Funding Circle

Business finance that backs you

Annual Report and Accounts 2024

Overview and highlights

Powering UK businesses

We're the UK's leading SME finance platform, backing small businesses with the funding they need to win.

From coffee roasters and bakeries to furniture manufacturers and estate agents, our customers are the nation's small and medium-sized businesses.

Our products

Enabled by data and technology, our expanded product suite allows businesses to **borrow, pay later** and **spend** – supporting them at every stage of their finance journey.

More detail on page 18

Spend
Daily

Borrow
Longer term

Pay later
Monthly

Our customers

We're building a great business for our customers, who are the backbone of the economy. We provide the fuel to power SMEs, enabling them to build their businesses that create jobs, bring economic growth and support their communities.

More detail on page 14

Front cover image: Laird Hatters.

Our financial performance

Revenue

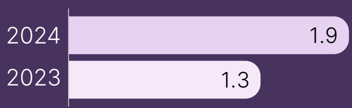
£160.1m

Profit before tax
(before exceptional items)

£3.4m

Credit extended

£1.9bn



Balances outstanding

£2.8bn

More detail on page 44

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The Strategic report was approved by the Board on 06 March 2025.

Lisa Jacobs
Chief Executive Officer

Chair's statement

A remarkable year of evolution, and serving more SMEs

Andrew Learoyd
Chair

"2024 was a remarkable year for Funding Circle, a year of major decisions and change. I feel more confident about Funding Circle's future than ever before."

corporate.fundingcircle.com

Review of the year

2024 was a remarkable year, a year of major decisions and change.

In last year's report I wrote about our decision to seek an exit of our US business which we had owned and developed almost since start-up. This was a hard decision made after we won the licence to distribute SBA loans in 2023. We received several approaches for the business and, following the Board decision to proceed, the team executed a seamless sale despite our emotional connection to all the team and all we had achieved in the US.

Over a period of years, we had invested heavily in talent, having built expected economic recovery into our budgets. However by the end of 2023 we stopped building in such recovery in our budget process. The decision to press ahead with cost reductions during 2024 was another hard but necessary decision. I am pleased that this was done fairly and properly with a significant reduction in our cost base but a culture largely unscathed.

These two major decisions were also driven by a prioritisation of shareholder value. In 2023, I referenced the value of the operational and financial leverage in our business model, "we can hope and expect that the share price will reflect that value in due course", I wrote. It is at last pleasing that Funding Circle Holdings was one of the best performing shares in the UK market in 2024.

Strategy

In 2022, we began our strategic pivot from a single to a wider product offering, and in 2024 we completed the shift to a single geography focus. We now offer UK SMEs more ways to borrow, pay later and spend and we will continue to bring more flexibility and value to our existing customers and also say "yes" to a broader range of customers.

While the Board has made a conscious decision to demonstrate the underlying profitability of our core business, we do not want to do this at the expense of growth. New products require research, development and investment and we will use our balance sheet strength and cash generative core business to fuel the longer-term growth. FlexiPay is a good demonstration of how much growth we can deliver with this strategy and since launching in 2022, FlexiPay is now facilitating almost £45 million payments per month. Our newly launched Cashback Business Credit Card ("Cashback credit card") is next, and we have high hopes this will drive further growth.

Board and people

Last March, I said there would be changes to the Board over the year as some of our Non-Executive Directors were nearing the end of their tenure, and that we would use this opportunity to ensure we have the right size and composition of Board for our revised strategy. In May 2024, our Risk and Compliance Committee Chair, Eric Daniels stepped down after almost eight years on the Board. In October 2024, founder Samir Desai CBE stepped down from the Board as he was coming to the end of his three years as a Non-Executive Director, and Matthew King recently retired from the Group Board having spent many years chairing the Board of our regulated subsidiary. We also announced in May 2024 that CFO Oliver White would stand down at the end of the year.

To our departing Directors, I give thanks for your commitment, your support and for leaving Funding Circle in the strong position it is in today. Samir, especially to you, none of this would have been possible without you and your co-founders.

The Nomination Committee had much to do in 2024 and the work is ongoing. We appointed Tony Nicol as CFO and Ken Stannard has joined as Non-Executive Director and Chair Designate to replace me following the AGM in May 2025. We plan to appoint at least two new Non-Executive Directors in the coming months.

In Tony Nicol we have a trusted colleague who understands our business intimately. We are excited to have Ken Stannard join us, together with the additional Non-Executive Director hires that we are seeking, we will have a new Board replete with the skills and experience to drive Funding Circle forward as the champion of SMEs in the UK.

Introducing our new Chair

Excited to be joining Funding Circle on its next chapter

I am delighted to join Funding Circle as the Independent Non-Executive Director and Chair Designate. In 2025 and beyond, I look forward to working with the Board, the executive team and Circlers to drive forward the Group's strategy and ensuring that it continues to create significant value for all stakeholders.

Assuming the role of Chair Designate is a significant responsibility. However, with over three decades of experience and expertise in credit, lending, and payments, I am eager to contribute and continue bringing the Company's vision to life, and ensuring more small businesses get the funding they need to win.

I look forward to my election to the Board and role of Chair at the Annual General Meeting in May 2025, where our shareholders will have the opportunity to ask me and the Board about our vision.

I am confident that 2025 will be a year of excitement and opportunity for Funding Circle to grow and maintain its position in the market.

Ken Stannard
Chair Designate

Chair's statement continued

Board and people continued

While 2024 has been a year of great successes, some of the changes have been difficult for our Circlers such as the sale of the US business, and the restructuring in the UK. I pay full respect to the whole team who have together delivered an exceptional year of growth with almost no blip in the culture that defines Funding Circle.

The future

With my final report to shareholders, I feel more confident about Funding Circle's future than ever before. No longer "unproven through the cycle", the attractive financial model and cash generation of our core business will become obvious, while our newer products will provide the turbo charge to growth.

Our new strategic direction has given us a more simplified focus, but a wider product offering also raises challenges that we have not previously faced. For example, it has dramatically increased the velocity and frequency of our customer interactions and the need for us to offer the right product with the simplest messaging. Having spent many years offering a single product, we will need to offer a different and improved customer experience in the future. We need to be best in class to ensure that SMEs come to us and stay with us for an increasing number of their financial needs.

As part of this process, there are skills we need to learn and resources to hire. We have recently set up a team of AI experts who will harness the technology to support this. For many years, we have used machine learning to develop the market leading SME credit technology. Adding AI will allow us to become the go-to supplier of financial products for the vast army of SMEs that are the bedrock of the British economy.

Thank you

Our journey since 2010 has not always been easy. The sector that we helped to create, peer-to-peer finance, is said no longer to exist, but here we are with much the same platform-based model that we started with. We have faced a series of economic and political headwinds, but we have faced these challenges with great purpose, based on a mission that has always remained constant, to support SMEs with the funding they need to win.

> "It has been an honour, a privilege and a pleasure to serve on the Board of Funding Circle for the nearly 15 years since it was founded."

With that mission, there have been some extraordinary achievements. We knew the demand from SME borrowers would be there, but how could we ensure there would always be a steady supply of investor lending. We have proven after 14 successive years delivering positive net returns for institutional investors on our platform that we have indeed invented a new asset class. An asset class that has been endorsed by the Bank of England, which recently approved our securitised loans as eligible bonds for collateral.

It is an asset class which feeds capital and jobs to the real economy, and we have secured a market position that is so important to that asset class that when the State needed to provide government-guaranteed loans to British businesses, we became a significant part of the British Business Bank's programme. I once told a shareholder that I would not leave Funding Circle until we were regarded as essential to the health and funding of a large swathe of SMEs in the UK economy. I believe that Funding Circle is now in that position, I truly believe that with Funding Circle around, British business is in a better place!

It has been an honour, a privilege and a pleasure to serve on the Board of Funding Circle for the 15 years since it was founded, and I wish all who will now take it forward great fulfilment, success and fun.

Andrew Learoyd
Chair
6 March 2025

Chief Executive Officer's statement

A year of change and significant progress

Lisa Jacobs
Chief Executive Officer

"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."

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2024 was a successful year of change and transformation as we executed against our plan to deliver a simpler, leaner business.

I am proud of the progress we have made. 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 multi-product transformation

Three years ago, when I stepped into the CEO role, I 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 Cashback credit card.

Chief Executive Officer's statement continued

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 are not the high growth venture-backed rocket ships, but they are the backbone of the economy – the florists, the manufacturers, the restaurateurs, 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 have 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, £7.2 billion in GDP contribution and £2 billion in tax receipts. We lent to businesses in every one of the country's 650 constituencies. That is pretty remarkable and I am reminded of the impact we have whenever I meet one of our borrowers and hear their stories. This year, I have had the pleasure of meeting Tina from the French bakery, Croissant D'Or, and Debi from the flooring business, Springfield Carpets, in Leeds; and husband and wife team, Brian and Kerry, from Powderhall Bronze, an Edinburgh based foundry, fine art producer and gallery. They each have wonderful stories of running and building their businesses with plenty of ups and downs. It's a privilege to know that our loans have been part of those journeys.

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

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

Our core Term Loans business grew strongly with 33% origination growth, reaching £19 million 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 I am pleased to say that 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 credit card but initial metrics are in line with our expectations and we look forward to seeing further growth in 2025 and beyond.

2024 was a year of change and progress as we executed against our plan of delivering a simpler, leaner business. I am proud of the progress we have made, delivering strong growth, expanding our product set and delivering profit ahead of market expectations.

We executed the plan I laid out to be a simpler, leaner business. We sold the US business in July for a gain on sale of £10 million and restructured the UK business, to deliver £15 million 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 us for long term success, and they have placed the business in a strong position to deliver against our medium-term plan with continued growth and profitability trajectory.

> "Over the last three years, we have transformed our business. We see a future where Funding Circle is at the heart of SMEs' financial lives."

People & culture

Our performance this year is down to the hard work of our Circlers. We are a technology business, but we are also a people business, driven by the passion, innovation and delivery of our team. I want to thank them all for their dedication and commitment to helping SMEs thrive. Our culture is something that we nurture and celebrate. We pride ourselves on being a great place to work and develop careers. In 2024, we have held various team events and socials, including our first ever CircleIN. Our Circler groups have been active and we have had an office refresh to upgrade the space, foster collaboration and work seamlessly for a hybrid working environment. We were delighted to be awarded the Transformation of the Year at the PLC Awards in recognition of the changes we have made and the team's strong execution.

I would like to thank Oliver White, our departing CFO, who has had a significant impact in his four years at Funding Circle, and our departing Board members, particularly Samir Desai and Andrew Learoyd, whose leadership and vision have built this business from the start. I am delighted to have Tony Nicol step into the CFO role, after six years at Funding Circle, and Ken Stannard bringing his vast experience and energy as he steps into the Chair role.

Looking ahead

2024 was a strong year, but I believe the best is yet to come. The market opportunity is vast, with over £80 billion in SME loans outstanding, over £1 trillion in SME B2B payments and over £80 billion 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:** continuing credit innovation and product enhancements will enable us to get to yes for more businesses as we bring the right product to the right customer.
- **Expand our audience:** expanding our audience by targeting new segments with our newer products whilst also deepening and expanding our distribution channels.
- **Scale our product offering:** scaling our products and adding new features, capitalising on the significant market opportunity to drive growth and margin expansion.
- **Build a seamless lifetime customer experience:** delivering an exceptional experience throughout our customers' journey 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.

Lisa Jacobs
Chief Executive Officer
6 March 2025

Key actions from 2024.

Simpler

Sold US business for a gain on sale of £10 million

In July, we sold our US business to iBusiness Funding for a gain on sale of £10 million in order to focus on nearer term profitability and cash generation in the UK.

Leaner

Restructuring announced to deliver an annualised benefit of ~£15 million in 2025

In May, we announced a restructuring programme to reduce our total head count by c.120, delivering an annualised benefit of c.£15 million in 2025. This focused on management layers, business prioritisation and productivity, supported by GenAI tools.

Profitable

Delivered PBT margins of 13.3%, in line with profit guidance

The actions that we have progressed this year have meant that the business has delivered £3.4 million PBT, following an upgrade to our profit guidance in September. In our more mature Term Loans business, we delivered PBT margins of 13.3%.

Our business model

We're proud of our impact in powering the nation's SMEs, which supports jobs and economic and community prosperity. Small businesses are the backbone of the economy. Since 2010 we have been fuelling small businesses with the funding they need using our data and technology advantage to drive a superior, fast and hassle-free customer experience.

Our capital light model enables scale and growth whilst our superior risk and analytic capabilities deliver robust and attractive returns for institutional investors.

Our addressable market

£84bn
addressable SME loans market[1]

£1.3trn
SME B2B payments[2]

£80bn
SME card transactions[2]

1. Funding Circle addressable market research July 2022
2. Visa SME market sizing July 2022

Our customers

Small business borrowers

- Access to affordable finance
- Fast, convenient applications
- Instant automated decisions for 77% of applications
- Superior customer experience with a 79 Group Net Promoter Score

Institutional investors

- Access to hard-to-reach asset class at scale with diversified loan book
- Robust and attractive returns
- Forward flow agreements with £2.1 billion future funding in place

For details on how we generate revenue, see page 46

Our competitive advantage

Superior customer experience

79
NPS

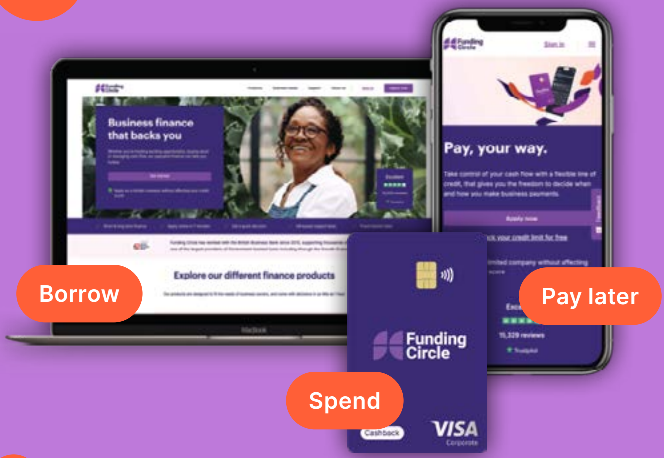
4.6
Trustpilot

Data and technology advantage

3x
better risk discrimination

77%
instant decisions

Wide product suite



More detail on page 16

The value we create

>111,000
small businesses supported

£7.2bn
contribution to GDP

87,000+
jobs supported

~5%
annualised returns to institutional investors

171
Impact Days taken in 2024

Our strategy

We delivered against our ambitious strategy in 2024

Our strategic pillars

How we delivered in 2024

1 Attract more businesses

Our product expansion and growth have enabled us to increase applications, open up new marketing channels and attract a broader set of businesses.

In addition to our product evolution, we have continued to invest in our brand with our second and third season sponsoring Premiership Rugby. We expanded our sponsorship by welcoming Jamie George, England Captain and Funding Circle borrower, as our brand ambassador.

Along with our regular marketing channels, the sponsorship has driven increased brand visibility and helped us reach an even wider pool of customers. Our Season 2 content series amassed 43 million views across online media platforms and 11 million in print and radio, driving increased spontaneous brand awareness and brand consideration.

2 Say yes to more businesses

In 2024 we grew our credit extended by 47%.

Throughout the course of the year, we continued to use our credit analytics and product innovation capabilities to say yes to more businesses.

In July 2024, we launched our lending under the Growth Guarantee Scheme, expanding our offering to a new segment of SME borrowers.

Through Marketplace, we expanded the number of partners we work with and the products we provide so we can say yes to businesses even if we don't have a Funding Circle product to meet their needs. Our Marketplace now accounts for ~11% of our loan originations, an increase of 1% in 2023, enabling us to deliver a great outcome for our SME customers and further monetise our distribution capabilities.

3 #1 in new products

We have continued to expand and diversify our Funding Circle product offering, scaling our FlexiPay pay later product and launching our Cashback credit card. In doing so, we have expanded the ways we can serve customers and increased our share of wallet with our customers, whilst leveraging our strengths in credit, data and distribution.

We have enhanced our FlexiPay offering, adding new product features throughout the year, including enabling businesses to buy now and pay later in 1, 3, 6, 9 or 12 months. FlexiPay revenue grew by 3.4 times in 2024.

In Q3 2024, we launched our Cashback credit card, initially in beta. This enables us to attract a broader set of customers, and interact with them on a daily basis.

See our KPIs on page 12

Evolution of our strategic framework

Over the course of the last three years, we have transformed our business offering from a single product to one that enables businesses to borrow, pay later and spend. We now have deeper relationships with customers as we meet more of their needs and have increased our interaction with them from every few years to every few days.

As we continue to scale our business, our evolved strategic framework is focused on customer-centric profitable growth.

Get to 'Yes'

When our customers win, we win. We will leverage our credit and product innovation capabilities to enhance our products and open new segments to serve a broad customer base.

Expand our audience

Enhanced product offerings to new customer segments through new marketing channels will expand our audience, attracting more businesses to Funding Circle.

Scale our product offering

Our product suite is wide and meets most of the needs of our customers, but some products are nascent whilst the market opportunity is large. Over the coming years, we will scale our newer products, innovating and unlocking new product features to drive profitable growth.

Deliver a seamless lifetime customer experience

Our customers have a broad range of finance needs and we now have the right products to meet them. Through our broader product set we will deliver a great lifetime customer experience serving them with our renowned superior customer experience and the right product at the right time.

Key performance indicators

How we measure our performance

Financial

Net income (£m)

£160.1m

2024	160.1
2023	130.1
2022	119.5

Definition

The Group generates net income principally from: transaction fees earned from originating loans with borrowers; servicing fees from servicing of loans under management; interest income from FlexiPay and cash balances; and investment income net of investment expense and after fair value gains/(losses) and cost of funds.

Links to strategy: 1 2 3

Profit/(loss) before tax (£m)

(before exceptional items)

£3.4m

2024	3.4
2023	(9.9)
2022	(3.1)

Definition

Profit/(loss) before tax is defined as net income after taking into account all operating expenses and finance income, costs and share of (loss)/profit of associates. It is presented above before the impact of exceptional items.

Links to strategy: 1 2 3

Basic earnings/(loss) per share (p)

(before exceptional items)

0.8p

2024	0.8
2023	(2.4)
2022	(0.9)

Definition

Basic earnings/(loss) per share is defined as the profit/(loss) for the year attributable to ordinary equity holders of the Parent Company divided by the weighted average number of ordinary shares in issue during the year. It is presented above before the impact of exceptional items.

Links to strategy: 1 2 3

Operational

Originations (£m)

Term Loans originations

£1,407m

2024	1,407
2023	1,060
2022	1,095

FlexiPay transactions

£492m

2024	492
2023	234
2022	59

Definition

This represents the monetary value of loans originated through the Group's platform or through Marketplace referrals in any given year as well as drawdowns on the FlexiPay lines of credit and Cashback credit card spend. These are key drivers of transaction and servicing fees for the Term Loans business and the upfront fee for the FlexiPay business. These are presented above for continuing operations only in both the current and comparative periods.

Links to strategy: 1 2 3

Operational continued

Balances outstanding (£m)

Term Loans under management

£2,714m

2024	2,714
2023	2,853
2022	3,311

End of month balances

£119m

2024	119
2023	58
2022	18

Definition

This represents the total value of outstanding principal of borrower loans, lines of credit and credit card balances. It includes amounts that are overdue but excludes loans that have defaulted and loans originated through Marketplace referrals to other lenders. These are presented above for continuing operations only in both the current and comparative periods.

Links to strategy:

1 2 3

Financial Alternative performance measures ("APMs")

Adjusted EBITDA (£m)

£24.5m

2024	24.5
2023	6.7
2022	12.6

Definition

Adjusted EBITDA represents the profit/(loss) for the year before finance costs (the discount unwind on lease liabilities), taxation, depreciation and amortisation, and impairment, and additionally excludes share-based payment charges and associated social security costs, foreign exchange and exceptional items.

Links to strategy:

1 2 3

Free cash flow[1] (£m)

£(1.2)m

2024	(1.2)
2023	(27.9)
2022	(13.3)

Definition

Free cash flow represents the net cash flows from operating activities less the cost of purchasing intangible assets, property, plant and equipment, lease payments and interest received. It excludes the warehouse and securitisation financing and funding cash flows and lines of credit cash flows. The Directors view this as a key liquidity measure.

1. Free cash flow excludes restricted cash movement due to the payment of guarantee fees.

Links to strategy:

1 2 3

Key to strategic objectives

1 Attract more businesses 2 Say yes to more businesses 3 #1 in new products

Our customers

Five years after the pandemic, SMEs continue to show their resilience

The pandemic has fundamentally changed SME Britain, with 92% small business owners who pivoted during Covid-19, making these strategic changes permanent.

£7.2bn
contribution to GDP

>87k
jobs supported

£2bn
generated in tax receipts

Details of Funding Circle's impact in 2024 can be found here

SMEs remain resilient and competitive in an evolving market

With 2025 marking five years since the pandemic, small businesses are more resilient than ever. The latest research published by Oxford Economics in partnership with Funding Circle in 2024 shows that over three in five (65%) SMEs are expecting their business to grow in 2025, highlighting their long-term confidence.

The pandemic accelerated digital adoption, and the research demonstrates that it was not just a temporary measure, it has fundamentally reshaped how SMEs operate.

SMEs are increasingly prioritising digital transformation and technology investment over physical expansion, while maintaining a strong appetite for growth. This trend signifies a lasting change in business strategies that began as a response to the Covid-19 pandemic.

Making up 99% of the business population, small businesses create jobs, boost the economy, and support local communities. In 2024, Funding Circle's Term Loans and FlexiPay lending not only contributed £7.2 billion to the UK's gross domestic product ("GDP") but also played a pivotal role in supporting over 87,000 jobs. Additionally, the economic activity supported by these loans generated £2 billion in tax receipts.

Investing in the future

Despite macroeconomic headwinds, the findings highlight that SMEs are investing for the future, rather than pulling back. The continued prioritisation of technology investment and hiring suggests that businesses are focusing on productivity, operational efficiency, and adaptability to remain competitive in a post-pandemic world.

SME access to finance

To support this momentum, access to capital remains crucial. While SMEs are demonstrating strong resilience, many will require continued financial support to unlock growth opportunities. Ensuring that businesses have the right tools to fund expansion is key in shaping the next stage of business recovery and innovation.

Despite tougher credit conditions, the research also showed that Funding Circle remained committed to providing loans to SMEs with businesses in every one of the UK's 650 parliamentary constituencies, with an average of £1.9 million in Term Loans per constituency.

Our customers' stories, investing in growth and innovation

We're proud to support businesses across the country with agile, competitive finance. Whether it's long-term investment through a Term Loan or everyday cash flow management using FlexiPay or our Cashback credit card, we're helping businesses seize opportunities like never before.

Building up

Constructive & Co Ltd are a team of makers who design, create and fit bespoke furniture.

Having attracted more customers in their local area, they used their loan to invest in new machinery for their workshop – so they could take on the additional demand in house, and get more headspace with their cash flow.

“We found borrowing to be an essential part of taking us to the next level.”

Scan to learn more

Reaching more

Powderhall Bronze Editions, a fine art foundry in Edinburgh, tried to get a loan from their bank but found the process slow and painful.

Instead, they turned to us for help, and really appreciated the speed and service. Their loans have since allowed them to reach more customers, and set up a stand at the Chelsea Flower Show.

“We'd use Funding Circle again and again thanks to the great service and ease.”

Scan to learn more

Looking ahead

England rugby captain Jamie George and his business partner Rhys Carter started The Carter & George Practice to deliver elite physiotherapy services to the public.

With big plans to grow, they took out a loan to fund acquisitions of other physio businesses, while using FlexiPay to protect their cash flow.

“Once we'd been approved, the funds were in our account in 24 hours or so.”

Scan to learn more

Technology and data

Reinventing SME lending

Our cutting-edge technology and data platform is constantly evolving, enabling more small businesses to access the funding they need to win.

We combine our unique behavioural and performance data from over 150,000 Term Loans and nearly 230,000 FlexiPay transactions with publicly available sources over nearly 15 years to give us a deeper understanding of SMEs.

Our approach to SME credit risk, using machine learning tools and approaches and combining public and proprietary data, gives us a competitive edge. Our ability to discriminate risk better than the bureau scores enables us to deliver superior customer outcomes and launch new products.

Learn more about our technology and data

Our performance data so far

150,000
Term Loans

228,000
FlexiPay transactions

Risk model evolution

Building on over ten years' worth of data, our ninth-generation risk models outperform bureau scores by a factor of three. This allows us to streamline the customer journey and balance risk insights with a frictionless customer experience.

	Gen 3 2015	Gen 4/5 2016	Gen 6 2017	Gen 7 2018	Gen 8 2019	Gen 9 2023
Open banking						●
Commercial Credit Data Sharing					●	●
Bank statement				●	●	●
Application				●	●	●
Financials			●	●	●	●
Internal behaviour			●	●	●	●
Consumer bureau	●	●	●	●	●	●
Commercial bureau	●	●	●	●	●	●

Our proprietary technology platform is designed to provide customers with quick and easy access to finance. Built-in flexibility and scale enable us to successfully expand our product range and continually improve the digital customer experience. Today, we see customers engage more frequently with our broader range of products.

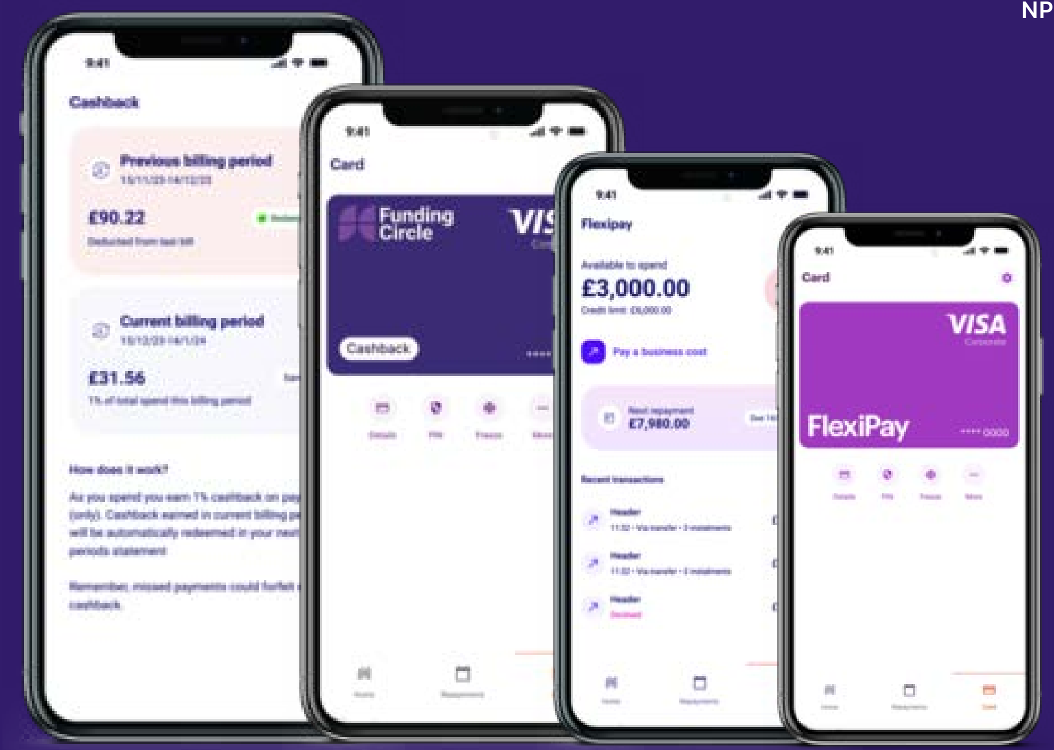
3x
better risk discrimination

77%
instant decision

6 min
application time

24 hrs
funds in account

79
NPS



Use of AI

AI is at the core of our lending and we are investing in the transformative potential of Generative AI ("GenAI") to benefit both our customers and employees.

- We have implemented GenAI tools to enhance employee productivity.
- We are actively exploring further opportunities to streamline and improve the customer experience, from loan origination to ongoing customer service.
- In 2024, we established technical and governance frameworks to ensure the ethical, secure, and effective use of GenAI as we expand its applications in 2025.

2024 highlights: scalable platform with ongoing product releases

- Scalable platform managing 36% loan application growth.
- >100% transaction growth and 3x growth in monthly active users on our app.
- Deployment of improved product features and customer experience such as an increase of 20% engineering productivity.
- Launch of Cashback credit card and Growth Guarantee Scheme loans.

See our Technology risk on page 62

Our products

Our diverse product range enables businesses to borrow, pay later and spend. We meet a broad range of finance needs through our product suite, all with our trademark ease, speed and instant decision technology.

Borrow

Term Loans

Loans for long-term investment or working capital purposes to support business growth or long-term cash flow management.

- Loan sizes of £10,000 to £750,000.
- Available from six months to six years.
- Amortises monthly.
- Marketplace offering for SMEs, opening the door to finance solutions from across the market.

Case studies

- ANNA Cake Couture used their loan to grow by expanding their kitchen, creating more jobs and opening a new office.
- Studio Gauthier used their loan to expand their restaurant by renovating and refurbishing.

Scan for product details

Pay later

FlexiPay line of credit

Flexible line of credit for paying bills, supplier invoices and managing cash flow using bank transfer or card.

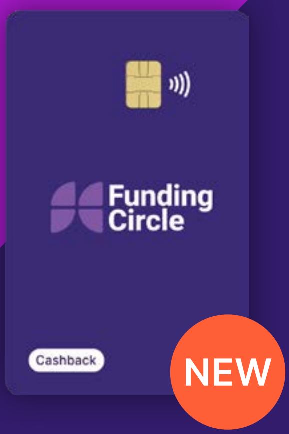
- Businesses can pay bills directly to suppliers or into their bank accounts for a fixed fee.
- With flexible terms and billing, small businesses can repay in 1, 3, 6, 9 or 12 months.
- Credit limit up to £250,000.

Case studies

- Carter & George were able to protect their cash flow and do acquisitions of SMEs.
- Beauty Boutique were able to invest in medical machinery as the line of credit helped with their cash flow.

Scan for product details

Spend



Cashback Business Credit Card

Cashback credit card for everyday business spending.

- Launched the Cashback credit card in Q3 (beta), with full roll-out in Q4, following customer feedback pointing us in the direction of a credit card for everyday transactions.

Scan for product details

Our people

Backing our people's growth

Gender pay gap

Mean pay gap

	Mean pay gap
2024	20.4%
2023	17.4%
2022	22.4%
2021	18.5%
2020	21.4%

Median pay gap

	Median pay gap
2024	27.1%
2023	26.1%
2022	30.5%
2021	27.1%
2020	32.2%

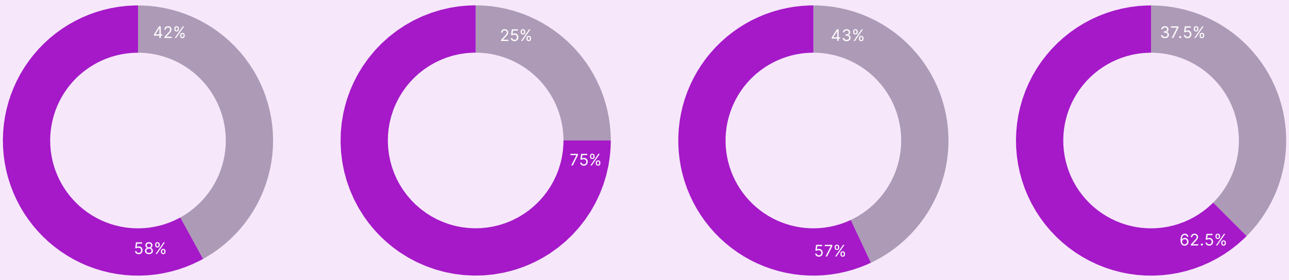
Women in leadership

	Women in leadership
2024	35%
2023	34%
2022	32%
2021	34%
2020	31%

Gender breakdown
(as at 31 December 2024)

Female Male

All Circlers | Executive Committee | ExCo and direct reports[1] | Group Board



Other metrics

91% aligned to values

84% equal opportunities

81% bring their authentic self to work

51 Circler events and initiatives

171 Impact Days taken

1,364 volunteering hours in 2024

Our values

- Obsess over the customer
- Think smart
- Stand together
- Live the adventure
- Be open
- Make it happen

1. Includes those in levels CEO -3

Our people ("Circlers") are central to all that we do at Funding Circle. 2024 was a significant year for our business, as we undertook a number of large strategic changes, which tested our resilience. Thanks to the contributions of everyone working at Funding Circle, we continue to build a better, stronger business together, as the wider social and economic environment has shifted in the post-pandemic years.

As we evolve our business strategy, we have come a long way and made big strides under our strategic people core foundation, "High Performing Teams Executing Brilliantly". We have continued to nurture a strong, diverse and unique culture underpinned by our values. We remain fully committed to our hybrid model, balancing flexibility with in-person collaboration to enable our teams to collaborate, be productive and develop at Funding Circle.

Backing high performance

We believe in excellence and challenging ourselves to set new standards. We believe it is possible to create an inclusive environment and a supportive culture, but equally one where we can challenge each other to set new standards and push ourselves to achieve more. This is the core philosophy underpinning "High Performing Teams Executing Brilliantly". We continue to place a strong focus on developing a high performance company, embedding performance, ownership and accountability further into our culture. Sitting alongside the Company's Objectives and Key Results (OKRs) framework, we have a well established cadence of goal setting for all Circlers, anchored in our business context and personal growth journey. Performance is assessed through an individual's impact on the business on a biannual basis, alongside our value-based behaviours to measure how we achieve our goals.

Similarly, our tools and data for helping us calibrate how we measure performance consistently and through multiple lenses are applied rigorously and equitably across all parts of the business. Our ambition is high performance, and we reward those who stretch themselves to go further.

Looking ahead, in 2025 we will be investing further in resources to enhance our high performance philosophy, both in how we feed back to each other and how we recognise Circlers for their efforts. We will also be focusing on continuing to build our career frameworks, to ensure consistency of standards and progression pathways across teams.

Backing personal growth

We embraced a "best of both" philosophy as we emerged from the pandemic and entered the world of hybrid work. Now into our fifth year, we continue to operate a model which provides all Circlers with flexibility whilst retaining the best of what we know and love about working together in person. To support this, we invested in a 100 day refurbishment programme to redesign our office space in 2024. We remain fully committed to a flexible and hybrid approach, but we strongly believe that in-person collaboration is an important element to enable our teams to achieve more.

We continued to empower Circlers with resources to support their growth and development. To support newly promoted or hired managers at Funding Circle, we launched the Emerge programme. Emerge is a blended development offering designed to give our managers the tools and knowledge they need to successfully manage and coach for high performance. We also invested in our leadership with the launch of Elevate, a development initiative to support our senior leaders, enhance their leadership capabilities and further embed our leadership commitments.

More widely, backing growth and development remains a core foundation of our Circler experience. Throughout 2024 we hosted 230 training events and 610 Circlers (84%) took the opportunity to further their professional growth. 2024 saw Funding Circle's first Growth Week as part of a dedicated month-long development series. Anchored around the pillars of ownership, entrepreneurship and commercial mindset, Circlers engaged with live sessions and curated content to enhance their future performance.

CircleIN

It is vitally important to invest in our people, their understanding of the business, our customers and our products, and their personal development. To reconnect Circlers and reinforce our mission, strategy and culture, we brought our team together for our first ever CircleIN event.

Hosted on site in our newly refurbished office space, Circlers spent an afternoon hearing from our leaders on our strategy, mission and evolving product suite, meeting our customers, and learning more about other parts of the business. Alongside this, we shared information on our development programmes and our Circler groups, and gave an opportunity for Circlers from across the business to connect.

Our people continued

Diversity, equity and inclusion

Technology apprenticeships

In 2024, we sponsored our third cohort of technology apprentices, in line with our ambition to create opportunities for all and our commitment to building an inclusive and diverse workforce. We welcome all backgrounds and experiences from those looking to start their career in technology, whether that be an early career technologist seeking out a training opportunity and a place to put their knowledge into practice, a career changer with significant experience in another field looking to kick-start their professional journey within a technical environment, or an existing Circler looking for an opportunity to pivot their career into technology and transfer their skills and experience to further serve our customers.

Technology apprenticeships have provided us with the opportunity to build stronger gender and ethnicity equity in our teams and create a pipeline of future female and ethnically diverse talent in technology.

"It's amazing to see how far you've come at the end."

Ella Bastian, Engineer
Graduate apprentice

Q&A with Jennie Woods, VP, Engineering

Q What drives you to lead our Engineering teams at Funding Circle?

I'm driven by the opportunity to lead diverse teams that build products which enable SMEs to thrive – it's incredibly rewarding.

Q What do we do to change the under-representation of women in technology?

We take a multi-faceted approach to increase female representation. We attract diverse talent through initiatives like our apprenticeship scheme, which provides an alternative route into the industry for people from a variety of backgrounds. We ensure fair hiring practices by using gender-neutral job descriptions, diverse interview panels, and bias training for interviewers. To retain female talent, we offer flexible work arrangements, provide development programmes, and foster a supportive environment through employee resource groups.

Q Why is building a female future talent pipeline important?

Diversity and inclusion are core to our culture. We believe diverse teams are more innovative, make better decisions, and better represent our customers. By fostering a supportive environment and building a strong female talent pipeline, we ensure continued innovation and success for Funding Circle.

Q What are the biggest successes or learnings you've seen from Funding Circle's hiring and development of technology apprentices?

The programme has successfully attracted and developed diverse talent, fostering a more inclusive and innovative workplace. Apprenticeships have proven to be an effective way to identify and develop high potential individuals with strong technical skills and a passion for technology. Many apprentices have gone on to have successful careers within Funding Circle.

Recognising the importance of continuous improvement, we have introduced the Apprentice Academy to provide dedicated mentorship and ongoing support for apprentices throughout their journey.

Q What initiatives in technology have helped ensure there is time available for ongoing professional development?

Last year, our Engineering team achieved a notable increase in its productivity. A key contributor to this success was the implementation of an AI Copilot. By automating low complexity tasks, the Copilot empowers engineers to concentrate on higher value business challenges supporting their continued development.

This tool has proven particularly beneficial for entry-level engineers, including apprentices. They receive real-time code feedback and explanations, facilitating a smoother onboarding process and accelerating their professional growth. These insights help them understand existing code and improve their coding skills.

Of our technology apprenticeship cohorts:

85%	69%	23–52
identify as female	are of Black, Asian or multiple ethnicity heritage	age range

We have created a robust framework for the development and support of apprentices in our technical teams making the required time, resource and training available to ensure successful completion of their apprenticeship, and that they are set up for success in their onward career. To date, 100% of apprentice Circlers have received a distinction grade in their formal qualification, the highest available level, and have proven to be able to operate above the expected level at time of completion.

Circler-led groups

Our Circler-led groups remain at the forefront of our culture as a driving force for positive change. Across our six Circler-led groups there were events and initiatives in 2024, with highlights including 1,364 volunteering hours taken. Circlers are given two paid "Impact Days" per year for charitable contributions to causes important to them.

Women @ FC

- Building a community where women connect, thrive and win.

Parents @ FC

- Providing a supportive space and a network for working parents and carers.

Neurodiversity @ FC

- Spearheading the discussion about how neurological differences add value, and building the infrastructure for an equitable and accessible workplace.

Let's Talk About Heritage

- Educating on the experiences of minorities, celebrating racial diversity, and creating a safe space to continue engaging in dialogue.

FC Impact

- Coming together and giving back to communities in need, raising awareness for worthy causes, and making an impact through charity and volunteering projects.

Circle of Pride

- Championing inclusion for all by building an open community and celebrating LGBTQIA+ contributions.

Awards in 2024

- Luke Santon – recognised as one of LGBT's Great 2024 30 Under 30 Role Model.
- Kate Turgoose – named in Innovate Finance's Pride in FinTech Powerlist.
- Antje Bustamante Mena – won HotTopic's Global CDO 100 Award.

To further champion flexible working in support of the wellbeing of our Circlers, we joined **Working Families**, a charity for parents and carers. We have worked with the charity to advance our policies and practices to better recognise and empower our Circlers to achieve their full potential alongside their parenting and caring responsibilities. We continue to drive a culture of productivity that embraces individual and personal needs.

Each year we run reverse mentoring initiatives and we focused on neurodiversity in 2024. Circlers volunteered throughout Q4 to reverse mentor managers on neurodiversity to further bolster our manager population in its ability to manage neurodivergent individuals and educate our individual contributors on the importance of making the necessary accommodations when working with neurodivergent teammates. We launched several other mentorship schemes and have established a certification programme. Currently we have 52 internally certified mentors across departments and of varying seniority whose experience can be called upon. The Mentoring in Tech ("MinT") scheme, a programme connecting women and gender minorities in technology with mentors across Funding Circle, specifically aims to support female Circlers in achieving their individual goals.

Diversity, equity and inclusion ("DEI") statement

Our recruitment process is designed to ensure all applications, including those from disabled persons, are treated equally and fairly.

We're here to build the incredible at Funding Circle. We know we can only achieve this through an inclusive and diverse culture where Circlers of all backgrounds feel confident in bringing their whole selves to work, where they can contribute their ideas, have opportunities to be successful, and have their talents nurtured. Through empowering our people we are not only building something incredible for our customers, but an incredible place to work too.

We live by our Company values and cherish our diversity; be that culture, gender, race or ethnicity, sexual orientation, gender identity and expression, disability, marital status, age, nationality, religion, of thought, belief, experience or expression. We stand together, as one.

Environment, social and governance ("ESG")

Delivering on our commitments

At Funding Circle we are committed to contributing positively to our communities; we do this through the business finance we provide to our SME customers who are often underserved by mainstream finance, and through sound and responsible ESG practices that support broader societal and environmental efforts.

Our approach to ESG considers relevant risks and opportunities, and is informed by our engagement with our strategic stakeholders. For more detail on corporate governance and risk management, and our climate-related disclosures, please refer to the sections referenced below.

- **More detail on corporate governance is set out on page 70**
- **More detail on risk management is set out on page 51**
- **Our Non-Financial and Sustainability Information Statement is set out on page 39**
- **Our climate disclosures consistent with the Task Force on Climate-related Financial Disclosures ("TCFD") are set out on pages 28 to 38**

Relevant policies can be found on the Company's Sustainability webpage

Our ESG framework sets out our goals and roadmap for each strategic pillar

DEI

Our ambition and commitment

To be best in class and live by our DEI statement, building an inclusive and diverse culture.

Achievements in 2024

- Stable key metrics in 2024, with continued strong sentiment for inclusion and belonging expressed in our 2024 engagement survey.
- Delivery of all-Company CircleIN internal event, celebrating our culture and spotlighting Circler-led groups, alongside a knowledge-sharing networking event to celebrate inclusivity and diversity, led and delivered by employee groups across the business.
- Delivery of 51 Circler group initiatives over the course of 2024, including the MinT scheme by Women@FC, and representing Funding Circle at the annual London Pride celebrations.
- Partnered with Working Families, the UK's national charity for working parents and carers.

Goals and roadmap for 2025

- Continue to make progress against key DEI metrics and targets, including women in leadership and the gender pay gap.
- In Q1 2025, we plan to undertake a review of our approach, plan and goals for DEI, to ensure we continue to focus on building a diverse and inclusive culture.

For more please see the Our People section on page 20

Social impact

Our ambition and commitment

To back a diverse and thriving SME customer base – creating jobs, fostering financial inclusion and having a positive impact on UK SMEs, entrepreneurs and their wider communities.

Achievements in 2024

- As outlined in Our Customers on page 14, our lending supported 87,500 jobs, £7.2 billion in GDP, and helped businesses in every one of the 650 parliamentary constituencies.
- We renewed our partnership with Thrive Mental Wellbeing, providing free or discounted access to its NHS-trusted mental health app to all SMEs in the UK.
- We continued to back underserved social entrepreneurs through our partnership with Hatch Enterprise for a third year, also supporting 72 founders through 93 volunteer hours of employee mentoring.
- Our Circlers contributed 171 "Impact Days", 1364 hours, volunteering with environmental and people charities including NishkamSWAT, Hatch Enterprise, and London Wildlife Trust.

Goals and roadmap for 2025

- Continue to identify internal and external opportunities to further embed our ambition of delivering positive social and sustainability outcomes for our customers.
- In line with our core mission, build on our strong partnerships with Hatch, Thrive and others to support the wider SME ecosystem.

Climate and environment

Our ambition and commitment

To support initiatives that help drive progress towards net zero, and contribute meaningfully to climate, nature and biodiversity outcomes for healthier communities.

Achievements in 2024

- We achieved a 35% reduction in GHG emissions (excluding 3.15 financed emissions) due to the sale of our US business, head office consolidation, and a real-world reduction in business travel.
- We brought forward our interim net zero target for emissions within our control (scopes 1, 2 and 3 business travel) from 2030 to 2025, but retiring our previous net zero stretch target for supplier, employee commuting and waste emissions due to a need for further work to understand the drivers and scope for influence.
- We developed our approach to Beyond Value Chain Mitigation ("BVCM"), retiring the previous terminology on carbon neutrality, while retaining our commitment to climate and nature contributions in line with the Science Based Targets initiative ("SBTi") BVCM principles.
- Our partnership with Earthwatch Europe's Tiny Forest initiative was featured in the UN Global Compact UK's "Nature-based Solutions for Business" webinar series.

Goals and roadmap for 2025

- Progress our restated interim net zero targets towards our 2050 net zero ambition, including our accelerated interim (2025) partial net zero target.
- Continue investing in UK-focused BVCM activities, including verified and robust carbon credit projects, to contribute societal nature and climate benefits.

Governance and risk management

Our ambition and commitment

To meet shareholder and investor expectations, and be viewed positively in the market.

Achievements in 2024

- We published our Human Rights Statement as planned.
- We developed our Climate Risk Management Framework ("CRMF"), and our disclosures are now aligned to the TCFD recommendations, considering proportionality and materiality and subject to continued evolution in certain areas.
- We continued our engagement on sustainability issues related to SME lending with industry working groups under UK Finance and the Partnership for Carbon Accounting Financials ("PCAF").
- We continued to uphold the highest standards of corporate governance and risk management more broadly, which are covered in the sections starting on pages 51 and 70.

Goals and roadmap for 2025

- Prepare for UK introduction of ISSB/IFRS S1 and S2, and changes to the 2024 UK Corporate Governance Code.
- Understand how our current efforts align to transition planning guidance and identify priorities for further development.

Environment, social and governance ("ESG") continued

Social impact

In line with our mission to back SMEs with business finance, we also aim to deliver and support initiatives that bring real benefits to small businesses and local communities.

Our customers and SMEs

We value the contribution of SMEs to the economy, through the jobs they create and the potential multiplying effect they can have on wider society. Our lending helps businesses invest and scale up, but also sustains employment and stability locally. We recognise the importance of financial inclusion – our borrowers sit at the heart of diverse communities, and the business finance we provide supports SMEs in every corner of the UK.

Our primary impact as a business is the multi-faceted positive impact of our lending on society. Given the materiality of this impact versus our other social and environmental impacts, we work with Oxford Economics each year to carry out an economic impact analysis focused on our efforts and the outcomes they drive. In 2024, Funding Circle's Term Loans and FlexiPay lending supported 87,500 jobs, £7.2 billion in GDP, and helped businesses in every one of the 650 parliamentary constituencies. Please see page 14 for more detail.

In 2024 we continued our partnership with Thrive Mental Wellbeing ("Thrive"). Thrive's NHS-trusted app provides help anytime, anywhere. In our 2023 Resilience in SMEs report, 88% of respondents told us employee wellbeing and mental health was an area they wanted to focus on, with 79% reporting they would greatly value external support in this area. We are also giving access to Thrive's unlimited in-app therapy to our most vulnerable customers, providing them with an alternative to NHS pathways which often have longer waiting times.

