful year of change and transformation as we executed against our plan to deliver a simpler, leaner and profitable business. We have delivered strong revenue growth and profitability ahead of market expectations. Our business is in a strong position as the market leader in online SME lending. We have leveraged our data and technology strengths to expand our product set to serve more of our customers' needs. We have delivered robust, attractive loan returns to our institutional investors through the cycle. We have an attractive go forward plan, driving sustained revenue growth and expanding our margins.

Borrow, Pay Later and Spend: Our multiproduct transformation

Three years ago we set an ambition to be a multi-product business, one that enabled businesses to not only borrow for the longer term, but to also pay later and spend, becoming a more important part of our customers' lives and providing further growth opportunities. Over the last three years, we have delivered against this plan. Today, businesses can borrow with our Term Loan, for longer term investment; pay later, managing their cash flow through FlexiPay; or spend on our Cashback credit card.

This shift is reaping strong rewards for our business. First, we have seen strong growth. In 2024, more than a quarter of our credit extended was via FlexiPay and FlexiPay revenue grew threefold. Secondly, we are seeing an increase in our share of our customers' financing as over 70% of FlexiPay revenue came from existing Term Loan customers. Finally, we have increased our interactions and engagement with our customers. Three years ago, we interacted with a customer approximately every half an hour, today we interact with a customer every 92 seconds as they take a loan, FlexiPay a supplier or spend on their business credit card.

Our competitive advantage: data and technology at the heart of everything we do

We've delivered this by leveraging our credit, data and technology advantage, delivering the same great customer experience. SMEs want fast, easy access to credit. We provide that with a six minute application form, an instant decision for 77% of applicants and funding in businesses' accounts in as little as 24 hours. This drives strong customer satisfaction with an NPS of 79 and enables our busy customers to get back to what they do best, running their business.

Our AI powered risk models are trained with data from public sources alongside proprietary data on our hundreds of thousands of loans and transactions and are three times better at discriminating risk than the bureau scores alone. Despite the challenging macroeconomic environment of the last several years, our business has delivered well through the cycle. Loan returns have been robust and attractive, attracting further institutional investor demand and we have continued to attract and serve SME demand.

Fuelling the nation's SMEs

We're passionate about our mission. We provide the fuel to power SMEs up and down the country. We enable these entrepreneurs to build great businesses that create jobs, bring economic growth and support their communities. They aren't the high growth venture-backed rocket ships, but they are the backbone of the economy - the florists, the manufacturers, the restauranteurs, the builders and countless others. They have a huge impact on the economy, but they have historically been underserved. For the last 15 years, we've been changing that with fast, easy finance that backs small businesses.

As we continue to back these businesses, we're also backing the economy. In 2024, lending through Funding Circle supported over 87,000 jobs; £7.2bn in GDP contribution and £2.0bn in tax receipts. We lent to businesses in every one of the country's 650 constituencies.

2024: A simpler, leaner, high growth, profitable business

In 2024, we executed well. We delivered £3.4m in PBT pre-exceptionals, above market expectations and up from a loss of £9.9m in 2023. Revenue grew by 23% to £160m. Alongside this, our credit extended grew 47% to £1.9bn. We have a strong balance sheet and, despite £33.7m of share buybacks in 2024, we finished the year with a healthy unrestricted cash position of £151m.

Our core Term Loans business grew strongly with 33% origination growth, reaching £19.0m in PBT, a margin of 13.3% as we attracted more businesses and enhanced our product offering, launching government-backed Growth Guarantee Scheme loans and a broader Marketplace offering.

FlexiPay, our pay later proposition, continued to show strong growth with revenue tripling over the course of the year. Businesses have now FlexiPaid more than 280,000 times. When we launched FlexiPay, we had a hypothesis that this would be a product that would attract both existing and new to Funding Circle customers, and this is the case - with ~30% of our 2024 FlexiPay revenue from new customers. We continue to see strong usage from existing FlexiPay customers, once a customer starts using FlexiPay it becomes part of their day to day cash flow management tools. In 2024, over 70% of revenue was from customers who had opened their FlexiPay account before 2024. In H2 2024, we launched our Cashback credit card, completing our 'borrow, pay later and spend' proposition. It is still early days for our Cashback credit card but initial metrics are in line with our expectations and we look forward to seeing further growth in 2025 and beyond.

We sold the US business in July for a gain on sale of £10m and restructured the UK business, to deliver ~£15m in annualised cost savings from 2025. These were not easy decisions to make. We said goodbye to some talented Circlers who were vital in our business's journey. However, these decisions were essential to position the Group for long term success - they have placed the business in a strong position to deliver against our medium-term plan with continued growth and profitability trajectory.

Looking ahead

2024 was a strong year, but we are still just scratching the surface. The market opportunity is vast, there is over £80bn in SME loans outstanding, over £1trn in SME B2B payments and over £80bn in SME card transactions. We are in a strong position to capitalise on this opportunity with high customer satisfaction rates driven by proprietary and defensible data and technology advantages.

Our four strategic priorities are focused on profitable, customer-led growth:

- **Get to yes:** get the right product to the right business, through credit excellence and product improvements.
- **Expand our audience:** target new segments; deepen and expand our distribution channels.
- **Scale our product offering:** capitalise on the large market opportunity by focusing on refining and scaling our products to drive growth and margin expansion.
- **Build a seamless lifetime customer experience:** deliver an exceptional experience throughout our customers' lifetime journey with our expanded product set, as their trusted financial partner.

We have a strong, mission-driven team, a clear vision and plan. As we execute this plan, we'll become an even more integral part of our customers' lives, fuelling the success stories of hundreds of thousands more businesses and creating countless jobs. We see a future where Funding Circle is at the heart of SMEs' financial lives, providing the tools and resources they need to thrive.

Finance review

Overview of the year ended 31 December 2024
We were pleased with the strong operational and strategic performance in 2024. We saw significant growth in both of our businesses and improving Group profitability compared to 2023. The Group comprises two continuing Business Units which are at different stages of maturity: Term Loans (a longer-term financial product offering) and FlexiPay (a shorter-term working capital product).

In H2 2024 we launched the Cashback credit card. Given its recent launch, its contribution is relatively minimal. We have therefore included its results, transactions and balances in the FlexiPay segment.

The US business was sold on 1 July 2024 and is therefore treated as discontinued in the year.

	Originations and transactions		Balances under management	
	FY 2024	FY 2023	**31 December 2024**	31 December 2023
	£m	£m	**£m**	£m
Continuing operations				
UK Term Loans	**1,407**	1,060	**2,714**	2,853
Other	**—**	—	**n/a**	11
FlexiPay	**492**	234	**119**	58
Total	**1,899**	1,294	**2,833**	2,922

Term Loans

Term Loans originations increased by 33% to £1,407m (2023: £1,060m). Growth was driven by increased applications, product innovation and enhancements. We participated in the third iteration of the Recovery Loan Scheme ("RLS") (H2 2023 to H1 2024) and the longer-term government guarantee programme, the Growth Guarantee Scheme ("GGS") (from H2 2024). These schemes have enabled us to provide finance to SMEs in parts of the market we would not have reached otherwise.

Term loan originations were funded in a platform model through forward flow agreements with institutional investors. As the loans are owned by these institutional investors, the LuM do not form part of Funding Circle's balance sheet.

We have also continued to grow originations through our Marketplace network of third party finance providers, where we refer SMEs if we are unable to lend to them directly, earning a commission. This allows us to support an even greater number of SMEs access a wide range of financing options.

Despite strong originations in the year, LuM decreased in 2024 as the amortisation of the legacy Covid-19 government-guaranteed loans outpaced growth in new lending. As at 31 December 2024, the legacy Covid-19 loans represented £743m (31 December 2023: £1,457m), c.27% of total LuM. We expect Term Loan LuM to grow in 2025.

As at 31 December 2024, we have c.£2.1bn of forward funding in place for future originations.

FlexiPay and Cashback credit card

Our line of credit product, FlexiPay, has demonstrated significant growth to date and we continue to invest in it. We successfully launched our Cashback credit card in H2 2024 with a good uptake from our customers.

Transactions more than doubled since FY 2023, reaching £492m (2023: £234m), demonstrating strong customer engagement. Drawn lines of credit ("balances") grew to £119m at 31 December 2024 (2023: £58m), in line with transaction growth.

FlexiPay and the Cashback credit card are funded by Funding Circle capital and a senior debt facility. The lines of credit are part of Funding Circle's balance sheet.

Segmental highlights

	31 December 2024[1] Continuing operations			31 December 2023[1] Continuing operations			
	UK Term Loans	**FlexiPay**	**Total**	UK Term Loans	FlexiPay	Other Term Loan	Total
	£m	£m	**£m**	£m	£m	£m	£m
Transaction fees	84.7	0.6	**85.3**	65.2	0.1	–	65.3
Servicing fees	37.5	–	**37.5**	38.8	–	0.2	39.0
Interest income	8.3	22.6	**30.9**	7.5	7.8	0.1	15.4
Other fees	5.1	0.1	**5.2**	6.3	–	0.1	6.4
Operating income	135.6	23.3	**158.9**	117.8	7.9	0.4	126.1
Net investment income	2.8	–	**2.8**	3.6	–	–	3.6
Total income	138.4	23.3	**161.7**	121.4	7.9	0.4	129.7
Fair value gains	4.2	–	**4.2**	3.1	–	–	3.1
Cost of funds	**–**	(5.8)	**(5.8)**	–	(2.7)	–	(2.7)
Net income ("revenue")	**142.6**	**17.5**	**160.1**	124.5	5.2	0.4	130.1
Adjusted EBITDA	37.0	(12.5)	**24.5**	21.3	(14.4)	(0.2)	6.7
Discount unwind on lease liabilities	(0.6)	–	**(0.6)**	(0.2)	–	–	(0.2)
Depreciation, amortisation, impairment and modification gains/(losses)	(11.4)	(1.8)	**(13.2)**	(11.3)	(1.3)	–	(12.6)
Share-based payments and social security costs	(6.5)	(1.3)	**(7.8)**	(3.3)	(0.5)	–	(3.8)
Exceptional items	(2.3)	(0.3)	**(2.6)**	–	–	–	–
Foreign exchange gains	0.5	–	**0.5**	–	–	–	–
Profit/(loss) before tax	**16.7**	**(15.9)**	**0.8**	6.5	(16.2)	(0.2)	(9.9)

1. In the year to 31 December 2024, "Other" Term Loans are presented within the UK Term Loans segment on the basis that the legacy European operations included within Other are immaterial. The comparative period has not been re-presented. The segmental results of the US business are not presented above.

Revenue from continuing operations was £160.1m (2023: £130.1m), a 23% increase. Revenue consists of total income, fair value movements on SME loans held for sale and investments in trusts. It is net of cost of funds on the senior debt facility for FlexiPay.

The Group made a profit before tax (before exceptional items) from continuing operations of £3.4m (2023: loss of £9.9m). The exceptional items of £2.6m related to restructuring undertaken in the UK, mainly comprising redundancy costs. After exceptional items, the profit before tax from continuing operations was £0.8m (2023: loss of £9.9m).

Term Loans

The Term Loans business delivered revenue of £142.6m growing 15% on FY 2023. This growth came principally from the growth in originations and the corresponding transaction fees. Servicing fees reduced in the year, reflecting the reduction in LuM.

The start of 2024 saw heightened demand from borrowers which normalised in the second quarter. We did experience more subdued demand over the summer months when businesses were awaiting the new government's October Budget, and we then saw demand pick up in the final quarter.

Term Loans generated AEBITDA of £37.0m in 2024 compared to £21.3m in the prior year, with AEBITDA margin improvement. This demonstrated the strong operational leverage we are achieving from the more mature business, where costs above AEBITDA increased by 2.3% following cost actions, while revenue grew by 15%.

Profit before tax and exceptional items was £19.0m, up from £6.5m in FY 2023, primarily due to the growth in AEBITDA. After exceptional items, profit before tax was £16.7m, compared with £6.5m in 2023.

FlexiPay and Cashback credit card

Revenue for FlexiPay was £17.5m in 2024, increasing from £5.2m in 2023 as a result of a rise in the number of transactions and fee growth.

When the product was initially launched customers were able to draw and repay within a 3-month period. In H1 2024 we expanded repayment options to include 1, 3, 6, 9 and 12 months, with fees varying depending on payback period. As a result, the average fee for each drawdown grew to 5.8% (2023: 4.6%), reflecting a longer average repayment period of 4 months.

A Cashback credit card was launched in H2 2024. When customers transact using cards, we earn an interchange fee of 1.75% alongside interest on any revolving balances. The revenues earned from the Cashback credit card in 2024 were relatively minimal.

FlexiPay is funded through Funding Circle invested capital and a senior debt facility with Citibank (it was solely funded by Funding Circle until June 2023). The interest payable on this facility is shown in "cost of funds" and is based on SONIA plus a margin. This facility is for £150m with the ability to upsize further and is due for renewal in August 2025.

The AEBITDA result was negative £12.5m (2023: negative £14.4m), with continued investment to support product momentum. The principal costs incurred include staff-related expenses, marketing costs and expected credit losses which are required to be recognised upfront for both drawn and undrawn lines of credit.

As the business continues to grow, we anticipate ongoing investment with a resultant increase in the cost base, principally marketing and expected credit losses. Once onboarded, we earn repeat revenues as the customer uses the product.

US Term Loans business

As was previously announced, the Group signed an agreement in June 2024 to sell the US business to iBusiness Funding, LLC. The sale was completed on 1 July 2024, at which point the US business was deconsolidated. The operations of the US business are presented in a single line as discontinued operations within the financial statements.

The Group recognised a gain on sale of £9.8m (excluding foreign exchange reserve recycling through the profit and loss). Further details can be found in the financial statements in note 4.

Profit and loss

	Before exceptional items £m	**Exceptional items £m**	**31 December 2024 Total £m**	31 December 2023 (re-presented)[1] £m
Transaction fees	**85.3**	–	**85.3**	65.3
Servicing fees	**37.5**	–	**37.5**	39.0
Interest income	**30.9**	–	**30.9**	15.4
Other fees	**5.2**	–	**5.2**	6.4
Operating income	**158.9**	–	**158.9**	126.1
Net investment income	**2.8**	–	**2.8**	3.6
Total income	**161.7**	–	**161.7**	129.7
Fair value gains	**4.2**	–	**4.2**	3.1
Cost of funds	**(5.8)**	–	**(5.8)**	(2.7)
Net income ("revenue")	**160.1**	–	**160.1**	130.1
People costs	**(68.1)**	**(2.3)**	**(70.4)**	(65.5)
Marketing costs	**(45.6)**	–	**(45.6)**	(37.1)
Depreciation, amortisation and impairment	**(13.2)**	**(0.3)**	**(13.5)**	(12.6)
Charge for expected credit losses	**(8.6)**	–	**(8.6)**	(4.5)
Other costs	**(21.2)**	–	**(21.2)**	(20.3)
Operating expenses	**(156.7)**	**(2.6)**	**(159.3)**	(140.0)
Profit/(loss) before tax from continuing operations	**3.4**	**(2.6)**	**0.8**	(9.9)

1 The comparative consolidated statement of comprehensive income has been re-presented to reflect the results of the US business as a discontinued operation.

Operating income includes transaction fees, servicing fees, interest income from loans held at amortised cost, interest on cash balances and other fees and was £158.9m (2023: £126.1m).

- Transaction fees, representing fees earned on originations, increased to £85.3m (2023: £65.3m), driven by growth in originations as the business continued to expand its Term Loan offering to more segments of the market, and attract more applications from SMEs. Average transaction fee yields decreased in the Term Loans business to 6.0% (2023: 6.2%) due to the mix in government-guaranteed/non-government lending.
- Servicing fees, representing income for servicing LuM, were £37.5m (2023: £39.0m). The fees move in line with the quantum of LuM which decreased in the Term Loans business as growth in LuM from new lending was offset by continued repayment on the legacy Covid-19 scheme loans outpacing the impact of new originations.

  Servicing fees are not charged on FlexiPay lines of credit. Servicing yields remain similar to 2023 levels.
- Interest income represents:

  i) the fees earned on FlexiPay lines of credit and interest earned on cash and cash equivalents. FlexiPay interest income is a fee charged on transactions and spread over a number of months, in line with borrower repayments. It has increased to £21.3m (2023: £7.6m), driven by transaction levels and the average fees on transactions which were 5.8% in the year (2023: 4.6%).

  ii) interest earned on cash and cash equivalents increased to £9.2m (2023: £7.4m) in line with higher average base rates. This interest applies to the Group's unrestricted cash as well as restricted cash drawn from the Citibank facility in anticipation of future drawdowns.
- Other fees arose principally from collection fees we recovered on defaulted loans.

Net investment income represents the investment income, less investment expense, on loans held on balance sheet at fair value. It declined to £2.8m (2023: £3.6m), driven by the continued amortisation of the remaining loans on balance sheet.

Net income ("revenue"), defined as total income after fair value adjustments and cost of funds, was £160.1m (2023: £130.1m). The fair value gain in the year of £4.2m (2023: £3.1m) related primarily to certain investment in trusts and co-investments, which were sold earlier than originally anticipated thereby accelerating the receipt of future cash flows, which were valued at a discount. As the on-balance sheet loans continue to amortise, we would expect fair value gains/losses to decline in future.

Operating expenses

At an overall level, operating expenses increased compared with 2023. However, costs remain actively and tightly managed with a 12% increase in expenses before exceptional items compared to a 23% growth in revenue.

The primary drivers of cost growth were the variable expenses associated with marketing and expected credit losses. Marketing costs increased by 23% to £45.6m and expected credit losses increased to £8.6m from £4.5m, primarily due to growth in FlexiPay balances.

For the remaining costs, share based payments grew by £4m, driven by the growth in share price which impacts employers' national insurance costs. Excluding this, the costs remained flat year on year with salary expenses decreasing following the restructuring.

Exceptional items – restructuring

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

People costs (including contractors) represent the Group's largest ongoing operating cost and include salary-related costs plus share-based payments.

Salary-related costs reduced by 2% in the year with the savings achieved from the restructuring more than offsetting inflation, new hires and the absorption of global costs previously allocated to the US business. The average salary per head increased by 5%.

The share-based payment charge for the year, included in people costs, was £7.8m (2023: £3.8m), largely driven by a higher share price which increases the national insurance costs associated with the awards.

Following the UK Government's Budget in October 2024, we expect that the Group's employer's national insurance will increase by c.£2m.

Continuing operations	**31 December 2024 £m**	31 December 2023 £m	Change %
Salary costs	**69.3**	70.9	(2)
Less capitalised development spend ("CDS")	**(9.0)**	(9.2)	(2)
Salary costs net of CDS	**60.3**	61.7	(2)
Share-based payments	7.8	3.8	105
Total people costs	**68.1**	65.5	4
Average headcount (incl. contractors)	**788**	845	(7)
Year-end headcount (incl. contractors)	**726**	857	(15)

Marketing costs comprise performance marketing (direct mail and online), brand spend and commission payments made to brokers. Marketing costs increased in the year to £45.6m (2023: £37.1m).

Depreciation, amortisation and impairment costs of £13.5m (2023: £12.6m) largely represent the amortisation of the cost of the Group's capitalised technology development and the depreciation of right-of-use assets related to the Group's office lease. Included within this charge is £0.3m exceptional impairment of intangible assets related to projects used for activities deprioritised as a result of our go forward focus.

Expected credit losses principally relate to the IFRS 9 charge for FlexiPay where we account for actual and future expected credit losses from SMEs defaulting on their lines of credit. We would expect this charge to increase as FlexiPay and Cashback credit card grow.

Other operating costs, which consist of loan processing costs, data and technology, professional fees and staff and office-related costs, have grown as the Group continued to invest in growth in the FlexiPay business. The increase is driven by inflation, higher volumes and loan processing costs.

Balance sheet and investments

The Group's net equity was £217m at 31 December 2024 (31 December 2023: £247m). This reduction reflects the share buyback by the Group.

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

	Operating business		Investment business			31 December 2024	31 December 2023
	Term Loans business £m	**FlexiPay £m**	**Legacy securitisation, warehouse and other loans at fair value £m**	**CBILS/RLS/GGS / commercial co-investments £m**	**Private funds £m**	**Total £m**	Total £m
SME loans and lines of credit	**2.1**	**97.1**	**1.2**	**17.8**	**0.6**	**118.8**	102.0
Cash and cash equivalents							
Unrestricted	**150.2**	**0.3**	**–**	**–**	**–**	**150.5**	169.6
Restricted	**–**	**32.1**	**–**	**5.0**	**–**	**37.1**	51.8
Other assets	**–**	**6.3**	**–**	**–**	**–**	**6.3**	2.7
Borrowings	**–**	**(101.9)**	**–**	**–**	**–**	**(101.9)**	(56.9)
Cash and net investments	**152.3**	**33.9**	**1.2**	**22.8**	**0.6**	**210.8**	269.2
Other assets	**45.3**	**–**	**–**	**–**	**–**	**45.3**	47.1
Other liabilities	**(34.6)**	**–**	**–**	**(5.0)**	**–**	**(39.6)**	(69.5)
Equity	**163.0**	**33.9**	**1.2**	**17.8**	**0.6**	**216.5**	246.8

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

Investment in product/vehicles	**31 December 2024 £m**	31 December 2023 £m
1. Legacy securitisation, warehouse and other loans at fair value	**1**	19
2. CBILS/RLS/GGS/commercial co-investments[1]	**18**	25
3. Private funds	**1**	2
Net invested	**20**	46
FlexiPay[1]	**34**	18
Total net invested capital	**54**	64

1. These vehicles are bankruptcy remote.

Legacy loans at fair value – this relates to the legacy loans previously held in SPVs and warehouses and reduced through the sale of the US business and ongoing amortisation.

CBILS/RLS/GGS/commercial co-investments – as part of our participation in the CBILS, RLS and GGS UK government-guaranteed loan schemes, we were required to co-invest c.1% alongside institutional investors.

Private funds – there are a small amount of other loans, comprising seed investments in private funds held as associates.

Cash flow

At 31 December 2024, the Group's cash position was £187.6m (31 December 2023: £221.4m). Of this balance £150.5m (31 December 2023: £169.6m) is unrestricted in its use with £37.1m (2023: £51.8m) being restricted.

Restricted cash relates to cash held in the funding vehicle of FlexiPay together with amounts owed to the British Business Bank ("BBB") for guarantee fees collected from institutional investors under the participation of the CBILS, RLS and GGS schemes. Total cash movements have principally been driven by:

i) trading performance;

ii) timing of working capital movements associated with UK government loan guarantee payments received from investors still to be paid to the BBB;

iii) monetisation of on-balance sheet SME loans as they have continued to pay down;

iv) ongoing investment in FlexiPay lines of credit with external bank debt; and

v) purchase of shares as part of the share buyback programme.

Free cash flow, excluding the one-off guarantee fee payment, has significantly improved year on year, and is nearing positive, driven by the disposal of the loss-making US business and the move to profitability of the continuing UK Group.

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

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

	2024 **£m**	2023 £m
Adjusted EBITDA from continuing operations	**24.5**	6.7
Adjusted EBITDA from discontinued operations	**(8.7)**	(10.6)
Adjusted EBITDA	**15.8**	(3.9)
Fair value adjustments	**(6.4)**	(8.7)
Purchase of tangible and intangible assets	**(11.9)**	(12.2)
Payment of lease liabilities	**(3.2)**	(6.0)
Working capital/other	**4.5**	2.9
Free cash flow (excl. restricted cash movement due to guarantee fee payment)	**(1.2)**	**(27.9)**
Cash movement due to guarantee fee payment	**(26.1)**	23.0
Free cash flow	**(27.3)**	(4.9)
Net distributions from associates	**0.9**	1.2
Net movement in trusts and co-investments	**10.5**	4.8
Net movement in lines of credit (net of borrowings)	**(7.5)**	15.8
Net movement in SME loans at amortised cost (net of borrowings)	**2.2**	(3.3)
Net movement in loans at fair value through profit and loss (net of bonds)	**13.5**	32.7
Share buyback/purchase of own shares	**(33.7)**	(1.8)
Net proceeds from sale of US business	**7.5**	–
Effect of foreign exchange	**0.1**	(0.8)
Movement in the year	**(33.8)**	43.7
Cash and cash equivalents at the beginning of the year	**221.4**	177.7
Cash and cash equivalents at the end of the year	**187.6**	221.4

Share buybacks

During the year, the Group announced two share buybacks totalling up to £50m. As at 31 December 2024, 33.5m shares have been purchased for £33.7m. The shares have been cancelled, reducing share capital by c.9%.