Other societal contributions and commitments

Funding Circle is a participant of the United Nations Global Compact and the UN Global Compact Network UK, and adheres to their principles-based approach to responsible business on human rights, labour, environment, and anti-corruption. We publish our Communication on Progress annually.

Please also see our Non-Financial and Sustainability Information Statement on page 39

We are a signatory to the HM Treasury Women in Finance Charter and the Investing in Women Code.

We renewed our collaboration with Hatch Enterprise for a third year, contributing to its mission to build a fairer, more equitable and more diverse business landscape. In the 12 months to September 2024, our employees contributed 93 hours of volunteer mentoring, supporting 72 founders. Through its programmes, Hatch supports underrepresented entrepreneurs from across the UK to launch and grow successful businesses that also have a positive impact on their communities. Its work is targeted at those typically underrepresented in entrepreneurship, including women and other marginalised genders, people from ethnic minority backgrounds, people with disabilities and neurodivergent people.

Alongside our social impact, we want to contribute meaningfully to the environment, and our approach focuses on BVCM activities that help move towards societal net zero, by delivering positive climate and nature outcomes with co-benefits for communities. More detail on this is set out on page 31.

Circlers participated in an annual Tower Climb charity event in March 2024 and fundraised over £3,000 for Great Ormond Street Hospital Children's Charity.

Mathew Keech

Company name: HEJ Coffee
Borrower type: Term Loan

HEJ Coffee is an artisan neighbourhood coffee shop that roast their beans in house at their London roastery, allowing customers to enjoy their coffee whilst watching roasters create exceptional batches of coffee. They play an active part in their neighbourhood, celebrating individual identities and championing local charities and organisations – from including customer photos on their wall of fame, to sponsoring local schools and an LGBTQIA+ homeless shelter, and even building a grassroots football club, HEJ FC.

In addition to being an important part of the community, Mathew and his team are making sustainability a key mission for HEJ Coffee. Leading in their industry, they are in the process of becoming B Corp certified. They have already invested in a 100% electric fleet, and are changing how they package and sell their coffee, to continue reducing carbon emissions and materials.

Since 2019, they have delivered significant environmental savings:

- More than 231,000 coffee bags and 38,000 cardboard boxes were redirected from landfill.
- Over 88 tonnes of carbon emissions were averted by using electric vans or bikes for deliveries.
- They donated £23k towards planting over 2,300 trees in urban areas.

HEJ Coffee came to Funding Circle in 2019, after their bank could not see their vision or support them in delivering their plans efficiently. Funding Circle fuelled the company with funding quickly, allowing Mathew to secure the equipment and begin the process of building the state of the art all-electric roastery.

“We needed a partner that had faith in our ideas and could see our vision with the capacity to help us make it happen; with Funding Circle we got exactly that, a quick decision and a straightforward process, allowing us to get on with our business plans.”

Environment, social and governance ("ESG") continued

Climate and environment

At Funding Circle, we are committed to fostering a resilient and sustainable business model that contributes to the broader global effort of mitigating climate change and protecting the environment. Our approach to environmental responsibility is being proportionately embedded in our operational strategies, recognising the growing importance of climate-related risks and opportunities for the wider UK economy, but limited idiosyncratic risks to Funding Circle's business model.

This section incorporates disclosures consistent with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations, in compliance with the Financial Conduct Authority's ("FCA") UK Listing Rules[1]. Our disclosures are now aligned to the TCFD recommendations, considering proportionality and materiality and recognising that certain areas will continue to be deepened and enhanced over many years. This section includes greenhouse gas ("GHG") emissions reporting per Companies Act 2006 regulations.

1. Strategy

Climate-related risks and opportunities

Funding Circle is an SME finance platform, providing the technology, data and products to provide fast, fair and hassle-free finance to SMEs and diversified lending opportunities for institutional investors. Of the £2.8 billion balances under management on our platform as of 31 December 2024, 98% are funded by third party institutional investors and 2% by Funding Circle equity. We have, however, chosen to incorporate all balances under management, as well as defaulted loans, in our assessment of climate-related risks to provide maximum transparency to our stakeholders.

Following the sale of our US business on 1 July 2024, Funding Circle operates only in the UK. We define short, medium, and long-term horizons as one year or less, one to five years, and more than five years, respectively. These time periods are consistent with those used in our Enterprise Risk Management Framework ("ERMF") and strategic planning, although we recognise that some climate-related risks and opportunities will take decades to materialise. The weighted average life of a Funding Circle Term Loan under management[2] is between 24 and 36 months (i.e. within the current medium-term horizon).

Funding Circle's business model means we have low exposure to physical risks from climate change: a minor operational physical presence, unsecured loan products which do not rely on the borrower's physical assets as security[3], maximum loan terms of six years, and a broad geographical distribution of lending to SMEs across the UK, as shown in Table 1. This means we are at low risk of operational disruption, have no risk of damage or devaluation of assets relied on for loan collateral, and are similarly diversified to the broader UK economy with an aim to maintain this diversification.

Funding Circle's exposure to transition risks is also structurally low due to its business model: lending is well diversified across sectors in line with the broader UK economy as shown in Table 2, around a third of lending is to a broad spectrum of "carbon-related" sectors[4], and we support a diversified pool of institutional investors. Furthermore, as our lending is unsecured[3], we are not exposed to the risk of transition-related devaluation of physical assets used as loan security.

We recognise that physical and transition risks will have wide-reaching and long-term impacts on all parts of the UK economy. Although our exposure to these risks through our lending is deemed low due to the absence of physical collateral, we acknowledge that potential disruptions to business continuity may make it difficult for some impacted SMEs to maintain regular, uninterrupted loan repayments. We therefore continue to invest in our forbearance processes and capabilities so that we can swiftly deploy the right support in the case of a climate-related event whilst continuing to provide better access to finance to SMEs in all UK sectors and geographies.

We continue to assess potential transition-related or sustainable finance product opportunities following an internal commercial review in 2023. However, we have seen no change to the review's findings of muted customer demand and significant gaps in loan pricing and institutional investor return expectations.

Beyond our on-balance-sheet lending, which comprises 96% of our greenhouse gas emissions, Funding Circle's largest source of emissions is from our supply chain, as shown in Figures 1 and 2. These principally relate to digital activities (including software, advertising and cloud computing) and to purchased services.

Our assessment to determine the materiality of current and potential future impacts of climate-related risks and opportunities on Funding Circle's financial performance looked across our operations and value chain and involved measuring emissions, including financed emissions, a mixture of qualitative and quantitative analysis, risk analysis in line with our ERMF, and feedback from stakeholders and subject matter experts.

Due to the nature of our business model, climate-related risks will only really manifest for us if they affect SME or investor appetite, performance or liquidity (rather than risks to any specific physical assets). Currently, we do not consider there to be any financially material climate-related risks or opportunities, nor do we foresee any of significance materialising over the medium term. There was no impact on our financial position, performance or cash flows from climate-related risks and opportunities in the reporting period. Our analysis is summarised in Table 3.

Table 1: Geographical lending distribution

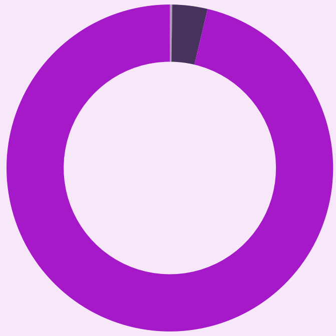
UK Region	All balances under management	Balances on balance sheet
South East	24%	25%
London	15%	15%
Midlands	15%	14%
North West	12%	12%
North East	10%	10%
South West	10%	10%
Scotland	5%	5%
East Anglia	4%	4%
Wales	3%	3%
Northern Ireland	2%	2%

Table 2: Sectoral lending distribution

Sector (based on SIC classification)	All balances under management	Balances on balance sheet
Wholesale & retail	17.9%	20.4%
Other business activities	18.8%	18.2%
Health & other service activities	12.7%	11.9%
Other manufacturing	5.5%	6.4%
IT & telecommunication	5.1%	5.4%
Hotels & restaurants	4.1%	3.6%
Finance	1.7%	1.6%
Construction & real estate	20.0%	18.6%
Automotive	4.6%	4.7%
Transport, storage & communication	3.9%	3.7%
Manufacture of metal products	2.1%	1.9%
Manufacture of paper products, publishing & printing	1.4%	1.3%
Manufacture of food products & beverages	1.2%	1.2%
Agriculture	0.8%	0.8%
Electricity, gas & water supply	0.1%	0.2%
Mining & quarrying	0.1%	0.1%
Total "carbon related"[4]	**34.2%**	**32.5%**

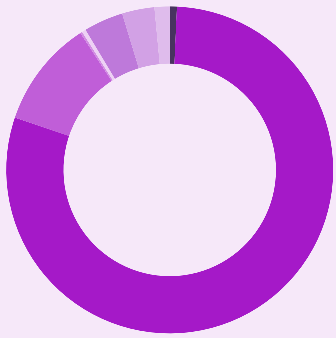
Note: In Tables 1 and 2, and Figure 1, we include defaulted loans for the estimation of financed emissions and the climate-related risk analysis, whereas defaulted loans are excluded when reporting balances under management elsewhere in this Annual Report.

Fig.1: Total GHG emissions 2024 (location based) by Scope 1*, 2 and 3 (categories 1-15)



Scope 2 – location based	0.02%
Scope 3 – categories 1–14	3.49%
Scope 3 – category 15 (financed emissions – balances on balance sheet)	96.49%

Fig.2: Total GHG emissions 2024 (location based) by Scope 1*, 2 and Scope 3 (excl. category 15)



Scope 2

2. Purchased electricity (location based)	0.7%

Scope 3

3.1 Purchased goods and services	79.4%
3.2 Capital goods	10.7%
3.3 Fuel and energy activity	0.2%
3.5 Waste generated in operations	0.4%
3.6 Business travel	3.9%
3.7 Employee commuting	3.2%
3.8 Upstream leased assets	1.5%

* In 2024 we reclassified Scope 1 (gas heating of UK office) to Scope 3 category 8, as explained on page 34.

1. The Company has also considered the 2021 TCFD Annex and the Supplemental Guidance for the Financial Sector.
2. Term Loans make up 96% of balances under management, with the remaining balances being up to 12 months and corresponding to shorter-term open ended products (Cashback credit card and FlexiPay drawn lines of credit).
3. The majority of Funding Circle's loans under management are unsecured, with <5% subject to a debenture (floating charge). Funding Circle also provides SMEs with access to a range of asset, vehicle and equipment finance solutions through its Marketplace. These products are arranged directly between the SME and the third party provider and Funding Circle has no role in the delivery or management of the resulting loan.
4. Carbon-related sectors as defined in "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures" (TCFD, 2021) and highlighted in Table 2.

Environment, social and governance ("ESG") continued

Climate and environment continued

1. Strategy continued

Climate-related risks and opportunities continued

Table 3: Summary of climate-related risks and opportunities

Category	Driver	Potential business impact	Horizon (short, medium, long)	Potential financial impact*
Transition risk	**Market:** changes to SME and/or investor demand and preferences **Policy and legal:** more demanding climate policy including carbon taxes **Technology:** need for SMEs and suppliers to transition to greener technologies **Reputation:** climate-related compliance or delivery failures negatively impact public/stakeholder perception	**Strategic:** increased SME or investor demand for green finance products could reduce demand for existing Funding Circle products and/or require investment in data and product innovation	M, L	**Reduced revenue:** • from lower demand for existing products and services; • from deteriorating borrower credit quality in higher carbon sectors; or • from write-offs, impairments and early retirement of existing assets **Increased costs:** • from compliance costs or carbon taxes; • from investment in data and product innovation; or • from suppliers passing on transition-related costs **Reduced access to capital and liquidity:** • from changes to investor risk appetite or liquidity **Likely to be below the threshold for financial materiality in the medium term**
		Funding: reduced investor risk appetite for SME lending or for certain sectors, or reduction in available investor capital (e.g. as a result of climate policy) may constrain platform liquidity	M, L	
		Credit: financial pressure on SME borrowers in higher carbon industries may impact their ability to repay	M, L	
		Operational: compliance with more onerous climate data, reporting or other climate regulation or taxes could increase costs for Funding Circle, SME borrowers and investors; transition investment by suppliers may increase procurement costs	M, L	
Physical risk	**Acute:** e.g. increase in extreme climate-related weather events	**Credit:** temporary interruptions to SME borrowers' operations affecting their ability to repay **Reputation:** insufficient forbearance tools and processes exacerbate SME stress and contribute to SME business closure **Funding:** reduced investor appetite or liquidity due to impacts of weather events on borrower or investor operations	S, M, L	**Reduced revenue:** • from deteriorating borrower credit quality; • from customer boycotting; • from lower demand for products or services; or • from write-offs and early retirement of existing assets **Increased costs:** • from fines or litigation **Likely to be below the threshold for financial materiality in the medium term**
	Chronic: e.g. alterations in weather patterns, rising sea levels	**Credit:** permanent changes to SME borrowers' operations or supply chains resulting in structurally higher costs and affecting their ability to repay **Funding:** long-term changes in investor risk appetite or reduced liquidity due to chronic impacts on investors' operations	L	
Opportunities	**Market:** changes to SME and/or investor demand and preferences	**Increased SME demand** for transition-related finance **Increased investor demand** for transition-related or sustainable lending	S, M	**Increased revenue:** • from access to new and emerging markets; or • from new products and services relating to climate transition, resilience or adaptation **Increased access to capital and liquidity** (for the same reasons) **Decreased costs:** • from reduced reliance on volatile power sources; • from increased energy efficiency; or • from less physical (e.g. paper) resource use and waste **Likely to be below the threshold for financial materiality in the medium term**
	Technology: innovation in circularity, energy efficiency and renewables	**Platform and marketing enhancements** to increase efficiency, reduce waste and utilise 100% renewable electricity	M, L	

* For further detail on how we determine and define materiality for our climate-related risks and opportunities, please see page 28 and "Risk management" on pages 33 to 34.

Strategy, net zero and transition planning

The identification and analysis of potential climate-related risks and opportunities have not driven any changes to Funding Circle's strategy, business model or credit decisioning to date. Our strategy supports an agile, low risk approach to the climate transition through the continued evolution of a diversified loan portfolio, a diversified investor base, and the ability to respond to changing market demands for new products.

However, as a finance platform whose activities mirror the wider UK "real economy", we are mindful of the broader economic impacts expected from the climate transition and physical risks. We expect that the longer-term impact from climate change on Funding Circle, its customers and its investors will reflect overall changes to UK GDP. While we will continue to engage with relevant information and stakeholders to understand these impacts, we remain committed to lending to SMEs across a diverse geographic and sectoral distribution and do not plan to impose risk appetite changes that will alter our portfolio away from one that reflects the broader, diversified UK economy. In response to growing physical risks from climate change which may create business continuity challenges for some SME customers, we continue to invest in developing our forbearance measures to better support customers experiencing temporary repayment difficulties.

We are beginning to see early signs of institutional investor interest in our climate policies and financed emissions data. We expect this to increase over time, driven by changing reporting and regulatory requirements, and will respond as needed, leveraging our platform technology and expanding data lake. However, the lack of emissions reporting requirements for SMEs or straightforward, standardised and affordable tools and methodologies for them to use is currently an obstacle to collecting primary data.

We participate in industry-led working groups, actively engaging on sustainability issues and a just transition for SMEs – specifically, the UK Finance Industry Working Group on ESG implications for SMEs, and the PCAF (UK chapter) working group on Business Loans and Unlisted Equity, which aims to explore the challenges in calculating SME emissions and support the ongoing development of the PCAF Standard.

More broadly, recognising the need for all businesses to proactively support the transition to a low carbon economy, we have an ambition to reach net zero by 2050 across all emission scopes. In line with the latest climate science, we will endeavour to achieve this through absolute emissions reduction and offsetting the remaining hard-to-abate emissions by purchasing high quality carbon credits.

In 2024, we updated our interim climate target, reflecting a deepening of our transition planning efforts. Previously, we had in place a stretch target to reach net zero by 2030 for our operational emissions (Scope 1, 2 and 3 excluding financed emissions). We have evolved this to an interim target to achieve net zero for Scope 1, 2 and 3 business travel in 2025 ("interim (2025) partial net zero target"), which we are currently on track to meet without any material costs. We have significant constraints around data accuracy and level of influence for the remaining Scope 3 categories and as such have decided to retire the previous 2030 stretch target for these. We intend to focus efforts in 2025 on improving data accuracy and assessing potential levers, influence and dependencies, with a view to setting new interim targets as appropriate. This approach also allows us to take account of the SBTi's revised Corporate Net Zero Standard which is under development at the time of publication.

Meanwhile, we continue to develop our BVCM approach, aiming to contribute to the wider societal transition to net zero.

In 2024, we expanded our environmental contributions towards nature-based and biodiversity projects in the UK. Through our partnership with Earthwatch Europe, we supported the planting of five new Tiny Forest sites across the UK as part of the Local Authority Treescapes Fund. With its programme of planting small forests in ecologically deprived areas nationwide, Tiny Forest reconnects people with nature, enhances wellbeing, helps mitigate the impacts of climate change and provides nature-rich habitat to support urban wildlife. The partnership was featured in the UN Global Compact Network UK's webinar series on "Nature-based Solutions for Business". We also partnered with GreenTheUK, the Blue Marine Foundation and Plantlife, to support initiatives helping native oyster restoration in the Solent and the Sussex Kelp Recovery Project, as well as protecting temperate rainforests in Devon and Cornwall.

We continue to review the evolving technology and regulatory landscape for carbon credits and intend to undertake further scoping and due diligence to select appropriate carbon credits to offset the small tail of hard-to-abate emissions for our interim (2025) partial net zero target.

Resilience of our strategy

In 2023/24, Funding Circle engaged external experts to support the qualitative analysis of its lending in relation to physical and transition risks. This was based on loan-level data covering financed emissions (calculated in line with the PCAF methodology), geography, sector and principal outstanding as at 31 December 2023, and refreshed for 31 December 2024. We assessed total balances under management, including defaulted loans, and balances held on Funding Circle's balance sheet, with both exhibiting similar profiles.

Each sector was assigned an overall transition risk vulnerability rating based on several risk factors: regulation, raw material cost, technology, market demand fluctuations, and reputational risk. Physical risks were assessed through sectoral and geographical lenses. Inputs were sourced from external research, literature and tools including the FCA's Climate Financial Risk Forum ("CFRF") climate scenario analysis narrative tool and the World Bank Group's carbon pricing dashboard.

Environment, social and governance ("ESG") continued

Climate and environment continued

1. Strategy continued

Resilience of our strategy continued

Our analysis showed a small proportion of balances, both on balance sheet and under management, that are to sectors with higher exposure or vulnerability to climate-related risks, as shown in Table 4.

Table 4: Sectors with higher exposure or vulnerability to climate-related risks

Sectors assessed as having high vulnerability to climate risks	% balances on balance sheet	% balances under management
Transition risks:		
Transport, storage and communication	3.7%	3.9%
Electricity, gas and water supply ("Electricity and Utilities")	0.2%	0.1%
Total	**3.9%**	**4.0%**
Physical risks:		
Agriculture	0.8%	0.8%
Total	**0.8%**	**0.8%**

We used the Network for Greening the Financial System ("NGFS") scenarios to assess Funding Circle's climate resilience. This was done at a relatively high level, commensurate with the materiality of our climate-related risks and opportunities. Three diverse scenarios were considered, including one aligned to the latest international agreement on climate change (Net Zero 2050). The results of our scenario analysis, conducted in 2024, are summarised in the table below and show strong resilience as at the reporting date, with existing plans to develop our climate-related data, insight and reporting capabilities sufficient under all scenarios.

As Funding Circle's balances under management mirror the sectoral diversity of the broader UK economy, our exposure to any economic shocks or persistent declines would likely be in line with UK GDP. All scenarios are expected to have a negative impact on GDP by 2050 versus a baseline of no physical or transition risk.

Table 5: Summary of climate scenario analysis

	Potential impacts		
Characteristics	NGFS – Orderly Transition (Net Zero 2050)	NGFS – Disorderly (Delayed Transition)	NGFS – Hot House World (NDCs)
2050 GDP vs. baseline of no physical/transition risk	-3%	-4.6% to -4.7%	-5.7% to -6%
Transition			
Policy reaction	Immediate, smooth	No additional actions until 2030	No additional pledges vs. today
Technology change	Fast	Slow then fast	Slow
Electrification, decarbonisation and energy efficiency	Rapid and steady	Slow then fast	Slow
Overall transition risk	Medium	High	Low
Physical			
Temperature rise	1.4C	1.6C	2.6C
Physical risks	Low	Medium	High
Impacts and considerations			
Funding Circle time horizons affected	ST, MT, LT	LT	LT
Potential impact on climate-related risks and opportunities (see Table 3)	Heightened transition risks, particularly for "carbon-related" sectors, may put strain on SME profitability and require market-wide investment in climate compliance.	Muted transition risks initially then significantly heightened after 2030, with a shock to revenues and costs likely felt across most sectors, with "carbon-related" ones particularly exposed.	Limited transition risks with even "carbon-related" sectors having a long time to adapt. Physical risks will increase significantly over the longer term with far-reaching economic consequences.
Strategic considerations	Continued investment in forbearance tools and processes will support SMEs experiencing short-term repayment challenges. Continued planned enhancement of Funding Circle's climate reporting capabilities will support compliance with future regulation.	Continued investment in forbearance tools will better support businesses suffering short-term stress in relation to transition-related economic shocks.	Continued investment in forbearance processes and tools will better support businesses suffering business continuity impacts from physical climate events.

This qualitative approach is proportionate to the materiality of Funding Circle's climate-related risks and opportunities. We will continue to refresh and enhance this analysis but do not currently have plans to invest in further quantitative analysis as we do not foresee it providing actionable outputs for the time being.

2. Governance

Board oversight

The Board of Directors at Funding Circle holds ultimate responsibility for climate-related risks and opportunities. Matthew King, Non-Executive Director, continued as Board-level sponsor for climate in 2024, providing support and challenge to management, drawing on his significant financial services risk management experience as well as knowledge of climate change from his Non-Executive Director role in a resource-intensive industry. Geeta Gopalan also has climate-related financial services risk management skills, and Helen Beck has undertaken training on transition planning.

The Board reviews climate-related issues as part of its overall risk management and strategic planning processes. This includes reviewing analysis on physical and transition risk heatmaps and climate scenarios which demonstrate that climate-related risks and opportunities are not likely to be material in the medium term. The Board has taken this into account in its oversight of the Group's strategy, with no trade-offs being required at this point. In addition, it delegates certain matters to two Committees, which are included in their Committee Terms of Reference:

- the ESG Committee ("ESGC"), chaired by Andrew Learoyd and responsible for oversight of the Group's ESG strategy including climate-related opportunities (see ESG Committee Report on page 88); and
- the Audit and Risk Committee ("ARC"), chaired by Geeta Gopalan and responsible for oversight of climate-related (and broader ESG) risk management. Climate-related risks are assessed in line with the ERMF and reviewed and approved by the ARC annually.

The Board considers its skills and competencies in relation to climate-related risks and opportunities annually. Following Matthew King's retirement from the Board, it will continue to consider ways of maintaining Board-level expertise on climate and other ESG topics, with this being a skill taken into consideration in the Non-Executive Director appointment process. The skills of Geeta Gopalan and Helen Beck referred to above provide a strong competency framework, particularly given climate-related risks and opportunities are not likely to be material for Funding Circle over the medium term. Further external training has been provided in the past and will continue to be delivered as required as we deepen our climate scenario analysis and develop transition plans.

Management's role

Executive responsibility for climate-related risks and opportunities is held by the CEO, who delegates climate risk management to the CRO. Management responsibility for execution and delivery of the Group's climate (and broader ESG) strategy sits with the Chief Legal Officer and Company Secretary. Oversight is provided by the Management Risk Committee ("MRC") which reports into the Board-level Committees described above.

We have introduced controls and procedures proportionate to the level of materiality of climate-related risks and opportunities. As such, the principal procedure is to identify and assess climate-related risks in line with the ERMF which is reviewed by the MRC and approved by the ARC annually. In addition, in 2024 Funding Circle established the CRMF, which set safeguard thresholds for climate risk appetite and was approved by the ARC. The combination of the ERMF and CRMF ensures climate-related risks are integrated into our broader risk management processes and executives are updated regularly.

3. Risk management

Identification and assessment of climate-related risks

Funding Circle evaluates the impact of climate-related risks on its own operations and its balances under management, across physical and transition risk drivers. As well as monitoring external developments to assess any increases to risk drivers, in 2023/24 we undertook a loan portfolio risk heatmap exercise. This assessed the level of exposure to physical and transition risks for all balances under management and underpinned our initial scenario analysis described above. The heatmap and scenario analysis results informed this year's annual ERMF Risks and Control Self-Assessment.

The materiality of potential climate-related impacts is assessed using a risk classification matrix which rates the inherent likelihood of the risk occurring and the impact on the business in financial and non-financial terms. In assigning ratings, we consider both qualitative factors (such as effect on customers, media coverage and business continuity) and quantitative financial thresholds ranging from "critical" (financial impact of £5 million or more in a 12-month period) to "minor" (financial impact of £250k or less in a 12-month period) over a medium-term horizon.

As with 2023, policy and legal transition risks were the main driver of climate-related risks to Funding Circle, with continued developments in reporting obligations likely to impact Funding Circle, its SME customers and institutional investors.

Environment, social and governance ("ESG") continued

Climate and environment continued

3. Risk management continued

Identification and assessment of climate-related risks continued

Our 2024 risk assessment identified climate as a level 1 ESG risk, within the strategic risk category. The risk was defined as: "This risk covers (1) Transition Risks and (2) Physical Risks. Climate risk is a cross-cutting risk type that may manifest through some of our other established principal categories (regulatory, credit, operational, technology and funding)." The inherent likelihood was assessed as "Possible" (meaning a potential occurrence once every one to two years) and the inherent impact was deemed to be "Minor" based on an assessment of qualitative and quantitative factors as described above. The resulting inherent risk rating was "Low". Consistent with 2023, the likelihood and impact of this risk on other principal categories over the ERMF time horizon was assessed as de minimis.

Management and integration of climate-related risks

Funding Circle's risk appetite statement in relation to strategic risks including climate risk is that it "will make efficient use of its available resources to build a sustainable, diversified and profitable business that can successfully adapt to environment changes". In line with the assessed "Low" impact materiality, we continue to take a proportionate approach to building our climate risk management capabilities.

The main controls in place to manage climate-related risks include internal legal and regulatory review; management and risk oversight and controls; third party review; internal audit review; and internal policies and practices. The financed emissions data and physical and transition heatmaps developed in 2024 provide appropriate foundations to proportionately manage and embed climate risk in the medium term.

The residual risk rating for climate risk in 2024, considering the effectiveness of controls in place, was "Low" and unchanged from last year. Through its integration into the ERMF, climate-related risk is subject to the same evaluation, response and monitoring process and governance as all other key risks.

4. Metrics and targets

GHG emissions metrics

Methodology

This section includes our mandatory reporting of GHG emissions in line with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, and the Streamlined Energy and Carbon Reporting ("SECR") under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Our GHG emissions reporting period is 1 January to 31 December and is aligned with our financial reporting year.

We measure a full inventory of material Scope 1, 2 and 3 emissions in accordance with the GHG Protocol Corporate Standard, using an operational control approach to define our organisational boundary. Activity data was used where available (Scopes 2, 3.5, 3.8, and 3.1 Cloud emissions), or estimated on a spend basis. Emissions were calculated by applying recognised and up-to-date emission factors from reference databases (mainly Exiobase 3.8.2, IEA 2023, UK GHG Conversion Factor 2024, and Base Empreinte Ademe 23.4) selected based on geographical relevance and data quality.

We carry out annual independent third party verification of our GHG emissions in accordance with ISO 14064-1, which was completed for FY 2023 at a limited level of assurance at a materiality of 5%, and covering all activities under our operational control, and all relevant emission categories, indicating any exclusions. Verification for FY 2024 is due in 2025.

Beyond reporting requirements, we measure and report all material GHG categories as a way of monitoring the transition risks outlined in Table 3, with higher emissions being indicative of elevated transition risk.

Comparative periods

Funding Circle completed the sale of its US business on 1 July 2024. In line with the GHG Protocol for treatment of structural business changes, emissions from our US business have been removed, where possible, from our core 2024 reported figures and comparative periods.

Work undertaken in 2024 in relation to Funding Circle's transition plan highlighted an inaccurate classification of the London office heating emissions. Funding Circle has no control over the hours of operation or the equipment used for heating this building, which is leased by Funding Circle and shared with other tenants. It was therefore deemed more accurate to reclassify these emissions from Scope 1 to Scope 3 category 8 for this reporting year and all comparative periods.

Financed emissions methodology

Scope 3 category 15 emissions (financed emissions) were calculated in accordance with the Partnership for Carbon Accounting Financials ("PCAF") Global GHG Accounting and Reporting Standard (the "PCAF Standard") methodology for business loans. As we have no primary emissions data for our SME customers, we have applied PCAF's "economic activity-based emissions" method, which provides sector-based factors for the volume of emissions per £ revenue (based on Exiobase v3.9, base year 2019). We then attribute a proportion of an SME's emissions based on the ratio between the amount outstanding originated through the Funding Circle platform and the total debt and equity of the SME.

As Funding Circle holds only a small proportion of credit extended on its own balance sheet (c.6% of balances under management when including defaulted loans), the majority of attributed emissions form part of the carbon footprint of the institutional investors who fund the lending originated through the platform. For transparency, we report on both Funding Circle's financed emissions (relating to the small number of on-balance-sheet loans) and the overall emissions attributed to the total balances under management.

This calculation includes several assumptions which can materially affect the final calculated emissions. This means we can provide no assurance as to the accuracy of the final calculated emissions. Our exposure-weighted data quality score, based on the PCAF Standard, was 4.01 where 1 is the highest data quality and 5 is the lowest. This is in line with the previous year's score, however, an updated PCAF methodology was used for the emissions factors meaning results are not comparable with 2023. As recommended by PCAF we used regional (sector average) emission factors, instead of country-level ones for 2023, with the former being generally higher. Had we taken the same approach as reported for 2023, financed emissions would have been 22% lower (2,190,709 tCO_2e) for all balances under management, and 21% lower (156,693 tCO_2e) for balances on balance sheet.

We have not recalculated our 2023 financed emissions using the updated methodology as we anticipate further fluctuations until data quality and methodologies improve and stabilise. Such significant, methodology-related fluctuations make the development of actions or targets for financed emissions impractical at present. And while we have identified potential ways to improve the data quality score over time, a key limitation is our ability to source primary emissions data for SMEs, the majority of which do not measure or disclose this information at present.

Actions taken to reduce emissions

Total emissions, excluding 3.15 financed emissions, were reduced by 35% in 2024 (both market and location based) in part due to the sale of our US business in mid-2024. If we exclude US-related emissions, where possible, from 2023, the 2024 reduction was 32%; however, we were unable to disaggregate the US in some categories of emissions (3.1 and 3.6) and will more fully understand the impact in 2025 when we report our first full year of UK-only emissions. Our FTE intensity ratio (Scopes 1, 2 and 3 excluding 3.15) was reduced by 11% (27% when excluding US-related emissions where possible).

One of the key impacts of the sale is a real-world reduction in business travel emissions (down 62%), removing the need for flights between the UK and US from the second half of 2024, with full annualised benefits expected in 2025. Our travel policy restricts flights to essential cases, supported by flexible working policies, ensuring all feasible steps have now been taken to limit travel emissions.

We also consolidated our London head office from two floors to one and completed a re-fit in the process which included an LED lighting upgrade. These actions reduced electricity use and, therefore, Scope 2 UK emissions (down 31% in 2024 vs. 2023). Following the sale of our US business and the corrected classification of our London head office heating emissions, our Scope 1 and 2 emissions have now been reduced to zero on a market basis. Emissions from gas heating of this office are now reflected in Scope 3 category 8 due to our lack of operational control. Future reductions depend on whether and when UK policy abolishes gas boilers in commercial properties.

We do not fully understand the drivers of the increase in our Scope 3 waste emissions in 2024, which are estimated pro rata from building-level data. There was a change in waste management provider and we saw higher building occupancy in 2024; however, we need to interrogate the changes further. The recycling rate was 75% and we are planning further employee and building management engagement in 2025.

Key remaining Scope 3 categories – purchased goods and services, employee commuting (including homeworking), upstream leased assets and financed emissions – pose challenges due to limited influence and reliance on secondary data. Employee commuting emissions reduced by 36% in the year (even after adjusting for the sale of the US business); however, we need to better understand the reasons for this. Purchased goods and services emissions saw a 38% decrease year-on-year; however, we were unable to disaggregate country-level data and so are unsure how much of the decrease is driven by the divestment of our US business. Capital goods emissions were an exceptional item included this year due to our office re-fit.

Excluding divested loans relating to the US business, Scope 3.15 financed emissions increased by 24% for balances under management, or 50% for balances on balance sheet. This reflects the move to an updated PCAF methodology described in the previous section. Underlying balances excluding the US business were broadly flat, and the type of lending and customer base remained consistent with prior years.

We switched carbon accounting solutions during 2024, and although we do not believe this has any major impact on measured emission results, it may account for minor fluctuations relative to 2023. In 2025, we will focus on improving data accuracy and identifying which decarbonisation opportunities we might influence to inform our evolving transition plan, including modelling potential reduction levers, and investigating top supplier-level emissions data. However, we expect there to be a material dependency on government policy and societal behaviours.

Environment, social and governance ("ESG") continued

Climate and environment continued

4. Metrics and targets continued

Funding Circle Holdings plc global GHG emissions

Global GHG emissions data for period 1 January to 31 December		2024[1] tCO_2e	2023 (comparative)[2] tCO_2e	2023 tCO_2e	2022 tCO_2e	2021 tCO_2e
Scope 1[3]		—	—	108	77	129
Scope 2[4]	– location based	51	75	265	313	340
	– market based	—	—	190	239	411
Total gross emissions (Scope 1 and 2)	**– location based**	51	75	373	390	469
	– market based	—	—	298	316	540
Scope 3 – category 1 purchased goods and services		5,718	9,217	9,217	n/a	n/a
Scope 3 – category 2 capital goods[5]		766	—	—	—	—
Scope 3 – category 3 fuel and energy activity		15	54	103	n/a	n/a
Scope 3 – category 5 waste generated in operations		29	10	15	6	3
Scope 3 – category 6 business travel		279	740	740	563	113
Scope 3 – category 7 employee commuting		230	358	568	n/a	n/a
Scope 3 – category 8 upstream leased assets[3]		110	108	8	n/a	n/a
Total Scope 3 supply chain gross emissions		7,147	10,487	10,651	569	116
Total gross emissions (Scope 1, 2 and 3 excl. 3.15)[6]	**– location based**	7,198	10,562	11,024	959	585
	– market based	7,147	10,487	10,949[6]	885	656
Scope 3 – category 15 investments: financed emissions – balances under management[7]		2,798,767	2,250,205	2,886,452	n/a	n/a
Scope 3 – category 15 investments: financed emissions – balances on balance sheet		197,783	132,105	220,357	n/a	n/a
– 3.15 – balances on balance sheet: Scope 1 and 2 (tCO_2e)		54,419	n/a	71,143	n/a	n/a
– 3.15 – balances on balance sheet: Scope 3 (tCO_2e)		143,364	n/a	149,214	n/a	n/a
Total gross emissions (Scope 1, 2 and 3 incl. 3.15)	**– location based**	204,981	142,667	231,381	n/a	n/a
	– market based	204,930	142,592	231,306	n/a	n/a
Full-time employee ("FTE") (average over the applicable reporting period)[8]		788	845	1,074	1,035	929
Total income (£m)[8]		161.7	129.7	162.2	151.0	206.9
Intensity ratio (Scope 1 and 2): tCO_2e/FTE	**– location based**	0.06	0.09	0.35	0.38	0.5
	– market based	—	—	0.28	0.31	0.58
Intensity ratio (Scope 1 and 2): tCO_2e/£m	– location based	0.32	0.57	2.30	2.58	2.27
	– market based	—	—	1.84	2.09	2.61
Intensity ratio (Scope 1, 2 and 3 excl. 3.15): tCO_2e/FTE	**– location based**	9.13	12.50	10.26	0.93	0.63
	– market based	9.07	12.41	10.19	0.86	0.71
Intensity ratio (Scope 1, 2 and 3 excl. 3.15): tCO_2e/£m	– location based	44.51	81.43	67.97	6.35	2.83
	– market based	44.20	80.86	67.50	5.86	3.17

1. All figures presented for 2024 have not yet been subject to external assurance or verification. 2024 data reflects emissions from ongoing operations following the sale of our US operations in July 2024 (except for 3.1 and 3.6 where it was not possible to disaggregate the data, and which include US data up to July).
2. We provide here 2023 emissions excluding US emissions to enable better comparison with 2024 (except for 3.1 and 3.6 where it has not been practicable to fully disaggregate US and UK data).
3. Scope 1 emissions from gas heating of the UK leased office are now reflected in Scope 3 category 8 due to our lack of operational control.
4. Scope 2 includes purchased electricity (and steam for US offices where applicable); as per the GHG Protocol Corporate Standard, we also apply the market based method for Scope 2 RECs.
5. Category 3.2 capital goods emissions were an exceptional item included this year due to our office re-fit.
6. In our Annual Report 2023, Categories 3.3, 3.7 and 3.8 were reported as market-based; as per the GHG Protocol we now report all Scope 3 as location-based.
7. For Category 3.15 investments, for transparency we report on financed emissions for Funding Circle's on-balance-sheet balances, as well as for total balances under management, and we include defaulted loans. In addition, we follow PCAF's guidance to report Scope 1 and 2 financed emissions separately from Scope 3 (to ensure transparency while acknowledging potential double counting issues). The move to an updated PCAF methodology means the results are not comparable for 2024 and 2023.
8. FTE and total income for 2024 are reported for continuing operations only.

Regional breakdown of energy consumption data for period 1 January to 31 December

(Kilowatt-hour equivalent – kWhe)	Scope 1				Scope 2			
	2024	2023	2022	2021	**2024**	2023	2022	2021
Region[1]								
UK	**—**[2]	593,164	457,208	554,366	**262,420**	359,778	402,758	359,638
US	**—**	—	—	79,469	**n/a**	385,700	545,219	643,284
Total	**—**	593,164	457,208	633,835	**262,420**	745,478	947,977	1,002,922

1. In prior years we disclosed emissions from our legacy European operations in Germany and the Netherlands, no longer relevant for FY 2024 onwards.
2. Scope 1 emissions from gas heating of the UK leased office are now reflected in Scope 3 category 8 due to our lack of operational control, however for transparency we can report that natural consumption for heating our UK office was estimated at 618,122 kWh for 2024.

Climate-related risk metrics

With support from third party experts in 2024, Funding Circle established portfolio-level physical and transition risk metrics as summarised in the tables below. We monitor these metrics at a portfolio level annually to inform our assessment of physical and transition risks outlined in "Climate-related risks and opportunities" on pages 28 to 30.

Table 6.1: Sectoral transition risk level

As at 31 December 2024	Low	Medium	High
Proportion of balances under management	65.4%	29.2%	5.4%
Proportion of balances on balance sheet	65.2%	28.9%	5.9%

note: This analysis for 2024 was based on a previous sectoral definition (SIC codes were adopted during 2024 for the purpose of climate risk analysis) meaning the figures do not reconcile exactly to the sectoral splits provided in Tables 2 and 4.

Table 6.2: Physical risk exposure by hazard (proportion of balances under management)

As at 31 December 2024	Heat waves	Low temperatures and snow	Fluvial flooding	Surface water flooding	Coastal flooding*	Drought	Storm events	Wildfire
Very low	65.5%	54.2%	—	—	—	88.7%	—	—
Low	34.5%	28.6%	18.1%	86.2%	5.2%	11.3%	—	—
Medium	—	16.3%	61.6%	13.6%	9.9%	0.0%	99.1%	66.1%
High	—	0.9%	20.0%	0.2%	69.9%	0.0%	0.9%	33.4%
Very high	—	—	0.3%	—	0.5%	—	—	0.5%

* Coastal flooding is not applicable for the Midlands.

Funding Circle established the CRMF in 2024 which underpins its ongoing processes to identify and assess climate-related risks based on the metrics above. The framework sets safeguard levels to maintain geographical and sectoral distribution of the lending portfolio broadly in line with the UK economy. It also sets risk appetite thresholds for physical and transition risks based on the proportion of balances outstanding with high exposure to physical risks or to carbon intensive sectors[5].

Currently, "Low temperatures and snow" is the only "high exposure" physical risk subject to CRMF threshold targets described in the following section; however, we continue to monitor the UK National Risk Register for any changes. Carbon intensive sectors are a sub-group (Agriculture, Electricity & Utilities, and Mining & Quarrying) of the sectors exposed to High transition risk and total 1% of loans outstanding as shown in Table 2.

5. For this purpose, Funding Circle defines high exposure to physical risks as a likelihood of ≥5% and an impact of "significant" or worse based on the UK National Risk Register, and it defines carbon intensive sectors as Agriculture, Electricity & Utilities, and Mining and Quarrying.

Environment, social and governance ("ESG") continued

Climate and environment continued

4. Metrics and targets continued

Targets

In 2024, Funding Circle updated its ESG framework to reflect a more granular assessment of the real-world actions required to achieve net zero. The framework now sets out the following short, medium and long-term targets related to managing climate-related risks and opportunities:

Table 7: Summary of targets

Target	Scopes	Target date	FY24 update	Status	Change from prior targets/commitments
Net zero	All	2050[1]	↓ 11% vs. 2023[2]	Too early to tell	No change
Interim (2025) partial net zero (market based)	1, 2 and 3 business travel	2025	↓ 62% vs. 2023	On track	Accelerated from prior stretch target to reach net zero by 2030
Enhance data accuracy and consider real-world actions – including modelling potential reduction levers, and investigating top supplier-level emissions data	3 – all categories excluding business travel	2025	—	On track	Supplier, waste and employee commuting emissions were previously included in our 2030 net zero stretch target which has been retired recognising the need for outputs relating to this new qualitative target before further quantitative targets are considered
Maintain proportion of balances outstanding subject to high exposure to physical risks within agreed CRMF thresholds[3]	n/a	Annual	<1%	Within internal thresholds	New target (internal)
Maintain proportion of balances outstanding to carbon intensive sectors within agreed CRMF thresholds[4]	3 – financed emissions	Annual	1%	Within internal thresholds	New target (internal)
2030 net zero stretch target for our operational emissions	Scope 1, 2, 3 waste, business travel, supplier, employee commuting	2030 (2021 baseline for Scope 1,2 and 3 waste and business travel)	Retired	Retired	Target data for Scope 1, 2 and business travel accelerated to 2025 but target removed (pending further analysis) for remaining scopes.

1. Funding Circle's target is to reach net zero in line with the UK government's target. This is currently 2050.
2. For total emissions including 3.15 financed emissions without adjusting for the sale of our US business. Excluding 3.15 (which increased due to a methodology change in 2024) the reduction was 35%.
3. Physical risks rated in the National Risk Register with a likelihood ≥5% and impact of significant or higher which is currently "Low temperature and Snow" per breakdown in Table 6.2.
4. Defined as a subset of "carbon-related" sectors: Agriculture, Electricity and Utilities, and Mining and Quarrying, per breakdown in Table 2.

Our new interim (2025) partial net zero target (market based) reflects our ambition to accelerate progress on decarbonisation that's within our control. This target does not contain the typical requirements for "science-alignment" (a 90%+ reduction from a historic baseline) as our 2021 baseline was during the Covid-19 pandemic and reflects significantly muted travel activity. However, we have achieved strong reductions in 2024 (-62% vs. 2023) and believe that by the end of 2025 we will have taken all possible reasonable actions within our control to reduce absolute Scope 1, 2 and 3 business travel emissions, leaving only a small tail of hard-to-abate emissions beyond 2025, to be offset in line with net zero principles. This is being done through: purchasing renewable electricity for our offices, reducing air travel to absolute de minimis levels, and minimising business travel wherever practical.

We recognise that our most significant categories of emissions, being financed emissions and those relating to purchased goods and services, are not currently subject to quantitative targets. As discussed in earlier sections, and committed in our near-term qualitative target, we are focused on improving data quality and granularity to provide a more accurate view of these emissions and will use this to help us understand what real-world actions are within our control or influence before considering targets. We also plan to review the SBTi's updated Corporate Net Zero and Financial Institutions Net Zero Standards, which are expected in 2025, before committing to any further targets.

Carbon credits

For reporting periods 2020 to 2022, Funding Circle purchased and retired high quality carbon credits equivalent to the annual emissions from our Scope 1, 2 and 3 waste and business travel[6]. In 2023 and 2024, we retired this approach to BVCM in favour of expanding our investment in environmental projects (see page 31). From next year, we anticipate offsetting our small remaining tail of hard-to-abate Scope 1, 2 and 3 business travel emissions with carbon credits to achieve our interim (2025) partial net zero (market based) target. We intend to undertake further due diligence on potential sources of carbon credits and refer to the SBTi's updated Corporate Net-Zero Standard in 2025 to inform our approach to offsetting and broader BVCM activities.

6. In previous reporting periods we referred to this as achieving carbon neutrality – terminology which we retired when SBTi guidance became available on BVCM.

Non-financial and sustainability information statement

This section is produced in order to comply with the reporting requirements in sections 414CA and 414CB of the Companies Act 2006 as amended by The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, which places requirements on us to incorporate climate disclosures in our Annual Report. We have provided the location of relevant disclosures by cross-reference. Specifically, requirements A-H of section 414CB are covered on pages 28 to 38.

Reporting requirement	Policies and standards	Information necessary to understand our business and its impacts	Page reference
Environmental matters	Funding Circle ESG Framework*	ESG	24 to 38
		Risk management	51 to 54
		Principal risks and uncertainties	55 to 62
		Board decision making and section 172(1) duties	72 to 73
		Report of the ESG Committee	88 to 89
Our employees	Funding Circle Code of Conduct*	Our people	20 to 23
	People at Funding Circle*	ESG	24 to 38
	Whistleblowing Policy*	Risk management	51 to 54
	DEI Statement	Principal risks and uncertainties	55 to 62
	Communication Handbook	Corporate governance report	70 to 77
		Report of the Audit and Risk Committee	82 to 87
		Report of the ESG Committee	88 to 89
Social matters	Funding Circle ESG Framework*	ESG	24 to 38
	Customer Complaints*	Social impact	26 to 27
		Engaging our stakeholders	40 to 43
		Our customers	14 to 15
		Risk management	51 to 54
		Report of the Directors	112 to 114
Human rights	Human Rights Statement*	ESG	24 to 38
	External Assurance Supplier Standard*	Corporate governance report	70 to 77
		Report of the ESG Committee	88 to 89
	Supplier Code of Conduct*	Risk management	51 to 54
	Modern Slavery Statement*	Principal risks and uncertainties	55 to 62
Anti-corruption and anti-bribery matters	Anti-Corruption and Bribery Policy*	Risk management	51 to 54
		Principal risks and uncertainties	55 to 62
Principal risks and risk management	Enterprise Risk Management Framework Policy	Risk management	51 to 54
		Principal risks and uncertainties	55 to 62
		Viability statement	63 to 64
		Report of the Audit and Risk Committee	82 to 87
Description of business model		Our business model	8 to 9
		Our strategy	10 to 11
Non-financial KPIs		Our business model	8 to 9
		Engaging our stakeholders	40 to 43

***Relevant policies can be found on the Company's Sustainability webpage**

Engaging our stakeholders

We actively engage with all our stakeholders

Our shared mission with borrowers, institutional investors, shareholders and our people is to ensure that a vital, historically underserved part of our economy can access the funding it needs to win. We are committed to building open and constructive relationships with all our stakeholders.