Principal risks and uncertainties

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

Strategic risk

Strategic risk is defined as the failure to build a sustainable, diversified and profitable business that can successfully adapt to environmental changes due to the inefficient use of Funding Circle's available resources.

i) *Strategic risk*

Risk arising from the failure to build a sustainable, diversified and profitable business that can successfully adapt to environmental changes.

ii) Economic environment

Risk arising from macroeconomic or political factors that may impact funding, credit performance, and overall financial stability. It encompasses broader considerations, including demand fluctuations, funding availability, and cost management. This risk reflects the potential failure to establish a sustainable, diversified, and profitable business model capable of adapting to evolving economic and regulatory environments.

iii) Environmental, social and governance risk

Environment, social and/or governance events or circumstances could cause an actual or potential material negative impact on Funding Circle's financial performance or reputation.

Funding and balance sheet risk

Funding and balance sheet risks are the risks associated with the funding of our product set of Term Loans and lines of credit and any exposure that our balance sheet has to this funding through normal and stress scenarios.

i) Funding risk

The risk that demand from borrowers for credit cannot be met by the providers of that funding (institutional investors in the case of Term Loans and Funding Circle and Citibank in the case of lines of credit). This risk varies with the economic attractiveness of Funding Circle products as an investment, the level of diversification of funding sources and the level of resilience of these funding sources and their returns through economic cycles.

ii) Balance sheet risk

The risk that, where Funding Circle has put its balance sheet to use in funding either Term Loans or lines of credit, investment positions reduce in value or cannot be exited at an economically viable price; the risk that Funding Circle liabilities cannot be met when they fall due or can only be met at an uneconomic price. This risk is also associated with interest rate fluctuations, particularly in the context of levered investments. Balance sheet risk applies to all products offered, the potential challenges faced in managing investment positions and meeting obligations under favourable conditions.

Credit risk

Credit risk is the risk of financial loss to an investor including Funding Circle itself, when lending from its balance sheet should any borrower fail to fulfil their contractual repayment obligations. Credit risk management is the sum of activities necessary to deliver a risk profile at portfolio level in line with Funding Circle management's expectations, in terms of net credit loss rate, risk-adjusted rate of return and its volatility through economic cycles.

i) *Credit risk*

a) Borrower acquisition

Credit performance and returns of new loans can deviate from expectations due to several factors: changes in credit quality of incoming applications, calibration of risk models or strategy parameters, and control gaps in processing loan applications.

b) Portfolio risk management

Credit performance and returns of existing portfolio can deviate from expectations due to several factors: deterioration of credit environment, increased competition driving higher prepayment rates, effectiveness of portfolio monitoring, collections and recoveries.

Regulatory, reputation and conduct risk

Regulatory, reputation and conduct risk is defined as the risk of engaging in activities that detract from Funding Circle's goal of being a trusted and reputable company with products, services and processes designed for customer success and delivered in a way that will not cause customer detriment or regulatory censure.

i) Regulatory risk

The risk that Funding Circle's ability to effectively manage its regulatory relationships is compromised or diminished, that the Group's governance and controls framework is not satisfactory given business growth, or that there is business interruption by reason of non-compliance with regulation or the introduction of business-impacting regulation.

ii) Reputation risk

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

Operational risk

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

i) Client money risk

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

ii) Financial crime

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

iii) Process risk

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

Technology risk

Technology Risk refers to the potential negative consequences that can arise from the use or implementation of technology, including hardware, software, and data management systems. Technology risks can arise from a variety of sources, including hardware failures, software bugs, cyber attacks, data breaches, and user errors. In response to evolving threats and the rise of Generative Artificial Intelligence (Gen-AI), Technology risk has been designated a "Principal Risk", ensuring stringent oversight and proactive mitigation. We have made significant strides in enhancing our security and data maturity posture. We are committed to continuous improvement and will continue to mature our security and data practices.

i) Technology risk

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

ii) *Information security*

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

iii) Data risk

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

Consolidated statement of comprehensive income

for the year ended 31 December 2024

	Note	31 December 2024 Before exceptional items £m	Exceptional items[1] £m	31 December 2024 £m	31 December 2023 (re-presented)[2] £m
Transaction fees		**85.3**	–	**85.3**	65.3
Servicing fees		**37.5**	–	**37.5**	39.0
Interest income[3]		**30.9**	–	**30.9**	15.4
Other fees		**5.2**	–	**5.2**	6.4
Operating income		**158.9**	–	**158.9**	126.1
Net investment income		**2.8**	–	**2.8**	3.6
Total income		**161.7**	–	**161.7**	129.7
Fair value gains		**4.2**	–	**4.2**	3.1
Cost of funds		**(5.8)**	–	**(5.8)**	(2.7)
Net income[4]	6	**160.1**	–	**160.1**	130.1
People costs	5, 7, 8	**(68.1)**	**(2.3)**	**(70.4)**	(65.5)
Marketing costs	7	**(45.6)**	**–**	**(45.6)**	(37.1)
Depreciation, amortisation and impairment	5, 6, 7, 11, 12	**(13.2)**	**(0.3)**	**(13.5)**	(12.6)
Expected credit loss charge	7, 17	**(8.6)**	**–**	**(8.6)**	(4.5)
Other costs	7	**(21.2)**	**–**	**(21.2)**	(20.3)
Operating expenses	7	**(156.7)**	**(2.6)**	**(159.3)**	(140.0)
Profit/(loss) before taxation		**3.4**	**(2.6)**	**0.8**	(9.9)
Income tax (charge)/credit	9	**(0.5)**	**–**	**(0.5)**	1.7
Profit/(loss) for the year from continuing operations		**2.9**	**(2.6)**	**0.3**	(8.2)
(Loss)/profit for the year from discontinued operations	4	**(10.2)**	**18.5**	**8.3**	(30.1)
(Loss)/profit for the year		**(7.3)**	**15.9**	**8.6**	(38.3)
Other comprehensive expense					
Items that may be reclassified subsequently to profit and loss:					
Exchange differences on translation of foreign operations – discontinued operations	4	**(0.2)**	**(8.7)**	**(8.9)**	(2.7)
Total comprehensive (expense)/income for the year		**(7.5)**	**7.2**	**(0.3)**	(41.0)
Total comprehensive income/(expense) attributable to:					
Owners of the Parent					
Income/(expense) from continuing operations		**2.9**	**(2.6)**	**0.3**	(8.2)
(Expense)/income from discontinued operations	4	**(10.4)**	**9.8**	**(0.6)**	(32.8)
Total comprehensive (expense)/income attributable to the owners of the parent		**(7.5)**	**7.2**	**(0.3)**	(41.0)
Earnings per share					
Basic earnings/(loss) per share from continuing operations	10	**0.8p**		**0.1p**	(2.4)p
Diluted earnings/(loss) per share from continuing operations	10	**0.8p**		**0.1p**	(2.4)p
Basic (loss)/earnings per share from discontinued operations	4, 10	**(3.0)p**		**2.4p**	(8.7)p
Diluted (loss)/earnings per share from discontinued operations	4, 10	**(3.0)p**		**2.2p**	(8.7)p

1. Exceptional items are detailed in note 5.
2. The comparative consolidated statement of comprehensive income has been re-presented to reflect the results of the US business as a discontinued operation. See note 4.
3. Interest income recognised on assets held at amortised cost under the effective interest rate method and £7.7 million (2023: £5.3 million) on money market funds held at fair value through profit and loss.
4. Net income is also referred to as “revenue”.

Consolidated balance sheet

as at 31 December 2024

	Note	**31 December 2024 £m**	31 December 2023 Re-presented[1] £m
Non-current assets			
Intangible assets	11	**21.2**	23.0
Property, plant and equipment	12	**9.6**	5.0
Investment in associates		**0.6**	1.5
Investment in trusts and co-investments	13, 17	**17.8**	25.2
SME loans held at amortised cost	13, 17	**1.4**	5.6
Trade and other receivables	14	**–**	1.4
		50.6	61.7
Current assets			
SME loans held at amortised cost	13, 17	**0.7**	1.1
SME loans held at fair value through profit and loss	13, 17	**1.2**	18.6
Lines of credit	13, 17	**97.1**	50.0
Trade and other receivables	14	**20.8**	20.4
Cash and cash equivalents	18	**187.6**	221.4
		307.4	311.5
Total assets		**358.0**	373.2
Current liabilities			
Trade and other payables	15	**27.8**	54.3
Bank borrowings	17	**101.9**	54.7
Short-term provisions and other liabilities	16	**3.6**	1.5
Lease liabilities	12	**1.8**	7.2
		135.1	117.7
Non-current liabilities			
Long-term provisions and other liabilities	16	**0.6**	1.1
Bank borrowings	17	**–**	2.2
Lease liabilities	12	**5.8**	5.4
Total liabilities		**141.5**	126.4
Equity			
Share capital		**0.3**	0.4
Share premium account		**0.1**	293.1
Foreign exchange reserve		**5.3**	14.2
Share options reserve		**20.6**	24.0
Retained earnings/(accumulated losses)		**190.2**	(84.9)
Total equity		**216.5**	246.8
Total equity and liabilities		**358.0**	373.2

1. SME loans have been presented under aggregated headings and the comparative period re-presented in order to simplify the presentation of these loans as the balances become less material. Additionally, the comparative SME loans held at amortised cost have been re-presented to more accurately reflect the current and non-current split of these loans. See note 2 for details.

The financial statements were approved by the Board and authorised for issue on 6 March 2025. They were signed on behalf of the Board by:

Tony Nicol
Director
Company registration number 07123934

The notes form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2024

	Note	Share capital £m	Share premium account £m	Foreign exchange reserve £m	Share options reserve £m	(Accumulated losses)/ retained earnings £m	Total equity £m
Balance at 1 January 2023		0.4	293.1	16.9	22.2	(48.6)	284.0
Loss for the year		–	–	–	–	(38.3)	(38.3)
Other comprehensive expense							
Exchange differences on translation of foreign operations		–	–	(2.7)	–	–	(2.7)
Total comprehensive expense		–	–	(2.7)	–	(38.3)	(41.0)
Transactions with owners							
Transfer of share option costs		–	–	–	(3.8)	3.8	–
Purchase of own shares held in Employee Benefit Trust		–	–	–	–	(1.8)	(1.8)
Issue of share capital		–	–	–	–	–	–
Employee share schemes – value of employee services		–	–	–	5.6	–	5.6
Balance at 31 December 2023		0.4	293.1	14.2	24.0	(84.9)	246.8
Profit for the year		–	–	–	–	8.6	8.6
Other comprehensive expense							
Exchange differences on translation of foreign operations		–	–	(8.9)	–	–	(8.9)
Total comprehensive (expense)/income		–	–	(8.9)	–	8.6	(0.3)
Transactions with owners							
Transfer of share option costs		–	–	–	(6.6)	6.6	–
Purchase of own shares held in Employee Benefit Trust		–	–	–	–	–	–
Buyback and cancellation of own shares		(0.1)	–	–	–	(33.6)	(33.7)
Capital reduction		–	(293.5)	–	–	293.5	–
Issue of share capital/ exercise of share options		–	0.5	–	–	–	0.5
Employee share schemes – value of employee services		–	–	–	3.2	–	3.2
Balance at 31 December 2024		**0.3**	**0.1**	**5.3**	**20.6**	**190.2**	**216.5**

The notes form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2024

	Note	**31 December 2024 £m**	31 December 2023 Re-presented[1] £m
Net cash outflow from operating activities	18	**(67.4)**	(25.6)
Investing activities			
Purchase of intangible assets	11	**(9.0)**	(11.5)
Purchase of property, plant and equipment	12	**(2.9)**	(0.7)
Originations of SME loans held at amortised cost	17	**(0.2)**	(4.7)
Cash receipts from SME loans held at amortised cost	17	**3.0**	21.2
Originations from SME loans held at fair value through profit and loss	17	**–**	(11.9)
Cash receipts from SME loans held at fair value through profit and loss	17	**13.5**	37.6
Proceeds from sale of SME loans held at fair value through profit and loss	17	**–**	30.4
Investment in trusts and co-investments	17	**(4.1)**	(1.8)
Cash receipts from investments in trusts and co-investments	17	**14.6**	6.6
Redemption in associates		**0.9**	1.1
Dividends from associates		**–**	0.1
Proceeds from sale of subsidiary	4	**32.6**	–
Direct costs of selling subsidiary	4	**(2.0)**	–
Cash disposed of on sale of subsidiary	4	**(23.1)**	–
Net cash inflow from investing activities		**23.3**	66.4
Financing activities			
Proceeds from bank borrowings	18	**52.6**	55.8
Repayment of bank borrowings	18	**(6.0)**	(20.9)
Payment of bond liabilities	18	**–**	(23.4)
Proceeds from the exercise of share options		**0.5**	–
Purchase of own shares		**–**	(1.8)
Share buyback		**(33.7)**	–
Proceeds from subleases		**0.4**	1.2
Payment of lease liabilities	18	**(3.6)**	(7.2)
Net cash inflow from financing activities		**10.2**	3.7
Net (decrease)/increase in cash and cash equivalents		**(33.9)**	44.5
Cash and cash equivalents at the beginning of the year		**221.4**	177.7
Effect of foreign exchange rate changes		**0.1**	(0.8)
Cash and cash equivalents at the end of the year	18	**187.6**	221.4

1. SME loan-related cash flows have been presented under aggregated headings and the comparative period re-presented. See note 2 for details.