In 2024, we engaged with our stakeholders in a variety of ways to ensure they continued to feel connected and supported at all times.

Borrowers

An expanded product set is enabling us to engage with and serve more SMEs than ever before, whatever their business needs.

How we engage

- Real-time monitoring of customer insight from every stage of the customer journey, human responses to all Google and Trustpilot reviews, and dedicated customer support via social media.
- Regular surveys, focus groups, in-depth interviews and in-person borrower visits across the UK by the leadership and the broader team to shape our product and user experience.
- Supporting borrowers by continuously updating our Purple Pages directory, to encourage employees to purchase products and services from small businesses.
- Sourcing borrower products such as chocolates, tea and cakes as prizes and gifts for employees.
- Twice yearly brand monitoring to an SME panel to measure sentiment, satisfaction and comparison against competitors.
- Regular email updates and communications, including on the launch of our new products, changes to government guaranteed schemes and continued service improvements and resources for borrowers.

Outcomes of engagement

- We achieved a Group NPS of 79 (2023: 75).
- Our Trustpilot score remains at an "Excellent" 4.6 rating.
- We launched the Cashback credit card to help customers earn from their business spending, and added features to FlexiPay as a direct result of customer feedback, including more flexible payment terms, and credit transfers direct to their bank accounts.

Circlers

Our people are what make Funding Circle special. We are committed to creating an environment where Circlers thrive and share our mission, values and ambition.

How we engage

- Regular All Hands meetings and our biannual Company-wide events, including the Full Circle and the newly launched CircleIN. These provide an opportunity to reinforce Funding Circle's values and culture by bringing everyone physically together as "one team".
- Meetings between Helen Beck, our Workforce Engagement Non-Executive Director, and employee groups, with subsequent feedback loops to the Board.
- Six Circler-led groups (Women @ FC, Let's Talk About Heritage, Circle of Pride, FC Impact, Parents @ FC and Neurodiversity @ FC) that empower our people to deliver initiatives important to them and our DEI agenda.
- Regular employee engagement surveys, with results shared with the Board, along with reports and updates on diversity and inclusion initiatives.

Outcomes of engagement

- Continued to embed our value, "Obsess over the customer" by giving Circlers the opportunity to visit Funding Circle borrowers to learn about their businesses.
- Delivered an allyship training programme, to further strengthen our education on diversity, equity and inclusion.
- Supported Circler resource groups in delivering over 50 initiatives and events.
- 2024 engagement results achieved an overall score of 64.3% with 61% recommending Funding Circle as a place to work.

Section 172(1) statement

The Directors recognise that they have a duty to promote the success of the Company in accordance with section 172(1) of the Companies Act 2006. Further details on how the Board operates and the way in which it reaches decisions, including the matters discussed and debated during the year, are set out in the Governance section on pages 66 to 115. Some examples of how the Directors have had regard to the factors set out in section 172(1) (a) (f) when discharging their duties are on pages 72 and 73.

Engaging our stakeholders continued

Institutional investors

Providing stable and attractive returns to a diverse range of institutional investors is a central part of our strategy.

How we engage

- We actively engage with all types of institutional investors – for example asset managers, banks, insurance companies and pension funds – to share details of our products and services. This includes a presence at key global conferences, investor roadshows and bespoke meetings.
- We provide information and support to existing institutional investors in a range of accessible formats, including monthly and daily reporting on their investments.

Outcomes of engagement

- We onboarded new, and re-signed a number of existing, institutional investors, further diversifying our funding investor base across our product suite/product family offering.
- Continued institutional investor demand to fund loans – with an active forward pipeline.

Shareholders

We maintain transparent and open engagement with our shareholders. This enables the Board to clearly communicate its strategy, provide updates on our performance and receive regular feedback.

How we engage

- Regular shareholder communications such as full and half-year results, and ad hoc regulatory news service announcements.
- In early 2024 and 2025, we actively consulted with top shareholders to get feedback on our proposed Remuneration Policies prior to them being circulated for approval at our 2024 and 2025 Annual General Meetings ("AGMs").
- Held analyst and investor meetings and presentations/roadshows, as well as ad hoc meetings and events with shareholders and prospective shareholders.
- The 2024 AGM was once again open to shareholders, offering an in-person opportunity for shareholders to interact with the Board.
- The Chair, Chief Executive Officer and Chief Financial Officer regularly communicate with shareholders and analysts as required and provide regular reports to the Board on shareholder interactions.

Outcomes of engagement

- Took into account views of major shareholders through the year when shaping Company strategy and other key developments, including our new Remuneration Policies in 2024 and 2025, as well as announcing two share buybacks and a capital reduction.

Communities

The SMEs we serve are at the centre of our communities. We are passionate advocates of community engagement and charitable causes that deliver social impact.

How we engage

- Continuous evolution and implementation of our ESG strategy, including our priorities for engagement with our various stakeholders.
- Regular touch points with institutional investors, including discussions regarding their ESG investment criteria as they apply to fund Funding Circle's business finance products.
- Sustained approach to corporate partnerships to drive social and sustainability outcomes for SMEs and communities, including through employee engagement.
- Employee-led volunteering and charity initiatives led by Circler group FC Impact.

Outcomes of engagement

- Progressed our ESG strategy, which sets out a formal framework for operating as a responsible business and is overseen by our ESG Committee.
- Extended our partnership with Thrive Mental Wellbeing, an app trusted by the NHS, to help all UK small business leaders and employees get more support with their mental health.
- Continued to support charities delivering social and environmental value, such as Earthwatch's citizen science campaigns, and Hatch Enterprise, which empowers underrepresented entrepreneurs to launch and grow their businesses, along with Funding Circle volunteers providing mentoring.
- Raised £12,828 for UK charities during 2024 and Circlers contributed 171 volunteering "Impact Days" in support of a range of good causes, including our charity of the year, Refuge.

Government and regulators

Our goal is for Funding Circle to always be known as a trusted and reputable company, and to work with regulators and industry to ensure best practice.

How we engage

- Engagement with local, national and supra-national government agencies, including regulators, legislators, policymakers and industry groups. These interactions provide insight and leadership on policy and rule making related to issues affecting SME borrowers, institutional investors or lending in the fintech industry.
- Contribution to the discourse and debate on industry issues, including submitting position papers and participating in expert hearings, consultations, forums and other policy engagement initiatives.
- The Board ensures it uses the results of the above engagement, as well as key legal and regulatory changes affecting the business, to inform its strategy and decision making.

Outcomes of engagement

- Continued to work with the British Business Bank ("BBB") as we started participating in the GGS, the successor to the UK government's Recovery Loan Scheme; engaged with industry groups on issues such as levelling the playing field for fintech lenders and reviving the UK small and mid-cap market; and responded to the Treasury Committee's enquiry into the accessibility of finance and lending to SMEs, including giving oral evidence.

Financial review

Strong performance and delivery against strategic objectives

Tony Nicol
Chief Financial Officer

“We were pleased with the strong operational and strategic performance in 2024. We saw significant growth in both of our businesses and improved profitability compared to 2023.”

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 improved 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 a Cashback credit card product. 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 £m	FY 2023 £m	**31 December 2024 £m**	31 December 2023 £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 £1,407 million (2023: £1,060 million). 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.

Segmental highlights

	31 December 2024[1]			31 December 2023[1]			
	Continuing operations			Continuing operations			
	United Kingdom			United Kingdom		Other	Total
	Term Loans £m	FlexiPay £m	Total £m	Term Loans £m	FlexiPay £m	Term Loans £m	Total £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 business segment on the basis that the legacy European operations included within Other are immaterial. The comparative period has not been re-presented. The segmental results of the US business are not presented above.

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 Loans under Management ("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 to 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 £743 million (31 December 2023: £1,457 million), c.27% of total LuM. We expect Term Loan LuM to grow in 2025.

As at 31 December 2024, we have c.£2.1 billion 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 £492 million (2023: £234 million), demonstrating strong customer engagement. Drawn lines of credit ("balances") grew to £119 million at 31 December 2024 (2023: £58 million), 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.

Finance review

Overview

Revenue from continuing operations was £160.1 million (2023: £130.1 million), 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 £3.4 million (2023: loss of £9.9 million). The exceptional items of £2.6 million related to restructuring undertaken in the UK, mainly comprising redundancy costs. After exceptional items, the profit before tax from continuing operations was £0.8 million (2023: loss of £9.9 million).

Financial review continued

Term Loans business

The Term Loans business delivered revenue of £142.6 million 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 £37.0 million in 2024 compared to £21.3 million 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 £19.0 million, up from £6.5 million in FY 2023, primarily due to the growth in AEBITDA. After exceptional items, profit before tax was £16.7 million, compared with £6.5 million in 2023.

FlexiPay and Cashback credit card

Revenue for FlexiPay was £17.5 million in 2024, increasing from £5.2 million 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 £150 million with the ability to upsize further and is due for renewal in August 2025.

The AEBITDA result was negative £12.5 million (2023: negative £14.4 million), 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 £9.8 million (excluding foreign exchange reserve recycling through the profit and loss). Further details can be found in the financial statements in note 3.

How we make money from different products

	Revenue stream	Term Loans	FlexiPay	Cashback credit card	2024 Typical yield %	2024 Driver
Fees	Transaction fees	✓			c.6%	Originations
Fees	Servicing fees[1]	✓			c.1.5%	LuM
Fees	Drawdown fees		✓		c.5.8%	Transactions
Fees	Interchange fees			✓	1.75%	Transactions
Other	Bank interest	✓	✓	✓	Variable	Cash balances and base rates
Other	Investment income	✓			Variable	Invested capital

1. Servicing fees include other fees.

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)
Expected credit loss charge	(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 £158.9 million (2023: £126.1 million).

- Transaction fees, representing fees earned on originations, increased to £85.3 million (2023: £65.3 million), 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 £37.5 million (2023: £39.0 million). 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 £21.3 million (2023: £7.6 million), 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 £9.2 million (2023: £7.4 million) in line with higher average base rates. This interest applies to the Group's unrestricted cash as well as restricted cash drawn from the Citi 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 £2.8 million (2023: £3.6 million), 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 £160.1 million (2023: £130.1 million). The fair value gain in the year of £4.2 million (2023: £3.1 million) 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.

Financial review continued

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 £45.6 million and expected credit losses increased to £8.6 million from £4.5 million, primarily due to growth in FlexiPay balances.

For the remaining costs, share based payments grew by £4.0 million, 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 £7.8 million (2023: £3.8 million), 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.£2 million.

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 £45.6 million (2023: £37.1 million).

Depreciation, amortisation and impairment costs of £13.5 million (2023: £12.6 million) 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 £0.3 million 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 £217 million at 31 December 2024 (31 December 2023: £247 million). 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				
	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	31 December 2024 Total £m	31 December 2023 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, see note 29 of the financial statements for details.

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.

Financial review continued

Cash flow

At 31 December 2024, the Group's cash position was £187.6 million (31 December 2023: £221.4 million). Of this balance £150.5 million (31 December 2023: £169.6 million) is unrestricted in its use with £37.1 million (£51.8 million) 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 £50 million. As at 31 December 2024, 33.5 million shares have been purchased for £33.7 million. The shares have been cancelled, reducing share capital by c.9%.

Risk management

Delivering superior risk-adjusted returns

Belkacem Krimi
Chief Risk Officer

"As we enter 2025, we are optimistic about our future. With the increasing reliance of UK SMEs on non-bank fintech lenders, we are well-positioned to capitalise on this trend."

2024: A year of economic uncertainty and continued SME resilience

2024 ended with greater uncertainty over the UK economy than when it began and growth expectations are now within the boundaries of a wider confidence interval. Early hopes of easing inflation were tempered by the new government's October budget in the UK and the US election, both of which sowed uncertainty and dampened consumer and business confidence. While acute inflationary pressures have largely subsided, central banks remain cautious due to persistent risks impacting the labour market, including potential trade barriers and demographic challenges. The rapid advancement of AI further complicates the economic outlook, presenting both opportunities and challenges.

Despite these late-year headwinds, we successfully navigated the higher-rate environment. Our credit portfolios have performed well, demonstrating the resilience of UK SMEs and the strength of our underwriting. As we enter 2025, the full implementation of Labour's economic policies and the trajectory of US trade policy will be pivotal in shaping the UK economic landscape and influencing SME investment and financing decisions. We remain vigilant, closely monitoring these developments and positioning our products to capitalise on emerging opportunities.

As always, we commend the adaptability of UK SMEs and remain optimistic about their long-term prospects. While short-term challenges persist, our focus on superior service, product innovation and leveraging AI will enable us to navigate these uncertain times and emerge stronger.

A simpler Funding Circle helping more UK SMEs

2024 was a year of significant transformation for Funding Circle. By streamlining our operations and focusing on the UK market, we emerged as a more agile and resilient organisation. Our strategic pivot was well-received by stakeholders, and we consistently executed on our plans.

Risk management continued

A simpler Funding Circle helping more UK SMEs continued

Our credit portfolios demonstrated resilience in the face of a deteriorating market, showcasing the strength of our underwriting and risk management practices. This resilience, coupled with our commitment to innovation, has enabled us to expand our product offerings to cater to more SME needs, allowing them to borrow, pay later, and spend with Funding Circle. By providing broader access to finance for SMEs, we empower more businesses with more financing solutions and we enable economic growth.

We continue to strengthen our risk management framework and continuously improve our underwriting models with advanced data and risk analytics, using the latest trends in decision science. To ensure the security and integrity of our platform, we invest in risk management, cybersecurity and fraud prevention. These measures safeguard our customers and protect their financial interests, reinforcing our position as a trusted partner in the financial services industry. Our commitment to ESG is unwavering, as we integrate ESG factors into our risk management framework to build a sustainable and responsible business.

Finally, I am very proud of our internal culture of risk awareness. Circlers are empowered to identify and manage risks, fostering a culture of risk awareness and accountability.

Looking Ahead

As we enter 2025, we are optimistic about our future. With the increasing reliance of UK SMEs on non-bank fintech lenders, we are well-positioned to capitalise on this trend. Our goal is to accelerate our growth, double down on our strengths and empower even more SMEs to achieve their full potential.

While we anticipate ongoing market volatility, Funding Circle is well-prepared to navigate these challenges. Our strong financial position, operational efficiency and experienced team provide us with a competitive edge. We are confident in our ability to deliver sustainable growth and create value for all stakeholders.

Risk culture

At Funding Circle, we recognise that fostering an open and robust risk culture is integral to promoting ethical behaviour and professional conduct. As part of our ongoing commitment to upholding the Company's values, we actively promote this risk culture, encouraging Circlers to consistently 'Do the Right Thing' in their interactions with customers, colleagues, the environment, the community and other stakeholders.

Board role

The Board is responsible for setting the strategy, corporate objectives, and risk appetite. It has delegated responsibility for reviewing the effectiveness of the Group's risk management framework to the ARC. On the advice of the ARC, the Board approves the level of risk acceptable under each principal risk category while providing oversight to ensure an adequate framework for reporting and managing those risks.

Chief Risk Officer ("CRO") and the Risk function

Our CRO leads the Risk function, which is independent of the business and has a direct reporting line to the Board. He is responsible for developing, maintaining and implementing the Enterprise Risk Management Framework (ERMF). He is also responsible for providing assurance to the Board that the principal risks are appropriately managed and that Funding Circle operates within risk appetite.

Risk management policies

We have established and implemented comprehensive risk management policies that outline mandatory requirements for mitigating the principal risks faced by the organisation. These policies include clearly defined risk limits and monitoring mechanisms to ensure ongoing adherence. Our Risk and Compliance teams conduct regular reviews of these policies and controls to assess compliance and make adjustments as necessary to address evolving business conditions.

Risk appetite

Our risk appetite is defined as the level of risk that we, as a company, are prepared to accept whilst pursuing our core business strategy, recognising a range of possible outcomes as business plans are implemented. Having set the risk appetite, the Board regularly reviews the Company's risk profile against it. The risk appetite framework serves as a guideline for shaping business strategies and determining the necessary level of control. Furthermore, it establishes a foundation for ongoing dialogue between management and the Board regarding Funding Circle's current and evolving risk profile, enabling strategic and financial decisions to be made with greater insight and confidence.

Risk governance

Funding Circle has a robust risk governance framework, as outlined in the ERMF. The Board is ultimately responsible for defining and approving the ERMF, with delegations of authority granted to the Group Board, the UK Board and relevant Principal Risk Committees.

Throughout 2024, we effectively managed our principal risks through a Three Lines of Defence model, operating in conjunction with our well-defined risk governance structure. The ARC is supported by the Management Risk Committee (MRC), comprised of members of the Executive Committee.

Effective January 2025, we implemented a new risk governance structure to enhance efficiency and focus on core risk management activities. This revised structure emphasises key areas such as Board risk appetite, committee scorecards, and updates on material risk incidents while minimising the administrative complexities of the previous model.

Under this revised structure, our business will continue to operate within the Three Lines of Defence model. Executive management will retain full ownership and responsibility for risk management, underscoring our commitment to proactive and disciplined risk oversight.

Risk governance structure

Management Risk Committee (MRC)

The MRC provides an oversight in assessing all principal and other emerging risks. It supports & challenges risk mitigation and acceptance. It reviews risk reports, monitors strategic risks, and ensures risk integration in planning and budgeting. It also approves relevant policies, drives ESG risk strategies, and monitors audit and compliance findings for effective remediation.

Technology Risk Committee (TRC)

The focus of the TRC is to ensure effective governance and controls are in place for the ongoing management of risks that could impact the performance, stability, information security and resilience of the technology infrastructure and operations that support our key business and compliance processes.

Term Loans Risk Committee (TLRC)

The TLRC facilitates and monitors the implementation of effective risk management practices by the business insofar as they relate to regulatory, reputational and conduct risk, operational risk and credit risk for Term Loan products, Marketplace and retail investor products.

FlexiPay Risk Committee (FRC)

The FRC facilitates and monitors the implementation of effective risk management practices by the business insofar as they relate to regulatory, reputational & conduct risk, operational risk and credit risk for FlexiPay and Cashback credit card products.

Risk management continued

Risk assessment framework

A standard risk assessment framework is used to evaluate risks at both the Business Unit and Group levels, enabling consistent measurement. Risk assessments are carried out by those individuals, teams and departments that are best placed to identify and assess potential risks. They are supported in this process by our Risk and Compliance teams.

We typically follow the evaluate/respond/monitor methodology:

1. Evaluate
- Identify key risks
- Set risk appetite
- Assess adequacy of existing controls
- Estimate residual risk

2. Respond
- Design control improvement plans
- Prioritise remediation work and assign responsibilities

3. Monitor
- Track business performance vs. risk appetite
- Report, analyse and escalate risk incidents
- Identify new or emerging risks
- Track delivery of agreed control improvements

Evaluate
As part of its responsibilities under the ERMF the Board has formally recognised a series of risks that are continuously present at Funding Circle and can materially affect the achievement of Funding Circle's objectives. These risks have been organised under a consistent and simple taxonomy with a hierarchy of risk categories, which facilitates risk management and oversight. The management of these risks is assigned to designated business owners who regularly formally assess the level of these risks, the adequacy of controls and the need for further mitigations.

Respond
The appropriate risk response ensures that risks are within appetite. At Funding Circle we have four types of possible risk responses:

- accept the risk;
- take mitigation actions (such as additional risk controls) to reduce the risk;
- stop the existing activity/do not start the proposed activity to remove the risk; or
- continue the activity and transfer the risk to another party (e.g. insurance).

Monitor
Monitoring and reporting on Funding Circle's risk exposures are undertaken through risk governance structures. The ARC receives a consolidated risk report no less than three times a year detailing the risks facing the Group and mitigation plans, as well as the risk outlook. The ARC is also provided with metrics and regular reports about the activities of the Audit, Risk and Compliance functions.

Risk assurance
Assurance on the management of risk is provided by the Three Lines of Defence model including the Internal Audit function. We also execute external annual controls assurance reports (e.g. ISAE 3402) certified by auditors.

Principal risks and uncertainties

The Board confirms that throughout 2024 a robust assessment of the principal & emerging risks facing Funding Circle was completed.

A comprehensive list of Group-wide risks and emerging risks was reviewed and monitored throughout the year. The most significant risks and uncertainties faced by Funding Circle are listed in the table below, categorised by principal risk:

Risk trend key

Increasing ↗ Stable → Decreasing ↘

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.

Risk appetite

Funding Circle will make efficient use of its available resources to build a sustainable, diversified and profitable business.

Key risks	Management of risk	Change in risk in the year
Strategic risk		
Risk arising from the failure to build a sustainable, diversified and profitable business that can successfully adapt to environmental changes.	The ExCo manages the strategic planning process based on risk appetite, financial considerations, strategic themes, market trends and economic assumptions. We manage strategic risk by: • performing a thorough, in-depth business strategy review at least once a year; • reviewing financials, strategic plans which include new products and initiatives, and key performance indicators; • reviewing the strategic risk implications of new products, business expansion, and other Company initiatives and projects; and • ensuring that the Board has oversight of strategic risk and approves strategic business plans at least annually.	→ Market expectations are that interest rates have now peaked which should ease credit conditions. However, the impact of the broader macroeconomic climate on SMEs remains uncertain. This leads to uncertainties around borrower and investor demand which may impact our strategic objectives. Funding Circle has also continued to grow new products such as FlexiPay for which performance and demand may be uncertain until they reach sufficient scale. We closely monitor these trends and we continuously adjust our product offerings to fit market conditions and meet evolving customer demand.

Principal risks and uncertainties continued

Strategic risk continued

Risk appetite continued

Key risks	Management of risk	Change in risk in the year
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.	We continually monitor the health of our loan portfolios and perform stress test simulations to help ensure that loan returns remain resilient in the context of risk volatility. Key mitigating actions include (but are not limited to): • annual stress testing of all loan portfolios; • resilient credit strategy and continuous tuning of risk and pricing parameters to correct for possible deviations in returns; • monthly monitoring of internal and external signals as part of the TLRC & FRC; and • a robust in-house Collections and Recoveries (C&R) function, designed with built-in scalability to adapt to evolving demands. Our capabilities are enhanced by automated strategies and self-service solutions, ensuring efficiency and responsiveness. Additionally, we maintain a strategic partnership with a specialist Debt Collection Agency (DCA), which can be leveraged in the event of a significant economic disruption, such as the Covid-19 pandemic.	→ Interest rates have begun to reduce and the majority of macroeconomic indicators are better than at the end of 2023. Nonetheless, the macroeconomic environment remains uncertain and insolvencies are at an elevated level to historical norms.
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.	• Our ESG framework outlines our approach to ESG and is approved by the Board.
	• The Board retains ultimate responsibility for providing the strategic focus, support and oversight for the implementation of the Group's ESG strategy, including for climate-related risks and opportunities. The Board delegates certain matters related to climate-related risks and opportunities to two Committees:
	  • the ESG Committee is responsible for oversight of the Group's overall ESG strategy, including climate-related opportunities and voluntary commitments; and
	  • the ARC is responsible for oversight of risk management related to ESG risks, including climate-related risks.
		→ We continue to integrate climate-related risks into our ERMF and mature our ESG framework.
		
		We continue to assess our climate-related risks and opportunities and further embed them into day-to-day practices and first-line teams.
		
		For further information, please see ESG section.

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.

Risk appetite

Funding Circle will make efficient use of its balance sheet and optimise and diversify funding and liquidity sources to enable a balanced funding strategy whilst limiting downside risk.

Key risks	Management of risk	Change in risk in the year
Funding risk		
Funding risk is 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.	Funding Circle's business model is to be a lending platform that efficiently matches the supply of capital to the demand of SME borrowers. We carefully manage this matching by: • building long-term relationships with investors and developing a forward-looking pipeline of new investors; • actively managing concentration risk and diversifying sources of funding; • managing Funding Circle's lending activities whether through direct lending capacity, securitisation capacity or investment fund lending vehicles; • monitoring a broad range of management information and key performance indicators at the BSMC, TLRC, FRC and Board levels; and • leveraging an experienced capital markets team for sales and transaction structuring.	→ Despite 2024 providing a number of macroeconomic challenges, we experienced demand from institutional investors to fund new loans. This demonstrated the trust our funding partners place in our risk management and operational processes, as well as their previous experience of stable, robust and positive returns on their investments. We also revised our lending rates to match market movements and maintain loan returns. We have onboarded new investors, continuing the trend from the previous years and renewed existing investors cementing strong institutional relationships providing a good basis for our future funding needs.
Balance sheet risk		
Balance sheet risk is 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.	We carefully manage this risk by: • setting clear guardrails for Funding Circle balance sheet exposures and following a set of agreed investment principles to guide capital allocation; • maintaining a prudent level of liquidity to cover unexpected outflows to ensure that we are able to meet financial commitments for an extended period, including under stress scenarios; • regularly monitoring investment performance and assessing headroom against the trigger hurdles agreed with senior lenders; • considering a broad range of management information and key performance indicators at the senior management level; and • leveraging a dedicated and experienced Balance Sheet Management team.	→ Our overall approach to having a robust balance sheet and prudent management of liquidity remains unchanged. Legacy SME loans on our balance sheet continue to perform strongly as they amortise down. FlexiPay remains funded from our own cash, leveraged with senior financing from CitiBank. During the year we added a Cashback credit card product to the FlexiPay suite, which is also funded through the same levered vehicle. The credit performance of these products is in line with our expectations. We have sufficient disposable cash to cover our liquidity needs and any credit downside risk, including when tested against stressed liquidity scenarios, and to fund our medium-term plan going forwards.

Principal risks and uncertainties continued

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.

Risk appetite

Whether or not Funding Circle owns any credit risk, credit risk of loans will be managed with the utmost care and attention to deliver credit performance and returns in line with expectations.

Key risks	Management of risk	Change in risk in the year
Credit risk		
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. **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.	Funding Circle's aim is for well-balanced loan portfolios that generate positive returns for investors through the economic cycle. We are actively managing credit risk by: • formulating credit risk policies (covering credit assessment and risk grading, portfolio monitoring and reporting, collections and recoveries) and ensuring adherence to these policies; • recruiting, training and managing expert risk professionals with the adequate skills, objectives and capacity; • establishing the formal mandates and authorisation structure for setting risk parameters and approving loans; • performing independent quality control of credit decisions; • limiting concentration risk to counterparties and industries; • actively monitoring the performance of the loan portfolios and the market trends that could affect performance; • implementing adequate procedures and controls for model risk (including the independent validation and monitoring of credit scoring models); • performing annual stress tests with regards to government programmes, tightly controlling adherence to eligibility criteria; • having adequately staffed and well trained C&R department; • ensuring forbearance tools and policies are fully integrated in customer life cycle management; • constantly monitoring our portfolio for credit insights that feed into the underwriting policies/models and decisioning infrastructure; • regular pricing reviews to ensure adequate risk-adjusted returns for our investors in a more volatile interest rate environment; and • active management of credit limits and unused credit limits in the case of open-ended products.	Whilst our portfolios are showing resilience and generally performing well, we do take into account the economic environment as a potentially significant challenge to our borrowers and are adopting a prudent approach to credit risk management. We are continuously monitoring our portfolios of existing lending and use the most recent data to adjust our risk appetite and underwriting policies. Funding Circle is entering 2025 in a strong position from a credit risk standpoint, capitalising on our data and experience since our inception.

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.

Risk appetite

Funding Circle will not engage in activities that detract from its goal of being a trusted and reputable financial services company with products, services and processes designed for customer success and delivered in a way that will not cause customer detriment or regulatory censure.

Key risks	Management of risk	Change in risk in the year
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.	• We maintain vigilance around policy shifts, and proactively engage with industry bodies and policy-makers, highlighting our platforms' features, benefits, and impact; • We continue to implement and maintain business practices and controls focused on regulatory risk. These include controls designed to comply with the Senior Managers and Certification Regime and the Consumer Duty; • We continue to focus on governance and controls and train all employees in such matters relevant to their role; • For ESG-related risks, including DEI, social impact and climate change, we continue to work with service providers to assist with the integration of TCFD recommendations and our net zero ambitions; and • GenAI and emerging technologies feature in Funding Circle's data strategy as an opportunity to enhance productivity, innovation, and customer experience. We recognise that the adoption of these technologies creates potential risks to ethical business practices and compliance with certain legal and regulatory regimes. In 2024, we established a GenAI steering committee with representation from Funding Circle's Executive team focusing on oversight of the successful adoption of GenAI in a responsible way. Based on our current scale and use, we consider this an emerging rather than primary risk.	→ The Retail Investor product's trajectory remains downward from a risk perspective, impacted by balance reduction efforts. Low residual performing balances are anticipated to fully amortise by July 2025. The Consumer Duty came into force for closed products on 31 July 2024, and we have reviewed against expectations and taken the appropriate actions to deliver good outcomes for retail customers. The use of personal guarantees in commercial lending was a focus of industry groups, as well as the regulator. The FCA undertook an exercise to identify potential harm where the lending falls within the regulatory perimeter, and we are encouraged to see that the regulator did not identify instances of poor practice. While our lending activity is either unregulated or exempt from regulation, we believe it is important that lenders take notice of the possibility of harm. To that end, we became a supporter of the UK Finance commercial finance industry commitments to personal guarantees. In October 2024, we saw the decision by the Court of Appeal in a landmark case on lender liability where commission is paid to a broker in motor finance arrangements. The potential impact of the decision is widespread and, while the case was focused on consumer lending in the motor finance industry, has created uncertainty across the commercial lending industries. We are closely monitoring the developments and the outcome of the appeal to the Supreme Court. Increased regulation looms for ESG risks, including mandatory disclosures and labelling. We continue to proactively monitor this area, and comply with all current obligations.

Principal risks and uncertainties continued

Regulatory, reputation and conduct risk continued

Risk appetite continued

Key risks	Management of risk	Change in risk in the year
Reputation risk		
Operational or performance failures could lead to negative publicity that could adversely affect our brand, business, results, operations, financial condition or prospects.	We continue to implement and maintain business practices and controls focused on reputation management, including: • ensuring risk and compliance considerations for new or iterated products and initiatives; • engaging fully with regulators when required, and external advisers in relation to any new or iterated products and initiatives that might impact customer outcomes; • undertaking specific projects to address identified risk topics and issues, including retrospective reviews, internal audit reviews and monitoring and testing programmes; and • updating and refining our approach to issue and risk identification and management.	↗ Continued investment in FlexiPay and in newer products, including the Cashback credit card, presents potential risks as a higher number of customer touchpoints leads to more potential for customer dissatisfaction. These factors are closely monitored to ensure smooth operations and optimal product performance.

Operational risk

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

Risk appetite

Funding Circle will operate well managed processes with reliable performance and effective controls preventing significant and non-anticipated operational risk losses.

Key risks	Management of risk	Change in risk in the year
Client money risk		
Failure of Funding Circle to adequately protect and segregate client money may lead to financial loss, reputational damage and regulatory censure.	Funding Circle holds funds for retail and institutional investors in segregated client money bank accounts in line with the Financial Conduct Authority's client money ("CASS") regulations. We continue to manage the risk through: • daily payments and reconciliation controls; • a monthly CASS governance sub-committee focused on providing oversight and challenge regarding the effectiveness of client money controls, making decisions in relation to client money and reviewing management information and regulatory returns, as well as reviewing risks and mitigating controls when introducing new product cash flows into the client money framework; • oversight from the Funding Circle Limited Board; • annual external CASS audit providing assurance on the Firm's compliance with the FCA's "CASS" rules; and • With the runoff of retail investor funds, the risk profile has reduced, becoming primarily B2B rather than consumer-focused.	→ In 2024, we have maintained a robust control environment in relation to payment creation, payment authorisation, and monthly reporting and have increased efficiency and accuracy across the reconciliation review process through adoption of a specialised third-party client money reconciliation tool. Controls implemented in the 2023 for the late payment money flow are embedded in the control environment, and we continue to comply with the regulatory requirements in relation to holding and treatment of client money and perform internal and external client money reconciliations daily. Proactive contact continued to be made with our retail investors to create awareness of funds available to withdraw in their legacy portfolios, and we saw the balance held continue to reduce throughout 2024.

Key risks	Management of risk	Change in risk in the year
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.	• We comply with the laws and regulations designed to counter money laundering, terrorist financing, corruption and bribery is fundamental to Funding Circle's operations; • The Board has adopted policies to address financial crimes that have been implemented through formal standards and procedures; and • We have a dedicated Financial Crime Operations team within the first line of defence that is advised, challenged and monitored by the second-line Financial Crime Compliance team.	The growth of the FlexiPay product has added complexity and risks related to money laundering and fraud as the product scales. We continue to undertake rigorous fraud, anti-money laundering and Know Your Customer checks as part of our processes; however, further improvement and iteration will be required as the product matures.
Process risk		
Failure to originate and service loans in line with Funding Circle internal policies, investor guidelines and third party loan guarantees (e.g. BBB) 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.	We actively manage process risk by: • continuing to automate key controls; • performing robust first-line quality assurance and secondary checks on manual processes; • monitoring and testing of key controls; • reviewing key risk indicators as part of the Business Unit Operational Risk Committee; • reporting, reviewing and resolving operational errors; • performing independent quality control checks and ensuring highlighted issues are resolved; • implementing adequate policies and procedures; • providing training and education on risk culture and risk management; and • performing supplier due diligence and undertaking ongoing performance monitoring of key suppliers.	Building upon the effectiveness of our established first-line of defence controls, we sustained a stable process risk profile over the past year. In addition, we carry out independent quality checks to ensure that all loans originated are compliant with loan eligibility requirements. In October 2024 an application for summary judgement, which related to two loans originated on the Funding Circle platform and now held by a third party debt buyer, was dismissed. The questions relate solely to who has the right to bring legal proceedings. We have taken legal advice and are confident that the claimant, being the third party debt buyer, will be successful at trial. The growth of Funding Circle's FlexiPay product may lead to increased operational and third-party risks due to its reliance for processing transactions. To ensure the effectiveness of our internal controls, we perform both internal and external assurance activities. Our external assurance process which included an ISAE 3402 Control Report yielded satisfactory results. In FY 2024, an internal Risk & Control Self-Assessment was conducted. The overall risk profile remained within appetite. A few areas have been identified for further control enhancement, we are actively working to address these areas and ensure continued alignment with our risk appetite.

Principal risks and uncertainties continued

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 GenAI, 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.

Risk appetite

Funding Circle will manage its technology, data, and security risks with effective controls, preventing significant and non-anticipated loss of confidentiality, integrity and availability of systems and data.

Key risks	Management of risk	Change in risk in the year
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.	• Technology remains central to Funding Circle's operations. Recognising the rise of GenAI and the evolving nature of threats, the Risk Committee upgraded technology risk to a standalone principal risk. This change enhances oversight of technology and data risks now and into the future; and • We continue to make significant investments in our technology platform to ensure it is resilient and scalable to support business growth.	→ We have improved our technology automation, alerting and incident response capability to maintain a stable platform to enable business growth, scalable products and services. Technology risk and technical resilience continue to improve with more robust testing capabilities in place to support changes before production implementation. Nevertheless, we remain committed to explore additional opportunities to further strengthen our approach.
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.	• Information security is a priority for Funding Circle as a technology-driven company; • As such we maintain in-depth defence with a multi-layered control infrastructure; and • Information security is appropriately managed, based on materiality, and is escalated to the TRC.	→ In 2024, we continued to see improvements in our information security infrastructure with a strong focus by the Board. We have increased our overall security maturity and continue to adapt our information security controls as the threat landscape continues to evolve.
Data risk		
Failure in our ability to acquire, use, secure and transform our data assets could result in adverse material impacts across Funding Circle.	• Our data risk management framework is aligned to the Group's ERMF; and • Data risks are appropriately managed, based on materiality, and are escalated to the TRC.	→ We continue to mature and embed our data governance framework and organisational structure to manage data risk including the implementation of new tools to maintain the standards of documentation, clarity and integrity of our data. Protecting our customer and employee data, in particular personally identifiable information, is a high priority, and we take appropriate measures to prevent losses or breaches.

Viability statement

In accordance with the UK Corporate Governance Code (the "Code"), the Directors have assessed the future prospects and viability of the Group for a period significantly longer than 12 months from the approval of the financial statements.

Assessment of prospects

The Directors have determined that a three-year period to 31 December 2027 constitutes an appropriate period over which to perform the assessment as:

- it is within the time period which the Group's medium-term planning process covers (up to five years);
- it represents a period over which there is a reasonable degree of confidence in the reliability and accuracy of forecasts; and
- periods beyond this point in a high-growth business like Funding Circle are significantly harder to predict accurately.

The Group's overall strategy and business model, as set out on pages 10 to 11, and 8 to 9, are fundamental in driving the growth of the business and therefore its future prospects. The key factors that are likely to affect the future prospects of the Group, aside from macroeconomic factors, include the ability to:

- develop and introduce new credit products;
- grow awareness of the Funding Circle brand in order to attract more businesses to our platforms;
- retain, diversify and increase funding from a variety of investors in order to meet future borrower demand; and
- continue to invest in data analytics and technology leading to innovation, expanded datasets, enhanced credit models, better customer experience and a greater conversion rate of applicants.

Funding Circle's future prospects are assessed through the Group's strategic planning process. The strategic planning process involves a detailed review of the medium-term plan by the CEO and CFO. This is done in conjunction with the Executive Committee ("ExCo"), consisting of functional leaders, together with a review and discussion by the Board.

The strategic plan starts with the Group's 2025 annual budget which is subject to re-forecasting periodically through the year. The budget is extended into the second and third year of the plan using the Group's various drivers and expected growth rates experienced across the Group.

Progress against the financial budget and forecasts is then reviewed each month by the ExCo and reported to, and challenged by, the Board.

Key assumptions

The key assumptions underpinning the strategic plan (before severe but plausible scenarios) include:

- there is sufficient investor funding in place to support projected growth in originations;
- levels of marketing spend, the number of applications, conversion rates, average loan sizes and mix of product channels which drive originations and loans under management ("LuM");
- levels of repayments, prepayments, defaults and recoveries which drive movements in LuM;
- expected yields on loans originated and service fee charges which drive fee income;
- interest income receipts and interest expenses related to our investment vehicles which drive net investment income;
- costs across Business Units with specific focus on fixed costs and those that fluctuate with income such as marketing costs;
- headcount consideration across functions and departments given it is the Group's largest cost;
- an assumption of continued investment in the Group's IT infrastructure and its product set but with the expectation of no fundamental breakdown in the IT infrastructure or major data loss;
- review in the context of indicative market share;
- there is no improvement of deterioration to the current macro environment conditions over the medium term; and
- we have not assumed further government stimulus packages over the medium term.

Viability statement continued

Assessment of viability

The output of the medium-term plan reflects the Directors' best assessment of the future prospects of the Group over the next three years.

As part of this assessment, the Directors have considered and carried out a robust assessment of the principal risks as set out on pages 55 to 62. They have also considered the potential impact of the risks on the viability of the Group with specific focus on shorter-term liquidity needs and its availability, including liquidity currently tied up in investment products. The Group currently holds £151 million of unrestricted cash together with £54 million equity invested in loans.

The financial plan was subject to scenario analysis to assess those risks and quantify the financial impact on the Group. The Group also operates liquidity and capital guardrails that it monitors which are of particular importance in the shorter term.

The scenario that represented the most severe but plausible scenario was modelled as described below. This sensitivity took into account the likely mitigating actions to the operations. The scenario is hypothetical and severe but designed to stress the business model and the viability of the Group.

Severe but plausible scenario

Under a severe downturn it is expected that:

- there would be a short-term period in year one where there would be significantly reduced transaction fees earned, driven by increased inflation and interest rates, alongside a large operational risk event impacting the Group;
- following a further severe global downturn there would be a significant increase in the number of borrowers defaulting impacting LuM and our invested capital cash flows;
- the returns for investors would be negatively affected by the widening of discount rates and deterioration of loan performance resulting in a withdrawal of funding;
- this in turn would reduce the level of originations unless higher incentives were offered to investors to continue funding; and
- over the medium term originations are subdued with LuM and servicing fees consequently negatively affected.

A further subset of risks, including the reduction in trust from both borrowers and investors, has also been considered within this scenario. We considered whether environmental stress would materially impact the Group but consider the existing stresses above would be more material to the near to medium term.

The mitigating actions that would be taken by management include a reduction in the overall marketing and salary spend through hiring freezes, a tightening of the credit models to improve the levels of return for investors and increased costs of borrowing for SMEs. Our medium-term plan assumes we continue to be the sole equity funder of FlexiPay.

In a stressed scenario, a further management action is that we would curtail the growth of FlexiPay and this would reduce the level of investment required by Funding Circle.

Links to principal risks and uncertainties

- Strategic risk
- Credit risk
- Liquidity risk

Going concern

In addition to the broad viability of the Group, the Directors have assessed the Group's going concern presumption over the 15-month period to 30 June 2026.

The shorter-term projections within the Group's strategic plan are also used to assess the Group's ability to operate as a going concern. As at 31 December 2024, the Group had net assets of £217 million, together with unrestricted cash of £151 million and £54 million of invested capital, some of which could be monetised if liquidity needs arise. At all times during the assessment, and after stress scenarios are modelled, the Group retains sufficient financial resources.

The stress testing confirmed that the Group's forecast net cash position remained positive and that none of the scenarios would threaten the going concern presumption over the assessment period or the Group's regulatory capital requirements.
In all cases including the severe but plausible scenario above, with appropriate management actions, the scenarios were controllable to mitigate the impact on the Group's liquidity for the broader assessment of the Group's going concern.

The Group has limited regulatory capital requirements to maintain sufficient unrestricted cash. At all times through the forecast period, and after stress scenarios, the Group remains within the required levels.

Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities and obligations as they fall due over the period to 30 June 2026 as well as for at least the next 12-month period from the date of this Annual Report. See also page 128 of the financial statements related to going concern.

Corporate governance

Chair's introduction

Andrew Learoyd
Chair

> As a Board, we are committed to maintaining a strong and resilient corporate governance foundation that ensures Funding Circle is a successful, sustainable business that benefits all our stakeholders over the long term."

I am delighted to introduce Funding Circle's Corporate Governance Report for the financial year ended 31 December 2024, which will be my final report before handing over the Chair role to Ken Stannard at the end of the 2025 AGM.

As a Board, we are committed to maintaining a strong and resilient corporate governance foundation that ensures Funding Circle is a successful, sustainable business that benefits all our stakeholders over the long term.

Board activities

2024 was a pivotal year of change for the Group. Key areas of the Board's focus included Board and senior management succession planning, another Remuneration Policy review, Group strategy, Committee governance enhancements, and simplification of the Funding Circle business structure (as discussed further in the Chief Executive Officer's Statement on pages 5 to 7). We cover these updates within the respective delegated Committees' reports later in this report.

Board succession

As noted further in the Nomination Committee Report, the Board's composition was reviewed this year, taking into account a range of issues including its size, the tenure of the Directors, its diversity, its independence and the range of skills and experience required to support the Company in this next stage of its strategic development. This is still a work in progress and the Board will continue to work on increasing its independence to comply with provision 11 of the UK Corporate Governance Code.

Governance

Confirmation of how we have complied with the 2018 Code for the year under review is set out on page 75. From FY 2025, the updated 2024 Code will apply to the Company (excluding provision 29 which will apply from FY 2026), and work is underway to ensure that we are prepared for these changes.

I hope you find the Corporate Governance Report informative. The Board will be available at the Annual General Meeting to respond to any questions you may have.

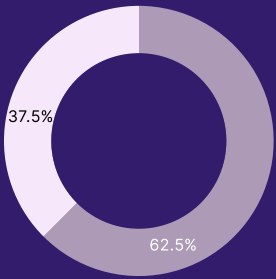
Andrew Learoyd
Chair
6 March 2025

Code principles

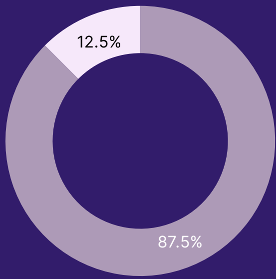
Please see below for details regarding the application of the principles of the Code.

Governance at a glance

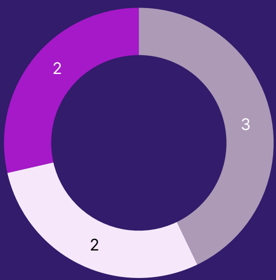
Board gender balance
(as at 31 December 2024)



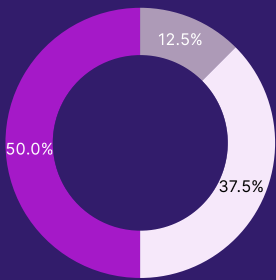
Board ethnicity
(as at 31 December 2024)



Board independence
(excluding Chair, as at 31 December 2024)



Board tenure
(as at 31 December 2024)



Rolling three-year female representation on the Board

2022	2023	2024
30.0%	30.0%	37.5%

Board skills
(as at 1 January 2025)

Board changes during 2024 and looking into 2025

Eric Daniels retired from the Board on 15 May 2024 at the AGM

Samir Desai CBE resigned from the Board on 25 October 2024

Oliver White resigned as CFO on 31 December 2024

Matthew King resigned from the Board on 31 December 2024

Ken Stannard appointed as Non-Executive Director and Chair Designate on 1 January 2025

Tony Nicol appointed as CFO on 1 January 2025

Andrew Learoyd to step down as Chair at May 2025 AGM

Ken Stannard to be appointed Chair post-May 2025 AGM

Board of Directors

Leading our business from the front

Board Committees

- AR Audit and Risk Committee
- R Remuneration Committee
- N Nomination Committee
- E ESG Committee
- D Market Disclosure Committee
- ◯ Committee Chair

Changes to the Board between 31 December 2024 and the date of this Annual Report

Oliver White and Matthew King resigned from the Board on 31 December 2024 so we have not included their biographies in this report.

Tony Nicol was appointed as CFO and Ken Stannard was appointed as Non-Executive Director and Chair Designate, both with effect from 1 January 2025.

1 Andrew Learoyd N R E D
Chair of the Board

Term of office: Appointed to the Board as a Non-Executive Director in February 2010 and became Chair of the Board in May 2016.

Independent: On appointment.

Skills and experience: Andrew spent 23 years working in investment banking as a research analyst, in corporate finance, in equity capital markets and finally as Chief Operating Officer of the Equities Division in Europe of Goldman Sachs. He retired as a Managing Director of Goldman Sachs in 2006. Andrew has been involved as an angel investor, Non-Executive Director and consultant to several start-up businesses. Andrew was previously a Non-Executive Director of Threshold Sports Limited until the end of 2023.

External appointments: Andrew is also a Director of WLG Learning Ltd which provides educational services for children with special learning disabilities.

2 Lisa Jacobs D
Chief Executive Officer

Term of office: Lisa was appointed to the Board as Chief Executive Officer on 1 January 2022.

Independent: No.

Skills and experience: Lisa joined Funding Circle in 2012 and was previously UK Managing Director and Chief Strategy Officer. Prior to Funding Circle, Lisa worked as a Management Consultant, both independently and for the Boston Consulting Group, where she had a financial services focus. She has had roles in NGOs in Tanzania and India.

External appointments: None.

3 Tony Nicol D
Chief Financial Officer

Term of office: Tony was appointed to the Board as Chief Financial Officer on 1 January 2025.

Independent: No.

Skills and experience: Tony joined Funding Circle in 2018 as Director of Finance and was part of the team leading the IPO. Prior to Funding Circle, he was Group Financial Controller at IG Group Holdings plc, where he was responsible for all financial reporting including budgeting and forecasting. Before then, Tony worked at PwC as an Assurance Director auditing and advising listed and private businesses in a number of sectors. Tony is an FCA of the ICAEW and holds a BSc in Mathematics from the University of Bristol.

External appointments: None.