The notes form part of these financial statements.

Cash flows from discontinued operations are shown in note 4.

Notes forming part of the consolidated financial statements
for the year ended 31 December 2024

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

2. Basis of preparation
The financial statements included in this preliminary announcement have been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct Authority, and the principles of UK-adopted international accounting standards, but do not comply with the full disclosure requirements of these standards. The financial information for the year ended 31 December 2023 is derived from the statutory financial statements for that year which have been delivered to the Registrar of Companies. The auditor reported on those financial statements: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006.

The financial information contained in this announcement does not constitute the statutory financial statements of the Group as at and for the year ended 31 December 2024, but is derived from those financial statements, which have been prepared in accordance with UK-adopted international accounting standards. The financial statements themselves have been approved by the Board of Directors and reported on by the auditor and will be delivered to the Registrar of Companies in due course.

Going concern

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

The Group made a total comprehensive expense of £0.3 million during the year ended 31 December 2024 (2023: expense of £41.0 million). As at 31 December 2024, the Group had net assets of £216.5 million (2023: £246.8 million). This includes £187.6 million of cash and cash equivalents (2023: £221.4 million) of which £37.1 million (2023: £51.8 million) is held for specific purposes and is restricted in use. Additionally, within the net assets, the Group holds £53.5 million (2023: £63.5 million) of invested capital, some of which is capable of being monetised if liquidity needs arise.

The Group has prepared detailed cash flow forecasts for the next 15 months to 30 June 2026 and has updated the going concern assessment to factor in the potential ongoing impact of inflation and related economic stress.

The base case scenario assumes:

- the economic environment remains as is with no improvement or deterioration in the macro environment forecast;
- launching and growing short-term lending and non-limited company lending;
- growth in Cashback credit card alongside FlexiPay lines of credit;
- the Group continues to fund the lines of credit through its balance sheet along with the senior banking facility;
- costs are controlled with any growth driven by marketing, expected credit losses ("ECL") and cost of funds. Remaining costs grow but predominantly through inflation. Strict control of headcount, with limited increases;
- the current share buyback programme concludes in early 2025 with no additional buyback or dividend assumed; and
- corporation tax begins to be paid alongside utilising brought forward tax losses.

Management prepared a severe but plausible downside scenario in which:

- further macroeconomic volatility continues through the period with elevated inflation and interest rates reducing originations as borrower demand for loans at higher interest rates reduces and investor funding appetite reduces;
- investment returns reduce owing to increased funding costs, widening discount rates and deterioration in loan performance;
- an operational event occurs requiring a cash outlay in 2025;

- a downside loss scenario is applied to Funding Circle's on-balance sheet investment in SME loans resulting in higher initial fair value losses and lower cash flows to the investments it owns combined with the inability to monetise these;
- a reduction in operating interest income from Money Market Funds due to lower cash balances under stress; and
- a combined credit and liquidity risk stress for FlexiPay.

Management has reviewed its regulatory capital requirements. In the downside scenario, the risk of capital requirement breach is considered remote. The Group does not currently rely on committed or uncommitted borrowing facilities, with the exception of a facility for the purpose of originating FlexiPay lines of credit and does not have undrawn committed borrowing facilities available to the wider Group.

The Directors have made enquiries of management and considered budgets and cash flow forecasts for the Group and have, at the time of approving these financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, specifically assessed for the 15 months to 30 June 2026.

Significant changes in the current reporting year

The financial position and performance of the Group were affected by the following events and transactions during the year ended 31 December 2024:

i) Sale of the US business

As was previously announced in the 31 December 2023 financial results, the Group sought to divest of the US business. A competitive bid process was undertaken with interested parties and a sale agreement was signed on 24 June 2024 to sell the business to iBusiness Funding, LLC and completion occurred on 1 July 2024. As a result of the sale of the US Business Unit, the business and assets related to the US were considered to form a disposal Group under IFRS 5 Non-Current Assets Held For Sale and Discontinued Operations. The operations of the US business have been disclosed in the consolidated statement of comprehensive income separately as a discontinued operation, and the comparative period restated. Details related to the discontinued operations can be found in note 4.

ii) Simplification and streamlining of UK business

As part of its ongoing commitment to profitability, the Group launched a redundancy and cost efficiency programme during the year. Non-recurring costs to achieve these changes have been recorded as exceptional items. See note 5.

iii) Launch of share buyback programme

As was previously announced, the Group commenced a share buyback programme in March 2024 to buy and cancel up to £25 million of shares in order to return value to shareholders. The nominal cost of the shares cancelled reduces the Group's share capital with an equal increase in the capital redemption reserve. The full cost of the buyback inclusive of stamp duty and broker fees is debited to retained earnings. This programme was completed on 15 October 2024 with the purchase of 27,308,339 ordinary shares, and the programme was extended to up to a further £25 million of shares. In the year to 31 December 2024, 33.5 million shares were purchased for consideration of £33.7 million inclusive of fees and expenses under the programme representing 9.3% of the called up share capital. 0.2 million of the purchased shares were pending cancellation as at 31 December 2024.

iv) Capital reduction

In November 2024, shareholders approved a capital reduction at a general meeting held by the Company, being the cancellation of the entire amount standing to credit the Company's share premium account. The capital reduction process was completed in December 2024 and resulted in the cancellation of the share premium and creation of accumulated profit within the statement of changes in equity by £293.5 million. This increased the distributable reserves of the Company to help facilitate ongoing capital actions and return of value to shareholders.

v) Modification to UK office lease

During February 2024, the Group signed an agreement to modify the terms of its lease on the two levels of the UK office previously expiring in March 2025, shortening one to expire in June 2024 and extending the other to March 2035 with termination options in March 2030. Both were accounted for as a lease modification. See note 12 for details.

vi) Investment in trust and co-investment transactions

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

vii) Launch of Cashback business credit card

During the year the Cashback credit card product was launched offering borrowers the ability to spend against their credit limit and earn cashback on this spend with an introductory rate of 2% reducing to 1% after six months. The borrowers qualify for cashback if they either repay the card spend in full, or make a minimum repayment by their billing date. Borrowers who repay the balance in full do not incur interest charges, while any borrowers who do not pay the card spend balance in full will be charged interest on the drawn balance. The cashback is netted against the borrowers' card spend balance due. The Group recognises interchange fee income on the card spend of c.1.75% recognised within transaction fee income. £0.3 million of interchange fee income (2023: £nil) was recognised during the year, gross of cashback. The cashback paid to the borrower is recognised as a reduction in the transaction price under IFRS 15 as it is cash settled in nature and is presented netted against the interchange fee income, while interest earned on card balances which revolve is recognised within interest income in the consolidated statement of comprehensive income.

Summary of new and amended accounting policies

Re-presentation of SME loans:

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

Discontinued operations and deconsolidation

When the Group intends to sell assets or Business Units, IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, is applied. An asset or group of assets is treated as a discontinued operation if:

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

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

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

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

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

- power over the investee;

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

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

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

Share buybacks

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

Cashback credit card accounting

Cashback offered on products issued by the Group is considered to fall under IFRS 15 where it is contractually linked to card spend where an interchange fee is generated at the point of spend. Where the cashback reward to the borrower is cash settled or netted against an outstanding balance due from the customer, it is treated as a reduction in the transaction price under IFRS 15 and there is no ongoing performance obligation beyond the card transaction with interchange fee income recognised net of the cashback granted. The cashback rewards programme does not currently offer borrowers the option to exchange their cashback reward for other non-cash goods or services. Where borrowers do not repay the full balance due on their card and choose to revolve an element of it, interest income is recognised under IFRS 9 on the interest charged.

3. Critical accounting judgements and key sources of estimation uncertainty

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 comparative year to 31 December 2023.

Critical judgements

Loans originated through the platform

The Group originates SME loans through its platform which have been 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.

Recognition of deferred tax

Under IAS 12, a deferred tax asset should be recognised for all deductible temporary differences and tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary difference or tax losses can be utilised. While the Board-approved forecasts project the UK to be in a taxable profit position for the year ended 31 December 2025 and beyond, there are risks to achieving this forecast and as a result it is not considered highly probable. Management has used its judgement in determining whether there is sufficient certainty to recognise a deferred tax asset. The "European Securities and Markets Authority ("ESMA") has previously issued guidance relating to the recognition of deferred tax assets in response to companies recognising assets too early only to subsequently write them off. One of the key indicators suggested by ESMA for the recognition of deferred tax is whether taxable profit is being recognised from which an entity has begun to offset losses. This is not yet the case for the UK business for a sustained period and management has determined not to recognise a deferred tax asset as a result. Had management determined a different level of certainty regarding the taxable profits of the UK for the year end and beyond, then a deferred tax asset may have been recognised.

Key sources of estimation uncertainty

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

Expected credit loss impairment of FlexiPay lines of credit (note 17)

At 31 December 2024, the Group held £110.0 million of drawn FlexiPay lines of credit and £278.7 million of undrawn lines of credit, gross of expected credit loss impairment allowances.

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

An expected credit loss impairment allowance is held against the lines of credit of £15.6 million (£12.9 million related to drawn lines of credit and £2.7 million related to undrawn).

The Group estimates the expected credit loss allowance following IFRS 9 through modelling the exposure at default based on observed trends related to the overall line of credit facility and the proportion drawn at the time of default. The probability of default is estimated utilising observed trends and combining these with forward-looking information including different macroeconomic scenarios which are probability weighted. The loss given default is driven by assumptions regarding the level of recoveries collected after defaults occur.

The area most sensitive to estimation uncertainty is the probability of default ("PD") related to stage 1 lines of credit which is based on actual experience and the probability weighting of the forward-looking scenarios utilised. Currently a baseline scenario, upside scenario and downside scenario are utilised which are probability weighted 60% baseline, 10% upside and 30% downside, which provide a blended stage 1 probability of default of 3.6%. It is also noted that the downside scenario has peak unemployment of 6.9% in December 2027 and upside scenario has a trough unemployment of 3.6% from September 2026 relative to 4.4% in December 2024. Given the stage 1 PD is based on 12 month expected credit losses, the respective peak and trough of these scenarios has a low impact on the stage 1 ECL as at 31 December 2024 given the time horizon to reaching the respective peak and trough.

If 100% probability weighting was to be applied to the upside scenario and the lowest point of the upside scenario unemployment forecast was solely applied for calculating the PD, the weighted PD related to stage 1 lines of credit would decrease by 60 bps to 3.0% and the expected credit loss impairment provision would decrease by £0.8 million (£0.4 million on drawn lines of credit and £0.4 million on undrawn lines of credit).

If a 100% probability weighting was to be applied to the downside scenario and the highest point of the downside scenario unemployment forecast was solely applied for calculating the PD, the weighted PD related to stage 1 lines of credit would increase by 120 bps to 4.8% and the expected credit loss impairment would increase by £1.8 million (£0.9 million on drawn lines of credit and £0.9 million on undrawn lines of credit). It is considered that the above sensitivities represent the range of reasonably possible outcomes in relation to the probability of default on stage 1 FlexiPay lines of credit.

The loss given default ("LGD") of the expected credit loss impairment allowance is estimated based on observation of the blended portfolio recoveries to date on defaulted lines of credit projected out into the future using an 84.4% LGD. While the LGD expectation is based on the trajectory of recoveries to date, the lifetime LGD may differ from the estimated amount. A +/- 500bps increase/decrease in the estimated lifetime LGD would increase/decrease the expected credit loss impairment allowance by £0.9 million/(£0.9 million). It is considered that the above sensitivities represent the range of reasonably possible outcomes in relation to the LGD on FlexiPay lines of credit.

4. Discontinued operations

The Group announced on 7 March 2024 its intention to divest of the US business. As of this date, the US business was considered to form a disposal group and was reclassified as a discontinued operation. An agreement was signed on 24 June 2024 to sell the business to iBusiness Funding, LLC and the transaction completed as of 1 July 2024. As a result, Group retained control of the US business until 1 July 2024, at which point it was deconsolidated.

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

Discontinued operations	**Note**	**31 December 2024 Before exceptional items £m**	**31 December 2024 Exceptional items £m**	**31 December 2024 Total £m**	31 December 2023 £m
Transaction fees		**10.3**	**–**	**10.3**	23.4
Servicing fees		**2.1**	**–**	**2.1**	3.4
Interest income		**0.7**	**–**	**0.7**	1.3
Other fees		**0.2**	**–**	**0.2**	0.6
Operating income		**13.3**	**–**	**13.3**	28.7
Investment income		**0.7**	**–**	**0.7**	4.4
Investment expense		**–**	**–**	**–**	(0.6)
Net investment income		**0.7**	**–**	**0.7**	3.8
Total income		**14.0**	**–**	**14.0**	32.5
Fair value gains		**2.2**	**–**	**2.2**	5.6
Net income		**16.2**	**–**	**16.2**	38.1
People costs		**(16.0)**	**1.7**	**(14.3)**	(28.9)
Marketing costs		**(3.7)**	**–**	**(3.7)**	(11.3)
Depreciation, amortisation, impairment and modification gains/(losses)	**11, 12**	**(0.3)**	**–**	**(0.3)**	(10.3)
(Charge)/credit for expected credit losses	**16, 17**	**(0.1)**	**–**	**(0.1)**	0.1
Other costs		**(6.2)**	**–**	**(6.2)**	(11.0)
Operating expenses		**(26.3)**	**1.7**	**(24.6)**	(61.4)
Realised FX recycled from foreign currency translation reserve		**–**	**8.7**	**8.7**	–
Gain on disposal of US business		**–**	**8.1**	**8.1**	–
(Loss)/profit before taxation		**(10.1)**	**18.5**	**8.4**	(23.3)
Income tax	**9**	**(0.1)**	**–**	**(0.1)**	(6.8)
(Loss)/profit for the year from discontinued operations		**(10.2)**	**18.5**	**8.3**	(30.1)
Other comprehensive income/(expense)					
Exchange differences on translation of foreign operations – discontinued operations		**(0.2)**	**(8.7)**	**(8.9)**	(2.7)
Total comprehensive (expense)/income for the year attributable to owners of the Parent		**(10.4)**	**9.8**	**(0.6)**	(32.8)
Earnings per share					
Basic (loss)/earnings per share from discontinued operations	**10**	**(3.0)p**		**2.4p**	(8.7)p
Diluted (loss)/earnings per share from discontinued operations	**10**	**(3.0)p**		**2.2p**	(8.7)p

Segmental Adjusted EBITDA from discontinued operations

	31 December 2024	31 December 2023
	£m	£m
Adjusted EBITDA	(8.7)	(10.6)
Discount unwind on lease liabilities	(0.2)	(0.4)
Depreciation, amortisation, impairment and modification gains/(losses)	(0.3)	(10.3)
Exceptional items	18.5	–
Share-based payments and social security costs	(1.0)	(1.8)
Foreign exchange gains/(losses)	0.1	(0.2)
Profit/(loss) before tax	8.4	(23.3)

Cash flow

	31 December 2024	31 December 2023
	£m	£m
Cash and cash equivalents at the beginning of the year	22.3	13.8
Net cash outflow from operating activities	(8.6)	(12.3)
Net cash (outflow)/inflow from investing activities	(13.3)	64.8
Net cash outflow from financing activities	(0.6)	(43.2)
Net (decrease)/increase in cash generated	**(0.2)**	23.1
Effect of foreign exchange rate changes	0.2	(0.8)
Cash and cash equivalents at the end of the year	**–**	**22.3**

Details of the sale of the US business (exceptional items):	**£m**
Consideration received:	
Cash consideration at prevailing exchange rate	32.6
Net assets disposed on (including cash and cash equivalents of £23.1m)	(22.2)
Gross gain on sale	**10.4**
Direct transaction costs for legal, advisory and other costs	**(2.3)**
Net impact of (early vesting)/lapsing US share options	1.7
Other disposal related costs	(0.6)
Gain on sale	**9.8**
Reclassification of foreign currency translation reserve	8.7
Total gain as a result of disposal after reclassification of foreign currency translation reserve	**18.5**

5. Exceptional items

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

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

The Group disposed of its investment in the US business on 1 July 2024, as detailed in note 4.

6. Segmental information

IFRS 8 Operating Segments requires the Group to determine its operating segments based on information which is used internally for decision making. Based on the internal reporting information and management structures within the Group, it has been determined that there are two continuing business and one discontinued US business operating segments. Reporting on this basis is reviewed by the Executive Committee ("ExCo"), formerly known as the Global Leadership Team ("GLT"), which is the chief operating decision maker ("CODM"). The ExCo is made up of the Executive Directors and other senior management and is responsible for the strategic decision making of the Group.

The Other segment historically included the Group's Term Loans businesses in Germany and the Netherlands. The Other segment has been presented within UK Term Loans for the year ended 31 December 2024 on the basis it is no longer individually material. The comparative period to 31 December 2023 has not been re-presented as it is immaterial.

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

	31 December 2024[1]			31 December 2023[1]			
	Continuing operations			Continuing operations			
	United Kingdom			United Kingdom		Other	Total
	Term Loans	**FlexiPay**	**Total**	Term Loans	FlexiPay	Term Loans	Total
	£m	**£m**	**£m**	£m	£m	£m	£m
Transaction fees	**84.7**	**0.6**	**85.3**	65.2	0.1	–	65.3
Servicing fees	**37.5**	–	**37.5**	38.8	–	0.2	39.0
Interest Income	**8.3**	**22.6**	**30.9**	7.5	7.8	0.1	15.4
Other fees	**5.1**	**0.1**	**5.2**	6.3	–	0.1	6.4
Operating income	**135.6**	**23.3**	**158.9**	117.8	7.9	0.4	126.1
Net investment income	**2.8**	–	**2.8**	3.6	–	–	3.6
Total income	**138.4**	**23.3**	**161.7**	121.4	7.9	0.4	129.7
Fair value gains	**4.2**	–	**4.2**	3.1	–	–	3.1
Cost of funds	–	**(5.8)**	**(5.8)**	–	(2.7)	–	(2.7)
Net income	**142.6**	**17.5**	**160.1**	124.5	5.2	0.4	130.1
Adjusted EBITDA	**37.0**	**(12.5)**	**24.5**	21.3	(14.4)	(0.2)	6.7
Discount unwind on lease liabilities	**(0.6)**	–	**(0.6)**	(0.2)	–	–	(0.2)
Depreciation, amortisation, impairment and modification gains/(losses)	**(11.4)**	**(1.8)**	**(13.2)**	(11.3)	(1.3)	–	(12.6)
Share-based payments and social security costs	**(6.5)**	**(1.3)**	**(7.8)**	(3.3)	(0.5)	–	(3.8)
Exceptional items	**(2.3)**	**(0.3)**	**(2.6)**	–	–	–	–
Foreign exchange gains	**0.5**	–	**0.5**	–	–	–	–
Profit/(loss) before tax	**16.7**	**(15.9)**	**0.8**	6.5	(16.2)	(0.2)	(9.9)

1. The segmental results of the US business are not presented above and are presented within note 4 –discontinued operations.

7. Operating expenses

Continuing operations	Note	Before exceptional items £m	Exceptional items[1] £m	31 December 2024 £m	31 December 2023 £m
Depreciation	**12**	**3.0**	**—**	**3.0**	3.5
Amortisation and impairment	**5, 11**	**10.6**	**0.3**	**10.9**	9.1
Modification gains	**12**	**(0.4)**	**—**	**(0.4)**	—
Rental income and other recharges		**—**	**—**	**—**	(0.2)
Employment costs (including contractors)	**8**	**68.1**	**2.3**	**70.4**	65.5
Marketing costs - (excluding employment costs)		**45.6**	**—**	**45.6**	37.1
Data and technology		**7.2**	**—**	**7.2**	6.8
Expected credit loss impairment charge	**17, 19**	**8.6**	**—**	**8.6**	4.5
Other expenses		**14.0**	**—**	**14.0**	13.7
Total operating expenses from continuing operations		**156.7**	**2.6**	**159.3**	140.0

1. See note 5 for details on exceptional items.

8. Employees

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

	2024 Number	2023 Number
Continuing operations		
Term Loans	**628**	666
FlexiPay	**88**	81
Other	**5**	9
Total continuing operations	**721**	756
Discontinued operations		
US[1]	**106**	203
Total discontinued operations	**106**	203
Total	**827**	959

1. Average monthly numbers are calculated over 12 months and for the 2024 US discontinued operations includes 6 months following the sale of the US business where the employee number was nil.

In addition to the employees above, the average monthly number of contractors during the year was 80 (2023: 115), of which 13 (2023: 26) related to the US.

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

Continuing operations	Before exceptional items £m	Exceptional items[1] £m	31 December 2024 Total £m	31 December 2023 Total £m
Wages and salaries	**56.0**	**—**	**56.0**	55.6
Social security costs	**6.3**	**—**	**6.3**	6.0
Pension costs	**2.1**	**—**	**2.1**	2.1
Share-based payments	**7.8**	**—**	**7.8**	3.8
Exceptional costs	**—**	**2.3**	**2.3**	—
	72.2	**2.3**	**74.5**	67.5
Contractor costs	**4.9**	**—**	**4.9**	7.2
Less: capitalised development costs	**(9.0)**	**—**	**(9.0)**	(9.2)
Employment costs net of capitalised development costs from continuing operations	**68.1**	**2.3**	**70.4**	65.5

1. See note 5 for details of exceptional items.

9. Income tax charge/(credit)

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

	31 December 2024 £m	31 December 2023 £m
Current tax		
Continuing operations		
UK		
Current tax on profits for the year	**0.5**	0.3
Adjustment in respect of prior years	**–**	(2.0)
	0.5	(1.7)
Other		
Current tax on profits/(losses) for the year	–	–
Adjustment in respect of prior years	–	–
	–	–
Total current tax charge/(credit) from continuing operations	**0.5**	(1.7)
Discontinued operations		
US		
Current tax on (losses)/profits for the year	**0.1**	0.3
Adjustment in respect of prior years	–	(0.1)
Total current tax charge from discontinued operations	**0.1**	0.2
Total current tax charge/(credit)	**0.6**	**(1.5)**
Deferred tax		
Continuing operations		
UK		
Deferred tax on (losses)/profits for the year	**–**	–
Adjustment in respect of prior years	**–**	–
	–	–
Other		
Deferred tax on (losses)/profits for the year	**–**	–
Adjustments in respect of prior years	**–**	–
	–	–
Total deferred tax charge/(credit) from continuing operations	**–**	–
Discontinued operations		
US		
Deferred tax on profits/(losses) for the year	**–**	6.6
Adjustments in respect of prior years	**–**	–
Total deferred tax charge from discontinued operations	**–**	6.6
Total deferred tax charge	–	6.6
Total tax charge	**0.6**	5.1

The above current tax charge/(credit) represents the expected tax on the Research and Development Expenditure Credit ("RDEC") receivable for 2024 and US state taxes from 1 January 2024 to the date of disposal of the US business.