4 Geeta Gopalan AR N D
Senior Independent Director

Term of office: Geeta was appointed to the Board as a Non-Executive Director in November 2018. She became Chair of the Audit and Risk Committee (previously the Audit Committee) in November 2018. Geeta was appointed as Senior Independent Director in May 2021.

Independent: Yes.

Skills and experience: Geeta has over 25 years of experience of financial services and retail banking, particularly payments and digital innovation. Geeta was formerly Executive Chair of Monitise Europe. Among the many roles in her career, Geeta was Director of Payment Services with HBOS plc and previously Managing Director, UK Retail Bank and Business Development Head EME at Citigroup. Geeta was previously a Non-Executive Director at Dechra Pharmaceuticals until January 2024. Geeta is also a chartered accountant.

External appointments: Geeta serves as a Non-Executive Director of NatWest Group plc, Auto Trader Group plc and Intrum AB (where she is Chair of the Risk Committee). Geeta is also a Trustee for the Old Vic Theatre.

5 Hendrik Nelis
Non-Executive Director

Term of office: Hendrik was appointed to the Board as a Non-Executive Director in September 2013.

Independent: No.

Skills and experience: Hendrik joined Accel in 2004 and focuses on software, fintech and consumer internet companies. He led Accel's investments in KAYAK (NASDAQ: KYAK, acquired by Priceline), Showroomprive (EPA: SRP), Funding Circle (LON: FCH), Celonis, CHECK24, Instana, Miro and Zepz.

Hendrik started his career in Silicon Valley as an engineer at Hewlett-Packard before founding a venture-backed software company. He is from the Netherlands and graduated from Harvard Business School and Delft University of Technology.

External appointments: Hendrik serves as Manager, Partner Director and/or Member at a number of Accel entities, as well as a Director or supervisory board member of several other companies.

6 Neil Rimer E
Non-Executive Director

Term of office: Neil was appointed to the Board as a Non-Executive Director in March 2011.

Independent: No.

Skills and experience: Neil is a Co-Founder and Partner of Index Ventures. Before starting Index Ventures, he spent four years with Montgomery Securities in San Francisco. Neil was previously a Director of Photobox Holdco Limited, Supercell Oy and The Climate Corporation.

External appointments: Neil is currently a Director on various boards of companies based in the UK, Europe, the Cayman Islands and the US including Raisin GmbH, Nexthink SA, , Sofia Holdings Limited, Taxfix GmbH and Typeform S.L. He is also the Co-Chair of Human Rights Watch.

7 Helen Beck R N AR E
Non-Executive Director

Term of office: Helen was appointed to the Board as a Non-Executive Director in June 2021.

Independent: Yes.

Skills and experience: Helen has over 25 years of experience in financial services, particularly in remuneration design, regulation and human resources. Helen was formerly a Partner at Deloitte and, among her previous roles in her career, Helen was Global Head of Reward at Standard Bank and Head of McLagan Europe (part of Aon) and held roles in human resources at Fidelity International. Helen was also previously a Non-Executive Director of Irwin Mitchell.

External appointments: Helen serves as Non-Executive Director of Picton Property Income Limited (where she is Chair of the Remuneration Committee) and as an independent adviser of Charles II Realisation LLP. Helen is an independent adviser for the Wellcome Foundation's Remuneration Sub-Committee, is a Governor of the University of Bedfordshire and independent member of the Remuneration Committee for The British Olympic Association.

8 Ken Stannard N R
Non-Executive Director and Chair Designate

Term of office: Ken was appointed to the Board as a Non-Executive Director and Chair Designate in January 2025.

Independent: Yes.

Skills and experience: Ken brings 30 years' experience in credit, lending and payments, having held senior executive roles at Lloyds Banking Group, Capital One and American Express, and most recently as CEO of Cabot Credit Management. Prior to his executive roles, he was a partner at Oliver Wyman LLC. Ken has an MBA from INSEAD and an MA in Engineering Science from the University of Oxford.

External appointments: Ken is currently Chair of Castle Trust Capital Plc, Castle Trust Holdings Limited and Viewture Limited. He is currently also a Non-Executive Director of Verastar Ltd. and Chair of its Remuneration Committee and Lead Director of Cepal Hellas Financial Services S.A.

9 Lucy Vernall D
Company Secretary, Chief Legal Officer

Term of office: Lucy was appointed Company Secretary in July 2014.

Independent: Not applicable.

Skills and experience: Lucy is responsible for the Legal, Compliance, ESG and Comms functions of the business, in addition to being Company Secretary. Prior to joining Funding Circle in 2014, Lucy was one of the founder members of Kemp Little LLP, a technology focused City law firm. She was Managing Partner of the firm from 2009 until 2011, when she became Wonga's first General Counsel.

External appointments: Lucy serves on the board of the charities Bardhan Research and Education Trust of Rotherham and The Emerson Trust.

Corporate governance report

Board leadership and Company purpose

Funding Circle's purpose is to help small businesses get the funding they need to win. When small businesses succeed, they create jobs, support local communities and drive the economy forward.

Funding Circle backs small businesses with the finance they need to win and this purpose is underpinned by several values including "Make it Happen" and "Live the Adventure" which ask Circlers to embrace the founding entrepreneurial spirit with which Funding Circle was established. The Board embraces the Company values as part of its decision-making process which is always in the long-term sustainable interests of the Company to generate value for shareholders and the wider society. More information on the Company's mission, values and strategy is set out in the Strategic Report on pages 1 to 64.

Measuring performance against strategic objectives

A review of performance against the Company's strategy, objectives, business plans and budget is considered at Board meetings. Maintaining oversight of the Company's operations, ensuring competent and prudent management, sound planning, an adequate system of control, and adequate accounting in addition to reviewing any significant risks faced by the Company and establishing and maintaining risk management systems in co-ordination with the Audit and Risk Committee, ensures the Company fulfils its business objectives.

The Board is comfortable that sufficient resources are in place for the Company to meet its objectives and measure performance against them. As the Company grows and seeks to achieve its medium-term plan, the Board continues to support the ExCo with the implementation of objectives and key results across the whole business.

Our culture and employee engagement

We consider our employees and culture fundamental to the success of our business. The Board monitors the Group's culture to ensure it is aligned with the Company's purpose, values and strategy. Helen Beck is our dedicated Non-Executive Director for the workforce providing a vital connection between the Board and our Circlers. In 2024, Helen held an employee focus group with various Circlers to gain diverse views across various departments and she fed these views back to the Board for discussion. In addition, the Board receives regular updates from the Chief People Officer on Circler initiatives and culture updates, including results from employee surveys. Further information on how we engage with our employees can be found on pages 20 to 23 and page 41.

As part of the Board's responsibility to monitor and oversee the Company's culture, the Board discussed and agreed that Helen Beck and the Chief People Officer would set out a proposed schedule of further opportunities for direct engagement between the Board and employees during 2025.

Our workforce policies and practices are regularly reviewed by the Board and Committees and the Board is satisfied that they are consistent with the Company's values and support its long-term sustainable success.

In addition, as part of our "Be Open" value, we want to ensure we foster an environment where Circlers are encouraged and feel safe to freely raise issues of concern. We have a dedicated whistleblowing process which provides various channels for Circlers to communicate and report issues of concern, including anonymously. Our Audit and Risk Committee receives regular whistleblowing updates. Further information can be found in the Report of the Audit and Risk Committee on pages 82 to 87.

Shareholder engagement

The Board is responsible for ensuring effective engagement with, and encouraging participation from, various stakeholders, including shareholders. Information on how the Company has engaged with shareholders and other stakeholders can be found in the "Engaging our Stakeholders" section on pages 40 to 43.

Our Investor Relations team supports the Board with continuous engagement with shareholders. In addition, the Board receives copies of analysts' and brokers' reports on the Company along with a monthly Investor Analytics Report which details key shareholders, shareholder history, top buyers and sellers, market analysis and share price performance to aid familiarity with details of shareholdings.

The Company Secretarial function engages with shareholders, providing support and information on governance matters as required, whilst the Company's registrar also provides a range of shareholder services.

The Board has considered the feedback received from the shareholder consultation held in early 2025 in relation to the Company's new Remuneration Policy and has taken it into consideration when drafting the disclosures in this Report. Details on our engagement with shareholders who had significantly voted against certain resolutions in the 2024 AGM can be found on page 114.

Board activities

The Board meets formally at least six times during the year, with meetings planned around key events in the corporate calendar, including the half-year and full-year results and the AGM and an annual dedicated Strategy Day. The Board also receives monthly management financial reports and CEO updates in between meetings. The Chair and Non-Executive Directors have regular discussions without Executive Directors present. Ad hoc meetings may be called as and when appropriate, as was the case in 2024.

Standing items provide an anchor to the strategy and provide the Board with a consistent view of progress during the year, whilst sessions on priority topics allow for deeper insight. A summary of the Board's key activities during 2024 is set out below. In addition, some examples of key decisions taken by the Board in 2024, in the context of its section 172 (1) duties, are set out on pages 72 to 73. Agendas and accompanying papers are distributed to the Board and Committee members well in advance of each Board or Committee meeting. These include reports from Executive Directors, other members of senior management and external advisers, as appropriate. All Directors have direct access to senior management should they require additional information on any of the items to be discussed.

The table below sets out attendance at the eight Board meetings held in 2024. The attendance for the Committee meetings is detailed in each of the Committee reports.

Director	No. of meetings	Attendance
Andrew Learoyd	8/8	100%
Lisa Jacobs	8/8	100%
Oliver White (resigned on 31 December 2024)	8/8	100%
Geeta Gopalan	8/8	100%
Hendrik Nelis	8/8	100%
Neil Rimer	8/8	100%
Helen Beck	8/8	100%
Matthew King (resigned on 31 December 2024)	8/8	100%
Samir Desai CBE (resigned on 25 October 2024)	7/7	100%
Eric Daniels (resigned on 15 May 2024)	3/3	100%

Key topics discussed by the Board

Financial performance

- Group's financial results throughout the year (incl. half-year reforecast)
- KPIs and milestones review
- Annual budget approval and quarterly forecasts review
- Capital allocation deep dive and approval of share buybacks and capital reduction

Strategy

- Approval of sale of US business
- Approval of cost efficiency actions and focus on go forward profitability of UK business
- Customers and market deep dive
- Approval of strategy for FY 2025 and medium-term plan
- Technology and FlexiPay deep dives
- Review and approval of product propositions for Term Loans, FlexiPay and Cashback credit card

Governance, risk and compliance

- Risk and macro deep dive and approval of ERMF
- Committee updates
- Appointment of new Chair and CFO
- Internal evaluations of the Board and Committees
- Approval of Whistleblowing Policy
- Approval of risk management framework for climate-related risks

Culture and engagement

- Employee engagement and culture updates
- Diversity and inclusion update
- Shareholder engagement updates
- Approval of Board Diversity Policy
- Review Workforce Engagement Non-Executive Director's report on employee focus group feedback

Key

Circlers | Borrowers | Institutional Investors | Shareholders | Government and regulators | Communities

Corporate governance report continued

Board activities continued

Board decision making and section 172(1) duties

Funding Circle has a wide and varied group of internal and external stakeholders which the Board keeps in mind during all discussions. In addition, our Investor Relations team supports the Board with continuous engagement with shareholders. Further information on how we have engaged with all our stakeholders can be found on page 40 to 43.

The Directors have full regard to their duties set out under section 172 of the Companies Act 2006 when making decisions. Our section 172 Statement can be found in the Strategic Report on page 41. The following table summarises how the Board and the wider Group have had regard to the duties under section 172(1) when considering specific matters during the year.

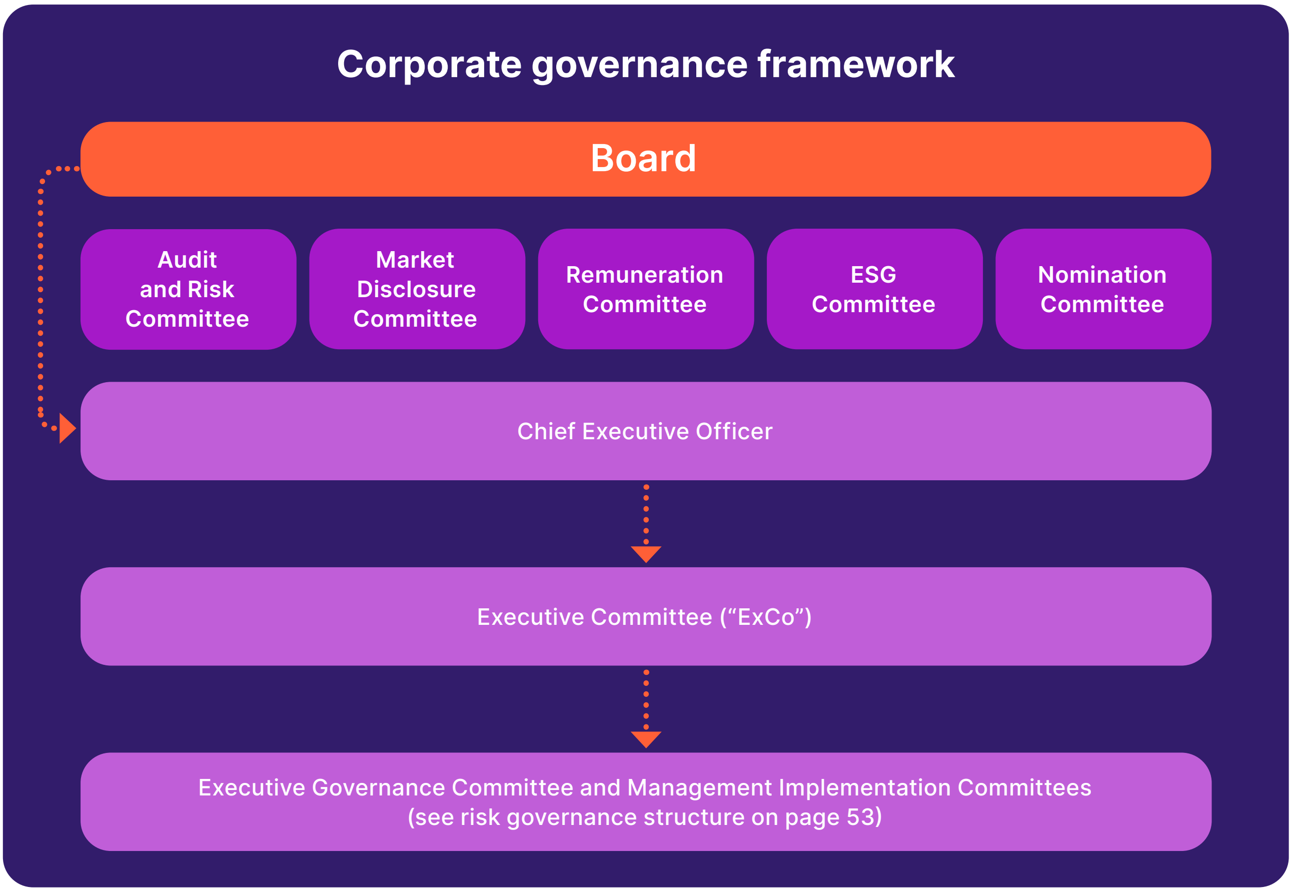
Principal decision	Stakeholders considered	Board's decision-making process
Approval of sale of US business and focus on go forward profitability of UK business	Borrowers Institutional Investors Shareholders Circlers Government and regulators Communities	The Board carefully considered the strategic direction of the Group following the challenging macro economic environment in 2023. At the end of 2023, Funding Circle's US business was awarded an SBA issuer license (subject to final SBA approval). While this reflected the progress made in the US and offered attractive long-term growth, the Board recognised that it would require a significant amount of cash and a different approach in terms of capital and other resource requirements to grow the SBA proposition. The Board therefore took the decision to simplify the business and focus on go forward profitability of the UK business, believing that this would deliver greater shareholder value with improved profitability and cash generation. After due consideration and discussions over a number of months, in March 2024, the Board announced its intention to sell the US business and that it was in early-stage discussions with interested parties. In addition to accelerating profitability, this would also enable management to focus on the UK business and delivering new products and an excellent customer experience to its growing UK customer base. The Board appointed a Board Sub-Committee to oversee the transaction and, following a thorough process involving several interested parties, the Board agreed to sell the US business to iBusiness Funding, LLC, a leading provider of lending solutions for banks and lenders of all sizes with a specialisation in SBA lending. The transaction completed on 1 July 2024. US impacted employees were carefully considered during the sale process and Funding Circle worked with iBusiness Funding to ensure that there were roles for as many individuals as possible post-acquisition (including certain UK-based employees who transferred under the Transfer of Undertakings (Protection of Employment) Regulations 2006).
Streamlining of UK business and cost efficiency actions	Shareholders Circlers	In May 2024, as part of the Group's long-term strategic plan to promote sustainable growth and to ensure a simpler, leaner and better positioned UK-focused operation, the Board reviewed and approved management's recommendation of certain cost efficiency actions. This included a reduction in employee headcount by c.120 and other changes to strengthen cost management and efficiency across the business. Funding Circle prides itself on its strong culture so this was a difficult decision, but a necessary one to create a leaner, profitable business and reduce leadership and management layers following the change to a UK-only business. The wellbeing of Funding Circle's employees has always been a material consideration for the Board and the approach to the reduction of roles was discussed at length, with a focus on a sympathetic and compliant process and support for those impacted. This included offering enhanced redundancy payments, payments in lieu of working notice periods where possible and extended private health cover.

Principal decision	Stakeholders considered	Board's decision-making process
Initiation of two share buyback programmes and a capital reduction process	Shareholders Circlers Government and regulators	As part of the Group's overall objective to provide sustainable long-term stakeholder value, the Board regularly considers its capital allocation strategy along with its budget and financial planning strategy. At the time of the full-year results in March 2024, the Company had significant cash available in excess of c.£200 million and available distributable reserves in excess of £30 million. The Board also considered the share price to materially undervalue Funding Circle's business. After careful consideration, and having taken advice as to the options available for a capital redistribution, in March 2024, the Board approved a share buyback and cancellation programme of up to £25 million which was further extended by up to a further £25 million in September 2024. In addition, in October 2024, the Board approved the initiation of a capital reduction process which completed in December 2024. The Board considered this to be in the best interests of the Company and its shareholders (including Circlers who are also shareholders through employee share schemes) as this would increase distributable reserves by £294 million.
Appointment of Chief Financial Officer and new Non-Executive Chair	Borrowers Institutional Investors Shareholders Circlers Government and regulators	The Company disclosed in its 2023 Annual Report that it was commencing a search for a new Non-Executive Chair and that there would be other changes to the Non-Executive Board composition as some Directors were coming to the end of their tenures. It also announced in May that Oliver White had informed the Board of his intention to stand down from his role. As part of the Board's decision-making process in relation to succession planning for the CFO and Chair roles, the Board considered all stakeholders that would be impacted by the outcomes of these appointments. For example, in addition to the underlying skills, experience and capability required in the role, it was important that these leadership appointments would add and reinforce the strong culture embedded within Funding Circle. This was one of the considerations in appointing Tony Nicol into the role – having been with Funding Circle for six years. Additionally, finding a new Chair with a complementary skill set to the existing Board, including card and credit experience, was important to the Board to help drive its strategic decision making and enhance our borrowers' end-to-end experience. This was one of the reasons Ken Stannard was chosen by the Board as the successor to Andrew Learoyd.
Approval of launch of Cashback credit card	Borrowers Institutional Investors Circlers Shareholders	The Board approved the launch of FlexiPay in H2 2021 to further enable the Group's vision of supporting small businesses as they borrow, pay later and spend to grow and manage their businesses. By the beginning of H2 2024, FlexiPay had grown significantly. In response to customer feedback that they wanted a business credit card providing benefits and rewards for everyday business spending, in July 2024, the Board approved management's proposal to launch the Cashback credit card product. Having carefully considered the evolution of the FlexiPay product, the Board considering that the proposed product would complement FlexiPay in helping to solve customers' cash flow requirements and attract SMEs not currently looking to immediately borrow, thereby enabling Funding Circle to properly start serving the spend use case. The Board approved the proposal to enter the market with a leading cashback proposition.
Adoption of risk management framework for climate-related risks	Government and regulators Communities	In 2024, the Board adopted a new climate risk management framework which set safeguard thresholds for climate risk appetite and for physical and transition risks. The framework was debated at the ARC and approved in November 2024, thereby integrating climate-related risks into the Group's broader risk management processes and underpinning its ongoing processes to identify and assess climate-related risks.

Corporate governance report continued

Division of responsibilities

The Board has adopted a formal schedule of matters reserved for its approval and delegated other specific responsibilities to the following five Board Committees: Audit and Risk, Remuneration, Nomination, ESG and Market Disclosure. Each Board Committee has written Terms of Reference which define the role and responsibilities of the respective Committee and these are reviewed annually, along with the schedule of matters reserved for the Board. Further details can be found here: corporate.fundingcircle.com/who-we-are/corporate-governance/board-committees. More information about the role and activities of each of the Board Committees, with the exception of the Market Disclosure Committee, can also be found in the Committee reports.



The responsibilities for the Market Disclosure Committee, which is chaired by the Company Secretary and comprises the Chair of the Board, the Chair of the Audit and Risk Committee, the CEO, the CFO and the CRO, include overseeing the disclosure of information by the Company to meet its obligations under the Market Abuse Regulation, the FCA's UK Listing Rules ("UKLR") and the Disclosure and Transparency Rules ("DTR").

The ExCo provides leadership in the day-to-day management of the business and implements the strategy approved by the Board. The ExCo is supported by a number of management committees which provide consistent reporting on key areas of the business. There is a flow of information both ways between the management committees and the ExCo and the Board of Directors and its Committees. Further details on the management risk committees are available in the Risk management section on page 53.

Board roles and responsibilities

There is a clear division of responsibilities between the leadership of the Board and that of the Executive Directors and the responsibilities of the Chair, CEO, and Senior Independent Director are set out in writing, reviewed and approved by the Board annually.

The responsibilities of these roles can be found on our website

Composition, succession and evaluations

Board succession

As noted under Governance at a Glance on page 67, there have been a number of changes to the Board during 2024 and up to the date of this report. One of the Board's 2024 priorities was to refresh its composition to ensure it had the appropriate skills, experience and knowledge to support the Company's execution of its more simplified business strategy. The Board has established a Nomination Committee to which it has delegated responsibility for reviewing the leadership needs of the business, including Board composition, considering succession plans for both the Board and ExCo, selecting and appointing new Directors, having oversight of Board induction processes and considering the results of the Board effectiveness reviews.

At the 2024 AGM, Eric Daniels retired from the Board after an almost eight-year term. Samir Desai CBE also retired from the Board in October 2024 after 14 years, firstly as an Executive Director and subsequently as a Non-Executive Director during his term. In December 2024, Oliver White resigned as CFO and Executive Director after a four-year term. Matthew King resigned from the Board of both Funding Circle Holdings plc and Funding Circle Ltd on 31 December 2024.

More information on the work of the Nomination Committee can be found on pages 78 to 81.

Appointments

There were no new Director appointments during 2024. Two new appointments were announced with effect from 1 January 2025: Tony Nicol, CFO, and Ken Stannard, independent Non-Executive Director and Chair Designate. More details on how the Nomination Committee led these appointment processes are noted in its Committee Report on pages 78 to 81.

Board composition

The Nomination Committee reviews the structure, size and composition of the Board to maintain and develop the robust succession plan for the Board and ExCo. For more details on the Board's composition, see Governance at a glance on page 67.

Board skills

The Nomination Committee uses a skills and experience matrix to regularly review the expertise of the Board and its Committees, taking into account the skills and experience, length of service and time commitment. The Board's skills matrix can be found on page 67.

UK Corporate Governance Code (the "Code") compliance

As a listed company, the Company applies the principles and provisions of the Code which can be found, in full, at www.frc.org.uk. This is the last year we are reporting against the 2018 Code and next year, we will report against the 2024 Code.

As part of this Corporate Governance Report, we have laid out how the Board applies each of the principles of the Code at Funding Circle. The Board takes seriously the need for high standards of governance and aims to implement a robust corporate governance framework that works for the Company, enabling it to achieve long-term sustainable success and its wider objectives. With this in mind, the Company was compliant with all the provisions of the Code, except for provisions 11 and 19.

Provision 11 requires that at least half the Board, excluding the Chair, should be Non-Executive Directors whom the Board considers to be independent. During 2024, the Board was not compliant with this provision as there were three Non-Independent Directors on the Board, two of which were large shareholder representative Directors in addition to the CEO and CFO also being on the Board. With Eric Daniels and Samir Desai CBE having resigned from the Board during 2024, only three of the eight Board members (excluding the Chair) were considered to be independent by the end of the year. One of the Board's priorities in 2025 will be to continue to refresh its composition and increase independence. Please see the Report of the Nomination Committee on pages 78 to 81 for additional details.

Provision 19 provides that the Chair should not remain in post beyond nine years from the date of their first appointment to the Board. Andrew Learoyd has served on the Board for more than nine years. However, as previously announced, a succession plan has been put in place with Ken Stannard's recent appointment on 1 January 2025 as Non-Executive Director and Chair Designate, with a view to Ken being appointed as Board Chair upon his election at the 2025 AGM. Further detail on the Chair's succession planning process can be found in the Report of the Nomination Committee on page 80.

Corporate governance report continued

Board effectiveness review

The Board takes its continuous improvement and development very seriously and, at the end of 2024, conducted a detailed internal effectiveness review of the performance of the Board, Chair and individual Directors. Topics included leadership and purpose, composition and division of responsibility, independence, Board meeting progress, Board development and support, risks and controls oversight, and culture and stakeholder engagement oversight. The evaluation process is outlined below:

Scope and planning
The Chair and Company Secretary met to determine the proposed scope and approach of the questionnaire to be circulated for completion.

Obtaining feedback
Tailored questionnaire was agreed and circulated by online software to all Directors and the Company Secretary to gain feedback on the Board's effectiveness.

Analysing and reporting
The results of the questionnaire were analysed with key themes summarised in a final report presented to the Board for discussion. Actions were agreed to take forward.

Outcomes
The evaluation concluded that the Board, Chair and Directors continue to be effective. Some areas noted for improvement, which the Board is committed to addressing in 2025, included:

- continuing to review Board succession plans and performance; and
- reviewing and enhancing processes for Board oversight of people and culture, including mechanisms for employee engagement.

Progress against actions identified in 2023 effectiveness review
Set out below is the progress during 2024 against actions identified through the 2023 Board effectiveness review:

Action for 2024	Progress
Reviewing the Board agenda programme to ensure the appropriate deep dive topics are scheduled with the right frequency.	The Chair circulated the 2024 Board annual planner to all Directors for feedback on additional deep dive topics. The Company Secretary then incorporated these topics into the Board's annual planner and meeting agendas.
Ensuring all Board members have access to all Board Committee meetings and materials even if they are not members of those Committees.	All Non-Executive Directors are now invited to all Committee meetings and have access to all Committee materials regardless of whether they are a member of that Committee.
Encouraging further active shareholder engagement by management and the Chair.	Management actively engages and offers direct meetings with shareholders and prospective shareholders at all half-year and full-year results periods and to gain feedback on relevant matters. In addition, the Board Chair and Remuneration Committee Chair, via the Company Secretary, regularly offers to meet with shareholders to discuss governance matters such as the Remuneration Policy review and AGM voting results.
Improving the tracking and reporting on a range of agreed KPIs and milestones by better building this into management's quarterly reporting to the Board.	Quarterly milestone trackers were added to management's reporting to the Board and discussed at each meeting.

External evaluation
The Board discussed the value of an externally facilitated evaluation at length including the recommendation in provision 21 of the 2018 Code and the value of an external evaluation from the perspective of stakeholders. The Board decided that it was not appropriate at this time due to the significant change to the Board's composition during the year and as the internal evaluation was rigorous with full engagement and candid responses from Board members. Areas of improvement were identified which the Board was fully committed to working on in 2025.

Audit, risk and internal control

The Board has delegated to the ARC responsibility for overseeing the financial and corporate reporting and internal financial controls of the Company and its subsidiaries. This includes reviewing the content of the Annual Report and Accounts and advising the Board on whether, taken as a whole, it is fair, balanced and understandable. Details of this process and the focus of the review and of the ARC's role, activities and relationship with the external auditors are on pages 82 to 87 of the Report of the ARC.

Audit

The Board has formal and transparent procedures in place to ensure the independence and effectiveness of the internal and external audit functions, as required by the Code. An effectiveness review of both the internal and external audit functions was completed during the year which included an evaluation of professional integrity and independence. Further details of the evaluations can be found in the Report of the ARC on pages 86 to 87.

The Board delegates responsibility for ensuring the integrity of the financial and narrative statements to the ARC. Further detail can be found on pages 82 to 87.

Responsibility for preparing the Annual Report and Accounts

The Board is responsible for maintaining adequate accounting records and seeks to ensure compliance with statutory and regulatory obligations. An explanation from the Directors about their responsibility for preparing the financial statements is on page 115 in the Statement of Directors' Responsibilities. The Company's external auditors explain their responsibilities on pages 121 to 122.

Streamlining governance

With effect from 1 January 2024, the Board approved, with the recommendation of the Nomination Committee, the creation of a combined ARC, replacing the old Audit and Risk & Compliance Committees, exhibiting how the Board continuously considers the efficacy of its Committees and its overall governance framework.

Risk management and internal control systems

In accordance with the Code, the Board is required to monitor the Group's risk management and internal control systems on an ongoing basis and carry out a review of their effectiveness. To discharge this responsibility, the Board has established frameworks for risk management and internal control using a "Three Lines of Defence" model as outlined in the Group's ERMF and reserves for itself the setting of the Group's risk appetite.

Whilst the Board retains ultimate responsibility for the Group's systems of internal control and risk management, it has delegated in-depth monitoring of the establishment and operation of prudent and effective controls in order to assess and manage risks associated with the Group's operations to the ARC. The ARC also monitors compliance with the ERMF. Members of the ExCo are responsible for the application of the ERMF, for implementing and monitoring the operation of the systems of internal control and for providing assurances on this to the Board and its relevant Committees. For further details on the ERMF and our approach to risk management, please see page 54.

The Internal Audit function provides an independent and objective assessment to the ARC on the robustness of the ERMF and the appropriateness and effectiveness of internal controls. The ARC provides regular updates to the Board on the Committee's review of the Group's risk management and internal control systems as discussed in its Committee meetings, further details of which are outlined in the Report of the ARC on page 87.

During the year, the Board, supported by the ARC, carried out a robust assessment of the emerging and principal risks and uncertainties facing the Group, including any that would threaten our business model, future performance, solvency or liquidity. There is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company as described in more detail in the Risk section. The systems have been in place for the year under review and up to the date of approval of this Report and they are regularly reviewed by the ARC.

Report of the Nomination Committee

Andrew Learoyd
Chair

> 2024 was a significant year of change to the Board's composition."

Members and attendance

Member	Meetings	Attendance
Andrew Learoyd (Chair)	7/7	100%
Geeta Gopalan	7/7	100%
Helen Beck	7/7	100%

The Committee's role and key responsibilities are defined in its Terms of Reference which can be found on our website

2024 Committee activity

- An overwhelming majority of the Committee's work during the year related to the extensive search and recruitment processes for Chair and NED succession planning (which included significant additional ad hoc meetings), as well as leading a rigorous recruitment process for a CFO replacement.
- Reviewed Committee and Board performance results and approval of new Board Diversity Policy.
- Reviewed Director conflicts and NED time commitment annual review and recommended Directors to stand for re-election at the AGM.

The Committee's focus for 2025

- Drive forward the process of continued succession planning for the Board.

On behalf of the Board, I am pleased to present the Committee's Report for the year ended 31 December 2024. With three Non-Executive Directors (including our Founder, Samir Desai CBE) and our CFO retiring and new CFO and Chair recruitment processes being undertaken this year, the Committee has been very busy with refreshing the Board. More detail on these changes is provided within this Report.

The Committee met seven times in 2024 which enabled us to cover all our duties and responsibilities. In this report, we have provided information on the activities of the Committee in 2024 as well as the Committee's work on Board composition, succession planning, diversity and Committee effectiveness. Where we have diverted from the UK Corporate Governance Code 2018, we have provided a clear explanation as to why this is the best approach for Funding Circle at this time.

Skills and experience

The Committee maintains a skills and experience matrix which helps us review the current skills and experience of the Board and identify any gaps that may need filling.

The skills and experience of the Directors on the Board were evaluated as part of the annual effectiveness review and our succession plan for the Board will take into account the appropriate skills and expertise to match the Company's new strategic direction. Details of the Board's skills are outlined on page 67.

Board diversity

The Committee is mindful of the importance of ensuring the Board's and Committees' diversity in the broadest sense. With this in mind, the Board considers the guidance published by the Parker Review on ethnic diversity in the boardroom, the FTSE Women Leaders Review (formerly the Hampton-Alexander Review) on gender diversity in the boardroom and the requirements of the Code in relation to composition and succession of the Board. In February 2024, the Board adopted a Board Diversity Policy, which outlines our approach to diversity and inclusion with respect to the Board, the Board's Committees, the ExCo and their direct reports, a copy of which can be found on our website.

Leadership diversity

DEI is a priority at Funding Circle, which extends across the Company at all levels. DEI is a key component of our ESG framework, overseen by our ESG Committee which works closely with the Committee to support and oversee the implementation of diversity goals across the Group including at Board level.

Group diversity statistics can be found in the Strategic Report on page 20. We are pleased to say that representation of women in roles held at the ExCo level along with their direct reports is 43%. The Committee recognises that there is still work to be done to improve diversity within the Group and the ESG Committee has discussed the work being done to improve diversity across the Group. This extends to our approach and process to drive diverse recruitment, which includes diverse candidate and hiring panels, alongside ensuring DEI remains a core focus for our internal talent management strategies. Initiatives include a female empowerment programme, emerging and senior leader development programmes, and reverse mentoring.

The Company also regularly reviews and is proud to offer a range of family friendly and flexible working policies and practices (such as adoption leave, care leave, and support for parents returning to work).

Board appointments

We announced the appointment of Tony Nicol as successor to Oliver White, Executive Director and CFO, and the appointment of Ken Stannard, as Independent Non-Executive Director and Chair Designate, both effective from 1 January 2025. The process for the CFO appointment was led by the Committee. As the Board Chair leads the Committee, the process for his successor was led by a Sub-Committee chaired by Geeta Gopalan, our Senior Independent Director, comprising of Helen Beck, another Committee member, and the CEO, with additional support provided by the Chief People Officer and the Company Secretary. The rest of the Board, including the Board Chair, provided feedback throughout the process when requested by the Sub-Committee. Further details on the process for the appointments are outlined on page 80.

The following comprises our reporting against the FCA's UK Listing Rules targets and requirements on diversity and inclusion on company Boards and Executive management. Whilst the Board recognises it does not currently meet the minimum 40% female representation on the Board, it does highlight that this is offset by two female directors in senior positions, being CEO and SID roles, which is above the FCA's requirement. The Board will continue to take into consideration all diversity requirements in its board succession planning.

Gender representation in the Board and senior management – 31 December 2024

	Number of Board members	Percentage of the Board	Progress from 2023	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Progress from 2023	Number in ExCo	Percentage of ExCo	Progress from 2023
Men	5	62.5%	↗	2	→	6	75%	→
Women	3	37.5%		2		2	25%	

Ethnicity representation in the Board and senior management – 31 December 2024

	Number of Board members	Percentage of the Board	Progress from 2023[1]	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Progress from 2023	Number in ExCo	Percentage of ExCo	Progress from 2023
White British or other White (including minority-White groups)	7	87.5%	↘	3	→	6	75%	→
Asian/Asian British	1	12.5%		1		—	—	
Other ethnic group	—	—		—		2	25%	

1. The reduction in ethnic representation on the Board is due to Samir Desai CBE resigning as Non-Executive Director in October 2024.

Key

Improving ↗

No change →

Deteriorating ↘

Report of the Nomination Committee continued

Board appointments continued

Chair Designate appointment process

Stage 1
The Committee reviewed at length the Board's composition, skills, experience and diversity and agreed on what would be required by a new Chair to complement both the existing and near-term Board composition. A Sub-Committee was appointed.

Stage 2
The Sub-Committee reviewed and approved an outline brief and role specification and appointed Heidrick & Struggles to identify suitable candidates from a diverse pool of individuals in line with the Board Diversity Policy. The Sub-Committee, taking input from the wider Committee and other key stakeholders (including the CEO), determined a short list of candidates for outreach.

Stage 3
The short-listed candidates met with the respective Sub-Committee, with the preferred candidates going on to meet the remaining members of the Board.

Stage 4
The Sub-Committee agreed the preferred candidate based on the range of skills, experience and knowledge that complemented those of the existing Board members and recommended the same to the Board.

Stage 5
The Board considered the candidates on their merits and approved the appointment of Ken Stannard as a Non-Executive Director and Chair Designate with effect from 1 January 2025.

1. Heidrick & Struggles is an independent executive search and global leadership advisory business with no other connection to the Company or any individual Director. Heidrick & Struggles is accredited by the Enhanced Voluntary Code of Conduct for Executive Firms for its support to FTSE 350 Boards in increasing gender diversity. It is also a partner with organisations like the Paradigm for Parity® coalition and the 30% Club's Future Female Directors programme to help close the corporate leadership gender gap and promote gender parity across all levels of organisations. Specific guidance was given to Heidrick & Struggles to ensure diversity within the candidate long and short lists whilst identifying candidates who had the relevant skills and experience required on the Board.

CFO appointment process

Stage 1
The Committee reviewed and approved an outline brief and role specification for the CFO role. The Committee also reviewed the existing ExCo succession plan reviewed by the Board which identified Tony Nicol as a potential successor to Oliver White as CFO.

Stage 2
The Committee appointed Heidrick & Struggles to carry out an external benchmarking exercise and identified external candidates from a diverse pool of individuals in order to compare against internal candidate options.

Stage 3
The internal candidate went through a thorough interview process with the members of the Committee and the CEO.

Stage 4
The Committee agreed that the internal candidate was the preferred candidate for the position, based on his range of skills, experience, knowledge and strong culture fit for the Executive role, already being a long-standing senior leader in the organisation who had built strong stakeholder relationships within the Company and the Board, and recommended his appointment to the Board.

Stage 5
The Board considered the candidate on his merits and approved the appointment of Tony Nicol as a Executive Director and CFO with effect from 1 January 2025.

Board induction process

Director induction programmes to the Board are facilitated by the Company Secretarial team and overseen by the Committee. All new Directors are provided with full access to our secure resource centre within our secure Board software, which provides induction materials such as Group policies, structure charts, Terms of Reference, strategy material, investor relations coverage, and past Board and Committee meeting papers and minutes.

For Ken Stannard's induction, in addition to the above, Ken had meetings with members of the ExCo, key external corporate advisers, heads of key Group functions, and the external auditors. Ken also attended an introductory breakfast meeting with the Group's Senior Leadership team. Ken also met with some shareholders upon request prior to the 2025 AGM.

As Tony Nicol was already on the Senior Leadership team prior to being appointed as CFO, he had already built strong relationships with the ExCo, Senior Leadership team, external advisers and the external auditors. Due to Tony's existing investor relations remit, he was also familiar with major shareholders. As this was Tony's first Board-level Executive role with a listed Company, he was provided with tailored training in relation to Directors' duties (e.g. s.172) and the Code. Tony has also previously completed Deloitte's CFO programme.

Board and Committee effectiveness

The Committee reviewed the 2024 Board effectiveness review results and discussed feedback that related to the Committee's remit. More detail on the Board's effectiveness review is on page 76.

Progress on actions from 2023 Committee effectiveness review

Feedback from the 2023 effectiveness review noted that the Committee needed to focus more on Board succession planning and in particular the Chair succession planning and this was actioned in the year with seven meetings taking place during 2024.

2024 Committee effectiveness review

The Company Secretarial team facilitated an effectiveness review of the Committee at the end of 2024. A comprehensive questionnaire was distributed to all the Committee members. All members of the Committee, the Chief People Officer and the Company Secretary responded to the questionnaire and engaged with the evaluation process.

Overall, scores were good across all elements of the questionnaire of the Committee's effectiveness. There was consistent commentary amongst all members noting that Board and ExCo succession planning should remain a key priority for 2025.

Re-election

I will not be standing for re-election at the 2025 AGM as I am resigning as Board Chair at the AGM. The Committee has recommended to the Board that the other remaining Directors stand for election or re-election at the forthcoming AGM.

Senior management succession

The Committee's responsibilities include making recommendations to the Board for orderly succession for appointments to senior management and keeping the Executive leadership needs of the Company and its Group under review, with a view to ensuring they continue to compete effectively in the market.

Board succession, composition and the year ahead

There have been several changes to our Board since the Annual General Meeting in 2024 which are noted in more detail within the Corporate Governance Report. Whilst the Board is not currently majority independent, the Committee has discussed in depth the composition of the Board in respect of independence and tenure and in respect of aligning the Board's composition with the Company's needs which will remain a key focus for the Committee during 2025.

Andrew Learoyd
Chair of the Nomination Committee
6 March 2025

Report of the Audit and Risk Committee

Geeta Gopalan
Chair of the Audit and Risk Committee

"In 2024, we streamlined the Board's audit and risk oversight to support a more holistic view of the effectiveness of the Group's risk and internal controls environment."

Members and attendance

Member	Meetings	Attendance
Geeta Gopalan (Chair)	5/5	100%
Matthew King	5/5	100%
Helen Beck	5/5	100%
Eric Daniels[1] (resigned on 15 May 2024)	1/2	50%

1. Eric Daniels only attended one meeting during the year as he resigned at the AGM in May 2024 and he missed one other Committee meeting due to a meeting schedule conflict that was unavoidable.

The Committee's role and key responsibilities are defined in its Terms of Reference which can be found on our website

On behalf of the Board, I am pleased to present the inaugural Report of the newly combined Audit and Risk Committee for the year ended 31 December 2024. In 2024, we streamlined the Board's audit and risk oversight to support a more holistic view of the effectiveness of the Group's risk and internal controls environment.

2024 key activities

Risk

- Overseeing our approach to loan originations and agreeing to changes in credit strategy to enable fast and effective change in an increasingly volatile environment. Portfolios have been generally resilient and within target despite the challenging environment.
- Receiving regular updates and closely monitoring the external environment to look ahead at indicators of major change and assessing risk in relation to inflation and rising interest rates, and their impacts on SME credit standing.
- Receiving updates on emerging risks and principal risks including strategic, funding and balance sheet, credit, operational, regulatory and reputational, and technology risks (including GenAI).
- Receiving updates and reviewing and approving the climate risk management framework.
- Applying scrutiny to information security and technology risk and receiving updates on their mitigation plans.
- Reviewing risk assessments associated with new products in FlexiPay and Term Loans, including the launch of the Cashback credit card.
- Approving amendments to the Group risk appetite and Enterprise Risk Management Framework which included the elevation of technology risk as a principal risk (moving it from a level 1 risk under operational risk).

2024 key activities

Audit

- Reviewing the integrity of the half-year and full-year financial statements, ensuring they were fair, balanced and understandable, considering significant accounting judgements, estimates and disclosures, especially in relation to the sale of the US business, the impact of the macro economic environment and the Group's ability to continue as a going concern, together with its viability disclosures.
- Challenging, monitoring and evaluating the effectiveness of both financial and non-financial controls in the Group.
- Completing in-depth evaluations on the effectiveness of the Internal Audit team, external auditors and the Committee itself.
- Reviewing and enhancing the Group's whistleblowing processes to include a third party anonymous reporting line.
- Appointing the new Director of Internal Audit.

2025 key priorities

Risk

- Continue to review the Group's key and emerging risks, especially technology and cyber risks, paying close attention to the macro environment and fraud risk.
- Greater focus on people and culture risk.
- As the Group continues to embrace new products and increased automation, the Committee will monitor the associated risks, both prior to and post-implementation, as they scale as well as the execution risk as the business moves from a focus on one product to a number of different products.
- Continue to review the management of balance sheet exposures and the credit risk position in relation to our financial objectives under different outlook scenarios.
- Continue to review progress on the climate risk management framework.
- Oversee GenAI initiatives from an internal controls and risk perspective.

2025 key priorities

Audit

- Continue to assess accounting judgements and estimates, particularly in relation to a provision for expected credit losses on FlexiPay lines of credit, the evolution and improvement of the Group's credit provision models, and new product launches as they mature and grow in volume.
- Continue to review the Group's internal financial controls and internal control systems to ensure they continue to develop in line with the Group's business with a particular focus on the end-to-end processes and the ongoing development of the controls of new products and new features.
- Oversight of the implementation of the updated 2024 Code for audit and risk requirements.

Committee composition, skills and experience

The membership of the Committee complies with provision 24 of the Code, requiring a minimum membership of two Independent Non-Executive Directors not including the Chair of the Board. All members of the Committee have relevant financial experience across banking and financial services, demonstrating competency relevant to the sector in which Funding Circle operates, including the Committee Chair who is a chartered accountant.

The Committee meets privately to discuss matters with the external and internal auditors, who regularly attend all meetings, without management present.

Significant matters considered in relation to the financial statements

The Committee assessed the quality and appropriateness of, and adherence to, the Group's accounting policies and principles. It reviewed whether the accounting estimates and judgements made by management were appropriate. The significant matters and accounting judgements considered by the Committee during the year are set out below.

Reporting issue	Committee action
Going concern and viability The period over which the Directors have determined the viability assessment is three years. Going concern is assessed annually based on detailed cash flow forecasts for the next 15 months including a severe but plausible downside scenario. Inflationary pressures have eased but remained prominent during the year, with the impact of the UK government budget and increased global instability also weighing on SMEs. These factors have been considered in the above assessments.	The Committee reviewed reports from management that set out its view on both the shorter-term going concern and longer-term viability of the Group. These included: • reviewing the Group's principal risks as set out on pages 55 to 62; • assessing and reviewing the adherence to the risk appetite set by the Committee to track the Group's capital, liquidity and exposures of its funding products; • reviewing the Group's short- and medium-term plan, cash, capital and liquidity; • reviewing the outcomes of stress testing after applying a severe but plausible scenario aligned to the principal risks; and • reviewing the risk, going concern and viability disclosures for clarity on scenarios, uncertainties, sensitivities and management actions considering macro economic risks in particular. Having challenged and considered the outcomes of management's assessment, the Committee recommended the Viability Statement to the Board for approval, concluded the Group remains a going concern and considered that related disclosures were sufficiently clear and transparent.