In the prior year, the tax charge represents the tax liability on the Group's taxable profit, including state taxes, and the amount of tax deducted from the RDEC receivable for 2023.

Based on the Group's current financial projections, the estimate of the deferred tax asset in respect of the losses arising in the UK was £nil at 31 December 2024 (December 2023: £nil).

The US business at 30 December 2024 is represented as discontinued operations.

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

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

	31 December 2024 £m	31 December 2023 £m
Profit/(loss) before taxation for the Group	**9.2**	**(33.2)**
Taxation on profit/(loss) at 25.0% (2023: 23.5%)	**2.3**	**(7.8)**
Effects of:		
Research and development	**0.4**	**0.3**
Effect of foreign tax rates	**0.1**	**0.3**
Non-taxable/non-deductible expenses	**0.3**	**0.7**
Unrecognised timing differences	**(0.1)**	**1.7**
Unrecognised tax losses accumulated	**1.1**	**5.6**
Adjustment in respect of prior years	**–**	**(2.1)**
Deferred tax assets derecognised	**–**	**6.6**
Impairment charge	**(3.5)**	**(0.2)**
Total tax charge	**0.6**	**5.1**
Total tax charge/(credit) from continuing operations	**0.5**	**(1.7)**
Total tax charge from discontinued operations	**0.1**	**6.8**

There was no tax charge/(credit) in the current or prior year related to exchange differences on translation of foreign operations in other comprehensive income or the recycling of these into profit and loss.

The Group was taxed at different rates depending on the country in which the profits arise.

The key applicable tax rates for 2024 include the UK 25%, and the US 21%. The effective tax rate for the year was 4.87% (2023: -15.4%).

	31 December 2024 £m	31 December 2023 £m
Property, plant and equipment	**–**	(1.5)
Carry forward losses (UK)	**–**	1.5
Carry forward losses (US)	**–**	–
Recognised deferred tax	**–**	–

Unrecognised deferred tax

	31 December 2024 £m	31 December 2023 £m
Property, plant and equipment	**6.9**	22.8
Carry forward losses	**125.0**	183.4
Deferred stock options	**22.5**	20.5
US R&D credit	**–**	2.2
US fair value adjustments	**–**	40.7
Other	**0.2**	0.4
Unrecognised deferred tax[1]	**154.6**	270.0

1. Balances presented in the table above are gross timing differences and are not tax effected.

Based on the temporary differences, there are total unrecognised deferred tax assets of £38.7 million (2023: £62.2 million). In addition, there is an unrecognised deferred tax asset in relation to R&D expenditure credit set-off amounts of £2.0 million (2023: £1.7 million).

The Group has unrelieved tax losses of £125.0 million (2023: £183.4 million) that are available for offset against future taxable profits.

Factors affecting the tax charge in future years

Factors that may affect the Group's future tax charge include the geographic location of the Group's earnings (including changes in transfer pricing arrangements), the tax rates in those locations, changes in tax legislation and the use of brought-forward tax losses. The calculation of the Group's total tax charge involves a degree of estimation and judgement with respect to the recognition of any deferred tax asset.

10. Earnings/(loss) per share

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

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

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

The following table reflects the profit/(loss) and share data used in the basic and diluted earnings/(loss) per share computations:

	31 December 2024	**31 December 2024**	31 December 2023
	£m	**£m**	£m
	Total	**Before exceptional items**	Total
Profit/(loss) for the year from continuing operations	**0.3**	**2.9**	(8.2)
Basic weighted average number of ordinary shares in issue (million)	**342.4**	**342.4**	344.8
Basic earnings/(loss) per share from continuing operations	**0.1p**	**0.8p**	(2.4)p
Profit/(loss) for the year from continuing operations	**0.3**	**2.9**	(8.2)
Diluted weighted average number of ordinary shares in issue (million)	**382.2**	**382.2**	344.8
Diluted earnings/(loss) per share from continuing operations	**0.1p**	**0.8p**	(2.4)p

	31 December 2024	**31 December 2024**	31 December 2023
	£m	**£m**	£m
	Total	**Before exceptional items**	Total
Profit/(loss) for the year from discontinued operations	**8.3**	**(10.2)**	(30.1)
Basic weighted average number of ordinary shares in issue (million)	**342.4**	**342.4**	344.8
Basic earnings/(loss) per share from discontinued operations	**2.4p**	**(3.0)p**	(8.7)p
Profit/(loss)for the year from discontinued operations	**8.3**	**(10.2)**	(30.1)
Diluted weighted average number of ordinary shares in issue (million)	**382.2**	**342.4**	344.8
Diluted earnings/(loss) per share from discontinued operations	**2.2p**	**(3.0)p**	(8.7)p

11. Intangible assets

	Capitalised development costs £m	Computer software £m	Other intangibles £m	Total £m
Cost				
At 1 January 2023	54.8	0.8	1.2	56.8
Exchange differences	(0.8)	–	–	(0.8)
Additions	11.3	0.2	–	11.5
Disposals	(4.1)	(0.6)	–	(4.7)
At 31 December 2023	61.2	0.4	1.2	62.8
At 1 January 2024	61.2	0.4	1.2	62.8
Exchange differences	0.2	–	(0.1)	0.1
Additions	9.0	–	–	9.0
Disposals	(4.4)	(0.3)	–	(4.7)
De-recognition of assets of discontinued operations	(15.7)	–	–	(15.7)
At 31 December 2024	**50.3**	**0.1**	**1.1**	**51.5**
Accumulated amortisation				
At 1 January 2023	26.8	0.6	1.2	28.6
Exchange differences	(0.5)	0.1	–	(0.4)
Charge for the year	12.3	0.1	–	12.4
Impairment	3.9	–	–	3.9
Disposals	(4.1)	(0.6)	–	(4.7)
At 31 December 2023	38.4	0.2	1.2	39.8
At 1 January 2024	38.4	0.2	1.2	39.8
Exchange differences	0.1	–	(0.1)	–
Charge for the year	9.7	0.1	–	9.8
Impairment (exceptional item)	0.3	–	–	0.3
Impairment	0.7	0.1	–	0.8
Disposals	(4.4)	(0.3)	–	(4.7)
De-recognition of assets of discontinued operations	(15.7)	–	–	(15.7)
At 31 December 2024	**29.1**	**0.1**	**1.1**	**30.3**
Carrying amount				
At 31 December 2024	**21.2**	–	–	**21.2**
At 31 December 2023	22.8	0.2	–	23.0

During the year ended 31 December 2024 £0.3 million (2023: £nil) of intangible assets were impaired in the FlexiPay Business Unit related to projects discontinued as a result of the simplification of the Group. These were treated as an exceptional item (see note 5). A further £0.8 million of intangibles were impaired in 2024 related to capitalised development spend and software no longer in use. In the prior year intangible assets of £3.9 million predominantly related to the US business were fully impaired. This was as a result of the annual impairment review assessment of each cash-generating unit.

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

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

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

	31 December 2024 £m	31 December 2023 £m
Property, plant and equipment (owned)	**2.9**	1.7
Right-of-use assets	**6.7**	3.3
	9.6	5.0

Reconciliation of amount recognised in the balance sheet

	Leasehold improvements £m	Computer equipment £m	Furniture and fixtures £m	Right-of-use assets (property) £m	Total £m
Cost					
At 1 January 2023	5.2	3.0	2.1	32.7	43.0
Disposals	–	(1.1)	–	–	(1.1)
Additions[1]	–	0.7	–	0.2	0.9
Exchange differences	–	–	–	(0.6)	(0.6)
At 31 December 2023	5.2	2.6	2.1	32.3	42.2
At 1 January 2024	5.2	2.6	2.1	32.3	42.2
Disposals	(3.7)	(0.4)	(0.7)	(9.6)	(14.4)
Lease modification	–	–	–	5.7	5.7
Additions[1]	2.3	0.5	0.1	–	2.9
Exchange differences and other non cash movements	(0.4)	–	–	0.1	(0.3)
Derecognition of assets of discontinued operations	(0.2)	(1.0)	(0.7)	(10.2)	(12.1)
At 31 December 2024	**3.2**	**1.7**	**0.8**	**18.3**	**24.0**
Accumulated depreciation					
At 1 January 2023	3.9	1.9	1.8	25.4	33.0
Disposals	–	(1.1)	–	–	(1.1)
Charge for the year	0.7	0.8	0.1	2.7	4.3
Impairment	–	0.1	0.1	1.3	1.5
Exchange differences	(0.1)	–	–	(0.4)	(0.5)
At 31 December 2023	4.5	1.7	2.0	29.0	37.2
At 1 January 2024	4.5	1.7	2.0	29.0	37.2
Disposals	(3.7)	(0.4)	(0.7)	(9.6)	(14.4)
Charge for the year	0.5	0.6	0.1	2.0	3.2
Impairment	–	0.1	–	–	0.1
Exchange differences	–	–	–	0.1	0.1
Derecognition of assets of discontinued operations	(0.2)	(1.0)	(0.7)	(9.9)	(11.8)
At 31 December 2024	**1.1**	**1.0**	**0.7**	**11.6**	**14.4**
Carrying amount					
At 31 December 2024	**2.1**	**0.7**	**0.1**	**6.7**	**9.6**
At 31 December 2023	0.7	0.9	0.1	3.3	5.0

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

In February 2024, the Group signed an amendment to shorten the lease term on one of the UK office floors to 30 June 2024 and extend the term on the other floor. The modification of the lease which was shortened resulted in a net modification gain of £0.4 million (with a £1.1 million reduction in lease liability and £0.7 million reduction in right-of use-asset), and the lease liability and right of use asset net of accumulated depreciation were derecognised at 30 June 2024. The extension of the term on the other floor resulted in an increase to the lease liability of £6.4 million and right of use asset of £6.4 million before depreciation. Leasehold improvement additions associated with re-fitting the retained floor totalled £1.5 million.

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

Property, plant and equipment of £0.1 million (2023: £0.2 million) related to the US business was fully impaired in the year.

Lease liabilities

Amounts recognised on the balance sheet were as follows:

	31 December 2024 £m	31 December 2023 £m
Current	**1.8**	7.2
Non-current	**5.8**	5.4
Total	**7.6**	12.6

13. SME loans and lines of credit

	31 December 2024 £m	31 December 2023 £m
Non-current		
SME loans– amortised cost	**1.4**	5.6
Investment in trusts and co-investments – FVTPL	**17.8**	25.2
Total non-current	**19.2**	30.8
Current		
SME loans– amortised cost	**0.7**	1.1
Lines of credit – amortised cost[1]	**97.1**	50.0
SME loans – FVTPL	**1.2**	18.6
Total current	**99.0**	69.7
Total	**118.2**	100.5

1. Included in Lines of credit are £7.2m related to Cashback credit card balances net of ECL impairment.

14. Trade and other receivables

	31 December 2024 £m	31 December 2023 £m
Other receivables	–	1.4
Non-current trade and other receivables	–	1.4
Trade receivables	**0.4**	0.4
Other receivables	**4.2**	2.7
Tax-related receivables	**4.8**	4.6
Prepayments	**4.7**	5.2
Accrued income	**5.8**	5.3
Rent and other deposits	**0.9**	2.2
Current trade and other receivables	**20.8**	20.4
	20.8	21.8

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

No trade receivables were overdue or impaired.

Included in rent and other deposits are £0.9 million of rental deposits (2023: £1.6 million) in respect of the Group's property leases which expire over the next five years.

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

15. Trade and other payables

	31 December 2024 £m	31 December 2023 £m
Trade payables	**1.8**	2.4
Other taxes and social security costs	**7.0**	4.2
Other creditors[1]	**6.5**	32.6
Accruals and deferred income	**12.5**	15.1
	27.8	54.3

1. Other creditors includes £4.4 million (2023: £30.7 million) due to the British Business Bank (BBB) primarily related to scheme lender fees collected from investors associated with government-guaranteed products.