Report of the Audit and Risk Committee continued

Significant matters considered in relation to the financial statements continued

Reporting issue	Committee action
Sale of US business and disclosure as a discontinued operation The Group sold its US business on 1 July 2024 to iBusiness Funding, LLC for consideration of £32.6 million. A gain on sale at the Group level of £9.8 million along with £8.7 million reclassification of foreign currency translation reserve. At the Parent Company level a gain of £25.9 million, was recognised when the US business was deconsolidated.	The Committee received and reviewed reports and draft disclosures from management related to: • the proposed disclosure of the US business as a discontinued operation and re-presentation of the comparative statement of comprehensive income and related notes on this basis; • the treatment of the US business as a disposal group at the half-year reporting at 30 June 2024, and presentation of the balance sheet and related notes on this basis; and • the calculation and treatment of the gain on disposal inclusive of recycling of the foreign currency translation reserve. Having reviewed the disclosures and treatment the Committee concluded that the application was correct and the disclosure was clear and transparent in both the Group and standalone entity accounts.
Expected credit loss impairment of FlexiPay The Group holds FlexiPay lines of credit on its balance sheet. These lines of credit are held at amortised cost net of IFRS 9 expected credit loss impairment allowance. As the business has grown and the product features have developed, there is more historic data available and more complexity for use in estimating the allowance. The allowance is sensitive to assumptions related to the probability of default derived from macro economic assumptions.	The Committee received and reviewed the assumptions and methodologies used to determine the expected credit loss together with the level of sensitivity to those assumptions and considered whether these appropriately reflected risks in the portfolio and development of the product in the year. The Committee also considered the views of the external auditors on the methodology and the assumptions, including comparing the results to the external auditors' independent estimation of the allowance. The Committee considered the disclosures within the Annual Report and after due challenge concluded that the valuations were reasonable and the disclosures were appropriate.
Deferred tax recognition The UK business is forecast to be in a taxable profit position for the year ended 31 December 2025, and consideration was given as to whether a deferred tax asset should be recognised as at 31 December 2024. It was concluded that a deferred tax asset should not be recognised as there was not sufficient certainty regarding the probability of sustained future taxable profits and disclosure was made within the critical accounting judgements note.	The Committee reviewed a paper from management which set out both positive and negative evidence related to the decision to recognise a deferred tax asset or not. The Committee: • considered the Group's position in the context of ESMA guidance on whether there is sufficient compelling evidence to consider whether it is probable there will be future taxable profits; and • considered if not recognising a deferred tax asset now, what evidence would be considered compelling in future that might result in the recognition of a deferred tax asset at a later date. It was determined that the decision to not recognise a deferred tax asset at 31 December 2024 was sound, and that indicators that may lead to a different outcome in future may include the delivery of sustained taxable profit over a period of time and ongoing market expectation of taxable profits. The disclosure within the critical accounting judgements note was reviewed and considered to be clear and transparent.
Exceptional items The Group has a defined accounting policy for the treatment and presentation of non-recurring and material items as exceptional. These exceptional items are also presented in a columnar fashion on the consolidated statement of comprehensive income in order to increase transparency and understanding for readers. The cost efficiency programme undertaken by the UK totalling £2.6 million, related impairment of intangible assets of £0.3 million and the gain on sale of the US business of £9.8 million have been disclosed as exceptional items.	The Committee received papers from management setting out the analysis of the exceptional items and the rationale for their inclusion. The Committee received the views of the external auditors on the items that management had included within these costs. It noted that the disclosure as exceptional was consistent with the Group's accounting policy and with prior year presentations, and concluded that the amounts and this presentation were appropriate.

Reporting issue	Committee action
Fair, balanced and understandable reporting and alternative performance measures (“APMs”) The Board is required to report as to whether the contents of the 2024 Annual Report and Accounts, when taken as a whole, are fair, balanced and understandable. The Group uses APMs in its reporting of adjusted EBITDA for the Group. These measures are used to provide insight into the underlying performance of the business. They also provide a close approximation to cash generation which is key to the business. These measures are defined within the segmental information note on pages 144 and 193.	At the request of the Board, the Committee has assessed the information contained within the Annual Report. This assessment included discussions with management on the underlying financial processes, and confirmation from the management team of its review of the Annual Report being fair, balanced and understandable. The Committee also discussed the contents of the Annual Report with the external auditors. In addition, the Committee also considered the use of various APMs and other measures used by the Group and agreed that these supported the understanding of the financial performance of the Group and facilitated a better understanding of the business. The Committee was satisfied that there were sufficient disclosures of the same with the appropriate balance and reconciliation between these and statutory measures in the accounts. Having considered all of the available information including previously published information about the business and press releases through the year the Committee has concluded that, in its judgement, the 2024 Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable.

Risk management and internal controls

With effect from 1 January 2024, we combined the Audit Committee and the Risk & Compliance Committee into one Committee and reviewed the annual cycle of work to allow the Committee to carry out its role of monitoring and reviewing risk for the Group, including the nature and extent of principal and emerging risks against an uncertain macro environment. The Committee is also responsible for monitoring the Group’s compliance with the ERMF, which is detailed further on page 54 of the Strategic Report.

In addition to formal meetings, the Committee also received regular reports and updates on overall credit performance.

The Committee is responsible for supporting the Board in its robust assessment of the principal and emerging risks of the Group. The CRO reports at each risk meeting on the top of mind principal and emerging risks. In addition, ExCo members liaise swiftly with the ARC when identifying an emerging risk requiring immediate attention. The Committee considers these and other risks that may impact the Group’s strategy and operations and assesses its aggregated risk profile. For in-depth information on the Group’s approach to risk and identification of principal and emerging risks for 2024, please refer to the Strategic Report on pages 55 to 62.

Review of effectiveness of internal controls and risk management systems

During the year, to bring greater transparency to the assurance the Committee receives and to gain greater comfort over the Group’s management of risks, monitoring of internal controls and the accuracy of reporting, the Committee reviewed:

- the Risk Taxonomy and the cartography of risk owners;
- an annual risk and controls assessment prepared by the enterprise risk management team;
- business line risk assessments directly from the MDs and the CTO to foster a strong culture of risk management and clear tone from the top across the first line;
- the assessment of the internal controls system, and monitoring of management actions arising from the assessment, and focus on residual risks requiring further mitigation;
- the audit plan and actions taken following audit recommendations;
- annually, the financial crime risk assessments, including fraud risk and AML/CTF risk;
- whistleblowing reports and confirmation of testing;
- specific risk mitigation actions in relation to information security risk and data risk;
- UK credit environment and adequacy of our approach to credit assessment in all its dimensions (credit validation, pricing, ongoing loan management); and
- the performance of all our credit portfolios including analysis of historical trends and forecast of expected future performance.

During the year, there was also an ad hoc deep dive on credit risk held between the Committee Chair and the business CRO and monthly communications were distributed by the CRO to the Committee about the most recent credit performance.

Additionally, throughout the year, the Committee has monitored and reviewed the adequacy and effectiveness of the Group’s internal controls, by receiving, discussing, and challenging regular reports from management, internal audit and external audit on matters in relation to control effectiveness, monitoring and testing.

Based on its activities, the Committee confirmed to the Board its assessment that the Group’s internal controls and risk management systems were sufficiently robust and operating effectively.

Report of the Audit and Risk Committee continued

External audit

Auditor independence

External auditors:	PwC
Length of tenure:	10 years (appointed in 2015)
Lead audit partner:	Heather Varley
Lead audit partner tenure:	1 year
Total audit fees payable to auditors in the year:	£925,615

The Committee monitors the objectivity, independence and effectiveness of the external auditors. The Company is mindful of the provisions of the Code, best practice, the Competition and Market Authority Audit Order 2014 and audit legislation in particular with regard to audit firm rotation and the provision of non-audit services.

The Committee operates a policy for the tender of external audit services. This policy provides that, in accordance with applicable law and regulation, the Company will re-tender the external audit at least every ten years since IPO and will change the external auditors at least every 20 years. PwC was first appointed in 2015 so, in 2023, the Committee conducted a competitive tender of external audit services for FY 2024 and, following a rigorous process, PwC was successful.

The auditors' partner was rotated during 2024 from Nick Morrison to Heather Varley. The Committee met with PwC during the year to assess the potential new audit engagement partner and the Committee endorsed Heather Varley as being a suitable replacement for Nick Morrison as new audit partner.

The Committee regularly reviews the objectivity and independence of the external auditors and has concluded this is safeguarded by:

- obtaining assurances from the external auditors that adequate policies and procedures exist within their firm to ensure that the firm and employees are independent of the Group by reason of family, finance, employment, investment and business relationship (other than in the normal course of business);
- enforcing a policy of reviewing all cases where it is proposed that a former employee of the external auditors be employed by the Group in a senior management position or at Board level;
- monitoring the external auditors' compliance with applicable UK ethical guidance on the rotation of audit partners; and
- approving non-audit services prior to being undertaken by the external auditors.

The engagement of the external audit firm to provide non-audit services to the Group can impact on the independence assessment and the Company has, therefore, adopted a policy which requires Committee approval for non-audit services. This policy is in line with the FRC's Revised Ethical Standard 2019 and gives the Chair of the Committee delegated authority from the Committee to approve individual non-audit services items of up to £50,000 per service.

All fees paid to PwC for non-audit services have been approved (in accordance with the non-audit services policy), with a summary of all non-audit services being provided at each Committee meeting.

External audit fees: Non-audit and audit-related services

Description	2024 £000	2023 £000
Interim review of half-year results announcement	**141.7**	137.7
CASS reporting	**143.2**	140.4
ISAE 3402 controls assurance	**127.5**	134.4
Other	**1.4**	1.4
Total	**413.8**	413.9

The Committee concluded that it was in the best interests of the Group to purchase these services from PwC on the basis that it was independent and was considered to be the right provider for the services required (or, in some cases, they were required to be performed by the external auditors).

PwC are prohibited from providing certain non-audit services to safeguard auditor objectivity and independence, including, but not limited to, internal audit work, valuations work and tax-related work.

PwC has confirmed to the Committee that it remained independent during the year.

Audit performance and effectiveness

The quality, performance and effectiveness of the external auditors is reviewed annually by the Committee through an effectiveness questionnaire distributed to management and Committee members for completion. This covers: the quality of robust challenge provided by the audit team; an evaluation of the knowledge and skills of the external audit team; the accessibility of the lead audit partner; independence and objectivity; openness, integrity and professionalism; the quality of reporting; the audit plan; communication between external auditors and the Committee; and the audit team's robustness and constructive challenge during its engagement with management. In FY 2024, PwC continued to receive positive feedback.

The external auditors challenged management over the various scenarios that they had modelled, the level of stress testing in the models and the impact that this would have on the ability of the Group to continue as a going concern. There was also robust challenge around the methodology and assumptions utilised in the FlexiPay lines of credit expected credit loss impairment allowance, the fair value of loans on balance sheet and the assessment of indicators of impairment and consideration of impairment risk related to the Parent Company investment in subsidiaries.

Internal Audit

The Committee receives updates on the work of the Internal Audit team at each meeting, including a periodic assessment of the Group's risk and control framework. The Committee considered, challenged, approved, and monitored the Internal Audit plan. Throughout the year, the plan was regularly assessed to ensure it remained focused on the Group's key risks and priorities. All proposed audit plan adjustments were considered, challenged, and approved by the Committee. Areas assessed by the Internal Audit team during 2024 included:

- technology strategy setup and outcomes;
- recoveries distribution in multiple defaulted loans;
- GGS readiness assessment;
- client money payment platform, operations and controls;
- FlexiPay billing and card transactions (report finalised in 2025);
- Marketplace conduct and lending partnerships (report finalised in 2025);
- enterprise data governance; and
- cyber security strategy and risk management approach.

Following business restructuring and internal promotion, Protim Banerjee was appointed as the new Director of Internal Audit with effect from 1 July 2024. This appointment was announced following a rigorous recruitment process with candidates which included several interviews with the Committee Chair and other members of the Committee and ExCo.

The Internal Audit plan for 2025 was approved by the Committee in November 2024 and aligns to areas of highest inherent risk and strategic, operational and regulatory priority, including:

- FlexiPay – third party management and reliance on specific suppliers;
- financial crime and underwriting approach across multiple products;
- FlexiPay – credit exposure monitoring and management;
- technology performance;
- FY 2025 new Term Loans products;
- marketing effectiveness (carry over from the FY 2024 IA plan); and
- enterprise-wide product development methodology (carry over from the FY 2024 IA plan).

The team also continued to validate ongoing open issues e.g. business resilience, end user computing and collection, recoveries and litigation processes.

Internal Audit effectiveness review

An effectiveness review was conducted by the Committee to evaluate the performance of the Internal Audit team. The outcomes of the evaluation overall were good with high scores demonstrating that the Internal Audit team remained independent, objective and effective, with sufficient resources available to provide the necessary assurance across the Group.

There were a small number of areas suggested for further enhancement that will be appropriately progressed during 2025.

Whistleblowing

The Company takes whistleblowing very seriously and wants all employees to feel able to raise concerns when they arise. This is emphasised in the Code of Conduct for all employees which is reviewed annually. The Committee reviewed the adequacy and security of the Group's whistleblowing arrangements, which included regular whistleblowing updates, and it also provided reports to the Board where appropriate.

As part of the Committee's commitment to ensuring the whistleblowing process and handling of potential incidents are of the highest standards, the Committee reviewed a recommendation by management to introduce a third party anonymous reporting option for employees under the Group's Whistleblowing Policy. This additional line of reporting, together with the rest of the Group's whistleblowing processes, was communicated to employees in both the Company's news bulletin and at a bi-weekly All Hands meeting. There were no incidents reported in 2024.

Committee effectiveness

During the year, a review was undertaken of the effectiveness of the Audit and Risk Committee. Overall, the results of the evaluation were positive. Feedback on the first annual meeting cycle of the new combined Committee was positive and members generally felt that the oversight of the effectiveness of the Group's risk and internal controls was more aligned and that a framework of prudent and effective controls was in place which enabled risk to be assessed and managed appropriately. The Committee agreed that its composition should be reviewed in 2025 considering the recent Board changes and that the agenda would have more focus on emerging and strategic risks.

Subsidiary audit and risk governance

The Group's main operating subsidiary, Funding Circle Ltd ("FCL"), maintained its own Audit and Risk Committee during 2024, which was chaired by the Chair of the FCL Board, Matthew King, until his departure from the Board on 31 December 2024. With the changes in the business in 2024 and reflecting on the fact that the main regulated activity by FCL is now a closed product, the decision has been taken that FCL would no longer have a separate Audit and Risk Committee and that FCL matters relating to audit and risk would instead be covered by this Committee. The regulated FCL Board will continue to meet as a separate Board, with the Chair of the Funding Circle Holdings Board as a member, and with a newly agreed schedule of matters reserved for decisions including approval of the CASS audit and the FCL Annual Report and Accounts.

Geeta Gopalan
Chair of the Audit and Risk Committee
6 March 2025

Report of the ESG Committee

In 2024, the Company made good progress in delivering against its ESG objectives."

Andrew Learoyd
Chair of the ESG Committee

Members and attendance

Member	Meetings	Attendance
Andrew Learoyd (Chair)	2/2	100%
Matthew King	2/2	100%
Neil Rimer	1/2	50%
Helen Beck	2/2	100%

The Committee's role and key responsibilities are defined in its Terms of Reference which can be found on our website

On behalf of the Board, I am pleased to present the ESG Committee's report for the year ended 31 December 2024.

The Committee met twice this year, in accordance with its updated Terms of Reference. In addition to formal meetings, the Committee also received quarterly reports on progress of ESG activities. The Committee was pleased that the majority of the 2024 ESG framework goals were completed to its satisfaction, and is comfortable with the level of ambition set for 2025.

In 2024, the Company made good progress in delivering against its ESG objectives, taking into consideration changes in the business, including the sale of the US operations. We carried out benchmarking of our activities and reviewed our ambition statements for each of our key pillars – environmental, social impact, DEI and governance – to ensure they remain in line with our vision and broader sustainability developments.

For more detailed information on the Group's ESG activities and goals, and TCFD and Climate disclosures, please see the Environment, Social and Governance section of our Strategic Report from page 24 and the Climate and Environment section from page 28.

Diversity, equity and inclusion

On DEI and social impact, the Committee continued to be impressed with the sustained level of engagement of the various employee “Circler groups”. This was brought to life in particular at the CircleIN event in October of last year, spotlighting the vibrant culture and values at Funding Circle.

In 2024, we were pleased to see relatively stable engagement and continued strong inclusion and belonging results across our key DEI metrics. While we were disappointed to see a drop in our “recommend” score, we recognise it has been a significant year of organisational change for Circlers, who throughout have demonstrated their continued resilience and commitment to our business. In particular, we were delighted and proud to see Circlers recognised externally for their contributions to the DEI agenda.

In 2025, we will report a higher gender pay gap ratio compared to our lowest ever reported in 2024. The Committee continues to focus on diversity at senior levels of the Company and continues to challenge senior management to identify where improvements can be made to demonstrate progress at these levels.

Social impact

The Company is a participant of the United Nations Global Compact, and in 2024 we published our Human Rights Statement as planned.

We were pleased to renew our partnerships with Hatch to support underserved social entrepreneurs, and with Thrive Mental Wellbeing to support the mental health of SME owners and their employees in the UK. It was encouraging to see sustained Circler volunteering, with 171 impact days used in 2024 across a number of great social and environmental causes.

Climate and the environment

The Company successfully completed independent third party verification (ISO 14064-1) of its 2023 GHG emissions data for all activities under its operational control for the first time. During the year we evolved our interim net zero targets, reflecting a deepening of our transition planning efforts, as well as the sale of our US business.

We were pleased to renew our support for Earthwatch’s Tiny Forest UK-wide initiative, contributing to the wellbeing of ecologically deprived areas.

We appreciate the potential challenges and opportunities that a transition to a lower-carbon future brings for the Company, its customers and other stakeholders. We continued to engage on these topics through industry forums and we look forward to continued progress, and understanding of our financed emissions data.

Governance and risk management

The Committee is pleased with the progress made against our roadmap this year. We developed and approved our Climate Risk Management Framework, and our disclosures are consistent with the TCFD recommendations.

Matthew King continued his role as sponsor for climate-related activities in 2024. Following his resignation from the Board, we will continue to consider ways of maintaining Board-level expertise on ESG topics. Helen Beck continued with her role as Workforce Engagement Non-Executive Director and engaged with Circlers across the Group during the year through an employee focus group. This provided an open forum to gain Circler insight on the Group’s culture, recent changes to the Group’s strategic direction and other issues of importance to Circlers, which Helen then fed back to the Board.

2024 Committee effectiveness review

The Committee completed an internal effectiveness review for 2024. Overall, the results of the evaluation were positive. The questionnaire addressed the composition and set-up of the Committee, the frequency of meetings, the timeliness and quality of the papers, the work of the Committee and whether it receives enough information to feel confident about its oversight role.

Key activities in 2025

In 2025 we will continue to make progress against our DEI goals to support a diverse and inclusive organisational culture. We will focus on progressing our net zero targets, while investing in BVCM activities that contribute to environmental and societal benefits. As sustainability regulation evolves, we will work towards preparing for IFRS S1 and S2, and understanding how our efforts align to transition planning guidance. Our detailed goals and roadmap for 2025 are outlined in the ESG section on page 25.

Andrew Learoyd
Chair of the ESG Committee
6 March 2025

Directors' remuneration report

Helen Beck
Chair of the
Remuneration Committee

Members and attendance

Member	Meetings	Attendance
Helen Beck (Chair)	6/6	100%
Andrew Learoyd	6/6	100%
Matthew King	6/6	100%

The Committee's role and key responsibilities are defined in its Terms of Reference which can be found on our website

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2024.

2024 was a significant year for Funding Circle. Good progress was made against each of our strategic pillars as the business successfully exceeded our financial and strategic goals, with profit ahead of expectations for the year (see pages 44 to 50 for more information on business performance). The team demonstrated resilience and focus, executing on multiple strategic goals effectively, creating a simple UK-focused business to serve our customers. This was achieved during a year where Funding Circle completed the sale of the US business, recognising a £10 million gain on the sale.

Executive Director Remuneration for 2024

For the 2024 annual bonus, the weighting on financial targets was 70% (split equally between Group Revenue and Group PBT) and the remaining 30% was on strategic/non-financial metrics. As described in more detail on pages 103 to 104, the outcome for Group Revenue was above target and for Group PBT (before exceptionals) was near the maximum. The Committee assessed the strategic/non-financial goals to have been exceeded. The overall outcome of the bonus assessment against the agreed targets was therefore 85.4% of maximum. The Committee considers this an appropriate reflection of the overall performance delivered for stakeholders, and no discretion was applied.

The 2022 restricted share awards granted to Lisa Jacobs and Oliver White were a fixed number of shares (determined at the beginning of the Policy period, in 2021) and represented 78% and 58% of salary respectively, a reduction of approximately 42% on the typical Policy levels (being 133% of salary for the CEO and 100% of salary for the CFO). The Committee assessed performance over the vesting period and determined that the awards will vest in full on 24 March 2025. Further information is set out on page 105.

During the year, the CEO and CFO were granted restricted share awards at the level of 115% and 85% of salary, respectively. As indicated in last year's report, the Committee granted these awards below the respective Policy maxima (133% and 100% of salary) in consideration of business performance and share price at the time of award.

CFO transition

As announced in May 2024, Oliver White stood down from his role as CFO at the end of the year, following a successful transition period. The Committee determined that Oliver would be treated as a good leaver, and as such his unvested Restricted Share awards will be time-prorated and vest on their original vesting dates, subject to the relevant underpins. Oliver remained eligible for a 2024 bonus having been in office for the full financial year. The bonus outcome is as described above and will be paid fully in cash in line with our policy. He will not receive any other payments linked to his exit. Further information is set out on page 108.

Tony Nicol, previously our Director of Finance and Investor Relations, succeeded Oliver White as Chief Financial Officer on 1 January 2025.

Remuneration Policy review

Following strategic decisions made in 2024 to focus on a simple, leaner, and profitable UK business the Committee determined it was appropriate to propose a new Remuneration Policy for approval at the 2025 AGM. The new Policy is designed to support our evolving business strategy and new medium-term plan, will place a strong emphasis on performance-related awards, and will be focused on delivering against our financial goals as a sustainable, profitable, growth business. To achieve this, a performance share plan (the "FC PSP") will replace restricted shares, the current long-term incentive. Under the proposed Policy, around 70% of the CEO's total remuneration will be performance-based (compared to around 20% under the current policy). We believe this creates greater alignment between Executive Directors and shareholders, and incentivises the ongoing creation of long-term value, building on progress made in 2024.

We conducted a detailed consultation with our largest shareholders, covering over 80% of our issued share capital, and we were grateful for all of the feedback received which helped shape the final Policy design, including the approach to salary increases, selection of appropriate performance measures and overall remuneration structure. Under the new Policy, Executive Directors will remain eligible for an annual bonus, with maximum opportunities of 150% of salary for the CEO and 100% of salary for the CFO. For the FC PSP, the maximum award size under the Policy will be 350% of salary, with typical awards being 350% and 250% of salary for the CEO and CFO respectively. The Committee considered the overall quantum for Executive Directors holistically, taking into consideration the stretching nature of our ambitious strategy, the need to retain and incentivise high calibre individuals, alongside relevant market data for companies of a similar size (those at the top of the FTSE SmallCap – see page 93 for more details). Executive Directors will only receive the maximum vesting outcomes under the FC PSP for achieving exceptional performance. The proposed Remuneration Policy is designed to provide Executive Directors with a total remuneration package which is market competitive but more heavily weighted towards being long-term, share-based and subject to stretching performance targets, which we believe reflects our culture and philosophy, and our desire to incentivise long-term sustainable growth.

To ensure further alignment with shareholders the CEO shareholding guidelines will be increased to 250% of salary, for both in-post and post-exit purposes. For the annual bonus up to 40% of any bonus earned will be deferred into shares for three years. However, in line with developing market practice, this may be decreased by the Committee if the Executive Directors have met their shareholding requirement at the time of the bonus payment, subject to Committee retaining the capacity to exercise malus and clawback provisions. A level of deferral will always apply to Executive Director annual bonus outcomes (e.g. 20%).

No other changes to the Policy are proposed, which remains well aligned to key principles of best practice. The full Remuneration Policy, which is set out on pages 94 to 100 of this report, will be submitted for shareholder approval at the 2025 AGM.

Executive Director remuneration arrangements for 2025

The Committee believes the CEO salary should be increased to £475k, to appropriately reflect the CEO's skills, experience and value brought to the business, and the importance of ensuring a competitive salary. Such a salary level would remain low against companies of a similar size. However, as outlined above, through the incentive opportunities available under the new Policy, target total remuneration would be market competitive, but weighted towards the achievement of the stretching performance-based elements of the package.

Following shareholder consultation, considerations on the wider Circler salary increase and our culture, as well as input from the CEO herself, this increase will be phased over two years. With effect from 1 March 2025, Lisa Jacobs will receive a salary increase to £450k, with a further increase to £475k from 1 March 2026. The CFO was appointed on 1 January 2025 on a salary of £350k, and will not receive a further increase this year.

The 2025 annual bonus will be based 70% on financial measures, which will continue to reflect revenue and profit goals, and 30% on key strategic/non-financial objectives. Bonus opportunities will be in line with the new Remuneration Policy as described above. In respect of the 2025 FC PCP, we intend to grant the CEO 350% of salary and the CFO 250% of salary, in line with the normal awards in the new Policy. Vesting of the award will be subject to an assessment of performance conditions, based 60% on relative Total Shareholder Returns (rTSR) against the FTSE 250 excluding Investment Trusts, and 40% on stretching Profit Before Tax (PBT) targets. The targets are disclosed on page 95. In line with good practice, and as requested by shareholders, for awards in future years, we will keep the measures under review, including reviewing whether other measures (e.g. return on tangible equity, RoTE), would be appropriate to include. As always, the Committee will consider overall performance in determining any vesting of awards (including share price appreciation).

Remuneration arrangements for Circlers

In a significant year for the business, I wish to thank all our Circlers for their dedication and commitment over the course of 2024. The Group annual bonus for 2024 is being awarded at c.118% of target in aggregate, with payment being based on similar financial measures as the Executive Directors.

In 2024, we continued our Share Incentive Plan, where for Circlers buying "Partnership" shares in Funding Circle they would receive two "Matching" shares for every "Partnership" share purchased. We also paid a bonus of up to £1,000 for junior Circlers in December and continued to keep pace with the "Real Living Wage" increasing the salary of any Circlers whose salary was below the threshold in 2024.

For 2025, the Executive Committee members will be included in the FC PSP and will be subject to the same performance measures, targets, and vesting periods as the Executive Directors. This ensures that the most senior Circlers are aligned on driving the performance of the business over the long term.

Conclusion

On behalf of the Remuneration Committee, I would like to thank the other Committee members and the Circlers who have supported the Committee this year. I would also like to thank our shareholders for their continued support, including those who engaged in our Remuneration Policy reviews during 2024 and 2025. We were delighted with the support received from shareholders at the 2024 AGM and we hope to continue to receive your support at our 2025 AGM, where I will be available to respond to any questions on this report or in relation to any of the Committee's activities.

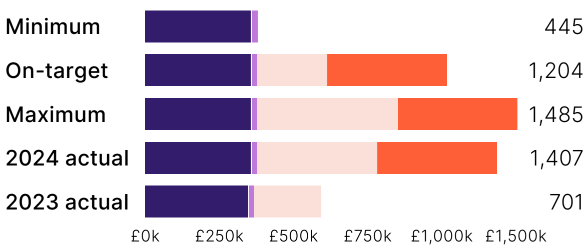
Helen Beck
Chair of the Remuneration Committee
6 March 2025

Directors' remuneration report continued

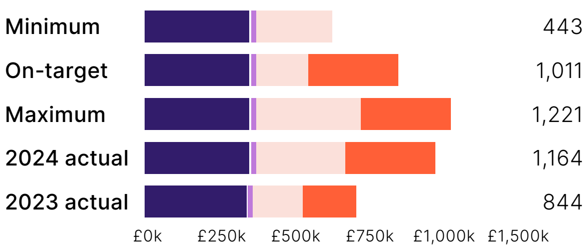
At a glance: Remuneration outcome for 2024

The charts below show the potential 2024 remuneration opportunity and actual achievement.

Lisa Jacobs, CEO



Oliver White, CFO



● Salary ○ Benefits ● Pension ● Bonus ● Restricted shares

2024 annual bonus outturn

The chart below shows the outcome of the 2024 annual bonus. A summary of overall business performance is on pages 44 to 50.

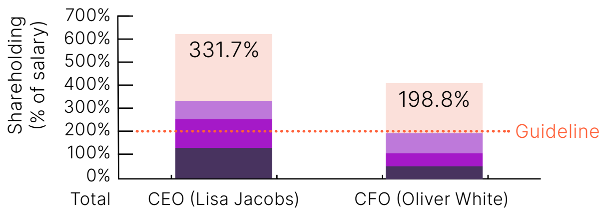
Performance measure	Weighting	Threshold 0% payout	Target 50% payout	Maximum 100% payout	Outcome (% of maximum)	Outcome (% of salary)
Group Revenue	35%	£131m	Actual £160.1m £152.6m	£174.1m	67.4%	
Group Profit Before Tax	35%	-£9.7m	Actual £3.4m -£2.5m	£4.7m	91.0%	
Strategic/non-financial (including FlexiPay)	30%	Performance of strategic/non-financial objectives exceeded expectations, and with significant strategic value delivered in 2024. See pages 103 to 104 for further details.			100%	
				Total (CEO)	85.4%	113.6%
				Total (CFO)	85.4%	85.4%

Payments for 2024 cover a time period of 5 years

Element	Maximum opportunity for 2024	Awarded for 2024	2024	2025	2026	2027	2028
Salary	n/a	CEO: £424k[1] CFO: £420k	Salary, benefits and pension paid in cash or contributions				
Pension	5% of salary	5% of salary					
Benefits	In line with other Circlers	In line with other Circlers					
Annual bonus	CEO: 133% of salary CFO: 100% of salary	113.6% of salary 85.4% of salary	60% paid in cash 100% paid in cash	40% deferred into shares for 3 years			
Restricted shares (granted 16 May 2024)	CEO: 133% of salary CFO: 100% of salary	115% of salary 85% of salary[2]	3-year vesting period (underpins tested following completion of vesting period)			Post-vesting holding period of 2 years	

1. The CEO waived a proposed increase to £434k in 2024.
2. Oliver White's 2024 restricted share award will be prorated for time in role.

Shareholding guidelines for Executive Directors as at 31 December 2024



● Unvested awards ● Unvested awards (not subject to performance) ● Vested but unexercised ● Beneficially owned shares

Shareholding as a % of salary is based on the three-month average share price to 31 December 2024 of 133.3p. Unvested awards subject to performance conditions are not taken into account in the assessment of the shareholding until such time as they vest.

At a glance: Revised policy overview and implementation for 2025

Element of Remuneration Policy	Current Policy	Proposed changes in Policy and rationale	Implementation in 2025
Salary	• Reviewed annually in March. • Salaries take account of the external market and the overall employee context. • No prescribed maximum salary level or salary increases.	Proposed changes: • No changes.	As of 1 March 2025, Executive Director salaries are as follows: • £450,000 for the CEO. • £350,000 for the CFO on appointment on 1 January 2025.
Benefits & pension	• Executive Directors receive the same benefits as other UK Circlers which currently include, but are not limited to, life assurance and private medical insurance. • Maximum contribution is in line with contribution to other Circlers in the Group, which is currently 5% of salary. Individuals are entitled to receive some or all of their pension allowance as cash in lieu of pension contribution.		Benefits offered to Executive Directors will be in line with those available to other employees in the Group. Executive Directors will receive 5% of salary in a combination of contributions into their pension and cash in lieu of pension contributions.

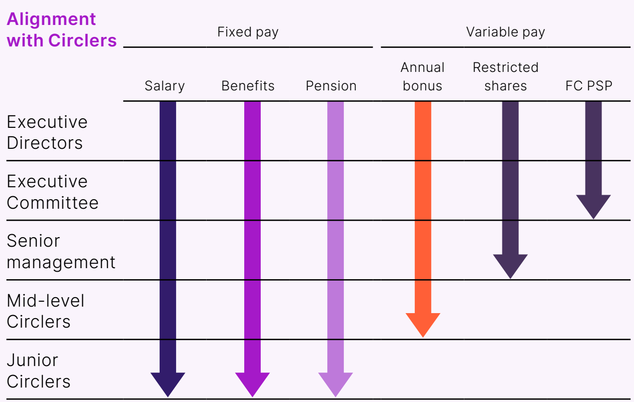
Annual bonus	• A maximum opportunity in respect of any financial year of:
	  • CEO: 133% of salary.
	  • Other Executive Directors: 100% of salary.
	• 40% of any bonus earned will be deferred into Funding Circle shares and will cliff vest after 3 years.
		Proposed changes:
		• Increased opportunity for the CEO to further increase performance-based variable pay.
		• Up to 40% of any bonus earned will be deferred into Funding Circle shares which will cliff vest after 3 years. The level is dependent on the shareholding of individual Executive Directors. A level of deferral will always apply (e.g. 20%).
			Maximum opportunities of:
			• 150% of salary for the CEO.
			• 100% of salary for the CFO.
			70% of bonus based on financial measures, 30% strategic/non-financial.

FC PSP (replacing the Restricted Shares awards)	n/a	Proposed changes: • Introduction of the FC PSP. Grants of up to 350% of salary, with typical award sizes of 350% of salary for the CEO and 250% for the CFO. • Awards will vest after 3-years subject to the achievement of performance metrics. A post-vesting holding period of 2 years will apply.	Maximum opportunities of: • 350% of salary for the CEO. • 250% of salary for the CFO. Will vest 60% on Relative TSR and 40% on PBT.

Market positioning: Executive Director Remuneration

The Committee reviewed the proposed total remuneration for the Executive Directors against other listed companies of a similar size. At the end of 2024, Funding Circle's market capitalisation was positioned near the top of the FTSE SmallCap. The total remuneration package, which is less fixed, and more long-term, performance-linked, than companies of a similar size, is below the upper quartile of the top half of the FTSE SmallCap, however due to the higher leverage will provide above upper quartile pay for achieving exceptional performance (data was also referenced against the bottom of the FTSE 250 to ensure consistency). This weighting towards performance and the long-term aligns with the Company's remuneration philosophy as well as our strategic direction.

		CEO		CFO	
		Salary	Target total remuneration	Salary	Target total remuneration
FTSE SmallCap Top Half	Upper quartile	£583k	£1,711k	£402k	£1,054k
	Median	£518k	£1,386k	£350k	£888k
	Lower quartile	£484k	£1,193k	£320k	£778k
Funding Circle	Current (2024 Policy)	£424k	£1,292k	£350k	£893k
	Proposed	£450k	£1,599k		£984k



Directors' remuneration report continued

Remuneration Policy

The Remuneration Policy, as set out in this section, applies to the roles of Chair, Executive Director and Non-Executive Director. If approved by shareholders in a binding vote at the 2025 AGM, the Remuneration Policy will apply for a maximum of three years from the AGM.

The key changes to the Policy are the implementation of performance share plan and removal of restricted shares, alongside increased variable short and long term opportunities, to drive performance based outcomes for Executive Director reward. The other changes to the Policy include deferrals for short-term opportunities will now be subject to Committee assessment of current Executive Director shareholdings, and the CEO shareholding requirement is increased to 250% in-post and post-exit.

As part of the policy review, shareholders representing over 80% of issued share capital were consulted and helped shape final Policy design.

Executive Directors' remuneration

Element of remuneration	Key features	Purpose and link to strategy	Maximum opportunity	Performance measures
Salary	Normally reviewed annually in March. Salaries take account of the external market and the overall employee context.	Supports the attraction and retention of the best talent.	No prescribed maximum salary level or salary increases. Account will be taken of increases applied to employees as a whole when determining salary increases. Committee retains the discretion to award higher increases where it considers it appropriate, such as, but not limited to: • where an Executive Director has had a change in scope or responsibility; • an Executive Director's development or performance in role (e.g. to align a newly appointed Executive Director's salary with the market over time); • where there is a significant change in the size and/or complexity of the Company; and • where salary is considered to fall behind the market competitive range for similar roles.	n/a
Benefits	Executive Directors' benefits currently include, but are not limited to, life assurance and private medical insurance. The Committee may determine that Executive Directors should receive additional benefits if appropriate, taking into account typical market practice and practice throughout the Group.	Market competitive (and cost effective) benefits provide reassurance and risk mitigation and support retention of talent.	The value of benefits is not capped as it is determined by the cost to the Company, which may vary. Benefits offered to Executive Directors are broadly in line with those available to other employees in the Group.	n/a
Pension	Executive Directors are entitled to receive employer contributions to the Funding Circle Ltd defined contribution pension plan. Individuals are entitled to receive some or all of their pension allowance as cash in lieu of pension contribution.	To provide retirement benefits for Executive Directors.	Maximum contribution in line with contribution to other employees in the Group, which is currently 5% of salary.	n/a

Element of remuneration	Key features	Purpose and link to strategy	Maximum opportunity	Performance measures
All-employee plans	Executive Directors are eligible to participate in HMRC tax-efficient plans that are available to all employees. Funding Circle currently operates a Share Incentive Plan.	To encourage share ownership and alignment with shareholders.	Participation levels are in line with HMRC limits.	n/a
Annual bonus	Awards are based on performance (typically measured over a financial year) against key performance measures. Up to 40% of any bonus earned will normally be deferred into shares for three years. The level is dependent on the shareholding of individual Executive Directors. A level of deferral will always apply (e.g. 20%). The Executive Directors may, at the discretion of the Committee, receive dividend equivalents on the deferred shares. Malus and clawback provisions apply (see below).	To motivate and reward the achievement of the Group's annual financial and strategic targets.	A maximum opportunity in respect of any financial year of: • CEO: 150% of salary. • Other Executive Directors: 100% of salary.	Measures and targets will normally be set annually by the Committee and will be in line with Funding Circle's strategy. A mix of both financial and non-financial measures will typically be used, with at least 60% of the annual bonus normally based on financial measures. The target annual bonus is normally 50% of maximum opportunity. Typically, 0% will be payable for threshold performance. The Committee has discretion to amend the payout should any formulaic outcome not reflect the Committee's assessment of overall business performance, the performance of the individual, or the experience of shareholders or other stakeholders over the performance period.
FC Performance Share Plan (PSP)	Executive Directors are granted FC PSP awards with a three-year performance and vesting period. Following the end of the vesting period, any vested awards will be subject to a two-year holding period. Awards may be granted in the form of conditional share awards or nil-cost options. The Executive Directors may, at the discretion of the Committee, receive dividend equivalents on vested shares. The awards are subject to malus and clawback provisions (see below).	Align Executive Directors with shareholders' interests, and incentivises execution of Funding Circle's long-term strategy.	The maximum award level granted in respect of a financial year is 350% of salary. Awards will typically be 350% of salary for the CEO and 250% of salary for other Executive Directors. Prior to each grant, the Committee will consider the size of grant to be awarded taking into account the share price at the time of grant as well as other factors such as appropriate market data.	The vesting of the FC PSP awards will be subject to performance conditions. Performance is measured over three years against measures set by the Committee for each award. The PSP is based on quantitative measures, with the majority normally based on financial measures, aligned to strategy and shareholder value. The performance measures for awards to be granted in 2025 are as follows: • Relative total shareholder return (TSR) – 60% • Adjusted Profit Before Tax (PBT) – 40% Different performance measures and/or weightings may be used for awards in future years. The level of vesting for threshold performance will be no higher than 25% of maximum. At the end of the three-year vesting period, the Committee, in its absolute discretion, will determine the overall vesting level of the award to ensure that outcomes accurately reflect the Committee's assessment of overall business performance, the performance of the individual, performance against key strategic, governance or ESG metrics, or the experience of shareholders (e.g. share price appreciation) or other stakeholders over the vesting period.

Directors' remuneration report continued

Remuneration Policy continued

Executive Directors' remuneration continued

Element of remuneration	Key features	Purpose and link to strategy	Maximum opportunity	Performance measures
In-post shareholding requirement	Executive Directors are expected to build and maintain a holding of shares in the Company.	Supports our ownership mentality focus, promotes stewardship and helps align management with shareholders	Minimum shareholding requirement, to be satisfied within five years of appointment of no less than 250% of salary for the CEO and 200% of salary for other Executive Directors. If any Executive Director does not meet the requirement, subject to consideration by the Committee of the factors at the time, they will be expected to retain all of the net of tax number of shares vesting under any of the Company's discretionary share incentive arrangements until the requirement is met.	n/a
Post-exit shareholding requirement	Executive Directors are expected to retain a proportion of their shareholding for a two year period after they have left Funding Circle.	To reinforce long-term alignment of Executive Directors' interests with those of shareholders post cessation of employment.	Minimum post-exit shareholding requirement of "guideline shares" equal to 250% of salary for the CEO and 200% of salary for other Executive Directors or the actual shareholding on departure, if lower. "Guideline shares" do not include shares which the Executive Director held at IPO, purchased in the market directly or acquired pursuant to the exercise of pre-IPO awards	n/a

Performance measures and targets selection

Performance measures

The measures used in the annual bonus plan will be selected annually to reflect the Group's key financial and strategic objectives for the year. The FC PSP will be subject to performance measures that will be measured over three years. These measures will be selected annually to reflect the Group's key long-term strategy and overall goals, and alignment with value creation for shareholders. Measures are kept under review and are subject to change in line with business strategy.

Performance targets

In setting performance targets, the Committee considers a range of factors including internal and external forecasts, prior year performance, degree of stretch against the performance targets in the business plan, and market conditions. Targets are set to be stretching, yet achievable to ensure Executive Directors are motivated, with maximum targets set at a level reflecting exceptional performance.

Malus and clawback policy

Malus and clawback provisions apply to annual bonus awards, deferred bonus awards and FC PSP Share awards over the following time periods:

	Malus	Clawback
Annual bonus	To such time as payment is made.	Up to two years following payment.
Deferred bonus awards	To such time as the award vests.	No clawback provisions apply (as malus provisions apply for three years from the grant date).
FC PSP	To such time as the award vests.	Up to two years following vesting.

Malus and clawback may apply in the following circumstances:

- a material misstatement of the audited accounts of a member of the Group;
- an error in assessing a performance measure or underpin, or an error in the information or assumptions on which awards were granted, vest or released;
- a material failure of risk management in any member of the Group or a relevant Business Unit;
- serious reputational damage to any member of the Group or a relevant Business Unit; or
- serious misconduct or material error on the part of the participant.

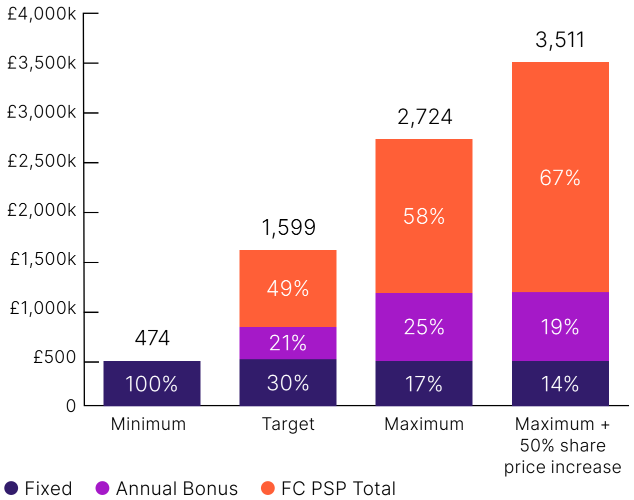
Discretions reserved in administering incentive awards

The Committee will administer the annual bonus, deferred bonus awards, FC PSP awards and Share Incentive Plan awards in accordance with the relevant plan rules and the above Remuneration Policy table. The Committee retains certain discretions, consistent with market practice, in relation to the administration of the awards including:

- the determination of performance measures, underpins and targets and resultant vesting and pay-out levels;
- the ability to amend or substitute a performance measure or target if one or more events occur which cause the Committee to reasonably consider that an amended or substituted performance measure or target would be more appropriate and would not be materially less difficult to satisfy than originally intended;
- the determination of the treatment of individuals who leave employment, based on the relevant plan rules, and the treatment of the awards on exceptional events, such as a change of control of the Company; and
- the ability to make adjustments to deferred bonus awards, Restricted Share awards, Share Incentive Plan awards and FC PSP awards in certain circumstances (e.g. rights issues or corporate restructurings).

Illustrations of the application of the Remuneration Policy in 2025

CEO (Lisa Jacobs)



CFO (Tony Nicol)

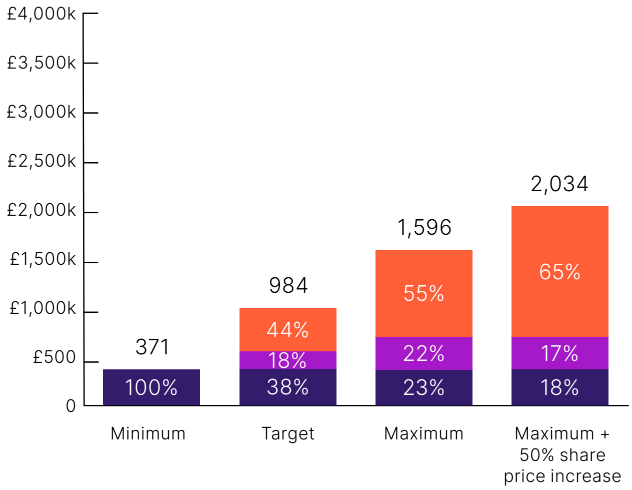


Illustration assumptions

Element of pay	Minimum	Target	Maximum	Maximum + 50% share price appreciation
Fixed remuneration: • Base salary – effective as at 1 March 2025 • Benefits – in line with the value of 2024 benefits disclosed in the single figure table (which includes the previous CFO's value for the new CFO) • Pension – 5% of salary				
Annual bonus	No payout	50% of maximum (target payout)	Maximum payout	
FC PSP	No vesting	Assumes threshold performance with 25% of the award vesting.	Assumes 100% of award vests.	Maximum value vesting multiplied by 1.5x.

Legacy arrangements

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the 2025 Policy came into effect provided that the terms of the payment were consistent with any shareholder-approved Directors' Remuneration Policy in force at the time they were agreed or (ii) at a time when the relevant individual was not a Director of the Company or other person to whom this policy applies and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company or other such person. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

The Committee reserves the right to make minor amendments to the Policy, for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without seeking shareholder approval.

Directors' remuneration report continued

Remuneration Policy continued

Executive Directors' service contracts

The Executive Directors' service contracts are on a rolling basis and are terminable by either the Company or the individual on 12 months' notice for the CEO and six months' notice for the CFO. Notice periods for Executive Directors will not exceed 12 months from either party.

	Date of service agreement
Lisa Jacobs, CEO	1 January 2022
Tony Nicol, CFO	1 January 2025

Payments for loss of office

The principles on which the determination of payments for loss of office will be approached are set out below.

	Policy
Payment in lieu of notice	The Committee has discretion to make a payment in lieu of notice based on salary for the unexpired period of notice. The Company may make such payment in monthly instalments, and it may be subject to mitigation.
Annual bonus	This will be at the discretion of the Committee on an individual basis and the decision as to whether or not to pay a bonus in full or in part will be dependent on a number of factors, including the circumstances of the Executive Director's departure and their contribution to the business during the performance period in question. Any bonus earned will normally be pro-rated for time in service during the performance period and will, subject to performance, be paid at the usual time (although the Committee retains discretion to pay the bonus earlier in appropriate circumstances) and in the normal manner. Any bonus earned for the year of departure and, if relevant, for the prior year may be paid wholly in cash at the discretion of the Committee.
Deferred bonus award	The extent to which any unvested awards will vest will be determined in accordance with the Deferred Bonus Plan rules. If an Executive Director leaves for any reason (other than being dismissed for cause) during the deferral period then unvested awards will continue and vest at the normal vesting date. In exceptional circumstances (including if a participant dies), the Committee may decide that the Executive Director's unvested award will vest and be released early at the date of cessation of employment, in which case the Committee has discretion to apply time pro rating in limited circumstances.
FC PSP	The extent to which any unvested awards will vest will be determined in accordance with the share plan rules. Unvested awards will normally lapse on cessation of employment. However, unless a participant is dismissed for cause, the Committee has discretion to determine that the unvested awards will continue and remain capable of vesting at the normal vesting date, subject to the performance measures being met. To the extent that the awards vest, a two-year holding period would then normally apply. In exceptional circumstances (including if a participant dies), the Committee may decide that the Executive Director's awards will vest and be released early at the date of cessation of employment or at some other time (e.g. at the vesting date). In either case, vesting will depend on the extent to which the performance conditions have been satisfied and will be subject to a pro rata reduction for time served during the vesting period (although the Committee has discretion to disapply time pro rating if the circumstances warrant it).
Change of control	Deferred bonus awards and FC PSP will vest early in the event of a takeover, merger or other relevant corporate event. Deferred bonus awards will typically vest in full. As regards FC PSP awards, vesting will depend on the extent to which the performance conditions have been satisfied, with the Committee taking into account relevant factors at the time, and will be subject to a pro rata reduction for time served during the vesting period (although the Committee has discretion to disapply time pro rating if the circumstances warrant it). Alternatively, the Committee may permit deferred bonus awards and FC PSP awards to be exchanged for equivalent awards of shares in a different company (including the acquiring company).
Other payments	Executive Directors will be entitled to payment for accrued holiday. Awards under the Share Incentive Plan may be released in the event of cessation of employment or change of control in accordance with the plan rules. The Committee reserves the right to make any other payments in connection with a Directors' cessation of office or employment where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and for the Directors' legal and/or professional advice fees in connection with his cessation of office or employment. Incidental expenses may also be payable where appropriate.