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

16. Provisions and other liabilities

	Dilapidation £m	Loan repurchase £m	Restructuring[1] £m	ECL on undrawn lines of credit and other[2] £m	Total £m
At 1 January 2023	1.1	0.5	–	0.5	2.1
Additional provision/liability	–	0.2	–	1.2	1.4
Amount utilised	–	(0.4)	–	(0.3)	(0.7)
Amount reversed	–	(0.2)	–	–	(0.2)
At 31 December 2023	1.1	0.1	–	1.4	2.6
Additional provision/liability	–	–	2.3	2.2	4.5
Amount utilised	(0.3)	(0.1)	(2.3)	–	(2.7)
Amount reversed	(0.2)	–	–	–	(0.2)
Disposal of provisions related to discontinued operations	–	–	–	–	–
At 31 December 2024	**0.6**	**–**	**–**	**3.6**	**4.2**

1. The restructuring provision relates to the simplification and streamlining of the Group and has been treated as an exceptional item. See note 5.
2. ECL on undrawn lines of credit and other provisions includes provisions for operational buybacks of £0.9 million (2023: £nil) and £2.7 million (2023: £1.4 million) of expected credit loss impairment allowance related to undrawn FlexiPay lines of credit. See notes 17 and 19.

	31 December 2024 £m	31 December 2023 £m
Current provisions and other liabilities	**3.6**	1.5
Non-current provisions and other liabilities	**0.6**	1.1
	4.2	2.6

The dilapidation provision represents an estimated cost for dismantling the customisation of offices and restoring the leasehold premises to its original state at the end of the tenancy period. The provision is expected to be utilised by 2030.

17. Financial risk management

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

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

Risk factors

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

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

Principal financial instruments

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

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

Categorisation of financial assets and financial liabilities

The tables show the carrying amounts of financial assets and financial liabilities by category of financial instrument as at 31 December 2024:

	31 December 2024				31 December 2023			
	Fair value through profit and loss	**Amortised cost**	**Other**	**Total**	Fair value through profit and loss	Amortised cost	Other	Total
Assets	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m
SME loans held at amortised cost	–	**2.1**	–	**2.1**	–	6.7	–	6.7
SME loans held at fair value through profit and loss	**1.2**	–	–	**1.2**	18.6	–	–	18.6
Lines of credit	–	**97.1**	–	**97.1**	–	50.0	–	50.0
Investment in trusts and co-investments	**17.8**	–	–	**17.8**	25.2	–	–	25.2
Trade and other receivables	**0.6**	**10.7**	**–**	**11.3**	0.8	11.2	–	12.0
Cash and cash equivalents	**136.3**	**51.3**	–	**187.6**	150.1	71.3	–	221.4
	155.9	**161.2**	–	**317.1**	194.7	139.2	–	333.9
Liabilities								
Trade and other payables	–	**(8.3)**	–	**(8.3)**	–	(35.0)	–	(35.0)
Loan repurchase liability	–	**-**	–	–	–	–	(0.1)	(0.1)
Bank borrowings	–	**(101.9)**	–	**(101.9)**	–	(56.9)	–	(56.9)
Lease liabilities	–	**(7.6)**	–	**(7.6)**	–	(12.6)	–	(12.6)
	–	**(117.8)**	–	**(117.8)**	–	(104.5)	(0.1)	(104.6)

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, SME loans held at amortised cost, FlexiPay lines of credit, bank borrowings, lease liabilities 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:

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

The fair value of financial instruments that are not traded in an active market (for example, investments in SME loans) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3. An assessment that the level applied to financial instruments is appropriate and whether a transfer between levels is required is undertaken at the end of each accounting period. There were no transfers between levels during the year or prior year.

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

Fair value measurement using

	31 December 2024			31 December 2023		
	Quoted prices in active markets (level 1)	**Significant observable inputs (level 2)**	**Significant unobservable inputs (level 3)**	Quoted prices in active markets (level 1)	Significant observable Inputs (level 2)	Significant unobservable inputs (level 3)
	£m	**£m**	**£m**	£m	£m	£m
Financial assets						
SME loans held at fair value through profit and loss	–	–	**1.2**	–	–	18.6
Trade and other receivables	**0.6**	–	–	0.8	–	–
Investment in trusts and co-investments	–	–	**17.8**	–	–	25.2
Cash and cash equivalents	**136.3**	–	–	150.1	–	–
	136.9	–	**19.0**	150.9	–	43.8

The fair value of all SME loans held at fair value has been estimated by discounting future cash flows of the loans using discount rates that reflect the changes in market interest rates and observed market conditions at the reporting date. The estimated fair value and carrying amount of the SME loans held at fair value through profit and loss was £1.2 million at 31 December 2024 (2023: £18.6 million).

Investment in trusts and co-investments represents the Group's investment in the trusts and other vehicles used to fund CBILS, RLS GGS and certain commercial loans and is measured at fair value through profit and loss. The government-owned British Business Bank will guarantee up to 80% of the balance of CBILS loans in the event of default (and between 70% and 80% of RLS loans and 70% for GGS loans). The estimated fair value and carrying amount of the investment in trusts and co-investments was £17.8 million at 31 December 2024 (2023: £25.2 million).

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

Since 31 December 2023, the assumptions related to estimating fair value have been marginally updated. The expected stress in defaults due to the macro environment of inflationary cost pressures experienced by SMEs and their customers in the year did not materialise to the extent expected as base rates peaked, plateaued and began to fall and borrowers remained largely resilient. This has led to some favourable observed performance with lower defaults and stable recoveries relative to expectations on many of the portfolios particularly the legacy SME loans (securitised) in the US prior to their sale along with the US business. The expectation of a macro stress is now expected to be less pronounced but last longer. This has led to a lower lifetime cumulative default expectation and a higher relative estimation of fair value compared to the carrying value of the loans than at 31 December 2023. However, due to the amortising nature of these loans and the sale of the US loans, there is less sensitivity to default assumptions given the lower relative remaining value on the book year on year.

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

There has additionally been decreases in discount rates used to discount the estimated cash flows in the year, primarily driven by decreases in the risk free rate, due to central bank interest rates falling and expectations of rate cuts priced into swaps. Many of the investments in leveraged investment in trust structures have experienced a reduction in discount rates due to de-leveraging of the vehicles as senior lenders debt has been paid down. The repayment of senior debt and the passage of time has additionally led to fair value gains as a result of the discount unwind as projected future cash flows of the investments which tend to be backloaded in the structure become are nearer in time to the balance sheet date. This, in turn, has led to a higher relative estimation of fair value in the year.

The result of the various factors outlined above is a £6.4 million net fair value gain during the year (of which £2.2 million relates to discontinued operations) primarily driven by favourable performance of legacy securitisation loans relative to expectations of stressed performance over the year; however, as these loans continue to amortise they are expected to become less sensitive to estimation uncertainty.

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

Fair value movements on SME loans held at fair value through profit and loss and investments in trusts and co-investments are recognised through the profit and loss account in fair value gains/(losses).

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

	SME loans held at fair value through profit and loss £m	**Investment in trusts and co-investments £m**
Balance as at 1 January 2023	69.1	28.7
Additions	11.9	1.8
Repayments	(37.6)	(6.6)
Disposal	(30.4)	–
Net gain on the change in fair value of financial instruments at fair value through profit or loss	7.4	1.3
Foreign exchange loss	(1.8)	–
Balance as at 31 December 2023	**18.6**	25.2
Additions	–	4.1
Repayments	**(13.5)**	(14.6)
Net gain on the change in fair value of financial instruments at fair value through profit or loss	**2.6**	3.8
Other non-cash movements	**(0.7)**	–
Disposal of discontinued operations	**(5.8)**	(0.7)
Balance as at 31 December 2024	**1.2**	17.8

Financial risk factors

Credit risk

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

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

	31 December 2024 £m	31 December 2023 £m
Non-current		
SME loans held at amortised cost	**1.4**	5.6
Investment in trusts and co-investments	**17.8**	25.2
Trade and other receivables:		
- Other receivables	–	1.4
Current		
SME loans held at amortised cost	**0.7**	1.1
SME loans held at fair value through profit and loss	**1.2**	18.6
Lines of credit	**97.1**	50.0
Trade and other receivables		
- Trade receivables	**0.4**	0.4
- Other receivables	**4.2**	2.7
- Accrued income	**5.8**	5.3
- Rent and other deposits	**0.9**	2.2
Cash and cash equivalents	**187.6**	221.4
Total gross credit risk exposure	**317.1**	333.9
Less bank borrowings[1]	**(101.9)**	(56.9)
Total net credit risk exposure	**215.2**	277.0

1. Included within bank borrowings are £nil (2023: £2.2 million) in relation to drawdowns on the PPPLF and £101.9 million (2023: £54.7 million) related to the FlexiPay warehouse.

In addition, the Group was subject to certain financial guarantees in its legacy European operations which it had issued to buy back loans. The Group's maximum exposure to credit risk on these financial guarantees were every eligible loan required to be bought back would be £nil (2023: £0.4 million).

An expected credit loss allowance related to undrawn lines of credit on the FlexiPay product of £2.7 million (2023: £1.4 million) is held within provisions and other liabilities. The Group's maximum exposure to credit risk on the undrawn lines of credit if they were all to be fully drawn would be £278.7 million (2023: £157.3 million).

The Group has the ability to freeze, reduce or withdraw lines of credit as a way of managing associated credit risk.

Credit risk associates with SME loans held at amortised cost and lines of credit

Under IFRS 9, the Group is required to provide for loans measured at amortised cost under the expected credit loss ("ECL") model. The impairment related to each loan is based on the ECLs associated with the probability of default of that loan in the next 12 months unless there has been a significant increase in credit risk of that loan since origination. The below factors are used in estimating the impairment:

Factor	**Description**
Probability of Default ("PD")	The Group has developed PD models tailored to each Term Loan or line of credit product to assess the likelihood of default within the next 12 months and over the lifetime. The models estimate PD based on the latest payment behaviour of the customers and observed historical trends. The PD model also includes an estimate of the future macroeconomic effect.
Exposure at Default ("EAD")	The Group has developed an EAD model for line of credit products to assess the likely exposure at default. The model calculates estimates of EAD based upon the latest payment behaviour of the customer, the credit limit utilisation, and applying a credit conversion factor approach.
Loss Given Default ("LGD")	The Group has developed LGD models tailored to each Term Loan or line of credit product to assess the likely financial loss given an account defaults. The models calculate estimates of LGD based on historical data on observed recoveries against defaulted accounts.
Discount rate	The Group uses account-level effective interest rate which is calculated based on line of credit amount or loan amount, interest and fees, expected repayments including pre-payments and term.

Significant increase in credit risk: The Group assumes there has been a significant increase in credit risk if the loan or line of credit is overdue, or if the line of credit has been frozen due to identification of risk from sources such as bureau data indicating they have become overdue on a third party debt for example, or if the borrower is late on another FC product. A backstop is applied for any outstanding amounts on the loan investment exceed 30 days, in line with the rebuttable presumption per IFRS 9.

Forecast period: We estimate PD, EAD and LGD for the duration of the lifetime of the Term Loan or line of credit. Term Loans utilise the contractual term of the Term Loan. For lines of credit, the duration of the lifetime is estimated to be five years.

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

Lines of credit utilises the same default definition and probability of default under IFRS 9; however, they are assessed based on 12-month probability of default at the overall available line of credit level, estimating the expected utilisation of the line of credit at the estimated point of default. The expected credit loss impairment associated with undrawn lines of credit is disclosed within other liabilities in note 16 and in note 19.

In the prior year, SME loans held at amortised cost included PPP loans funded by the use of the PPPLF. The loans were guaranteed by the US government in the event of default and the loans were anticipated to be forgiven. At the point of default and subsequent collection of the guarantee or point of forgiveness, the loan and the respective borrowings under the PPPLF are extinguished.

SME loans held at amortised cost also include loans which have been brought back from investors with the intention of collecting contractual cash flows.

Lines of credit comprises £97.1 million (2023: £50.0 million) of drawn amounts through the FlexiPay product net of expected credit loss impairment.