Recruitment policy

The Company's recruitment remuneration policy aims to give the Committee sufficient flexibility to secure the appointment of high calibre executives to strengthen the management team and secure the skill sets necessary to deliver the Group's strategic aims.

When hiring a new Executive Director, the Committee will typically align the remuneration package with the Remuneration Policy as set out above. The Committee may include other elements of pay which it considers appropriate, however, this discretion is capped and is subject to the principles and the limits referred to below. The key terms and rationale for any such element would be disclosed in the Directors' Remuneration Report for the relevant year.

	Policy
Salary	Salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. This may include a provision for future increases up to a market rate, in line with increased experience and responsibilities, subject to good performance, where it is considered appropriate.
Buy-out awards	It may be necessary to make additional awards in connection with the recruitment to buy-out remuneration terms forfeited by the individual on leaving a previous employer if it considers the cost can be justified and it is in the best interests of the Company. Buy-out awards are not subject to a formal cap. The Committee will seek to make buy-outs subject to what are, in its opinion, comparable requirements in terms of service and performance. Where considered appropriate, buy-out awards will be liable to forfeiture or recovery provisions on early departure.
Maximum level of variable remuneration	The maximum level of variable remuneration which may be granted (excluding buy-out awards) will be 150% of salary for the annual bonus and 350% of salary for FC PSP awards, in line with the limits in the Policy Table above.
Other elements of remuneration	Other elements may be included in the following circumstances: • An interim appointment being made to fill an Executive Director role on a short-term basis. • If exceptional circumstances require that the Chair or a Non-Executive Director takes on an executive function on a short-term basis. • If an Executive Director is recruited at a time in the year when it would be inappropriate to provide an annual bonus or Restricted Share award for that year, subject to the limit on variable remuneration set out above, the quantum in respect of the period employed during the year may be transferred to the subsequent year. • If the Executive Director is required to relocate, reasonable relocation, travel and subsistence payments may be provided (either via one-off or ongoing payments or benefits).

For an internal appointment, any legacy arrangements will either continue on their original terms or be adjusted to reflect the new appointment, as appropriate.

Any share awards referred to in this section will be granted as far as possible under the Company's existing share plans. If necessary, and subject to the variable remuneration limits referred to above, awards may be granted outside of these plans as permitted under the Listing Rules which allow for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director.

Fees payable to a newly appointed Chair or Non-Executive Director will be in line with the fee policy in place at the time of appointment.

Policy on external appointments

Executive Directors may hold external directorships and retain any fees for such directorships if the Board determines that such appointments do not cause any conflict of interest.

Non-Executive Directors' remuneration

Key features	Purpose and link to strategy
The fees paid to the Chair are determined by the Remuneration Committee. The fees for the Non-Executive Directors are determined by the Board as a whole. The Chair and the Non-Executive Directors are paid annual fees and do not participate in any of the Company's incentive arrangements or receive any pension provision or other benefits. Additional fees are payable for additional Board duties, including acting as Senior Independent Director and for chairing Committees. Additional fees may be paid in the exceptional event that Non-Executive Directors are required to commit substantial additional time above that normally expected for the role. The Chair and/or Non-Executive Directors may receive part of their fee(s) in company shares. The Non-Executive Directors are not entitled to any compensation on termination of their appointment. The Non-Executive Directors are entitled to reimbursement of reasonable expenses (including any associated tax liabilities). Overall fees paid to the Chair and Non-Executive Directors will remain within the limits set by the Company's Articles of Association.	Fees are set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and its Committees and to attract and retain Non-Executive Directors of the highest calibre with relevant commercial and other experience.

Directors' remuneration report continued

Remuneration Policy continued

Non-Executive Directors' remuneration continued

As an early-stage private company, which did not pay Directors' fees, the Company historically granted options to certain Non-Executive Directors under the Company's pre-IPO share option plan. Although the options granted will continue to be held by those Non-Executive Directors going forward, no further options have or will be granted to Non-Executive Directors post-IPO under any of the Company's share option plans. The options held by the relevant Non-Executive Directors are all vested.

Remuneration Policy for Circlers

The Committee receives regular updates on overall pay and conditions in the Group, and pay and employment conditions generally in the Group are taken into account when setting Executive Directors' remuneration.

The approach to annual salary reviews is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies.

All Circlers are eligible for either the Group annual bonus plan or another bonus arrangement. Opportunities vary by organisational level and function. From inception, a key element of the remuneration philosophy has been to support share ownership across the business. This has historically been achieved through making equity incentives available to Circlers to encourage them to behave as owners – taking decisions that balance long-term value creation with achieving shorter-term strategic priorities. The remuneration policy for Circlers is reviewed annually to ensure it's aligned with our strategy, valued by Circlers, and provides value for money.

The key elements to the incentive arrangements are:

- The Executive Committee members currently participate in a restricted share plan which is similar in nature to the plan that the Executive Directors are currently eligible for. If the proposed Remuneration Policy is approved at the 2025 AGM, the Executive Committee members will participate in the FC PSP, to ensure an increased focus on performance and alignment with Executive Directors. The same performance conditions will apply to the Executive Committee as the Executive Directors and will be measured over three years and vest after three years.
- Other senior management and senior specialist roles participate in a restricted share plan with grant size increasing with seniority. Equity awarded to these Circlers is subject to continued employment for the two years following the grant date but is not otherwise normally subject to performance conditions.
- The leadership team, managers and specialists participate in a Group annual bonus plan which has similar financial measures as the Executive Directors' annual bonus.
- All Circlers, including Executive Directors, are eligible to participate in our Share Incentive Plan where, for every "Partnership share" that is purchased, two "Matching shares" are awarded.
- Junior Circlers are eligible to receive a cash bonus each year, the size of which depends on their length of service and affordability.

Our workforce engagement Director, Helen Beck, frequently holds workforce engagement sessions with Circlers. While Circlers were not directly consulted in the development of the Directors' Remuneration Policy, a range of topics are discussed in workforce engagement sessions including those of remuneration, reward and recognition.

Alignment between Executive and Circlers' remuneration

The Executive Directors' Policy was designed to align Circler and Executive pay. The main differences between how Executive Directors and Circlers are remunerated are the participation in the FC PSP, longer time periods (vesting, holding and deferral) and tougher performance criteria. The annual performance measures that apply to senior management and specialist roles are the same as those used by Executive Directors.

Annual report on remuneration

This part of the report sets out how the current Remuneration Policy has been applied in 2024 and how the Committee intends to apply the proposed Remuneration Policy in 2025. This part of the report will be subject to an advisory shareholder vote at the 2025 AGM.

Role of the Committee

The Committee's primary role is to determine the remuneration of the Directors and Executive Committee, and the Remuneration Policy for the Executive Directors, as well as monitoring and reviewing its ongoing appropriateness and relevance. In doing so, the Committee ensures that the Remuneration Policy is aligned with the Company's key remuneration principles as well as taking into account external guidance, such as the UK Corporate Governance Code.

For information regarding the Committee's role and key responsibilities, please see the Terms of Reference on our website at corporate.fundingcircle.com/who-we-are/corporate-governance/board-committees.

Committee composition

None of the members who have served on the Committee during the year had any personal interest in the matters decided by the Committee and they are all considered to be independent by the Company. The Company Secretary acted as Secretary to the Committee.

Committee members	Number of meetings attended
Helen Beck, Chair	6/6
Andrew Learoyd	6/6
Matthew King	6/6

The Executive Directors, Chief People Officer, other members of the senior management team and our external remuneration consultants, Alvarez & Marsal, were invited to Committee meetings where it was deemed appropriate. No individuals were involved in decisions relating to their own remuneration.

2024 Committee workstreams

- determined the payout of the Executive Directors' 2023 annual bonus;
- approved the payout of the 2023 annual bonus for Circlers;
- approved the design of the 2024 annual bonus for Circlers and the equity plans;
- set the 2024 annual bonus targets for Executive Directors;
- set the 2024 Restricted Share Plan underpins and approved the grants for Executive Directors;
- reviewed other variable pay plans in the Group;
- approved reward decisions relating to members of the Executive Committee and reviewed Circler compensation; and
- conducted a comprehensive review of the Remuneration Policy, which included consultation with our shareholders, in preparation for its renewal at the 2025 AGM.

2025 Committee priorities

- approve the remuneration arrangements for the Executive Committee, including their equity grants and 2024 bonus outcomes;
- approve the design of the 2025 annual bonus for Circlers and the equity plans, and review other non-Group incentives;
- set the 2025 annual bonus targets, ensuring they align with Funding Circle's strategy as well as its ESG priorities;
- set the 2025 FC PSP performance conditions and approve the grants for Executive Directors; and
- continue to monitor remuneration practices across the Company as a whole, keeping abreast of current and evolving market practice.

Annual report on remuneration continued

Committee effectiveness

The Committee undertook an effectiveness review at the end of 2024, whereby each Committee member and, by invitation, the Chief People Officer, Company Secretary, and the Head of Reward completed a tailored questionnaire. The questionnaire covered topics such as the quality of the remuneration support provided to the Committee and the appropriateness of the remuneration policies and practices implemented in 2024. The positive scores and comments demonstrated that the Committee is working well.

External advisers

The Committee is satisfied that the advice it has received from its appointed adviser Alvarez & Marsal as remuneration consultants is independent, and that the engagement partner and team that have provided remuneration advice do not have connections with the Company that might impair their independence. Alvarez & Marsal was appointed by the Committee in 2023 following a competitive tender process. Alvarez & Marsal is a member of the Remuneration Consultants Group and, as such, voluntarily operates under its Code of Conduct in relation to executive remuneration matters in the UK.

The fee paid to Alvarez & Marsal in 2024 in relation to advice provided to the Committee was £51,900 (excluding VAT), which was based on time spent. Alvarez & Marsal provide no other services to the Group.

Letters of appointment and service contracts

Director	Commencement date of current term	Expiry of current term	Notice period	
			From Company	From Director
Executive Directors				
Lisa Jacobs	1 January 2022	n/a	Twelve months	Twelve months
Tony Nicol	1 January 2025	n/a	Six months	Six months
Non-Executive Directors				
Andrew Learoyd	10 September 2024	30 June 2025	One month	One month
Ken Stannard	1 January 2025	1 January 2028	One month	One month
Geeta Gopalan	18 September 2024	18 September 2027	One month	One month
Hendrik Nelis	5 September 2024	5 September 2027	One month	One month
Neil Rimer	5 September 2024	5 September 2027	One month	One month
Helen Beck	3 July 2024	3 July 2027	One month	One month

The Executive Directors' service contracts are on a rolling basis. All Non-Executive Directors have letters of appointment with the Company. The appointments of each of the Non-Executive Directors are for an initial term of three years, and have been extended for those Non-Executive Directors whose original term has since expired. The appointment of each Non-Executive Director is subject to annual re-election at the AGM.

Shareholder voting

The Committee's resolutions in respect of the Remuneration Policy and Annual Report on Remuneration at the 2024 AGM received the following votes from shareholders:

Number of votes	Remuneration Policy (2024 AGM)		Annual Report on Remuneration (2024 AGM)	
Votes cast in favour	262,845,251	98.7%	265,526,769	99.7%
Votes cast against	3,377,814	1.3%	696,296	0.3%
Votes withheld	42,130	0.0%	42,130	0.0%
Total votes cast (including withheld)	**266,265,195**	**100.0%**	**266,265,195**	**100.0%**

Single total figure of remuneration (audited)

The following tables set out the aggregate emoluments earned by the Directors in the year ended 31 December 2024 and 2023 respectively.

2024	Salary and fees £000	Taxable benefits[1] £000	Pensions[2] £000	Bonus £000	Long-term incentives £000	Total £000	Total fixed £000	Total variable £000
Executive Directors								
Lisa Jacobs	**423**	**5**	**21**	**480**	**478[3]**	**1,407**	**449**	**958**
Oliver White	**419**	**7**	**21**	**358**	**359[3]**	**1,164**	**447**	**717**
Non-Executive Directors								
Andrew Learoyd	**207**	—	—	—	—	**207**	**207**	—
Eric Daniels[4]	**21**	—	—	—	—	**21**	**21**	—
Geeta Gopalan	**80**	—	—	—	—	**80**	**80**	—
Helen Beck	**70**	—	—	—	—	**70**	**70**	—
Matthew King	**70**	—	—	—	—	**70**	**70**	—
Samir Desai CBE[5]	**45**	—	—	—	—	**45**	**45**	—
Hendrik Nelis[6]	—	—	—	—	—	—	—	—
Neil Rimer[6]	—	—	—	—	—	—	—	—
2023								
Executive Directors								
Lisa Jacobs	412	1	20	268	—	701	433	268
Oliver White	408	4	20	200	212[7]	844	432	412
Non-Executive Directors								
Andrew Learoyd	207	—	—	—	—	207	207	—
Eric Daniels	70	—	—	—	—	70	70	—
Geeta Gopalan	80	—	—	—	—	80	80	—
Helen Beck	70	—	—	—	—	70	70	—
Matthew King	70	—	—	—	—	70	70	—
Samir Desai CBE	55	—	—	—	—	55	55	—
Hendrik Nelis[6]	—	—	—	—	—	—	—	—
Neil Rimer[6]	—	—	—	—	—	—	—	—

1. Taxable benefits for Executive Directors principally include private medical cover and life assurance cover and awards made under the Share Incentive Plans (including matching shares). Taxable benefits for Non-Executive Directors relate to reimbursement of travel to the workplace. The Company ensures that the Non-Executive Directors are kept whole by settling the expense and any related tax. The figures shown include the cost of the taxable benefit plus the related tax charge.
2. Executive Directors were eligible for a 5% of base salary pension contribution, £10,000 was paid into each of Lisa Jacobs and Oliver White's company pension with the remainder paid as cash in lieu.
3. Shows the value of the vesting of the 2022 Restricted Share award based on a 3-month average share price to 31 December 2024 of 133.3p. This award was granted on 24 March 2022 was based on a fixed number of shares and was worth 78% of salary for the CEO and 58% of salary for the CFO using a 3-month average share price of 86.6p at date of grant. The fixed number of shares meant that the value of the award was far less than the initial policy maximums of 133% of salary for the CEO and 100% of salary for the CFO. The proportion of the vested value which is attributable to share price growth is therefore 35.1% of the value, or £167k for the CEO and £126k for the CFO. The Remuneration Committee did not exercise discretion in respect of this share price appreciation.
4. Eric Daniels stepped down from the FCH Board on 15 May 2024.
5. Samir Desai CBE stepped down from the FCH Board on 25 October 2024.
6. Hendrik Nelis and Neil Rimer, who are non-independent Non-Executive Directors, have waived their entitlement to a fee.
7. Shows the value of the 2021 Restricted Share award that vested on 19 May 2024 at a share price of 78.8p. This award was granted on 19 May 2021 based on a share price of 148.5p. The proportion of the vested value which is attributable to share price growth is therefore zero. The Remuneration Committee did not exercise discretion in respect of this share price depreciation. The 2021 Restricted Share award value disclosed in the 2023 Remuneration Report was an estimate based on an average three-month share price to 31 December 2023 of 37.5p.

2024 annual bonus (audited)

The maximum opportunities for 2024 were 133% of salary for the CEO and 100% of salary for the CFO. As announced in last year's Directors' Remuneration Report, the weighting of the financial measures would be at least 60% of the annual bonus measures and the strategic/non-financial measures at most 40%. The Remuneration Committee determined that the weighting on financial measures would be 70%, split equally between Group Revenue and Group Profit Before Tax (pre-exceptionals). The remaining 30% on strategic/non-financial was based on delivering key 2024 strategic, stewardship, and sustainability objectives. The measures were set by the Committee and were in line with Funding Circle's strategy. Stretching financial targets were set by the Committee at the start of the year, taking into consideration a number of factors including our 2024 guidance. For the financial measures, an on-target bonus could be earned for achieving 2024 guidance performance.

Annual report on remuneration continued

2024 annual bonus (audited) continued

Structure of the 2024 bonus

Element (weighting %)		Threshold (0% payout)	Target (50% payout)	Maximum (100% payout)	Outcome	Implied payout of element CEO	Implied payout of element CFO
Financial measures (70%)	Group revenue (35%)	£131m	£152.6m	£174.1m	£160.1m	67.4%	
	Group profit before tax (35%) (pre-exceptionals)	-£9.7m	-£2.5m	£4.7m	£3.4m	91.0%	
Strategic/non-financial (30%)		See below				100%	
					Total (% of maximum)	85.4%	
					Total (% of salary)	113.6%	85.4%
					Final outcome (£k)	480	358

In this overall performance context, the outcome of the bonus assessment against the agreed targets was 85.4% of maximum. The Committee considers this an appropriate reflection of the overall performance delivered for stakeholders, and therefore no discretion was applied. In line with our Remuneration Policy, 40% of Lisa Jacobs' bonus payout will be deferred into shares for three years (subject to continued employment) and Oliver White's bonus will be paid in cash.

Strategic/non-financial measures

In 2024 we removed personal performance from the Executive Directors' strategic/non-financial measures as the Committee believes that their personal performance is reflected in the overall Company performance.

Category	Details on objectives and performance
Strategy Delivery of key 2024 strategic objectives	#1 in new products: FlexiPay: • More than 3x growth in FlexiPay line of credit compared to 2023. • Built the infrastructure and capability for a credit card product, launching a Cashback credit card in the second half of the year. • Over 18k FlexiPay cards issued, and c.12k active accounts. US disposal: • Successful divestment of US business at a gain of £10 million and transfer of all US Circlers to the acquiring party. Journey to ongoing Group profitability: increased efficiency, cost management, and productivity improvements: • Successful streamlining of the business to deliver £15 million annualised savings into 2025, including a reduction in headcount (~120). • >3x share price and >£400 million market cap.
Stewardship & Sustainability Delivering business goals in the right way	Risk & Controls appetite maintained within agreed thresholds: • Our credit portfolios demonstrated resilience in the face of a deteriorating market, showcasing the strength of our underwriting and risk management practices. • Continued to strengthen risk management framework and improve our credit models. Building culture and increasing engagement: • Engagement maintained, scoring 64% (v.66% in 2023). This is considered a positive outcome in light of significant business change in 2024. This included a reduction in the number of UK Circlers through a redundancy programme, and change to the hybrid working policy (increasing office attendance to at least 3 days per week). • Voluntary attrition levels remained low throughout the year at around 18%. Committed and sustained focus on our ESG agenda and goals: • In 2024, the Company made good progress in delivering against its ESG objectives, taking into consideration changes in the business, including the sale of the US operations. • Carried out benchmarking of our activities and reviewed our ambition statements for each of our key pillars – Environmental, Social Impact, DEI and Governance – to ensure they remain in line with our vision and broader sustainability developments.

The Remuneration Committee determined that as performance against strategic/non-financial objectives exceeded expectations, and with significant strategic value delivered in 2024, that 100% of the strategic/non-financial element should pay out. This has been a year of considerable progress for Funding Circle.

Restricted shares awarded in 2022 vesting in respect of 2024 (audited)

The 2022 restricted share awards granted to Lisa Jacobs and Oliver White were based on a number of shares which was fixed at the beginning of the 2021 Remuneration Policy. Awards of 358,177 and 269,306 shares were made to the CEO and CFO on 24 March 2022. This represented 78% and 58% of salary respectively, a reduction of approximately 42% on the Policy levels at that time (being 133% of salary for the CEO and 100% of salary for the CFO).

The restricted share awards were subject to a number of underpins (as opposed to performance conditions). The financial underpin was based on achieving average Total Income for the Group of £181.3 million over the three-year period to 31 December 2024. Following the sale of the US business, it was no longer feasible to assess performance against this underpin in a way which was fair and consistent with the basis of the original calibration. Further, as the US business was highly capital intensive and required significant capital allocation from the wider Group to achieve its goals, the Committee determined that a restatement of the underpin was not appropriate nor feasible given the different investment assumptions that would need to be applied for the wider Group. In this context, the Committee has considered the underpin based on a broader assessment of overall performance during the period. In this assessment, the Committee considered a number of key aspects of financial and strategic performance, including:

- profitability being achieved ahead of expectations in 2024 and over the three-year period;
- the successful sale and transition of the US business to the acquiring party;
- successful launch of a new UK-focused multi-product strategy, including a short-term credit SME proposition in FlexiPay; and
- market acknowledgement and significant change to share price and market capitalisation, having approximately doubled over the period.

In addition to the financial underpin there were also qualitative underpins to ensure that Executive Directors are not rewarded where the Committee considers there to have been a failure in performance, including serious breach of regulation, material reputational damage and gross misconduct. The Committee determined that the qualitative underpins were achieved.

In determining the final vesting, the Committee also took into consideration the size of the awards, which were reduced significantly from the Policy level at the time of grant due to the fixed number of shares approach, as described above.

In this context, the Committee determined that awards will vest in full on 24 March 2025. There is a further 2-year post-vesting holding period that will apply until 24 March 2027.

Restricted Share awards granted during 2024 (audited)

Restricted Share awards were granted to the Executive Directors on 30 March 2024 under our Policy. Details of the awards are set out below:

			Face value at grant[1]				
	Type of award	Number of shares	£	% of salary	Grant date	Vesting date	Holding period
Lisa Jacobs	Nil-cost option	1,006,191	488,003	115%	16 May 2024	16 May 2027	16 May 2027 to 16 May 2029
Oliver White	Nil-cost option	736,521	357,213	85%	16 May 2024	16 May 2027	16 May 2027 to 16 May 2029

1. In line with Funding Circle's established approach, based on a three-month average share price to the grant date of 48.5p and salaries of £424,350 for Lisa Jacobs and £420,250 for Oliver White.

We disclosed in the 2023 Directors' Report on Remuneration that the Committee intended to grant awards at a level below the Policy maximum of 133% and 100% of salary, for the CEO and CFO respectively in 2024. This was to reflect investor expectations around safeguarding against the potential for "windfall gains" in scenarios where long-term share awards are granted following a period of share price decline. In May 2024 we granted awards at the level of 115% and 85% of salary for the CEO and CFO respectively. These awards are subject to an assessment of financial and non-financial underpins.

Annual report on remuneration continued

Restricted Share awards granted during 2024 (audited) continued

Restricted share awards are subject to discretionary underpins that guide the Remuneration Committee when determining whether any discretion needs to be applied to reduce, including to nil, the final vesting of the restricted shares. The underpins are both financial as well as non-financial, and are as follows:

- For the financial underpins the Remuneration Committee will assess whether there is a material weakness in the underlying financial health or sustainability of the business. Factors such as, but not limited to, share price, Originations, Net Income, profitability, and cash generation would be considered, in the context of the Board's expectations and the market environment.
- For the non-financial underpins the Remuneration Committee will assess ESG performance, delivery against strategic objectives, and personal performance over the vesting period.
- To ensure that Executive Directors are not rewarded where the Committee considers there to have been a failure in performance, including serious breaches of regulation, material reputational damage or gross misconduct further reductions will be made.
- Prior to vesting, the Committee retains the flexibility to assess any element of performance it deems appropriate in order to determine whether a discretionary adjustment is requirement.

Any vested awards will remain subject to a two-year post-vesting holding period.

Directors' shareholding and share interests (audited)

Table of Directors' share interests as at 31 December 2024[1]

	Beneficially owned shares[2]	Vested but unexercised awards	Unvested awards (not subject to performance conditions)	Unvested awards (subject to performance conditions)	**Total**	Total that count towards shareholding guidelines (including unexercised awards net of tax)
Executive Directors						
Lisa Jacobs	414,658	736,142	473,496	1,722,545	**3,346,841**	1,055,766
Oliver White	179,441	340,543	502,787	1,275,133	**2,297,904**	626,406
Non-Executive Directors						
Andrew Learoyd	1,789,991	—	—	—	**1,789,991**	n/a
Samir Desai CBE	8,388,206	2,150,000	192,570	—	**10,730,776**	n/a
Eric Daniels	—	—	—	—	**—**	n/a
Geeta Gopalan	33,216	—	—	—	**33,216**	n/a
Helen Beck	9,235	—	—	—	**9,235**	n/a
Matthew King	15,400	—	—	—	**15,400**	n/a
Hendrik Nelis	—	—	—	—	**—**	n/a
Neil Rimer	—	—	—	—	**—**	n/a

1. Samir Desai CBE stepped down from the Board on 25 October 2024. Share interests are listed as of this date.

2. Includes shares owned by connected persons.

Note: Between the year end and the date of this Annual Report and Accounts, there has been no movement in current Directors' Shareholdings from that shown above.

The Company's share ownership requirements are that Executive Directors shall (subject to personal circumstances) build and maintain a shareholding equivalent to at least 200% of salary over five years from their appointment (increasing to 250% of salary for the CEO in 2025). At the end of the 2024 financial year, the CEO (who was appointed to the Board on 1 January 2022), held 1,055,766 shares, equal to 332% of salary (which includes unexercised awards on a net of tax basis) based on the three-month average share price to 31 December 2024 of 133.3p. The CFO (who was appointed to the Board on 15 June 2020), held 626,406 shares, equal to 199% of salary (which includes unexercised awards on a net of tax basis) based on the three month average share price to 31 December 2024 of 133.3p. Unvested awards subject to performance conditions are not taken into account in the assessment of the shareholding until such time as they vest.

Table of Directors' vested and unvested share awards (audited)

	Award type[1]	Date of grant	No. of awards at 1 January 2024	Awards granted in the year	Awards lapsed in the year	Awards vested in the year	Awards exercised in the year	No. of awards at 31 December 2024	Date of vesting/end of performance period	Exercise price	Market price on exercise
Executive Directors											
Lisa Jacobs	2018 LTIP	29/11/2019	250,000	—	—	—	—	**250,000**	11/03/2020	£0.00	n/a
		18/03/2020	162,500	—	—	—	—	**162,500**	12/03/2022	£0.00	n/a
		26/03/2021	173,642	—	—	—	—	**173,642**	26/03/2023	£0.00	n/a
	Restricted Shares	24/03/2022	358,177	—	—	—	—	**358,177**	24/03/2025	£0.00	n/a
		30/03/2023	358,177	—	—	—	—	**358,177**	30/03/2026	£0.00	n/a
		16/5/2024	—	1,006,191	—	—	—	**1,006,191**	16/5/2027	£0.00	n/a
	2021 Deferred bonus plan[2]	30/3/2023	166,110	—	—	—	—	**166,110**	30/3/2026	£0.00	n/a
		26/3/2024	—	303,106	—	—	—	**303,106**	26/3/2027	£0.00	n/a
	Share Incentive Plan	03/11/2020	4,646	—	—	—	—	**4,646**	15/04/2022	£0.00	n/a
		05/05/2021	2,341	—	—	—	—	**2,341**	05/05/2023	£0.00	n/a
		20/04/2022	4,814	—	—	4,814	—	**4,814**	20/04/2024	£0.00	n/a
		16/06/2022	3,005	—	—	3,005	—	**3,005**	16/06/2024	£0.00	n/a
		17/6/2024	—	4,370	—	—	—	**4,370**	17/6/2026	£0.00	n/a
	Unapproved	09/05/2018	150,000	—	—	—	—	**150,000**	01/03/2022	£0.44	n/a
Oliver White	Share Incentive Plan	03/11/2020	4,991	—	—	—	—	**4,991**	15/04/2022	£0.00	n/a
		18/01/2021	3,967	—	—	—	—	**3,967**	18/01/2023	£0.00	n/a
		20/04/2022	4,814	—	—	4,814	—	**4,814**	20/04/2024	£0.00	n/a
		16/06/2022	3,005	—	—	3,005	—	**3,005**	16/06/2024	£0.00	n/a
		17/6/2024	—	4,372	—	—	—	**4,372**	17/6/2026	£0.00	n/a
	2020 bonus buyout	26/03/2021	71,237	—	—	—	—	**71,237**	26/03/2022	£0.00	n/a
	Restricted Shares	19/05/2021	269,306	—	—	269,306	—	**269,306**	19/05/2024	£0.00	n/a
		24/03/2022	269,306	—	—	—	—	**269,306**	24/03/2025	£0.00	n/a
		30/03/2023	269,306	—	—	—	—	**269,306**	30/3/2026	£0.00	n/a
		16/5/2024	—	736,521				**736,521**	16/5/2027	£0.00	n/a
	2021 Deferred bonus plan[2]	21/04/2022	147,533	—	—	—	—	**147,533**	21/04/2025	£0.00	n/a
		30/03/2023	124,895	—	—	—	—	**124,895**	30/03/2026	£0.00	n/a
		26/3/2024	—	225,987	—	—	—	**225,987**	26/03/2027	£0.00	n/a
Non-Executive Directors											
Andrew Learoyd	Unapproved	18/6/2015	100,000	—	—	—	100,000	**—**	18/06/2015	£0.31	£0.41
Samir Desai CBE	Unapproved	13/06/2018	2,150,000	—	—	—	—	**2,150,000**	01/06/2020	£0.00	n/a
	2021 Deferred bonus plan	21/04/2022	192,570	—	—	—	—	**192,570**	21/04/2025	£0.00	n/a
Eric Daniels	Unapproved	09/09/2016	187,500	—	—	—	187,500	**—**	01/03/2016	£0.39	£1.25

1. Other than in certain circumstances as set out in the Remuneration Policy on page 98 (e.g. on termination of employment or change of control), vested unapproved options can be exercised during a period of ten years from the date of grant.
2. 2023 bonus deferrals: 40% of Lisa Jacobs' bonus (£107.2k) was deferred into nil cost options for three years on 26 March 2024, using a 3-month average share price of 35.36p. 40% of Oliver White's bonus (£79.9k) was deferred into nil cost options for three years on 26 March 2024, using a 3-month average share price of 35.36p.

Annual report on remuneration continued

Payments for loss of office (audited)

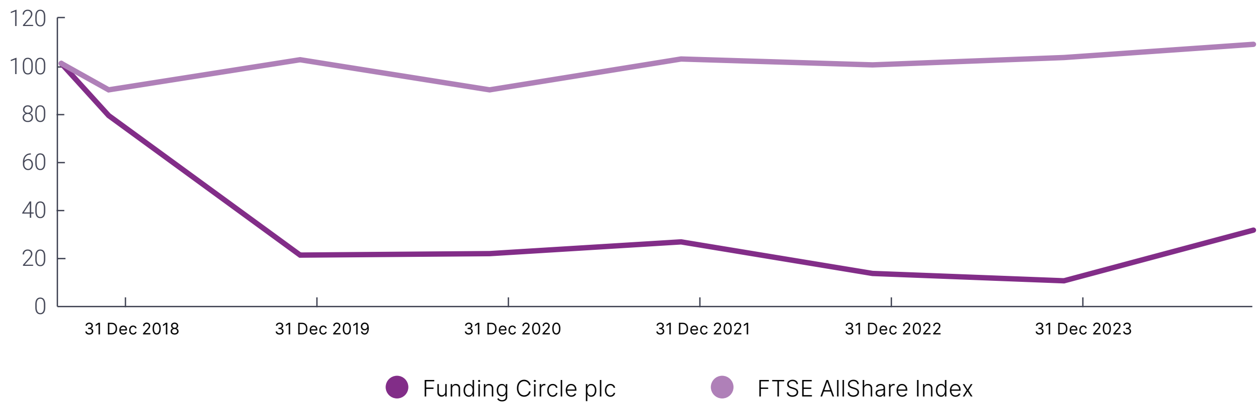
After nearly 5 years, Oliver White stood down from his role as CFO on 31 Dec 2024, following a successful transition period. The Committee took into account Oliver's commitment and significant contribution to the business over the course of 2024, including the successful sale of the US business, and a reorganisation of the UK business, alongside the delivery of the key strategic objectives of the business. Oliver will be treated as a good leaver and his unvested Restricted Share awards will be time-prorated and vest on their original vesting dates, subject to the relevant underpins. Any unvested deferred bonus share awards will vest in full on their original vesting date. Any unvested matching shares granted under our all-employee Share Incentive Plan lapsed in full, in line with the plan rules. Oliver remained eligible for a 2024 bonus having been in office for the full financial year. The bonus outcome is as described above and it will be paid fully in cash in line with our policy. He will not receive any other payments linked to his exit.

Payments to former Directors (audited)

There were no payments made to former Directors during the year.

Performance graph

The chart below illustrates the Company's TSR performance compared with that of the FTSE AllShare Index. This index has been chosen as the Company is a constituent and it is considered the most appropriate benchmark against which to assess the relative performance of the Company. The chart shows the value of £100 invested in Funding Circle at the IPO offer price of £4.40 per share on 28 September 2018 compared with the value of £100 invested in the FTSE AllShare Index on that date to the end of each subsequent financial year.



CEO remuneration table

The table below sets out the CEO's single figure of total remuneration.

£000	2017	2018	2019	2020	2021	2022	2023	**2024**
CEO	Samir Desai CBE	Samir Desai CBE	Samir Desai CBE	Samir Desai CBE	Samir Desai CBE	Lisa Jacobs	Lisa Jacobs	**Lisa Jacobs**
CEO total remuneration[1]	204	4,081	211	201	629	661	701	**1,407**
Annual bonus payout (% maximum)[2]	n/a	n/a	n/a	n/a	78.4%	45.0%	48.9%	**85.4%**
Long-term incentives (% maximum)[3]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**100%**

1. The 2018 figure includes share options that were granted prior to IPO which were subject to continued employment only. In 2021 Samir Desai waived his salary increase from £210,000 to £400,000.
2. Samir Desai CBE did not participate in any bonus from 2016 to 2020.
3. Samir Desai CBE did not participate in any long-term incentive. Lisa Jacobs' first long-term incentive opportunity as CEO was the Restricted Share award made in March 2022 with the first vesting in March 2025.

Relative importance of spend on pay

The table below sets out our relative importance of spend on pay. There have been no dividends paid to date.

Net Income and Profit Before Tax (PBT) have been presented as these are two key performance measures used by the Directors in assessing Funding Circle's performance.

	2024	2023	% Change
Net income	**£160.1m**	£130.1m	23.1%
Profit before tax	**£3.4m**	(£9.9m)	(134.3%)
People costs	**£68.1m**	£65.5m	4.0%
Average number of employees	**721**	756	(4.6%)

Percentage change in Directors' remuneration compared with employees

The table below sets out the annual percentage change in remuneration from 2019 to 2024 for each individual who was a Director during 2024, compared to that for an average employee. Data for former Directors during this timeframe can be found in the relevant Directors' Remuneration Reports spanning their tenure.

	Salary/fees[1]					Benefits					Annual bonus				
	2023 to 2024	2022 to 2023	2021 to 2022	2020 to 2021	2019 to 2020	2023 to 2024	2022 to 2023	2021 to 2022	2020 to 2021	2019 to 2020	2023 to 2024	2022 to 2023	2021 to 2022	2020 to 2021	2019 to 2020
Executive Directors															
Lisa Jacobs[2]	+2.7%	+2.9%	n/a	n/a	n/a	+3.4%	+2.7%	n/a	n/a	n/a	+79.3%	+12.0%	n/a	n/a	n/a
Samir Desai CBE (CEO)	n/a	n/a	n/a	+5%	-5%	n/a	n/a	n/a	33.6%[3]	0%	n/a	n/a	n/a	n/a	n/a
Oliver White[4]	+2.5%	+2.1%	—	—	n/a	+2.1%	+1.7%	-22%	+8.4%	n/a	+79.0%	+11.1%	-43.7%	n/a	n/a
Non-Executive Directors															
Andrew Learoyd	+0%	+0.6%	+2.9%	+5%	-100%	-100%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Samir Desai CBE (NED)	-17.7%	—	n/a	n/a	n/a	—	—	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Eric Daniels	70.5%	+1.2%	+6.4%	+5%	-5%	-82.1%	-91.9%	+21%	n/a	-100%	n/a	n/a	n/a	n/a	n/a
Geeta Gopalan	—	+1.1%	+11%	+15%	-5%	—	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Helen Beck[5]	—	+1.2%	+6.4%	n/a	n/a	—	n/a	n/a	n/a	n.a	n/a	n/a	n/a	n/a	n/a
Matthew King[6]	—	+3.7%	+39.3%	n/a	n/a	—	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hendrik Nelis[7]	n/a	n/a	n/a	n/a	n/a	—	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Neil Rimer[7]	n/a	n/a	n/a	n/a	n/a	—	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average employee[8]	+0.9%	+3.4%	8.7%	-13.3%	-1.7%	-17.3%	+7.3%	-4.0%	+8.7%	+1.8%	-9.1%	7.0%	+3.3%	+17.1%	+61.2%

1. The Board and the Executive Committee (then Global Leadership Team) voluntarily reduced their salaries and fees by 20% over the period March to May 2020 in response to the Covid-19 pandemic. This is the reason for the change in salaries and fees from 2019 to 2021 shown above. No Director received a salary or fee increase during 2020 or 2021. Samir Desai CBE, as CEO, waived his salary increase for 2021.
2. Lisa Jacobs was appointed to the Board on 1 January 2022.
3. Samir Desai's CBE benefits did not include a pension contribution or cash in lieu which he waived his right to.
4. Oliver White was appointed to the Board on 15 June 2020.
5. Helen Beck was appointed to the Board on 1 June 2021. For the comparison of 2021 to 2022, Helen's 2021 fee has been annualised to permit meaningful comparison. The increase reported in the table above reflects the increase in 2022 in the additional fee payable for chairing the Remuneration Committee.
6. Matthew King was appointed to the Board on 19 May 2021. For the comparison of 2021 to 2022, Matthew's 2021 fee has been annualised to permit meaningful comparison. The increase reported in the table above reflects the introduction of an additional fee payable for chairing the Board of Funding Circle Ltd.
7. Hendrik Nelis and Neil Rimer, who are non-independent Non-Executive Directors, have waived their entitlement to a fee.
8. The annual percentage change of the average remuneration of the Company's employees, calculated on a full-time equivalent basis.

CEO pay ratio

Funding Circle is committed to remunerating its employees fairly and competitively. We calculate our CEO pay ratio using the prescribed Methodology A, as shown in the table below. Methodology A was selected as this is considered the most accurate approach and is generally the preferred approach by shareholders and proxy agencies.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2024	Option A	34.9	21.9	13.6
2023	Option A	18.1	11.8	7.4
2022	Option A	17.6	11.3	7.0
2021	Option A	18.4	11.6	6.9
2020	Option A	5.8	3.8	2.3
2019	Option A	6.8	3.9	2.5

There has been an increase in the CEO pay ratio for 2024 due to Lisa's bonus paying out higher in 2024 than in 2023 as well as her first vesting of the 2022 Restricted Share award. The Board has confirmed that the median ratio is consistent with the Company's wider policies on employee pay, reward and progression.

Annual report on remuneration continued

CEO pay ratio continued

Total pay and benefits used to calculate the ratios

The table below sets out the UK employee percentile pay and benefits used to determine the above pay ratios and the salary component for each figure.

2024	25th percentile	Median	75th percentile
Salary component	£33,843	£50,159	£83,187
Total pay and benefits	£40,218	£64,183	£103,191

The CEO remuneration is the total single figure remuneration for the relevant years and 2023 and 2024 are disclosed on page 103. The employee total remuneration has been calculated based on the amount paid or receivable for the relevant years. The calculations for the UK employees were performed as at the final day of the relevant financial year.

Implementation of the Remuneration Policy for the year ended 31 December 2025

Salary

The Committee believes the CEO salary should be increased to £475k. Following shareholder consultations, considerations on the wider Circler salary increase and our culture, as well as input from the CEO herself, this increase will be phased over two years. In 2025 the Committee will increase Lisa Jacob's salary to £450k, which represents an increase of 6.0% on her current salary, and 4.5% on the proposed 2024 base salary which she decided to waive. This new salary is still low relative to the market, however when combined with variable pay opportunities positions the total remuneration package at a competitive level, but more heavily weighted towards the performance-related elements. The Committee intends to increase her salary by a further 5.6% on 1 March 2026 to £475,000. Tony Nicol was appointed CFO on 1 January 2025 on a salary of £350,000. The salary budget for other Circlers in 2025 is 3.5%.

	1 March 2024	1 March 2025	% change
Lisa Jacobs	£424,350	£450,000	6.0%
Tony Nicol	n/a	£350,000	n/a

Annual bonus

The maximum opportunity for the CEO is 150% of salary and for the CFO is 100% of salary. In line with 2024, we will base the annual bonus 70% on financial measures, which will continue to be 35% on revenue and 35% on profit, and 30% on strategic/non-financial measures.

Up to 40% of any bonus earned will be deferred into shares for three years. The deferral applied by the Committee will reflect whether the Executive Directors have met their shareholding requirement at the time of the bonus payment, provided that the Committee still has sufficient ability to exercise malus and clawback provisions. A level of deferral will always apply (e.g. 20%). The Board considers the actual targets for 2025 to be commercially sensitive at this time, however, we will provide retrospective disclosure of these targets in next year's report.

FC PSP

In line with the typical opportunities as set out in the proposed Policy, the CEO award will be 350% of salary and the CFO award will be 250% of salary. The 2024 awards will be granted following shareholder approval of the new Policy at the AGM in May. The Committee retains discretion to ensure the actual grant, which will be disclosed when awards are granted and in next year's report, reflects the latest available information prior to grant.

The vesting of the FC PSP awards will be subject to performance measures. These measures will be relative Total Shareholder Returns (rTSR) which will be weighted 60% and Adjusted Profit before Tax (PBT) which will be weighted 40%. The Total Shareholder Returns will be measured against the FTSE 250 excluding Investment Trusts, which reflects our ambition to enter, and progress through, the FTSE 250. The Adjusted PBT targets for 2027 have been set to reflect the Board's ambitions for growth as the business delivers on the strategy. The target range represents an appropriate level of stretch, with maximum vesting requiring significant outperformance. The threshold and maximum performance targets are summarised below:

Measure	Threshold (25% vesting)	Maximum (100% vesting)
rTSR vs. the FTSE 250 excluding Investment Trusts	Median TSR ranking	Upper quartile TSR ranking
Adjusted PBT in 2027	£20 million	£60 million

There will be straight-line vesting in between threshold and maximum performance. As always, the Committee will consider overall performance in determining any vesting of awards (including share price appreciation).

Any vested awards will remain subject to a two-year post-vesting holding period.

Benefits and pension contributions

In line with our Policy, the benefits offered to Executive Directors are in line with those available to other employees in the Group. The Executive Directors, and all UK Circlers, are eligible to receive a pension contribution and/or cash in lieu of 5% of salary.

Non-Executive Director and Chair fees

Fee	2024	2025
Chair fee	£207,000	£220,000[1]
Non-Executive Director base fee[2]	£55,000	£60,000
Senior Independent Director fee	£10,000	£10,000
Remuneration Committee Chair fee	£15,000	£15,000
Combined Audit and Risk Committee Chair fee[3]	£15,000	£25,000
ESG Committee (or any similar committee appointed by the Board)	n/a	£5,000

1. Ken Stannard will receive a prorated fee of £220,000 following his appointment as Funding Circle Chair if approved at the 2025 AGM. Up until that date Ken Stannard will receive a prorated Non-Executive Director base fee. Andrew Learoyd continues to receive £207,000 until he steps down at the 2025 AGM.
2. The Non-Executive Director base fee will be increased to £60,000 in 2025. This is the first increase to base fees since IPO in 2018. Hendrik Nelis and Neil Rimer, who are non-independent Non-Executive Directors, have waived their entitlement to a fee.
3. The Audit and Risk Committees are currently combined, and the Chair will therefore receive a combined fee of £25,000. If the Audit and Risk Committees were standalone, the respective Committee Chairs would receive the standard fee of £15,000 each.

How our remuneration is aligned with the principles of the code

Alignment to strategy and culture	• The design of remuneration at Funding Circle is aligned to our values, culture and strategy. • The annual bonus is based on financial and strategic performance promoting collective accountability and helps to align the Executive Directors' incentive structure with the wider Group. • Performance share awards fully align with our remuneration philosophy of ensuring that senior management are significant share owners, promoting good stewardship and incentivising Executive Directors to create long term value as the business continues to mature.
Clarity and simplicity	• Our Policy aligns the Executive Directors' pay with pay for other Circlers. • Our Policy is simple to understand for participants and shareholders and promotes long term stewardship.
Risk	• Our Policy appropriately balances fixed and variable pay as well as short- and long-term incentives. • Opportunities are set at a level which rewards performance at the same time as not unduly encouraging excessive risk taking. • The annual bonus and performance share awards are subject to malus and clawback provisions and the Committee has the discretion to adjust pay outcomes.
Proportionality	• A significant portion of the total remuneration opportunity for Executive Directors is variable pay. This variable pay is aligned to Company strategy through the choice of performance measures and the link to share price. • Our Policy is clear on the threshold, target and maximum levels of pay that Executives can earn. Notwithstanding that actual outcomes will vary based on the level of achievement and share price performance.

This report has been prepared in accordance with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), the 2018 UK Corporate Governance Code and the UK Listing Authority's Listing Rules.

Report of the Directors

for the year ended 31 December 2024

The Directors present their report (the "Directors' Report") and the Annual Report and Accounts for the year ended 31 December 2024.

Information required to be part of the Directors' Report either by statute, by UK Listing Rule 6.6 or by the DTRs can be found either in this section or elsewhere in this document, as indicated in the table below. All information located elsewhere in this document is incorporated into this Directors' Report by reference:

Section of Annual Report	Page reference
Information required by UKLR6.6/DTRs	
Corporate Governance Statement	Corporate Governance Statement (page 75)
Going Concern and Viability Statement	Viability statement (pages 63 to 64)
Directors' interests	Remuneration Report (page 106) and Directors' Report (page 112)
Long-term incentive schemes	Remuneration Report (page 95)
Waiver of emoluments	Remuneration Report (pages 90 to 111)
Powers for the Company to buyback its shares	Directors' Report (page 113)
Allotment of shares during the year	Note 17 to the consolidated financial statements (page 167)
Significant shareholders	Directors' Report (page 114)
Related party agreements	Note 25 to the consolidated financial statements (page 175)
Diversity policy	Strategic Report (page 22)
Climate-related financial disclosures	Environment, social and governance ("ESG") (pages 24 to 39)
Statutory information	
Stakeholder engagement	Strategic Report – Engaging our stakeholders (pages 40 to 43). See also Board decision making and section 172 duties on pages 72 to 73 of the Corporate Governance Report.
Employee engagement	Strategic Report – Engaging our stakeholders (pages 40 to 43) and Our people (pages 20 to 23). See also Board decision making and section 172 duties on pages 72 to 73 of the Corporate Governance Report.
Policy concerning the employment of disabled persons	Strategic Report – Our people (page 23)
Financial instruments	Note 16 to the financial statements (pages 154 to 167)
Future developments of the business	Strategic Report (pages 1 to 64)
Greenhouse gas emissions, energy consumption and energy efficiency action	Strategic Report – Environment, social and governance (pages 24 to 39)
Significant agreements	Directors' Report (page 112)
Non-financial reporting	Strategic Report – see below

Management Report

This Directors' Report, together with the Strategic Report on pages 1 to 64, forms the Management Report for the purposes of DTR 4.1.5R.

Strategic Report

Section 414A of the Companies Act 2006 (the "Act") requires the Directors to present a Strategic Report in the Annual Report and Accounts. The information can be found on pages 1 to 64.

The Company has chosen, in accordance with section 414C (11) of the Act and as noted in this Directors' Report, to include certain matters in its Strategic Report that would otherwise be disclosed in this Directors' Report.

Section 414C of the Act requires the Company to include within its Strategic Report a non-financial sustainability information statement setting out such information as is required by section 414CB of the Act. Such information is set out in the ESG section on pages 24 to 39, the Our business model section on pages 8 to 9, Our strategy section on pages 10 to 11, our KPIs on page 11 to 12, and the Risk management and Going concern and Viability Statement sections on pages 51 to 64.

Directors and their interests

Biographies of the Directors currently serving on the Board are set out on page 68 to 69. Our Articles of Association provide that all our Directors must stand for re-election by shareholders at each AGM.

Details of Directors' service contracts are set out in the Directors' Remuneration Report on page 102. The interests of the Directors in the shares of the Company are also shown on page 106 of that report. In the period between 1 January 2025 and the date of this report, there were no additional ordinary shares allotted to Lisa Jacobs or Tony Nicol under the Company's Share Incentive Plan.

In line with the requirements of the Act, each Director has notified the Company of any situation in which they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (a situational conflict). The Board has formal procedures to deal with Directors' conflicts of interest.

Geeta Gopalan is a Director of Intrum AB, which provides servicing to Funding Circle's European subsidiaries.

None of the Directors has a material interest in any significant contract with the Company or any member of its Group.

Insurance and indemnities
The Company maintains appropriate insurance to cover Directors' and Officers' liability for itself and its subsidiaries. In addition, the Company indemnifies each Director under a separate deed of indemnity. The Company also indemnifies each Director under its Articles of Association. Such indemnities are qualifying indemnities for the purposes of, and permitted under, section 234 of the Act.

Results and dividends
The Group's and the Company's audited financial statements for the year are set out on pages 124 to 192.

The Directors do not recommend payment of a final dividend for 2025 (2024: £nil).

Authority to allot or purchase the Company's shares
The Articles permit the Directors to issue or approve the purchase by the Company of its own shares, subject to obtaining shareholders' prior approval. The authority to issue or buy back shares will expire at the 2025 AGM, and it will be proposed at the meeting that the Directors be granted new authorities to issue and buy back shares. The Directors currently have authority to approve the Company's purchase of up to 54,085,678 of the Company's ordinary shares. The Company announced a share buyback programme on 7 March 2024 to buy up to £25 million worth of shares and a further programme for up to £25 million was announced on 16 October 2024. As at 31 December 2024, the Company made market purchases of 33,548,734 ordinary shares of nominal value of £0.001 in the Company, of which 181,370 were pending cancellation at 31 December 2024, representing 9.29% of the issued share capital and all shares were cancelled. The total cost of the market purchases was £33.4 million (excluding stamp duty and broker fees) with the weighted average purchase price of each share being £1.16.

The trustee of the Company's Employee Benefit Trust made no market purchases of ordinary shares. As at the date of this report, the trustee holds 2.10% of the Company's issued share capital.

Share capital
The Company's issued share capital comprises ordinary shares of £0.001, each of which is listed on the London Stock Exchange. The issued share capital of the Company as at 31 December 2024 comprises 327,935,779 ordinary shares of £0.001 each. Further information regarding the Company's issued share capital can be found on page 167 of the financial statements.

Rights attaching to shares
All shares have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as set out in the Articles, described below. Except in relation to dividends and rights on a liquidation of the Company, the shareholders have no rights to share in the profits of the Company. The Company's shares are not redeemable. However, following any grant of authority from shareholders, the Company may purchase or contract to purchase any of the shares on or off market, subject to the Act and the requirements of the UK Listing Rules.

Voting rights
All members who hold ordinary shares are entitled to attend and vote at the AGM. On a show of hands at a general meeting, every member present in person shall have one vote and on a poll, every member present in person or by proxy shall have one vote for every share of which he or she is the holder. No shareholder holds ordinary shares carrying special rights relating to the control of the Company and the Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on voting rights.

Shares held by the Company's Employee Benefit Trust rank pari passu with the shares in issue and have no special rights. Voting rights and rights of acceptance of any offer relating to shares held in trust rest with the Trustees and are not exercisable by employees, although the Trustees will not automatically exercise such rights arising from allocated shares unless directed by the Company.

Restrictions on transfer of securities
The Articles do not contain any restrictions on the transfer of ordinary shares in the Company other than the usual restrictions applicable where any amount is unpaid on a share. All issued share capital of the Company at the date of this report is fully paid. Certain restrictions are also imposed by laws and regulations (such as insider dealing and market requirements relating to closed periods) and requirements of the Disclosure Guidance and Transparency Rules, as well as the Company's own dealing codes, whereby Directors, persons connected to the Directors and certain employees of the Company require approval to deal in the Company's securities.

Change of control
Certain LTIP Awards held by members of the ExCo (excluding the Executive Directors) contain additional protections in the event of termination of employment due to a takeover bid where such termination is deemed to be connected with the change of control. Save in respect of these awards, there are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) because of a takeover bid.

The Group is party to a limited number of funding and servicing agreements that include change of control provisions which, in the event of a change of control undertaken not in compliance with the procedural requirements of the relevant arrangement, could result in the termination of further loan origination and termination of servicing by the Group under the affected arrangement. In addition, the Group participates in one or more lending schemes that benefit from a form of government-backed guarantee and it is expected that, in the event of a change of control of the Company, the consent of the relevant loan guarantor would be required to enable the Group's continued participation in those schemes.

Report of the Directors continued

for the year ended 31 December 2024

Significant shareholdings

As at 31 December 2024 and at the date of this report, the Company has been notified pursuant to DTR5.1, or is otherwise aware via our registrar, of the following significant interests in the issued ordinary share capital of the Company:

Name of shareholder	Number of ordinary shares as at 31 December 2024	Percentage issued share capital as at 31 December 2024	Number of ordinary shares as at 6 March 2025	Percentage issued capital as at 6 March 2025
Index Ventures	58,618,351	17.88	58,618,351	18.07
Aktieselskabet af 2.7.2018	47,067,936	14.36	47,067,936	14.51
Accel London Management	26,906,743	8.21	26,906,743	8.29
Schroder Investment Management	24,963,260	7.60	26,448,592	8.15
DST Managers	16,505,378	5.04	16,505,378	5.09
Capital Group	14,713,073	4.49	14,713,073	4.53
BlackRock	13,995,821	4.27	12,647,423	3.90

Research and development

The Group invests in the research and development of technology and software products that enable the Group to achieve its key performance objective of growing lending to SMEs whilst delivering resilient returns to investors.

Political donations

There were no political donations made during the year or the previous year.

External branches

The Company has subsidiaries in the United Kingdom, Germany, and the Netherlands and has one UK branch of the Dutch entity and four UK branches of the German entities.

External auditors

PwC have confirmed their willingness to continue as external auditors and a resolution to reappoint them as the Company's external auditors, and to authorise the Directors to fix the auditors' remuneration, will be proposed at the 2025 AGM.

Statement of disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's external auditors are unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Act.

Voting results final update – 2024 AGM

At the Company's AGM, held on 15 May 2024, 20% or more votes were cast against Resolutions 17 (general disapplication of pre-emption rights) and 18 (disapplication of pre-emption rights in connection with an acquisition or specified capital investment). These were special resolutions requiring a 75% majority, which did receive sufficient support to be passed, receiving votes in favour of 78.52% respectively. However, a significant number of votes (21.48%) were against both resolutions.

As per provision 4 of the Code, on 14 November 2024, the Company provided an update on its engagement with shareholders to better understand the reasons why the above resolutions were voted against. The Company understands that these votes reflected, among other things, the voting policy of certain shareholders and the potential for dilution especially in the absence of a specific transaction for which the authority would be used.

2025 AGM

The Company's AGM will take place at 12:00 pm on 15 May 2025 at the Company's offices at 71 Queen Victoria Street, London EC4V 4AY.

A separate circular, comprising a letter from the Chair of the Board, Notice of Meeting and explanatory notes on the resolutions being proposed, has been circulated to shareholders and is available on our website, https://corporate.fundingcircle.com/investors/shareholder-meetings.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with UK-adopted international Accounting Standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Report of the Directors confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company, and of the profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

Approved by the Board and signed on its behalf.

Lisa Jacobs
Chief Executive Officer
6 March 2025

Financial statements

Independent auditors' report

to the members of Funding Circle Holdings plc

Report on the audit of the financial statements

Opinion

In our opinion, Funding Circle Holdings plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2024 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company balance sheet as at 31 December 2024; the Consolidated statement of comprehensive income, the Consolidated and Company statement of changes in equity and the Consolidated and Company statement of cash flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 6, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment.
- We identified the Term Loans business as a significant component and as a result it was subject to a full scope audit. We identified three non-significant components (FlexiPay business, US business and Parent entity) and applied judgment in determining the extent of audit testing to be performed over each. Audit testing over specific balances has been completed for FlexiPay based on either size or risk profile and specified audit procedures were performed over the US business (up to the point of sale) to address identified risks of material misstatement. A full scope audit was performed over the parent entity given the Company accounts are included within the Annual Report.

Key audit matters

- The allowance for expected credit losses in relation to FlexiPay lines of credit (Group)
- Carrying value of the investment in FCL (parent)

Materiality

- Overall Group materiality: £1,617,500 (2023: £1,622,000) based on 1% of total income.
- Overall Company materiality: £3,560,000 (2023: £3,592,000) based on 1% of total assets.
- Performance materiality: £1,213,125 (2023: £1,216,500) (Group) and £2,670,000 (2023: £2,694,000) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Carrying value of the investment in FCL (parent) is a new key audit matter this year. Carrying value of the Company's investment in the US subsidiary (parent) and Valuation of SME loans (securitised) and investments in RLS/CBILs trusts, which were key audit matters last year, are no longer included because of the sale of the US business and, in relation to the loans and investments, continued amortisation of the remaining portfolios through the year. Otherwise, the key audit matters below are consistent with last year.

Independent auditors' report continued

to the members of Funding Circle Holdings plc

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
The allowance for expected credit losses in relation to FlexiPay lines of credit (Group) Refer to Report of the Audit Committee – Key audit matters considered in relation to the financial statements; note 1 (material accounting policies); note 2 (critical accounting judgements and key sources of estimation uncertainty); and note 16 (financial risk management) of the Group financial statements. At 31 December 2024 the gross carrying value of FlexiPay lines of credit was £110.0 million and the associated allowance for expected credit losses was £12.9 million on drawn lines of credit and £2.7 million on undrawn lines of credit. The determination of the allowance for expected credit losses is subjective and judgmental. A model is used to collectively determine the allowance for expected credit losses for both the drawn and undrawn lines of credit. The key assumptions and inputs into this model are the probability of default, loss given default and the use of multiple, probability weighted, macroeconomic scenarios. As a new product, FlexiPay continues to be a strategic priority for the business. Given this, along with continued evolution of the ECL model in the year, the corresponding provision for expected credit losses was a focus of our audit.	Together with our credit risk specialists, we performed the following substantive procedures over the allowance for expected credit losses on FlexiPay lines of credit: • we engaged our credit risk specialists to review the methodology and assumptions applied by management in calculating the allowance for expected credit losses; • we independently tested the derivation of key assumptions, and tested that the model methodology has been implemented as intended; • we performed sensitivity analysis to understand and evaluate the impact of conceptual limitations and key judgments used in management's ECL calculation. This included building a challenger macro-economic default rate model to test the sensitivity of the ECL to macro scenarios; • we assessed macro-economic forecasts and weightings used in the model by benchmarking to independent forecasts, and evaluating the reasonableness of judgements applied by management; and • we tested the accuracy of the historical loan tape used as a key input into the credit loss model including customer utilisation and performance. We also assessed the disclosures in note 2, regarding the critical accounting judgements and key sources of estimation uncertainty involved in determining the expected credit loss provision and found them to be appropriate. Based on the evidence obtained, we concluded that the methodologies, modelled assumptions and management judgements in determining the allowance for expected credit losses for FlexiPay lines of credit to be appropriate and compliant with the requirements of IFRS 9.
Carrying value of the investment in FCL (Parent) Refer to Report of the Audit and Risk Committee – Key audit matters considered in relation to the financial statements; note 1 (Investment in subsidiaries); and note 5 (Investments in subsidiary undertakings) of the Company financial statements. The Company holds an investment in FCL with a carrying value of £258.2 million. IAS 36 'Impairment of Assets' requires that investments should be assessed for any indicators of impairment at the end of each reporting period. Management performed an assessment for indicators of impairment and concluded that there were none in relation to the UK business. Given the carrying value of the investment is material and its significance to the Company balance sheet, the level of uncertainty associated with the future cash flows associated with the FlexiPay business and the extent of restructuring that has occurred in the year this has been an area of focus in our audit.	Our audit procedures comprised the following: • We understood the methodology used by management to assess their investment in subsidiaries for impairment indicators. • We evaluated the indicators considered by management against IAS36 requirements and substantiated relevant information within the assessment of indicators. • Given the significant change in the business in the year, we performed sensitivity analysis over certain assumptions, in particular FlexiPay cash flows, using a discounted cash flow model to assess the impact on the recoverable value. Based on the above procedures performed, and evidence obtained, we considered the Directors' conclusion that there are no impairment indicators for the investment in FCL to be reasonable.

Report on the audit of the financial statements continued

Our audit approach continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

1) Audit approach to Funding Circle's operations: We performed a risk assessment, giving consideration to relevant external and internal factors, including economic risks, climate change, relevant accounting and regulatory developments, and Funding Circle's strategy. We also considered our knowledge and experience obtained in prior year audits. We designed our audit approach for the products and services that substantially make up Funding Circle's continuing business in the UK in Term Loans and FlexiPay such as platform lending, marketplace referrals and the origination of, and investment in, SME loan portfolios and lines of credit and the discontinued US business.

2) Audit work for in scope components: The risks of material misstatement can be reduced to an acceptable level by testing components that are significant due to their size and those that drive significant risks identified as part of our risk assessment. We identified the Term Loans business as a full scope component due to being significant due to size. We considered FlexiPay as a non-significant component and material balances have been included in our scope for the purpose of the Group audit. We considered the US business as a non-significant component and performed specified procedures over certain balances. Whilst the parent entity is considered non-significant for the consolidated audit, we have completed a full scope audit given the Company accounts are included within the Annual Report. We assigned materiality levels to components reflecting the size of their operations. One team performed all audit work on the components. Through the work performed we concluded that sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

3) Audit procedures undertaken at a Group level and on the Company: In planning and executing our audit no other component teams were used. We ensured that appropriate work was undertaken for the Group and Company.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Group's and Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Group's and Company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£1,617,500 (2023: £1,622,000).	£3,560,000 (2023: £3,592,000).
How we determined it	1% of total income	1% of total assets
Rationale for benchmark applied	We consider this to be an appropriate benchmark as total income is a key performance indicator for Group performance and a metric used to guide analysts as well as a measure to determine executive compensation.	We consider total assets to be an appropriate benchmark to apply on the basis that the Company is a non-trading investment Company that holds investment in the Group's subsidiaries.

Independent auditors' report continued

to the members of Funding Circle Holdings plc

Report on the audit of the financial statements continued

Our audit approach continued

Materiality continued

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1,536,000 and £1,374,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £1,213,125 (2023: £1,216,500) for the Group financial statements and £2,670,000 (2023: £2,694,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £80,875 (Group audit) (2023: £81,100) and £178,000 (Company audit) (2023: £179,615) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and evaluating management's going concern assessment;
- performing a risk assessment to identify factors that could impact the going concern basis of accounting, including the impact of external risks such as an uncertain economic environment and climate change;
- understanding and evaluating management's financial forecasts and liquidity and regulatory capital over the going concern period and an evaluation of the stress testing performed by management;
- substantiation of financial resources available to the Group and Company as at the balance sheet date including the unrestricted cash; and
- reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Report on the audit of the financial statements continued

Reporting on other information continued

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Directors' Remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' report continued

to the members of Funding Circle Holdings plc

Report on the audit of the financial statements continued

Responsibilities for the financial statements and the audit continued

Responsibilities of the directors for the financial statements continued

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority ("FCA"), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to bias in accounting estimates and posting of journal entries. Audit procedures performed by the engagement team included:

- review of correspondence with, and reports to, the FCA;
- review of a sample of customer complaints to identify any indicators of breaches in laws and regulations or fraud;
- enquiries of the Directors, the Chair of the Audit and Risk Committee, the Head of Internal Audit and management, as well as the Group's Chief Legal Officer and the Group's Head of Compliance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- review of board meeting minutes and internal audit reports issued in the period to identify any indicators of breaches in laws and regulations and fraud that could require further investigation;
- identifying and testing journal entries, including those with unusual account combinations impacting total income; and
- challenging significant assumptions and judgements made by management in its accounting estimates and assessing them for bias.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the directors on 4 August 2015 to audit the financial statements for the year ended 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement is ten years, covering the years ended 31 December 2015 to 31 December 2024.

Other matter

The Company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R - 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Heather Varley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 March 2025

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]	5	160.1	—	160.1	130.1
People costs	4, 6, 7	(68.1)	(2.3)	(70.4)	(65.5)
Marketing costs	6	(45.6)	—	(45.6)	(37.1)
Depreciation, amortisation and impairment	4, 5, 6, 10, 11	(13.2)	(0.3)	(13.5)	(12.6)
Expected credit loss charge	6, 16	(8.6)	—	(8.6)	(4.5)
Other costs	6	(21.2)	—	(21.2)	(20.3)
Operating expenses	6	(156.7)	(2.6)	(159.3)	(140.0)
Profit/(loss) before taxation	5	3.4	(2.6)	0.8	(9.9)
Income tax (charge)/credit	8	(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	3	(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	3, 19	(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	3	(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	9	0.8p		0.1p	(2.4)p
Diluted earnings/(loss) per share from continuing operations	9	0.8p		0.1p	(2.4)p
Basic (loss)/earnings per share from discontinued operations	3, 9	(3.0)p		2.4p	(8.7)p
Diluted (loss)/earnings per share from discontinued operations	3, 9	(3.0)p		2.2p	(8.7)p

1. Exceptional items are detailed in note 4.
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 3.
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".

The notes on pages 128 to 179 form part of these financial statements.

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	10	**21.2**	23.0
Property, plant and equipment	11	**9.6**	5.0
Investment in associates	29	**0.6**	1.5
Investment in trusts and co-investments	12, 16	**17.8**	25.2
SME loans held at amortised cost	12, 16	**1.4**	5.6
Trade and other receivables	13	**—**	1.4
		50.6	61.7
Current assets			
SME loans held at amortised cost	12, 16	**0.7**	1.1
SME loans held at fair value through profit and loss	12, 16	**1.2**	18.6
Lines of credit	12, 16	**97.1**	50.0
Trade and other receivables	13	**20.8**	20.4
Cash and cash equivalents	22	**187.6**	221.4
		307.4	311.5
Total assets		**358.0**	373.2
Current liabilities			
Trade and other payables	14	**27.8**	54.3
Bank borrowings	16, 22	**101.9**	54.7
Short-term provisions and other liabilities	15	**3.6**	1.5
Lease liabilities	11, 22	**1.8**	7.2
		135.1	117.7
Non-current liabilities			
Long-term provisions and other liabilities	15	**0.6**	1.1
Bank borrowings	16, 22	**—**	2.2
Lease liabilities	11, 22	**5.8**	5.4
Total liabilities		**141.5**	126.4
Equity			
Share capital	17	**0.3**	0.4
Share premium account	18	**0.1**	293.1
Foreign exchange reserve	19	**5.3**	14.2
Share options reserve		**20.6**	24.0
Retained earnings/(accumulated losses)	20	**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 year 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 1 for details.

The financial statements on pages 124 to 179 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 on pages 128 to 179 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	20	—	—	—	—	(38.3)	(38.3)
Other comprehensive expense							
Exchange differences on translation of foreign operations	19	—	—	(2.7)	—	—	(2.7)
Total comprehensive expense		—	—	(2.7)	—	(38.3)	(41.0)
Transactions with owners							
Transfer of share option costs	20	—	—	—	(3.8)	3.8	—
Purchase of own shares held in Employee Benefit Trust	17. 20	—	—	—	—	(1.8)	(1.8)
Employee share schemes – value of employee services	21	—	—	—	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	20	—	—	—	—	8.6	8.6
Other comprehensive expense							
Exchange differences on translation of foreign operations	19	—	—	(8.9)	—	—	(8.9)
Total comprehensive (expense)/income		—	—	(8.9)	—	8.6	(0.3)
Transactions with owners							
Transfer of share option costs	20	—	—	—	(6.6)	6.6	—
Buyback and cancellation of own shares	17, 20	(0.1)	—	—	—	(33.6)	(33.7)
Capital reduction	18, 20	—	(293.5)	—	—	293.5	—
Issue of share capital/exercise of share options	18	—	0.5	—	—	—	0.5
Employee share schemes – value of employee services	21	—	—	—	3.2	—	3.2
Balance at 31 December 2024		**0.3**	**0.1**	**5.3**	**20.6**	**190.2**	**216.5**

The notes on pages 128 to 179 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	22	**(67.4)**	(25.6)
Investing activities			
Purchase of intangible assets	10	**(9.0)**	(11.5)
Purchase of property, plant and equipment	11	**(2.9)**	(0.7)
Originations of SME loans held at amortised cost	16	**(0.2)**	(4.7)
Cash receipts from SME loans held at amortised cost	16	**3.0**	21.2
Originations from SME loans held at fair value through profit and loss	16	**—**	(11.9)
Cash receipts from SME loans held at fair value through profit and loss	16	**13.5**	37.6
Proceeds from sale of SME loans held at fair value through profit and loss	16	**—**	30.4
Investment in trusts and co-investments	16	**(4.1)**	(1.8)
Cash receipts from investments in trusts and co-investments	16	**14.6**	6.6
Redemption in associates	25, 29	**0.9**	1.1
Dividends from associates	25, 29	**—**	0.1
Proceeds from sale of subsidiary	3	**32.6**	—
Direct costs of selling subsidiary	3	**(2.0)**	—
Cash disposed of on sale of subsidiary	3	**(23.1)**	—
Net cash inflow from investing activities		**23.3**	66.4
Financing activities			
Proceeds from bank borrowings	22	**52.6**	55.8
Repayment of bank borrowings	22	**(6.0)**	(20.9)
Payment of bond liabilities	22	**—**	(23.4)
Proceeds from the exercise of share options	18	**0.5**	—
Purchase of own shares	17, 20	**—**	(1.8)
Share buyback	17, 20	**(33.7)**	—
Proceeds from subleases		**0.4**	1.2
Payment of lease liabilities	22	**(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	22	**187.6**	221.4

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

The notes on pages 128 to 179 form part of these financial statements.

Cash flows from discontinued operations are shown in note 3.

Notes forming part of the consolidated financial statements

for the year ended 31 December 2024

1. Material accounting policies

General information

Funding Circle Holdings plc (the "Company") is a public company limited by shares, which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of its registered office is given on page 198. The consolidated financial statements of the Group for the year ended 31 December 2024 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The principal activities of the Group and the nature of the Group's operations are as a facilitator of finance for SMEs.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

The Group's business activities together with the factors likely to affect its future development and position are set out in the Strategic Report.

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. Further detail is contained in the Strategic Report on pages 63 and 64.

1. Material accounting policies continued

Basis of preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 and the disclosure guidance and transparency rules sourcebook of the United Kingdom's Financial Conduct Authority.

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

The preparation of financial statements requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the year the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

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 year restated. Details related to the discontinued operations can be found in note 3.

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 4.

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. See notes 17 and 20.

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. See notes 18 and 20.

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 11 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. See note 16.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

1. Material accounting policies continued

Significant changes in the current reporting year continued

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 in 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.

Changes in accounting policy and disclosures

The Group has adopted the following new and amended IFRSs and interpretations from 1 January 2024.

Standard/interpretation	Content	Applicable for financial years beginning on/after
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	Presentation of financial statements	1 January 2024
Amendments to IAS 1 – Non-current Liabilities with Covenants	Presentation of financial statements	1 January 2024
Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules	Tax	1 January 2024
IFRS 1 General Requirements for Disclosure of Sustainability-related Financial Information	Sustainability disclosures	1 January 2024
IFRS S2 Climate-related Disclosures	Sustainability disclosures	1 January 2024
Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements	Financial instruments	1 January 2024
Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback	Leases	1 January 2024

The amendments and interpretations listed above did not materially affect the current year and are not expected to materially affect future years.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2024 reporting years and have not been early adopted by the Group as follows:

Standard/interpretation	Content	Applicable for financial years beginning on/after
Amendments to IAS 21 – Lack of Exchangeability	Foreign exchange rates	1 January 2025
Amendment to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments	Financial instruments	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	Financial statements disclosures	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	Financial statements disclosures	1 January 2027

With the exception of IFRS 18, these standards are not expected to have a material impact on the Group in the current or future reporting years or on foreseeable future transactions.

IFRS 18 was issued in April 2024 and is effective for periods beginning on or after 1 January 2027. Early application is permitted and comparatives will require restatement. The standard will replace IAS 1 Presentation of Financial Statements. It will not change how items are recognised and measured but will focus on the income statement and reporting of financial performance, specifically, classifying income and expenses into three new defined categories – "operating", "investing" and "financing", and two new subtotals – "operating profit and loss" and "profit or loss before financing and income tax", introducing disclosures of management defined performance measures ("MPMs") and enhancing general requirements on aggregation and disaggregation. The impact of the standard is yet to be fully assessed by the Group.

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 year 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.

1. Material accounting policies continued

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 year 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.

Summary of existing accounting policies

Basis of consolidation

Where the Group has control over an investee, it is classified as a subsidiary. The Group controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Structured entities are entities that are designed so that their activities are not governed by voting rights. In assessing whether the Group has power over such entities, the Group considers factors such as the purpose and design of the entity, its practical ability to direct the relevant activities of the entity, the nature of the relationship with the entity, and the size of its exposure to the variability of returns of the entity.

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The Group applies the acquisition method to account for business combinations. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. Acquisition-related costs are recognised in profit or loss as incurred. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Foreign currency translation

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the prevailing rate at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

1. Material accounting policies continued

Foreign currency translation continued

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

Presentation currency

These consolidated financial statements are presented in GBP sterling, which is the Group's presentation currency.

All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the prevailing rate at the reporting date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the prevailing rate at the reporting date.

Segment reporting

Operating segments are reported in the manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, which is the function responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee ("ExCo"), formerly known as the Global Leadership Team ("GLT"), that makes strategic decisions. For each identified operating segment, the Group has disclosed information for the key performance indicators that are assessed internally to review and steer performance in the Strategic Report.

Transactions between segments are on an arm's length basis in a manner similar to transactions with third parties.

Exceptional items

Exceptional items are the items of income or expense that the Group considers are material, one-off in nature and of such significance that they merit separate presentation in order to aid the reader's understanding of the Group's financial performance. Such items would include profits or losses on disposal of businesses, transaction costs, acquisitions and disposals, major restructuring programmes, significant goodwill or other asset impairments, and other particularly significant or unusual items.

Income recognition

Fee income is recognised in line with IFRS 15 which provides a single, principles-based five-step model to be applied to all contracts with customers:

1) identify the contract with the customer;
2) identify the performance obligations in the contract;
3) determine the transaction price;
4) allocate the transaction price to the performance obligations in the contracts, on a relative stand-alone selling price basis; and
5) recognise income when (or as) the entity satisfies its performance obligation.

Fee income earned for the arrangement of loans is classified as **transaction fees**. The contract signed by the borrower and related terms are clearly identifiable. The performance obligation in the contract is considered to be the funding of the loan through the platform and the transaction price is clearly stated in the borrower's contract. Fees are recognised immediately once loans are fully funded and after the loans are accepted by the borrowers. At this point the performance obligation has been met, there are no clawback provisions and the fee is recognised. Such fees are automatically deducted from the amount borrowed.

Fee income earned from referrals to partner institutions is classified as **transaction fees.** There are contracts in place with partner institutions with clearly identifiable terms. The performance obligation in the contract is considered to be the referral by the Group and subsequent funding of the referred loan by the partner institution and the transaction price is clearly stated in the referral agreement. Fees are recognised once the referred loan has been funded by the partner institution and accepted by the referred borrower. At this point, the performance obligation has been met and there are no significant clawback provisions.

Fee income earned from servicing third party loans is classified as **servicing fees** and is a cost of the investor, except in the case of the first year of servicing fees related to CBILS loans, where the government paid the cost. It comprises an annualised fee representing a percentage of outstanding principal. The contractual basis for the servicing fee and transaction price is based on the terms and conditions agreed by investors to the lending platform. The performance obligation is servicing the loans and allocating repayments of the loan parts to the respective lenders. The transaction price is allocated as a percentage of the outstanding principal balance, representing the outstanding performance obligation. Fees are recognised on a monthly basis upon repayment of loan parts. Due to the conditions of the loans, there are no partially completed contracts at the balance sheet date and no advance payments from customers.

Fee income earned from interchange fees from FlexiPay card and Cashback credit card is classified as a **transaction fee**. Foreign exchange fees earned from FlexiPay card are classified as **other fees** and are a cost to the FlexiPay card borrower. A contract is in place with the card provider who remits the fee revenues to the Group. Card fees are recognised immediately at the point of transaction as at this point the performance obligation

1. Material accounting policies continued

Income recognition continued

has been met. Borrowers using their card will "flip" the balance into a FlexiPay loan repayable over three months and for a fee. The fee incurred by borrowers who flip the card balance into a loan is recognised under IFRS 9 from the point of the flip over the life of the loan under the effective interest rate method and is recognised under **interest income**.

Other fees includes income from collections charges levied on the successful recovery of defaulted loans. These are recognised as services are performed or performance obligations are met. It also includes performance-related fees related to the loans held by certain institutional investors.

Net income includes the following elements under which the recognition criteria of IFRS 9 and not IFRS 15 are applied:

Interest income includes:

- interest income recognised on assets held at amortised cost under the effective interest rate method including fees incurred on FlexiPay drawdowns and FlexiPay card "flipped" balances, and interest charged on Cashback credit card drawn balances and interest income on corporate cash and client monies held. It also includes interest income on money market funds held at fair value through profit and loss.

Investment income includes:

- interest income from SME loans and investments in trusts that the Group holds on balance sheet.

Fair value gains/losses includes:

- gains/losses from changes in the fair value of financial assets and liabilities held on balance sheet.

Cost of funds includes:

- interest payable on funds borrowed to finance the issuing of lines of credit.

Net income recorded in the financial statements is generated in the UK, Germany and the Netherlands. All fees are recognised and measured based on the above income recognition policy.

Administrative expenses

Administrative expenses are recognised as an expense in the statement of comprehensive income in the period in which they are incurred on an accruals basis.

Share-based payments

The Group operates a number of equity-settled share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options and shares) of the Company. The fair value of the employee services received in exchange for the grant of the options and shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options and shares granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, net income, earnings per share and remaining an employee of the Group over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options and shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimate of the number of options and shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares or utilises shares that have been purchased in the market. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The original fair value of the amount exercised is transferred from the share option reserve to the accumulated losses reserve.

The grant by the Company of options and shares over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase in investment in subsidiary undertakings, with a corresponding credit to equity in the Parent entity (the "Company") accounts.

Pension obligations

The Group operates a defined contribution pension scheme for employees in the UK and the US. The schemes are pension plans under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. Contributions payable to the Group's pension scheme are charged to the statement of comprehensive income in the year to which they relate. The Group has no further payment obligations once the contributions have been paid.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

1. Material accounting policies continued

Current and deferred tax

The tax expense for the year comprises current and deferred tax. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

The Group has established transfer pricing policies and there are mechanisms in place that ensure subsidiaries are remunerated appropriately on an arm's length basis for services provided. It establishes provisions, where appropriate, based on amounts expected to be paid to the tax authorities.

Deferred tax assets for unused tax losses, tax credits and deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for any deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the year-end date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax balances are not discounted.

Dividends

Dividends are recognised when they become legally payable, in accordance with the Companies Act 2006.

Intangible assets

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. Useful lives and amortisation methods are reviewed at the end of each annual reporting period, or more frequently when there is an indication that the intangible asset may be impaired, with the effect of any changes accounted for on a prospective basis. Amortisation commences when the intangible asset is available for use. The residual value of intangible assets is assumed to be zero.

Computer software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the licence period, which is up to five years as at 31 December 2024.

Capitalised development costs

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design, build and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the build of the platform products so that they will be available for use;
- management intends to complete the build of the platform products for use within the Group;
- there is an ability to use the platform products;
- it can be demonstrated how the platform products will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the platform products are available; and
- the expenditure attributable to the platform products during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee and contractor costs. The capitalisation of employee costs is based on the amount of time spent on specific projects which meet the criteria as a proportion of their total time, and this proportion of their salary-related costs is attributed to the applicable projects.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

1. Material accounting policies continued

Intangible assets continued

Capitalised development costs continued

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use over their estimated useful lives, ranging from three to five years.

Other intangibles

Other intangibles relate to the technology platform and customer relationship (representing fees due on contracted loans expected to be realised in the foreseeable future) acquired on a business combination. These costs are amortised over their estimated useful lives, which do not exceed three years.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment	1–3 years
Furniture and fixtures	3–5 years

Leasehold improvements that qualify for recognition as an asset are measured at cost and are presented as part of property, plant and equipment in the non-current assets section on the balance sheet. Depreciation on leasehold improvements is calculated using the straight-line method over the lease term.

Impairment of tangible and intangible assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this was the case, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leases

At inception of a contract, the Group assesses whether or not a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When a lease is recognised in a contract the Group recognises a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability, less any lease incentives. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain remeasurements of the lease liability. Depreciation is calculated on a straight-line basis over the length of the lease.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments less any lease incentives receivable;
- variable lease payments based on an index or a rate, initially measured using the index or rate at the commencement date; and
- amounts expected to be payable by the Group under residual value guarantee.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used, which is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses an approach taking the risk-free interest rate adjusted for credit risk for leases held by Funding Circle Holdings plc; and
- makes adjustments specific to the lease for term, country and currency.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

1. Material accounting policies continued

Leases continued

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and reducing it by the lease payments made. The lease liability and right-of-use asset are remeasured when there is a lease modification.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Extension and termination options are included in a number of property leases in the Group. Management considers the facts and circumstances that may create an economic incentive to exercise an extension or termination option in order to determine whether the lease term should include or exclude such options. Extension or termination options are only included within the lease term if they are reasonably certain to be exercised in the case of extension options and not exercised in the case of termination options.

Considerations include:

- if leasehold improvements are expected to have significant value at the end of the lease term;
- expected costs or business disruption as a result of replacing a lease; and
- significant penalties incurred in order to terminate.

Lease terms are reassessed if the option is exercised or if a significant event occurs which impacts the assessment of reasonable certainty.

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low value assets are recognised as expenses on a straight-line basis over the lease term.

When the Group is an intermediate lessor, entering into a sublease, it accounts for the head lease and the sublease separately. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognised on a straight-line basis over the lease term and the Group retains the right-of-use asset deriving from the head lease and the lease liability on the balance sheet.

Amounts due from lessees under finance leases are recognised as receivables equivalent to the Group's net investment in the lease and the right-of-use asset from the head lease is derecognised. Any difference resulting from the derecognition of the right-of-use asset and recognition of the net investment in the sublease is recognised in the consolidated statement of comprehensive income. The head lease liability remains on the balance sheet and interest expense continues to be recognised, while interest income is recognised from the sublease.

Consolidation of special purpose vehicles ("SPVs")

Subsidiaries are those entities, including structured vehicles, over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The Group has power over an entity when it has existing rights that give it the current ability to direct the activities that most significantly affect the entity's returns. Power may be determined on the basis of voting rights or, in the case of structured entities, other contractual arrangements.

The Group assesses whether it controls SPVs and the requirement to consolidate them under the criteria of IFRS 10. Control is determined to exist if the Group has the power to direct the activities of each entity (for example, managing the performance of the underlying assets and raising debt on those assets which is used to fund the Group) and uses this control to obtain a variable return (for example, retaining the residual risk on the assets). Structures that do not meet these criteria are not treated as subsidiaries and the assets are derecognised when the rights to the cash flows have ended.

Where the Group manages the administration of its securitised assets and is exposed to the risks and rewards of the underlying assets through its continued investment or where the Group does not retain a direct ownership interest in an SPE, but the Directors have determined that the Group controls those entities based on the criteria of IFRS 10, they are treated as subsidiaries and are consolidated. See note 29 for details of these entities.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using the equity method.

1. Material accounting policies continued

Investment in associates continued

Under the equity method of accounting, the investments are initially recognised at cost. This is adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the consolidated statement of comprehensive income. The Group's share of movements in other comprehensive income of the investee is recognised in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is an indication that the investment in the associate is impaired. If there is such an indication, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within the statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Financial instruments

Financial assets

The Group determines the classification of its financial assets at initial recognition. The requirements of IFRS 9 for classification and subsequent measurement are applied, which require financial assets to be classified based on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset:

- financial assets are measured at amortised cost if they are held within a business model, the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest;
- financial assets are measured at fair value through other comprehensive income ("FVTOCI") if they are held within the business model defined as "held to collect and sell", the objective of which is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest; and
- financial assets that do not meet the criteria to be amortised cost or FVTOCI are measured at fair value through profit or loss ("FVTPL"). In addition, the Group may, at initial recognition, designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The purchase of any credit-impaired assets is also at fair value after any impairment.

Except for certain investments in SME loans as described below, the Group does not recognise on its balance sheet loans arranged between borrowers and investors as it is not a principal party to the contracts and is not exposed to the risks and rewards of these loans.

With the exception of investment in trusts and co-investments and SME loans held at fair value through profit and loss, all financial assets are held to collect contractual cash flows.

The four types of SME loans held are as follows:

i) SME loans held at fair value through profit and loss

During the securitisation programmes previously run by the Group, SME loans were originated in leveraged warehouse vehicles and subsequently sold into securitisation SPVs. By 31 December 2023 the warehouse vehicles had been repaid and the securitisation vehicles unwound with the loans of the vehicles purchased and directly held by subsidiaries of the Group and remaining bond liabilities were repaid. These SME loans have been classified as financial assets at fair value through profit or loss because all such loans are acquired principally for selling in the short-term and the collection of interest is incidental. Additionally this category includes loans temporarily funded by the Group which are classified as financial assets at fair value through profit or loss and are held with the intention of selling on to investors. They are initially measured at fair value on the balance sheet with the subsequent measurement at fair value with all gains and losses being recognised in the consolidated statement of comprehensive income.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

1. Material accounting policies continued

Financial instruments continued

Financial assets continued

ii) SME loans held at amortised cost

The Group had originated PPP loans using the SBA's PPPLF facility and these were held on balance sheet. Additionally, the Group holds investments in certain SME business loans as a result of commercial arrangements with institutional investors and in certain circumstances the Group also buys back loans from investors.

These loans are included in SME loans held at amortised cost (see note 12) and are classified as amortised cost (as they are held solely to collect principal and interest payments) and are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment. PPP loans were fully guaranteed by the SBA.

iii) Lines of credit

Lending through the FlexiPay product is recognised on the balance sheet within lines of credit. This represents the drawn amount of the facilities, net of ECL. The contractual cash flows represent solely payments of principal and interest ("SPPI") and the business model under which they are held is in order to collect the contractual cash flows resulting in the lines of credit being measured initially at fair value and subsequently at amortised cost. The origination fee associated with FlexiPay is recognised under IFRS 9 within interest income at the effective interest rate in the consolidated statement of comprehensive income and is recognised over the expected life of the drawdown.

The FlexiPay lines of credit are held net of expected credit loss allowances under IFRS 9, the methodology and definitions of which align to the Group accounting policy on impairment of financial assets held at amortised cost with the exception of being assessed at the available line of credit level, estimating the utilisation of the line of credit to the estimated point of default and are detailed further within note 16. Additionally, the Group assesses the expected credit loss allowance in relation to undrawn lines of credit, estimating the probability of default, loss given default and exposure at default in relation to these lines of credit were they to be drawn. This undrawn portion of the loss allowance is recognised within other liabilities in note 15.

iv) Investment in trusts and co-investments

The Group holds a minority beneficial ownership in trusts set up to fund CBILS, RLS and commercial loans with the majority of the beneficial ownership held by institutional investors. The SME loans are originated by Group subsidiaries, Funding Circle Focal Point Lending Limited for CBILS and Funding Circle Eclipse Lending Limited or Funding Circle Polaris Lending Limited for RLS and commercial loans, which retain legal title to the loans. These entities hold this legal title on trust on behalf of the majority investors who substantially retain the economic benefits the CBILS, RLS and commercial loans generate and therefore the trusts and the assets held within, including the SME loans, are not consolidated.

The Group assesses whether it controls the trust structure under the criteria of IFRS 10. Control is determined to exist if the Group has the power to direct the activities of entities and structures and uses this control to obtain a variable return, to which it is exposed to the majority of the variability. As the Group's holding is small compared to the majority investor and pari passu, the Group is not exposed to the majority of the variability in the cash flows of the trust, and it is not considered to control the trust structures, so they are not consolidated by the Group.

Investments in trusts are classified at fair value through profit and loss. They are initially recognised at fair value on the balance sheet with the subsequent measurement at fair value with all gains and losses being recognised in the consolidated statement of comprehensive income.

The Group recognises transaction fee income on origination of loans within the trust and service fee income on the assets within the trust, eliminating its proportional ownership share of the service fees. A scheme lender fee is charged in relation to the origination of CBILS and RLS loans and investment income is recognised in relation to returns on the investment.

Other financial assets

Financial assets recognised in the balance sheet as trade and other receivables are classified as amortised cost. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Net investments in sublease receivables are recognised as other receivables representing the net present value of the lease payment receivable. Interest is recognised within other costs in the statement of comprehensive income.

Cash and cash equivalents are classified as amortised cost with the exception of money market funds that are classified as FVTPL. Cash and cash equivalents include cash in hand, deposits held at call with banks, money market funds and other short-term highly liquid investments with original maturities of three months or less. The carrying amount of these assets approximates to their fair value.

1. Material accounting policies continued

Financial instruments continued

Other financial assets continued

Impairment of financial assets held at amortised cost

The Group applies the impairment requirements of IFRS 9. The IFRS 9 impairment model requires a three-stage approach:

- Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ("ECLs") (that is, expected losses arising from the risk of default in the next 12 months) are recognised and interest income is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance).
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but are not credit-impaired. For these assets, lifetime ECLs (that is, expected losses arising from the risk of default over the life of the financial instrument) are recognised, and interest income is still calculated on the gross carrying amount of the asset. The Group assumes there has been a significant increase in credit risk if outstanding amounts on the financial assets exceed 30 days past due, in line with the rebuttable presumption per IFRS 9, or if a line of credit is late, or has been frozen due to an identified increase in risk such as becoming late on a third party debt at which point the assets are considered to be stage 2.
- Stage 3 consists of financial assets that are credit-impaired, which is when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. For these assets, lifetime ECLs are also recognised, but interest income is calculated on the net carrying amount (that is, net of the ECL allowance). The Group defines a default, classified as stage 3, as an asset with any outstanding amounts exceeding a 90-day due date, which reflects the point at which the asset is considered to be defaulted. An account that is deemed to be fraudulent (i.e. third party application fraud) is written off at point of identification.
- In some circumstances where assets are bought back by the Group, the financial asset associated with the purchase meets the definition of purchased or originated credit-impaired ("POCI"), and impairment is therefore based on lifetime ECLs.

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost and recognises a loss allowance for such losses at each reporting date. The measurement of ECLs reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the financial assets expire or the Group has either transferred the contractual right to receive the cash flows from that asset, or has assumed an obligation to pay those cash flows to one or more recipients.

The Group derecognises a transferred financial asset if it transfers substantially all the risks and rewards of ownership.

Financial liabilities

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest-bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Bank borrowings

Bank borrowings (drawdowns under the credit facilities) are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. These instruments are subsequently measured at amortised cost using the effective interest rate method.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

1. Material accounting policies continued

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Loan repurchases

Loan repurchase contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Loan repurchase contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the contract. The liability is subsequently measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation. The expected credit loss model is used to measure and recognise the financial liability.

Share capital

Ordinary shares are classified as equity where their terms include no contractual obligation to transfer cash or another financial asset to another entity.

Earnings/(loss) per share

The Group presents basic and diluted earnings/(losses) per share ("EPS") for its ordinary shares. Basic and diluted EPS are calculated by dividing the profit/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year excluding shares held as own shares in the Company's Employee Benefit Trusts.

For diluted earnings 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.

Shares held by the Employee Benefit Trust and Share Incentive Plan Trust

The Company has established an offshore Employee Benefit Trust ("EBT") and an onshore Share Incentive Plan ("SIP") Trust.

The EBT and SIP Trust provide for the issue of shares to Group employees principally under share option schemes and SIP respectively. The Group has control of the EBT and SIP Trust and therefore consolidates the Trusts in the Group financial statements. Since 2022, the Trustee of the EBT has purchased the Company's shares in the market in order to satisfy the exercise of employee share option schemes.

Shares which are purchased are recognised at cost and are treated as a deduction to shareholders' equity. No gain or loss is recognised in the income statement on the purchase or utilisation of equity shares.

Reserves

Foreign exchange reserve

The foreign exchange reserve represents the cumulative foreign currency translation movement on the assets and liabilities of the Group's international operations at year-end exchange rates and on the profit and loss items from average exchange rates to year-end exchange rates.

Share premium

Proceeds received in excess of the nominal value of shares issued, or on the market value of shares exercised in excess of the exercise price net of any transaction costs.

Share options reserve

The share options reserve represents the cumulative charges to income under IFRS 2 Share-based Payments on all share options and schemes granted, net of share option exercises. The costs are transferred to retained earnings when options are exercised.

2. 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.

2. Critical accounting judgements and key sources of estimation uncertainty continued

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 16)

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 a 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 +/- 500 bps 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.

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

3. 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 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	Before exceptional items	Exceptional items	**31 December 2024 £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)	10, 11	(0.3)	—	**(0.3)**	(10.3)
(Charge)/credit for expected credit losses	15, 16	(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		—	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	8	(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	19	(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 and diluted (loss)/earnings per share from discontinued operations	9	(3.0)p		**2.4p**	(8.7)p
Basic and diluted (loss)/earnings per share from discontinued operations	9	(3.0)p		**2.2p**	(8.7)p

3. Discontinued operations continued

Segmental Adjusted EBITDA from discontinued operations

	31 December 2024 £m	31 December 2023 £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 £m	31 December 2023 £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 £23.1 million)	(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

4. 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 3.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

5. 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 year 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		Total	United Kingdom		Other	Total
	Term Loans £m	FlexiPay £m	Total £m	Term Loans £m	FlexiPay £m	Term Loans £m	Total £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 3 – discontinued operations.

6. Operating expenses

	Note	Before exceptional items £m	Exceptional items[1] £m	**31 December 2024 £m**	31 December 2023 £m
Continuing operations					
Depreciation	11	3.0	—	**3.0**	3.5
Amortisation and impairment	4, 10	10.6	0.3	**10.9**	9.1
Modification gains	11	(0.4)	—	**(0.4)**	—
Rental income and other recharges		—	—	**—**	(0.2)
Employment costs (including contractors)	7	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	16, 27	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 4 for details on exceptional items.

Auditors' remuneration

	31 December 2024 £m	31 December 2023 £m
Audit fees		
Continuing operations		
– Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	**0.4**	0.5
– Fees payable to the Company's auditors and its associates for the statutory audit of the financial statements of subsidiaries of the Company	**0.5**	0.5
Total audit fees	**0.9**	1.0
Non-audit service fees		
– Audit-related assurance services	**0.3**	0.3
– Other assurance services	**0.1**	0.1
Total non-audit service fees	**0.4**	0.4

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

7. 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[1]		
US	**106**	203
Total discontinued operations	**106**	203
Total	**827**	959

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[1].