The gross principal value of SME loans held at amortised cost is £11.3 million (2023: £21.4 million) and drawn lines of credit is £110.0 million (2023: £55.4 million), totalling £121.3 million (2023: £76.8 million), and an allowance for expected credit losses of £9.2 million (2023: £14.7 million) and £12.9 million (2023: £5.4 million) respectively, totalling £22.1 million (2023: £20.1 million), is held against these loans and drawn lines of credit as detailed below.

An impairment charge of £7.0 million (2023: impairment charge of £3.3 million) was recognised through the statement of comprehensive income in the year to 31 December 2024 within (provision)/credit for expected credit losses in the income statement related to drawn lines of credit and SME loans held at amortised cost.

Additionally, an expected credit loss impairment charge was recognised relating to undrawn FlexiPay lines of credit of £1.3 million (31 December 2023: £1.1 million) and an expected credit loss impairment charge of £nil (31 December 2023: credit of £0.4 million) related to the loan repurchase liability and an expected credit loss impairment charge related to operational buybacks of £0.4 million (2023: £nil) were recognised as detailed in notes 16 and 17.

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

Reconciliation of opening to closing ECL	Stage 1 Performing: 12-month ECL £m	Stage 2 Underperforming: Lifetime ECL £m	Stage 3 Non-performing: Lifetime ECL £m	POCI: Lifetime ECL £m	Total £m
At 1 January 2023	1.1	0.3	0.9	14.1	16.4
Impairment against new lending and purchased assets	12.6	0.1	0.1	0.6	13.4
Exchange differences	–	–	–	(0.5)	(0.5)
Impairment against loans transferred between stages	(0.3)	0.5	2.5	–	2.7
Loans repaid	(10.5)	–	(0.2)	(0.9)	(11.6)
Change in probability of default or loss given default assumptions	(1.3)	0.1	0.4	0.5	(0.3)
At 31 December 2023	1.6	1.0	3.7	13.8	20.1
Impairment against new lending and purchased assets	**12.7**	**–**	**–**	**–**	**12.7**
Exchange differences	–	**–**	**(0.1)**	**(0.3)**	**(0.4)**
Impairment against loans transferred between stages	**(0.2)**	**3.9**	**7.1**	**–**	**10.8**
Loans repaid	**(11.2)**	**(3.3)**	**(0.4)**	**(0.7)**	**(15.6)**
Impairment provision derecognised related to written off loans	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Change in probability of default or loss given default assumptions	**(0.1)**	**(0.2)**	**(0.8)**	**0.6**	**(0.5)**
Derecognition of impairment associated with assets of discontinued operations	–	**–**	**(0.1)**	**(4.6)**	**(4.7)**
At 31 December 2024	**2.8**	**1.4**	**9.4**	**8.5**	**22.1**

	Expected credit loss coverage %	Basis for recognition of expected credit loss impairment	Gross lines of credit and SME loans held at amortised cost £m	Provision for expected credit loss £m	Net carrying amount £m
As at 31 December 2023					
Stage 1 – Performing	2.9	12-month ECL	55.8	(1.6)	54.2
Stage 2 – Underperforming	50.0	Lifetime ECL	2.0	(1.0)	1.0
Stage 3 – Non-performing	86.0	Lifetime ECL	4.3	(3.7)	0.6
POCI	93.9	Lifetime ECL	14.7	(13.8)	0.9
		Total	76.8	(20.1)	56.7
As at 31 December 2024					
Stage 1 –- Performing	**2.8**	**12-month ECL**	**99.1**	**(2.8)**	**96.3**
Stage 2 – Underperforming	**43.8**	**Lifetime ECL**	**3.2**	**(1.4)**	**1.8**
Stage 3 – Non-performing	**90.4**	**Lifetime ECL**	**10.4**	**(9.4)**	**1.0**
POCI	**98.8**	**Lifetime ECL**	**8.6**	**(8.5)**	**0.1**
		Total	**121.3**	**(22.1)**	**99.2**

Of which is drawn FlexiPay lines of credit	Expected credit loss coverage %	Basis for recognition of expected credit loss impairment	Gross lines of credit £m	Provision for expected credit loss £m	Net carrying amount £m
As at 31 December 2023					
Stage 1 – Performing	2.8	12-month ECL	50.3	(1.4)	48.9
Stage 2 – Underperforming	52.6	Lifetime ECL	1.9	(1.0)	0.9
Stage 3 – Non-performing	93.8	Lifetime ECL	3.2	(3.0)	0.2
POCI	—	Lifetime ECL	—	—	—
		Total	55.4	(5.4)	50.0
As at 31 December 2024					
Stage 1 – Performing	**2.8**	**12-month ECL**	**97.0**	**(2.7)**	**94.3**
Stage 2 – Underperforming	**43.8**	**Lifetime ECL**	**3.2**	**(1.4)**	**1.8**
Stage 3 – Non-performing	**89.8**	**Lifetime ECL**	**9.8**	**(8.8)**	**1.0**
POCI	**—**	**Lifetime ECL**	**—**	**—**	**—**
		Total	**110.0**	**(12.9)**	**97.1**

The risk and finance functions of the Group monitor the performance of the FlexiPay lines of credit and SME loans held at amortised cost and calculate the ECL estimate required for financial reporting purposes. These teams report to the Chief Financial Officer ("CFO") and Chief Risk Officer ("CRO"). Discussions of estimates processes and results are held regularly at Balance Sheet Management and Impairment and Valuation Committee meetings along with regular updates provided to the Audit Committee.

Forward-looking information and scenarios: The allowance for expected credit losses required estimation to assess individual loans or when applying statistical models for collective assessments based on the Group's past experience of historical delinquencies and loss trends, as well as forward-looking information in the form of macroeconomic scenarios governed by an impairment committee, which considers macroeconomic forecasts such as changes in interest rates, GDP and inflation which are considered for incorporation into scenarios and probability weighted. These scenarios are utilised to derive a default stress multiplier in the unstressed PD projections established from historical experience.

Key changes to scenarios used in 2024: During the year, the business moved away from using macroeconomic scenarios derived from US macroeconomic data (primarily GDP which correlated well to US charge off rates) toward a focus on the UK macro economic data aligning with the disposal of the US business.

UK-specific forecast data was obtained from a third party economics provider for three scenarios; a baseline, upside and downside scenario. A number of data points were obtained and considered by Funding Circle including GDP, real estate prices, unemployment rates, among others, however unemployment held the strongest correlation to UK insolvency rates and was determined to be more suitable under statistical modelling techniques. As a result unemployment was used as a single factor forecast input for determining scenarios utilised for PD stress multipliers. The scenarios used were as follows:

Macroeconomic drivers (average for the forecast year)	ECL scenario	2025 %	2026 %	2027 %	2028 %	2029 %
	Upside	3.97	3.65	3.62	3.63	3.64
Unemployment rates %	Base case	4.40	4.31	4.18	4.06	4.00
	Downside	5.15	5.98	6.71	6.71	6.48

A sensitivity to these assumptions on the estimated ECL is disclosed within note 3.

The nature of the stress forecasts was lower than those used in the previous year where there was a shift away from shorter, sharper stress forecast expectations associated with sharp inflation and supply chain issues to a more "traditional" gradual but longer lasting stress. In combination with this more muted stress multiplier derived from the scenarios FC shifted its benchmark weighting from 70% baseline, 20% downside, 10% upside from FY 2023 to 60% baseline, 30% downside and 10% upside in 2024 because in Funding Circle's judgement the more subtle downside impact is more probable than the higher stress used under the prior year's scenarios having considered possible weightings.

Credit risk associated with other financial assets:

SME loans held at fair value through profit and loss relate to the underlying pool of SME loans from the legacy warehouses and SPVs that have since been purchased or novated into other Funding Circle entities, but remain held at FVTPL with the business model of holding the loans for sale. Additionally, loans originated by the Group with the intention of selling onwards are included in this category.

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

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

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

Individual risk limits for banks and financial institutions are set by the Group with reference to external rating agencies. The Group's treasury policy has set limits and quantities that the Group must remain within. No credit or counterparty limits were exceeded during the year. The Group's cash and cash equivalents split by S&P counterparty rating were A/A- rated: £51.4 million (2023: £71.3 million), A+ or better rated: £136.3 million (2023: £150.1 million) and below A- rated: £nil (2023: £nil).

Impairment of net investment in subleases:

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

18. Notes to the consolidated statement of cash flows

Cash outflow from operating activities

	31 December 2024 £m	31 December 2023 £m
Profit/(loss) before taxation		
Continuing operations	**0.8**	(9.9)
Discontinued operations	**8.4**	(23.3)
Total operations	**9.2**	(33.2)
Adjustments for:		
Depreciation of property, plant and equipment	**3.2**	4.3
Amortisation of intangible assets	**9.8**	12.4
Modification gain	**(0.4)**	–
Impairment of property, plant and equipment, intangible assets, ROU assets and investment in sublease	**0.9**	6.2
Impairment of intangibles (exceptional item)	**0.3**	–
Interest payable	**0.8**	0.6
Non-cash employee benefits expense – share-based payments and associated social security costs	**8.1**	5.6
Fair value adjustments	**(6.4)**	(8.7)
Movement in loan repurchase liability	**(0.1)**	(0.4)
Movement in other provisions	**1.7**	0.9
Share of gains of associates	–	(0.1)
ECL impairment	**8.7**	4.4
Profit on sale of the US subsidiary (exceptional item)	**(9.8)**	–
Recycling of foreign exchange reserve on sale of subsidiary (exceptional item)	**(8.7)**	–
Other non-cash movements	**(0.2)**	0.7
Changes in working capital		
Movement in trade and other receivables	**(3.1)**	(13.5)
Movement in trade and other payables	**(26.6)**	34.7
Tax paid	**(0.1)**	(0.6)
Originations of lines of credit	**(467.0)**	(230.4)
Cash receipts from lines of credit	**412.3**	191.5
Net cash outflow from operating activities	**(67.4)**	(25.6)

Cash and cash equivalents

	31 December 2024 £m	31 December 2023 £m
Cash and cash equivalents	**187.6**	221.4

The cash and cash equivalents balance is made up of cash and money market funds. The carrying amount of these assets is approximately equal to their fair value. Included within cash and cash equivalents above is a total of £37.1 million (2023: £51.8 million) in cash which is restricted in use. Of this, £nil (2023: £1.1 million) is restricted in use in the event of rental payment defaults and is therefore restricted in its use. £5.0 million (2023: £31.1 million) of cash is held which is restricted in use to repaying investors in CBILS and RLS loans and paying CBILS and RLS-related costs to the UK government. A further £32.1 million (2023: £19.6 million) of cash is held which is restricted for use in the FlexiPay warehouse.

At 31 December 2024, money market funds totalled £136.3 million (2023: £150.1 million).

Analysis of changes in liabilities from financing activities

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

	1 January 2024 £m	**Cash flow £m**	**Exchange movements £m**	**Other non-cash movements £m**	**Derecognition of liabilities related to discontinued operations £m**	**31 December 2024 £m**
Bank borrowings	(56.9)	**(46.6)**	**–**	**–**	**1.6**	**(101.9)**
Lease liabilities	(12.6)	**3.6**	**(0.3)**	**(5.8)**	**7.5**	**(7.6)**
Liabilities from financing activities	(69.5)	**(43.0)**	**(0.3)**	**(5.8)**	**9.1**	**(109.5)**

19. Contingent liabilities and commitments

As part of the ongoing business, the Group has operational requirements with its investors. At any point in time, it is possible that a particular investor may expect the Group to purchase their loan in the event of a breach of representation or warranty, operational errors or control issues or where agreed eligibility criteria have not been complied with. Where a loan is purchased it is presented within SME loans held at amortised cost on the face of the consolidated balance sheet and held at amortised cost under IFRS 9.

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

The Group has commitments related to undrawn amounts on issued FlexiPay lines of credit. At 31 December 2024, there were undrawn commitments of £278.7 million (2023: £157.3 million). An expected credit loss impairment allowance is held within other provisions by the Group of £2.7 million (2023: £1.4 million) in relation to the estimated credit losses the Group may be exposed to on these undrawn lines of credit.

20. Subsequent events

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