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.

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

	31 December 2024			31 December 2023
Continuing operations	Before exceptional items £m	Exceptional items[1] £m	Total £m	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	**68.1**	**2.3**	**70.4**	65.5

1. See note 4 for details of exceptional items.

8. 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/(losses) for the year	**0.5**	0.3
Adjustment in respect of prior years	**—**	(2.0)
	0.5	(1.7)
Other		
Current tax on (losses)/profits 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 profits/(losses) for the year	**—**	—
Adjustments 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 (losses)/profits 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.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

8. Income tax charge/(credit) continued

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 (31 December 2023: £nil).

The US business at 31 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 is 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.

8. Income tax charge/(credit) continued

Unrecognised deferred tax continued

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.

9. 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 Total £m	31 December 2024 Before exceptional items £m	31 December 2023 £m
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 Total £m	31 December 2024 Before exceptional items £m	31 December 2023 Total £m
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

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

10. 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 4). 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.

11. 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.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

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

Reconciliation of amount recognised in the balance sheet continued

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

Amounts recognised in the statement of comprehensive income were as follows:

Continuing operations	31 December 2024 £m	31 December 2023 £m
Depreciation charge of right-of-use assets (property)	1.9	2.1
Gain on modification of lease liability	(0.4)	—
Interest expense (included in operating expenses)	0.6	0.2

The total cash outflow for leases (excluding short-term and low value leases) in 2024 was £3.6 million (2023: £7.2 million).

A maturity analysis illustrating the undiscounted contractual cash flows of lease liabilities is included within the liquidity risk disclosure within note 16.

As at 31 December 2024, the potential future undiscounted cash outflows that have not been included in the lease liability due to lack of reasonable certainty the lease extension options might be exercised, amounted to £8.8 million (2023: £nil).

12. 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 £7.2 million related to Cashback credit card balances net of ECL impairment.

13. 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.

14. 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.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

15. 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)
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 4.
2. ECL on undrawn lines of credit and other provisions includes provisions for operational buybacks of £0.9 million and £2.7 million (2023: £1.4 million) of expected credit loss impairment allowance related to undrawn FlexiPay lines of credit. See notes 16 and 27.

	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.

16. 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).

16. Financial risk management continued

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 £m	Amortised cost £m	Other £m	Total £m	Fair value through profit and loss £m	Amortised cost £m	Other £m	Total £m
Assets								
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.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

16. Financial risk management continued

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) £m	Significant observable inputs (level 2) £m	Significant unobservable inputs (level 3) £m	Quoted prices in active markets (level 1) £m	Significant observable inputs (level 2) £m	Significant unobservable inputs (level 3) £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.

16. Financial risk management continued

Financial instruments measured at fair value continued

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**

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

16. Financial risk management continued

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:

16. Financial risk management continued

Financial risk factors continued

Credit risk continued

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

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 15 and in note 27.

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 were extinguished. SME loans held at amortised cost also include loans which have been bought 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.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

16. Financial risk management continued

Financial risk factors continued

Credit risk continued

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

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 15 and 27.

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**

16. Financial risk management continued

Financial risk factors continued

Credit risk continued

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

	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 (90+ days overdue)	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.

Notes forming part of the consolidated financial statements continued

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16. Financial risk management continued

Financial risk factors continued

Credit risk continued

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

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 scenarios	2025 %	2026 %	2027 %	2028 %	2029 %
Unemployment rate %	Upside	3.97	3.65	3.62	3.63	3.64
	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 2.

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).

16. Financial risk management continued

Financial risk factors continued

Liquidity risk

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

The Group's liquidity position is monitored and reviewed on an ongoing basis by the Directors.

The amounts disclosed in the following tables are the contractual undiscounted cash flows. The liquidity requirements of bank borrowings are met from cash flows generated by investment in FlexiPay lines of credit.

The maturity analysis of financial instruments at 31 December 2024 and 31 December 2023 is as follows:

At 31 December 2024	Less than 3 months £m	Between 3 months and 1 year £m	Between 1 and 5 years £m	Over 5 years £m	Total undiscounted cash flows £m	Impact of discounting £m	Carrying amount £m
Financial liabilities							
Trade and other payables	(8.3)	—	—	—	(8.3)	—	(8.3)
Bank borrowings	—	(101.9)	—	—	(101.9)	—	(101.9)
Loan repurchase liability[1]	—	—	—	—	—	—	—
Lease liabilities	(0.5)	(1.4)	(7.4)	—	(9.3)	1.7	(7.6)
	(8.8)	(103.3)	(7.4)	—	(119.5)	1.7	(117.8)

At 31 December 2023	Less than 3 months £m	Between 3 months and 1 year £m	Between 1 and 5 years £m	Over 5 years £m	Total undiscounted cash flows £m	Impact of discounting[2] £m	Carrying amount £m
Financial liabilities							
Trade and other payables	(34.8)	—	(0.2)	—	(35.0)	—	(35.0)
Bank borrowings	—	(54.7)	(2.2)	—	(56.9)	—	(56.9)
Loan repurchase liability[1]	(0.1)	—	—	—	(0.1)	—	(0.1)
Lease liabilities	(1.8)	(5.5)	(5.9)	—	(13.2)	0.6	(12.6)
	(36.7)	(60.2)	(8.3)	—	(105.2)	0.6	(104.6)

1. Financial guarantees provided for in the loan repurchase liability are allocated to the earliest period in which the guarantee could possibly be called.

Bank borrowings comprise the drawn balance on a committed lending facility in the FlexiPay warehouse of £101.9 million (2023: £54.7 million) at a floating rate of interest based on SONIA plus a margin. They previously also comprised of drawn amounts in the US of $2.8 million in 2023 on the PPP Liquidity Facility available from the Federal Reserve Bank at a fixed interest rate of 0.35%.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risk arises from open positions in interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

a) Other price risk

The fair value of the SME loans which are held at fair value through profit and loss can fluctuate depending on market pricing of relative interest rates and credit risk. This is reflected in the discount rate used to derive a valuation for the loan assets. The discount rates used in the valuation of the assets measured at fair value through profit and loss are not considered to be a material source of estimation uncertainty and a sensitivity analysis has not been disclosed.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

16. Financial risk management continued

Financial risk factors continued

Market risk continued

b) Interest rate risk

The Group is exposed to interest rate risk in relation to financial liabilities through drawn committed borrowing facilities and on financial assets through investment in SME loans.

Non-trading interest rate risk

The Group's interest risk on financial instruments is limited to interest receivable on loan note investments, cash and cash equivalent balances and interest on bonds and bank borrowings. The maturities of financial instruments subject to interest rate risk are as follows:

	Less than 3 months		Between 3 months and 1 year		Between 1 and 5 years	
At 31 December	**2024 £m**	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m
Fixed rate						
SME loans at amortised cost	**0.2**	1.1	**0.1**	0.6	**1.8**	5.0
Investment in trusts and co-investments	**—**	—	**—**	—	**17.8**	25.2
Lines of credit	**49.8**	50.0	**47.3**	—	**—**	—
SME loans fair value through profit and loss[1]	**0.7**	0.6	**—**	13.5	**0.5**	4.5
Bank borrowings[2]	**—**	—	**—**	—	**—**	(2.2)
Floating rate						
Cash and cash equivalents	**187.6**	221.4	**—**	—	**—**	—
Bank borrowings[2]	**—**	—	**(101.9)**	(54.7)	**—**	—
	238.3	273.1	**(54.5)**	(40.6)	**20.1**	32.5

1. The SME loans held at fair value through profit and loss are classified as current on the balance sheet, reflecting that the position is held to sell. The above table represents the contractual maturities.
2. In the comparative year ended 31 December 2023, the fixed rate bank borrowings and SME loans held at amortised cost included the Group's drawing of the PPP Liquidity Facility in the US in order to fund PPP loan originations. These were classified as non-current on the balance sheet, and the above table represents the contractual maturities, although the PPP loans could have been forgiven by the SBA and the associated liability could have been repaid from the proceeds within 12 months of the balance sheet date. The floating rate bank borrowings represent the facility in the FlexiPay warehouse used to originate lines of credit.

There are no financial assets or liabilities with a maturity of over five years.

Interest rate risk sensitivity analysis – non-trading interest (fixed rate)

Interest on SME loans and on the PPPLF borrowings (in the US) was fixed until the maturity of the investment and is not impacted by market rate changes. All remaining US bond liabilities were repaid during the year to 31 December 2023 and all other US SME loan assets sold in the year ended 31 December 2024. The level of future interest rate receivable would be similar to that received in the year and the impact of movements in interest rates on the value of the assets is considered immaterial to the Group's overall performance for the year.

16. Financial risk management continued

Financial risk factors continued

Market risk continued

b) Interest rate risk continued

Interest rate risk sensitivity analysis – non-trading interest (floating rate)

Interest on cash and cash equivalent balances is subject to movements in base rates. The Directors monitor interest rate risk and note that base rates are anticipated to decrease in the near term. A 100bps decrease in annualised interest rates applied to cash and cash equivalent balances FC holds in interest bearing accounts at 31 December 2024 would decrease interest income by £5.1 million.

Interest on bank borrowings related to the FlexiPay lines of credit are subject to movements in the Sterling Overnight Index Average Rate ("SONIA"). The Group has partially protected itself through the use of an interest rate cap with a strike price of 6.5% and a notional amount that increases in line with the projected drawdowns on the senior borrowing facility. The fair value of the interest rate cap is not material to the Group.

If SONIA were to increase by 100 bps, based on the drawn balance at 31 December 2024, the annualised interest expense recognised in borrowing costs would increase by £1.0 million (2023: £0.5 million) (including any impact of the interest rate cap). Additionally, while the fees charged on FlexiPay lines of credit are fixed for the duration of individual drawdowns, due to the short-term and revolving nature of the product, the Group can reprice the fees charged on drawdowns at short notice in order to manage interest rate risk of the floating rate borrowings. Interest charged on Cashback credit card balances outstanding is regularly updated to align with prevailing market rates of interest and are also short-term in nature. As a result there is not considered to be significant interest rate risk.

Some of the Group's investment in trusts are through warehouse vehicles where the Group is a minority equity investor. The senior borrowing facilities utilised in these vehicles receive interest on borrowings in priority to payments to the equity investors at SONIA plus a margin. As a result of the increase in SONIA since the inception of these vehicles, the increased borrowing costs have reduced the expected cash returns to the equity investors of the investment held at fair value through profit and loss. The impact is recognised in fair value gains and losses in the statement of comprehensive income. Some, but not all of the vehicles, had interest rate caps or interest rate swaps within their structures which can mitigate the impact of future rate rises. The remaining leveraged warehouse vehicles, which previously did not hold hedging instruments, entered into cap or swap agreements during the year ended 31 December 2024 and 2023.

The fair value of investments in trusts and co-investments are no longer considered to be sensitive to further increases in SONIA or the projected SONIA rates as a result of hedging in place.

c) Sensitivity analysis

IFRS 7 requires disclosure of sensitivity analysis for each type of market risk to which the entity is exposed at the report date showing how profit or loss and equity would have been affected by changing the relevant risk variables that were reasonably possible at that date.

As discussed above, the Group does not have significant exposure to price or cash flow risk and therefore no sensitivity analysis for those risks has been disclosed.

d) Foreign exchange risk

The Group operated internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the UK pound sterling and the euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

Apart from these particular cash flows, the Group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which income is generated and expenses are incurred.

The Group had certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

16. Financial risk management continued

Financial risk factors continued

Market risk continued

d) Foreign exchange risk continued

The table below sets out the Group's currency exposures from financial assets and liabilities held by Group companies in currencies other than their functional currencies and resulting in exchange movements in the income statement and balance sheet.

	31 December 2024				31 December 2023			
	USD £m	GBP £m	EUR £m	Total £m	USD £m	GBP £m	EUR £m	Total £m
Cash and cash equivalents	—	—	—	—	0.2	—	—	0.2
Intra-group assets	—	—	0.1	0.1	—	—	0.2	0.2
Intra-group liabilities	—	—	(0.5)	(0.5)	(45.5)	—	(0.3)	(45.8)

The Group assessed the sensitivity to a 10% depreciation and 10% appreciation in pound sterling against the relevant foreign currencies. While 5% is the sensitivity rate used when reporting foreign currency risk internally to senior management personnel, in light of recent fluctuations in foreign exchange rates, 10% represents management's current assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis to the income statement includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. The sensitivity analysis illustrates the impact on the foreign currency translation reserve within equity of the retranslation of quasi-equity loans to foreign operations within the Group and net investment in foreign operations of the Group.

The Group's sensitivity to fluctuations in foreign currencies is related to the US dollar and euro amounts held in the Parent Company. The impact of a 10% change in foreign currency rates is as follows:

	Appreciation in pound sterling				Depreciation in pound sterling			
At 31 December	Income statement 2024 £m	Equity 2024 £m	Income statement 2023 £m	Equity 2024 £m	Income statement 2024 £m	Equity 2024 £m	Income statement 2023 £m	Equity 2024 £m
US dollars	—	—	—	(3.0)	—	—	—	3.7
Euros	—	(1.0)	—	0.9	—	0.8	—	(1.1)
	—	(1.0)	—	(2.1)	—	0.8	—	2.6

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.

Capital management

The Group considers its capital to comprise its ordinary share capital, share premium, foreign exchange reserve, share options reserve and retained earnings. Quantitative detail is shown in the consolidated statement of changes in equity.

The Directors' objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Directors monitor a number of KPIs at both the Group and individual subsidiary level on a monthly basis. As part of the budgetary process, targets are set with respect to operating expenses in order to effectively manage the activities of the Group. Performance is reviewed on a regular basis and appropriate actions are taken as required. These internal measures indicate the performance of the business against budget/forecast and confirm whether the Group has adequate resources to meet its working capital requirements.

16. Financial risk management continued

Capital management continued

The Group is subject to externally imposed capital requirements by the Financial Conduct Authority but these are lower than internally set requirements. During the year, the Group complied with all externally imposed requirements.

17. Share capital

	31 December 2024 Number	**31 December 2024 £**	31 December 2023 Number	31 December 2023 £
Called up, allotted and fully paid				
Ordinary shares of £0.001 at beginning of the year	**361,303,143**	**361,303**	361,303,143	361,303
Share buybacks	**(33,367,364)**	**(33,367)**	—	—
Ordinary shares of £0.001 at end of the year	**327,935,779**	**327,936**	361,303,143	361,303

No ordinary shares were issued in 2024 or 2023 in connection with employee share schemes.

The share capital reduced by £0.1 million in the year (2023: £nil) as a result of share buybacks and cancellations.

Included in the total number of ordinary shares outstanding are 8,038,483 (2023: 16,614,054) shares held by the Group's Employee Benefit Trust, which includes 7,897,659 shares (2023: 16,473,230) that were purchased (nil purchased (2023: 3,290,000) and 8,575,571 (2023: 3,288,009) utilised to satisfy employee share option plans) and 4,051,362 (2023: 5,428,551) shares held by the Group's Share Incentive Plan Trust.

18. Share premium account

	2024 £m	2023 £m
At 1 January	**293.1**	293.1
Exercise of options – proceeds received	**0.5**	—
Capital reduction	**(293.5)**	—
At 31 December	**0.1**	293.1

On 12 December 2024, the Group completed a capital reduction exercise under section 641 of the Companies Act 2006. As a result, the entire share premium balance at that date of £293,486,755 was cancelled and created an accumulated profit within the Group's profit and loss account and now constitutes a distributable reserve.

19. Foreign exchange reserve

	£m
At 1 January 2023	16.9
Exchange difference on translating the net assets of foreign operations	(2.7)
At 31 December 2023	14.2
Exchange difference on translating the net assets of foreign operations	(0.2)
Reclassification to profit and loss on disposal of discontinued operations	(8.7)
At 31 December 2024	**5.3**

Exchange differences relating to the translation of the net assets of the Group's subsidiaries from their functional currency into the Company's functional currency are recognised directly in the foreign exchange reserves within equity.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

20. (Accumulated losses)/retained earnings

	£m
At 1 January 2023	(48.6)
Transfer of share option costs	3.8
Purchase of own shares	(1.8)
Loss for the year	(38.3)
At 31 December 2023	(84.9)
Transfer of share option costs	6.6
Buyback and cancellation of own shares	(33.6)
Capital reduction	293.5
Loss for the year	8.6
At 31 December 2024	**190.2**

The transfer of share option costs is in relation to the exercise of share options during the year and their associated costs in the share options reserve which are transferred to (accumulated losses)/retained earnings.

During the year ended 31 December 2024, £nil (2023: £1.8 million) of ordinary shares were purchased by the EBT for the purposes of satisfying employee share option plans. The number of shares purchased was nil and the average purchase price was £nil (2023: 3.3 million and £0.53). All shares have a nominal value of £0.001.

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.

On 12 December 2024, the Group completed a capital reduction exercise under section 641 of the Companies Act 2006. As a result, the entire share premium balance at that date of £293,486,755 was cancelled and created an accumulated profit within the Group's profit and loss account and now constitutes a distributable reserve.

21. Share-based payment

The Company operates share schemes for all employees of the Group. The terms of the main current schemes from which the Group's employees benefit are set out below.

Post-IPO employee share plans

Since the Company's admission on the London Stock Exchange, the Company has operated a discretionary share-based Long-Term Incentive Plan ("LTIP"). In November 2020, the Company introduced a Share Incentive Plan ("SIP") approved by HMRC, which includes partnership shares and matching shares. This plan is now only relevant for UK-based employees.

The main features of the LTIP and SIP are set out below.

Post-IPO – LTIP

Form of LTIP Awards

The Board grants awards in the form of restricted stock units at no cost or options to acquire shares at no cost (a nil-cost option).

Performance conditions

LTIP Awards are not currently subject to performance conditions with the exception of LTIP Awards granted to Executive Directors which are subject to performance conditions. Refer to the Remuneration Report for further details.

Any performance condition may be amended or substituted if one or more events occur which cause the Board to reasonably consider that an amended or substituted performance condition would be more appropriate and would not be materially less difficult to satisfy than originally intended.

21. Share-based payment continued

Post-IPO employee share plans continued

Post-IPO – LTIP continued

Vesting and release of LTIP Awards

LTIP Awards granted to employees, excluding Executive Directors, currently vest subject to continued service only ("Time-Based Vesting") in accordance with a vesting schedule set at grant.

LTIP Awards granted to Executive Directors vest at the end of three years subject to achievement of performance conditions. Further details are shown in the Remuneration Report.

The Board may determine at grant that an LTIP Award is subject to an additional holding period following vesting (a "Holding Period"). LTIP Options will be exercisable from the date of vesting or, if applicable, the end of the Holding Period until the tenth anniversary of the grant date, or such earlier date as the Board determines.

Cessation of employment

LTIP Options may normally be exercised to the extent vested for a period of six months after ceasing employment or 12 months after death (or such other period as the Board may determine).

Post-IPO – SIP

Form of SIP Awards

The Board grants awards in the form of partnership shares and matching shares.

Performance conditions

There are no performance conditions attached to partnership shares and matching shares.

Free shares

Until 2022 under the SIP, all UK employees were eligible to receive up to a maximum of £3,600, or 10% of annual salary if less, of free shares per tax year. Free shares were awarded annually with a forfeiture period of two years and a holding period of three years.

Matching shares

UK employees are invited to buy partnership shares from pre-tax salary with a maximum investment in each tax year of £1,800, or 10% of annual salary if less. Partnership shares are purchased every month. Employees can withdraw partnership shares from the SIP at any time although there are tax advantages if the shares are retained in the SIP for at least three years.

Up to 2022 participants were awarded one matching share for every one partnership share they purchased, and from 2023 this was increased to two matching shares for every partnership share purchased. There are tax advantages to participants if the matching shares are retained in the SIP for at least three years.

Whilst employed by the Company, a participant will forfeit a corresponding number of matching shares if they choose to transfer partnership shares out of the SIP within three years of the date of purchase.

Under normal circumstances, if a participant leaves the Company before the second anniversary of the date of award, they will forfeit their matching shares. If they leave between two and three years of the date of award, they retain their matching shares but those shares must be removed from the SIP and any tax advantages are lost. If a participant leaves under special circumstances, they will retain all of their matching shares, regardless of how long they have been held in the SIP.

Pre-IPO employee share plans

EMI Options

Prior to June 2014, the Company issued options to UK subsidiary undertakings' employees under the EMI Options Scheme. Since then, the Company is not eligible to issue under the scheme.

Unapproved Options

The Company had an Unapproved Options Scheme for all employees of the Group. In accordance with standard vesting terms, the full award vested four years after the vesting start date, with 25% vesting on the first anniversary of the vesting date and 6.25% every three months thereafter. If the options remain unexercised after a period of ten years from the date of grant, the options expire.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

21. Share-based payment continued

Pre-IPO employee share plans continued

US Options Scheme 2

Options granted under the US Options Scheme 2 are Unapproved Options granted to US employees as either non-qualifying options or incentive stock options. The US Options Scheme 2 has the same vesting period as Unapproved Options. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Unvested options are forfeited if the employee leaves the Group before the options vest. New grants under this scheme ceased in 2018 upon IPO.

All share-based incentives are subject to service conditions. Such conditions are not taken into account in the fair value of the service received. The fair value of services received in return for share-based incentives is measured by reference to the fair value of share-based incentives granted. The estimate of the fair value of the share-based incentives is measured using market prices. When market prices do not exist for shares or rights to shares with similar characteristics, fair value is determined by using a valuation technique (either the Monte Carlo or Black-Scholes pricing model as is most appropriate for each scheme).

Charge for the year

Included in operating expenses of the Group is a charge for share-based payments and associated social security costs of £7.8 million (2023: £3.8 million) that arises from transactions accounted for as equity-settled share-based payment transactions from continuing operations and £1.0 million (2023: £1.8 million) from discontinued operations. Additionally, an exceptional credit of £1.7 million (2023: £nil) is included within discontinued operations relating to lapses of share-based payments on the sale of the US business.

Movements in share plans

Details of movements in the share schemes during the year are as follows:

	EMI Options		Unapproved Options		Free shares and matching shares		LTIP Awards		US Options Schemes		Total	
	Number and WAEP[1]		Number and WAEP		Number and WAEP		Number and WAEP		Number and WAEP		Number and WAEP	
	Number	£m	Number	£m	Number	£m	Number	£m	Number	£m	Number	£m
Outstanding at 1 January 2023	141,300	0.026	5,009,896	0.314	4,833,226	—	19,860,718	—	2,816,272	0.431	32,661,412	0.097
Granted during the year	—	—	—	—	653,742	—	21,443,472	—	—	—	22,097,214	—
Exercised during the year	(96,000)	0.027	(386,367)	0.143	(383,116)	—	(2,971,351)	—	(3,034)	0.516	(3,839,868)	0.014
Forfeited during the year	—	—	(938)	0.440	(711,218)	—	(4,792,300)	—	(40,888)	0.522	(5,545,344)	0.004
Outstanding at 31 December 2023	45,300	0.024	4,622,591	0.328	4,392,634	—	33,540,539	—	2,772,350	0.429	45,373,414	0.068

21. Share-based payment continued

Movements in share plans continued

	EMI Options		Unapproved Options		Free shares and matching shares		LTIP Awards		US Options Schemes		Total	
	Number and WAEP[1]		Number and WAEP		Number and WAEP		Number and WAEP		Number and WAEP		Number and WAEP	
	Number	£m	Number	£m	Number	£m	Number	£m	Number	£m	Number	£m
Outstanding at 1 January 2024	45,300	0.024	4,622,591	0.328	4,392,634	—	33,540,539	—	2,772,350	0.429	45,373,414	0.068
Granted during the year	—	—	—	—	469,010	—	12,313,814	—	—	—	12,782,824	—
Exercised during the year	(45,300)	0.024	(951,535)	0.360	(826,552)	—	(6,733,720)	—	(741,224)	0.294	(9,298,331)	0.061
Forfeited during the year	—	—	(141)	0.440	(717,480)	—	(13,159,091)	—	(16,093)	0.245	(13,892,805)	—
Outstanding at 31 December 2024	**—**	**—**	**3,670,915**	**0.319**	**3,317,612**	**—**	**25,961,542**	**—**	**2,015,033**	**0.480**	**34,965,102**	**0.072**

1. Weighted average exercise price.

The following table summarises information about the share awards outstanding at 31 December 2024:

	EMI Options		Unapproved Options		Free shares and matching shares		LTIP Awards		US Options Schemes		Total	
Range of exercise prices	Number and WARCL[1]		Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL	
	Number	Years	Number	Years	Number	Years	Number	Years	Number	Years	Number	Years
£0–£0.008	—	—	2,190,017	3.4	3,317,612	—	25,961,542	8.0	—	—	31,469,171	6.8
£0.009–£0.176	—	—	2,033	—	—	—	—	—	—	—	2,033	—
£0.177–£0.471	—	—	1,110,227	2.6	—	—	—	—	1,417,650	0.9	2,527,877	1.7
£0.472–£1.75	—	—	368,638	3.4	—	—	—	—	597,383	3.4	966,021	3.4
	—	—	3,670,915	3.2	3,317,612	—	25,961,542	8.0	2,015,033	1.7	34,965,102	6.4

1. Weighted average remaining contractual life.

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

21. Share-based payment continued

Movements in share plans continued

The following table summarises information about the share awards outstanding at 31 December 2023:

Range of exercise prices	EMI Options		Unapproved Options		Free shares and matching shares		LTIP Awards		US Options Schemes		Total	
	Number and WARCL[1]		Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL		Number and WARCL	
	Number	Years	Number	Years	Number	Years	Number	Years	Number	Years	Number	Years
£0–£0.008	—	—	2,190,017	4.4	4,392,634	—	33,540,539	8.4	—	—	40,123,190	7.3
£0.009–£0.176	45,300	0.4	18,438	1.1	—	—	—	—	24,302	0.4	88,040	0.5
£0.177–£0.471	—	—	2,045,498	3.2	—	—	—	—	2,150,665	1.8	4,196,163	2.4
£0.472–£1.75	—	—	368,638	4.5	—	—	—	—	597,383	4.5	966,021	4.5
	45,300	0.4	4,622,591	3.8	4,392,634	—	33,540,539	8.4	2,772,350	2.3	45,373,414	6.7

1. Weighted average remaining contractual life.

Unapproved Options Scheme

There have been no Unapproved Options granted since IPO in 2018. The weighted average fair values of options granted under the Unapproved Options Scheme and the US Options Scheme ranged between £0.73 and £1.80 per option respectively in the previous year. These values were determined using the Black-Scholes valuation model. The significant inputs into the model are as follows:

Unapproved Options Scheme	31 December 2019
Share price (various times during the year)	£1.89
Exercise price	£nil–£0.44
Expected life	4 years
Expected volatility	48%
Risk-free interest rate (between)	0.93%–1.02%
Dividend yield	Nil
Forward exchange rate – US Options (between)	0.769

LTIP Awards

Since all LTIP Awards were made post-IPO, the Company has used its share price at grant date as the fair value of the LTIP Awards granted during the year to employees.

Free shares and matching shares

The Company has used its share price at grant date as the fair value of free shares and matching shares granted during the year to employees.

22. 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).

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

22. Notes to the consolidated statement of cash flows continued

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)**

23. Operating lease arrangements

As disclosed in notes 1 and 11, leases of low value items or short-term leases continue to be treated as operating leases.

	31 December 2024 £m	31 December 2023 £m
Lease payments under operating leases recognised as an expense in the year[1]	**0.2**	0.4

1. The current and comparative lease expense relates to discontinued operations.

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases of £0.1 million (2023: £0.3 million).

Operating lease payments represent payments for lease assets that are individually considered low value.

24. Dividends per share

No ordinary dividends were declared or paid in the current or previous financial years.

25. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Group's key management personnel comprises the Executive Committee ("ExCo"), formerly known as the Global Leadership Team ("GLT"), which is made up of the Executive Directors and other senior management, as defined in note 5, as the chief operating decision maker ("CODM") and the Non-Executive Directors of the Group.

	31 December 2024 £m	31 December 2023 £m
Salaries and short-term benefits	**5.0**	4.8
Equity-based compensation	**1.3**	2.0
Post-employment benefits	**0.1**	0.1
	6.4	6.9

Further details on Directors' remuneration are disclosed in the Remuneration Report in the Corporate Governance section of the Annual Report and Accounts on pages 101 to 111.

Transactions with other related parties

During the year, the Group received capital redemptions of £0.9 million (2023: £1.1 million) and received dividends of £nil (2023: £0.1 million) from entities accounted for as associates.

During the year, the Group received service fees from loans held by Throgmorton Lending Designated Activity Company of £0.1 million (2023: £0.3 million). This entity is a subsidiary of the Group's associate, as detailed in note 29.

26. Ultimate controlling party

In the opinion of the Directors, the Group does not have a single ultimate controlling party.

27. 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.

28. Subsequent events

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

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

29. Interests in other entities

Investments in subsidiaries

The Group had the following subsidiaries, all of which have been included in these consolidated financial statements. The proportion of the voting rights in subsidiary undertakings held directly by the Company does not differ from the proportion of ordinary shares held.

Subsidiary undertakings	Place of incorporation and principal place of business	Proportion of ownership interest	Directly/ indirectly held	Registered office address
Funding Circle Ltd	UK	100%	Directly	71 Queen Victoria Street, London EC4V 4AY
Funding Circle BB Limited	UK	100%	Indirectly	71 Queen Victoria Street, London EC4V 4AY
Funding Circle Eclipse Lending Limited	UK	100%	Indirectly	71 Queen Victoria Street, London EC4V 4AY
Funding Circle Focal Point Lending Limited	UK	100%	Indirectly	71 Queen Victoria Street, London EC4V 4AY
Funding Circle Global Partners Limited	UK	100%	Directly	71 Queen Victoria Street, London EC4V 4AY
Funding Circle Trustee Limited	UK	100%	Indirectly	71 Queen Victoria Street, London EC4V 4AY
Made To Do More Limited	UK	100%	Indirectly	71 Queen Victoria Street, London EC4V 4AY
Funding Circle Horizon Lending Limited	UK	100%	Indirectly	71 Queen Victoria Street, London EC4V 4AY
Funding Circle Polaris Lending Limited	UK	100%	Indirectly	71 Queen Victoria Street, London EC4V 4AY
Funding Circle CE GmbH	Germany	100%	Directly	Rheinstraße 11, 14513 Teltow
Funding Circle Deutschland GmbH	Germany	100%	Indirectly	Rheinstraße 11, 14513 Teltow
Funding Circle Connect GmbH	Germany	100%	Indirectly	Rheinstraße 11, 14513 Teltow
FC Forderungsmanagement GmbH	Germany	100%	Indirectly	Rheinstraße 11, 14513 Teltow
Funding Circle Nederland B.V.	Netherlands	100%	Indirectly	71 Queen Victoria Street, London EC4V 4AY
Subsidiary undertakings disposed of in the year				
Funding Circle USA, Inc.[1]	USA	100%	Directly	707 17th Street, Suite 2200 Denver, CO 80202
Funding Circle Notes Program, LLC[1]	USA	100%	Indirectly	707 17th Street, Suite 2200 Denver, CO 80202
FC Marketplace, LLC[1]	USA	100%	Indirectly	707 17th Street, Suite 2200 Denver, CO 80202
Funding Circle Investor Funds, LLC[1]	USA	100%	Indirectly	707 17th Street, Suite 2200 Denver, CO 80202
FC Depositor US LLC[1]	USA	100%	Indirectly	707 17th Street, Suite 2200 Denver, CO 80202
FC Capital US III LLC[1]	USA	100%	Indirectly	707 17th Street, Suite 2200 Denver, CO 80202
FC SBA Lending LLC[1]	USA	100%	Indirectly	707 17th Street, Suite 2200 Denver, CO 80202

1. All US subsidiaries were disposed of on 1 July 2024.

Investments in associates

Set out below are the associates of the Group as at 31 December 2024 which, in the opinion of the Directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Associate entity name	Place of incorporation	Proportion of ownership interest	Directly/ indirectly held	Registered office address
Funding Circle UK SME Direct Lending Fund[1]	Ireland	8%	Indirectly	70, Sir John Rogerson's Quay, Dublin 2, Ireland

1. Private sub-fund held via the Funding Circle ICAV, an Irish collective asset-management vehicle constituted as an umbrella fund with registered office address of 70, Sir John Rogerson's Quay, Dublin 2, Ireland.

29. Interests in other entities continued

Investments in associates continued

The associates outlined above directly hold investments in subsidiary entities as detailed below, which are considered to be related parties of the Group.

Other related party name	Place of incorporation	Relationship	Proportion of ownership interest	Directly/ indirectly held	Registered office address
Throgmorton Lending Designated Activity Company	Ireland	Subsidiary of associate	100%	Indirectly	70, Sir John Rogerson's Quay, Dublin 2, Ireland

The tables below provide summarised financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not Funding Circle Holdings plc's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including modifications for differences in accounting policy. While the Group holds less than 20% ownership in Funding Circle UK SME Direct Lending Fund I, the Group considers that it has significant influence over the entity through representation on its Board and so continues to account for it as an associate instead of a trade investment.

The associates are sub-funds which invest in SME loans, and the Group is exposed to default and prepayment risk with respect to the performance of the underlying loans in the associates, to the extent that the share of profit from associates may diminish. The table below illustrates the Group's maximum exposure to the investment in associates which represents the value on the Group balance sheet. The value of the investment is derived from net asset value statements from the sub-funds; however, being private, these are not from observable market data, and therefore the fair value is considered to be aligned to the carrying value.

Summarised balance sheet (Group's share)	**Funding Circle UK SME Direct Lending Fund I 31 December 2024 £m**	Funding Circle UK SME Direct Lending Fund I 31 December 2023 £m
Non-current assets	**0.4**	1.2
Current assets	**0.2**	0.3
Current liabilities	**—**	—
Non-current liabilities	**—**	—
Net assets	**0.6**	1.5

Reconciliation of associates' total shareholders' equity to carrying amount in Funding Circle Holdings plc's consolidated financial statements

	Funding Circle UK SME Direct Lending Fund I 31 December 2024 £m	Funding Circle UK SME Direct Lending Fund I 31 December 2023 £m
Opening net assets as at 1 January	**18.3**	32.5
Profit for the year	**0.4**	1.1
Exchange differences	**—**	—
Other comprehensive income	**—**	—
Capital redemptions in the year	**(11.1)**	(13.8)
Dividends paid in the year	**(0.4)**	(1.5)
Closing net assets as at 31 December	**7.2**	18.3
Group's share in %	**8.3%**	8.3%
Group's share of net assets as at 31 December	**0.6**	1.5
Accounting policy alignment	**—**	—
Group's carrying amount	**0.6**	1.5

Notes forming part of the consolidated financial statements continued

for the year ended 31 December 2024

29. Interests in other entities continued

Reconciliation of associates' total shareholders' equity to carrying amount in Funding Circle Holdings plc's consolidated financial statements continued

Summarised statement of comprehensive income (Group's share)	**Funding Circle UK SME Direct Lending Fund I 31 December 2024 £m**	Funding Circle UK SME Direct Lending Fund I 31 December 2023 £m
Gross income	**0.1**	0.2
Profit for the year	**—**	0.1
Other comprehensive income	**—**	—
Total comprehensive income	**—**	0.1
Dividends received from associates	**—**	0.1
Capital redemptions received from associates	**0.9**	1.1

Interest in other entities

Stichting Derdengelden Funding Circle is not a direct or indirect subsidiary of Funding Circle Holdings plc but is an independent special purpose foundation which is required in the Netherlands to safeguard borrower and investor funds and is consolidated as it is controlled by the Group. The registered office address is Atrium, Strawinskylaan 3075, 4th Floor, 1077 ZX Amsterdam.

The Funding Circle Holdings Employee Benefit Trust was established on 14 September 2018. The purpose of the trust is to facilitate the acquisition of shares in the Company by, or for the benefit of, existing and future employees of the Company and Group subsidiaries and is consolidated as it is controlled by the Group.

Consolidated structured entities: Small Business Origination Loan Trust 2019-3 DAC, Great Trinity Lending 1 DAC, Small Business Lending Trust 2019-A, Small Business Lending Grantor Trust 2019-A, Small Business Lending Trust 2020-A and Small Business Lending Grantor Trust 2020-A were consolidated structured warehouse and securitisation entities which either hold SME loan assets in a warehouse or hold the portfolio of SME loans and issued bonds after securitisation has occurred.

Kanaloa 2 Limited ("K2") is a consolidated UK leveraged SPV warehouse that has been set up with the intention of funding FlexiPay lines of credit through the use of a senior lending facility.

The entities are, or were, bankruptcy remote special purpose vehicles and as such there is no requirement for the Group to provide financial support to the entities. The entities' activities are not governed by voting rights and the Group has assessed that it has power over the entities based on the purpose and design of the entity and ability to direct the relevant activities of the entity, the nature of the relationship with the entity and the size of its exposure to the variability of the returns from each entity.

29. Interests in other entities continued

Interest in other entities continued

As explained in note 16, the Group experiences credit risk in relation to the SME loan assets and FlexiPay lines of credit net of bank borrowings, and interest rate risk in relation to the warehouse loan facilities which is partially mitigated through the use of derivative financial instruments.

The principal activities of the Group's most significant subsidiary undertakings are set out below. These are considered significant in the context of the Group's business, results and financial position.

Subsidiary undertakings	Principal activity
Funding Circle Ltd	Acts as facilitator and performs intermediary services in respect of all loans made through the Funding Circle platform in the UK and FlexiPay lines of credit.
Funding Circle USA, Inc.	The US operating subsidiary of Funding Circle. Acts as the administrator of the Funding Circle platform in the US. This was disposed of on 1 July 2024.
FC Marketplace, LLC	Acts as originator and servicer of all loans made through the Funding Circle platform in the US. FC Marketplace, LLC sells each loan it originates, on a servicing retained basis, to third party institutional investors or to affiliates (e.g. Funding Circle Notes Program, LLC) on an arm's length basis. This was disposed of on 1 July 2024.
Funding Circle execs Program, LLC	A special purpose bankruptcy remote entity which issues loan payment dependent debt securities to accredited investors. It uses the proceeds to purchase a specific corresponding loan made through the Funding Circle platform from FC Marketplace, LLC. The entity retains the contractual rights to receive the cash flows from the loan assets it has purchased, but has assumed a contractual obligation to pay those cash flows to the holders of the debt securities. The eligibility criteria have been met to derecognise the loan assets and associated issued debt securities as a pass-through arrangement under IFRS 9. This was disposed of on 1 July 2024.
Funding Circle Focal Point Lending Limited	Subsidiary via which CBILS loans are originated and which holds legal title to loans which are held via trust structures for the beneficial ownership of institutional investors.
Funding Circle Eclipse Lending Limited	Subsidiary via which RLS loans are originated and which holds legal title to loans which are held via trust structures for the beneficial ownership of institutional investors.
Funding Circle Polaris Lending Limited	Subsidiary via which RLS and GGS loans are originated and which holds legal title to loans which are held via trust structures for the beneficial ownership of institutional investors.
Funding Circle Deutschland GmbH	Operated the Funding Circle platform in Germany and services loans.
Funding Circle Nederland B.V.	Operated the Funding Circle platform in the Netherlands and services loans.

Company balance sheet

as at 31 December 2024

	Note	31 December 2024 £m	31 December 2023 £m
Non-current assets			
Investments in subsidiary undertakings	5	**258.2**	310.6
		258.2	310.6
Current assets			
Loans due from subsidiary undertakings	7	**0.1**	0.1
Trade and other receivables	6	**0.6**	0.4
Cash and cash equivalents	2, 11	**97.2**	48.2
		97.9	48.7
Total assets		**356.1**	359.3
Current liabilities			
Trade and other payables	8	**2.4**	1.8
Total liabilities		**2.4**	1.8
Equity			
Share capital	9	**0.3**	0.4
Share premium account	9	**0.1**	293.1
Share options reserve		**20.6**	24.0
Retained earnings	10	**332.7**	40.0
Total equity		**353.7**	357.5
Total equity and liabilities		**356.1**	359.3

The Company's profit for the year was £26.2 million (2023: loss of £28.7 million).

The financial statements on pages 180 to 192 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 on pages 183 to 192 form part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2024

	Note	Share capital £m	Share premium account £m	Share options reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2023		0.4	293.1	22.2	66.7	382.4
Loss and total comprehensive expense for the year	10	—	—	—	(28.7)	(28.7)
Transactions with owners						
Transfer of share option costs		—	—	(3.8)	3.8	—
Purchase of own shares		—	—	—	(1.8)	(1.8)
Employee share schemes – value of employee services		—	—	5.6	—	5.6
Balance at 31 December 2023		0.4	293.1	24.0	40.0	357.5
Profit and total comprehensive income for the year	10	—	—	—	26.2	26.2
Transactions with owners						
Transfer of share option costs		—	—	(6.6)	6.6	—
Issue of share capital/exercise of share options	9	—	0.5	—	—	0.5
Buyback and cancellation of own shares	1, 10	(0.1)	—	—	(33.6)	(33.7)
Capital reduction	1, 10	—	(293.5)	—	293.5	—
Employee share schemes – value of employee services		—	—	3.2	—	3.2
Balance at 31 December 2024		**0.3**	**0.1**	**20.6**	**332.7**	**353.7**

The notes on pages 183 to 192 form part of these financial statements.

Company statement of cash flows

for the year ended 31 December 2024

	Note	31 December 2024 £m	31 December 2023 £m
Net cash inflow/(outflow) from operating activities	11	**1.0**	(1.1)
Investing activities			
Loans advanced to subsidiary undertakings	7	**—**	(7.8)
Repayment of loans and receivables from subsidiary undertakings	12	**49.8**	7.8
Capital redemptions from subsidiary undertakings	5	**0.8**	1.0
Proceeds from the sale of subsidiary	5	**32.6**	—
Direct selling costs associated with sale of subsidiary	5	**(2.0)**	—
Net cash inflow from investing activities		**81.2**	1.0
Financing activities			
Proceeds on the issue of shares from the exercise of share options		**0.5**	—
Purchase of own shares		**—**	(1.8)
Share buyback		**(33.7)**	—
Net cash outflow from financing activities		**(33.2)**	(1.8)
Net increase/(decrease) in cash and cash equivalents		**49.0**	(1.9)
Cash and cash equivalents at the beginning of the year		**48.2**	50.1
Cash and cash equivalents at the end of the year	11	**97.2**	48.2

The notes on pages 183 to 192 form part of these financial statements.

Notes forming part of the Company financial statements

for the year ended 31 December 2024

1. Material accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The Company is a public company limited by shares and registered, incorporated and domiciled in the United Kingdom. The address of its registered office is given on page 198.

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are carried at fair value through profit and loss ("FVTPL"). The material accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements except as noted below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The principal activities of the Company and the nature of the Company's operations are as a holding company for a facilitator of finance for SMEs.

As permitted by the exemption in section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The Company made a comprehensive profit for the year of £26.2 million (2023: comprehensive loss of £28.7 million).

The financial statements are prepared on a going concern basis as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future (which has been taken as 15 months from the date of approval of the financial statements to 30 June 2026). See going concern statement on pages 64 and 128.

Significant changes in the current reporting year

Sale of investment in subsidiary US business

As was previously announced in the 31 December 2023 financial results, the Company 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. The Company recognised a gain on sale of £25.9 million which is treated as an exceptional item. Further details related to the sale can be found in note 5.

Launch of share buyback programme

As was previously announced, the Company 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. 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. The nominal cost of the shares cancelled reduces the Company's share capital with an equal increase in the capital redemption reserve. The full cost of the buyback inclusive of stamp duty and broker fees is debited to retained earnings. In the 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 10.3% of the called up share capital as at 31 December 2024. 0.2 million of the purchased shares were pending cancellation as at 31 December 2024.

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 reclassification of the share premium into retained earnings by £293.5 million. This increased the distributable reserves of the Company to help facilitate ongoing capital actions and return of value to shareholders.

Summary of existing accounting policies

Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment (see note 5 for further details).

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the Company to make estimates and judgements that affect the application of policies and reported amounts. 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. There were no critical accounting judgements or key sources of estimation uncertainty in the year ended 31 December 2024. In the prior year ended 31 December 2023 the impairment of investment in subsidiaries was considered a key source of estimation uncertainty particularly with regards to the US business. Due to the sale of the US business, the source of estimation uncertainty has been removed. The Company assessed the remaining investments in subsidiaries for any indicators of impairment and determined there were none for the year ended 31 December 2024.

Notes forming part of the Company financial statements continued

for the year ended 31 December 2024

2. Financial risk management

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

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

Risk factors

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

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

Principal financial instruments

The principal financial assets and liabilities of the Company, from which financial instrument risk arises, are as follows:

- loans due from related undertakings;
- trade and other receivables;
- cash and cash equivalents; and
- trade and other payables.

Categorisation of financial assets and financial liabilities

The table shows the carrying amounts and fair values of financial assets and financial liabilities by category as at 31 December 2024:

	Carried at amortised cost		Carried at fair value	
	Carrying amount £m	Fair value £m	Level 1- Based on market derived data £m	Based on individual valuation parameters £m
Assets				
Loans due from related undertakings	0.1	0.1	—	—
Trade and other receivables	0.5	0.5	—	—
Cash and cash equivalents	0.9	0.9	96.3	—
	1.5	1.5	96.3	—
Liabilities				
Trade and other payables	—	—	—	—
	—	—	—	—

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 Company's financial assets measured at fair value are all categorised as level 1 in both the current year and prior year.

2. Financial risk management continued

Categorisation of financial assets and financial liabilities continued

The table shows the carrying amounts and fair values of financial assets and financial liabilities by category as at 31 December 2023:

	Carried at amortised cost		Carried at fair value	
	Carrying amount £m	Fair value £m	Level 1- Based on market derived data £m	Based on individual valuation parameters £m
Assets				
Loans due from related undertakings	0.1	0.1	—	—
Trade and other receivables	0.2	0.2	—	—
Cash and cash equivalents	1.2	1.2	47.0	—
	1.5	1.5	47.0	—
Liabilities				
Trade and other payables	(0.2)	(0.2)	—	—
	(0.2)	(0.2)	—	—

Financial instruments measured at amortised cost

Due to the short-term nature of the financial assets and liabilities measured at amortised cost, the carrying value approximates their fair value.

The fair value of financial assets held at fair value, comprising cash and cash equivalents, approximates their carrying value. Credit risk is mitigated as cash and cash equivalents are held with reputable institutions.

Financial risk factors

Credit risk

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

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

	31 December 2024 £m	31 December 2023 £m
Current		
Loans due from related undertakings	**0.1**	0.1
Trade and other receivables:		
– Amounts due from related undertakings	**0.1**	—
– Accrued interest	**0.4**	0.2
Cash and cash equivalents	**97.2**	48.2

Notes forming part of the Company financial statements continued

for the year ended 31 December 2024

2. Financial risk management continued

Financial risk factors continued

Liquidity risk

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

The Company's liquidity position is monitored and reviewed on an ongoing basis by the Directors.

The amounts disclosed in the below tables are the contractual undiscounted cash flows.

The maturity analysis of financial assets and liabilities at 31 December 2024 and 31 December 2023 is as follows:

At 31 December 2024	Less than 3 months £m	Between 3 months and 1 year £m	Between 1 and 5 years £m	Over 5 years £m
Financial assets				
Trade and other receivables	0.5	—	—	—
Cash and cash equivalents	97.2	—	—	—
Loans due from related undertakings	0.1	—	—	—
	97.8	—	—	—
Financial liabilities				
Trade and other payables	—	—	—	—
	—	—	—	—

At 31 December 2023	Less than 3 months £m	Between 3 months and 1 year £m	Between 1 and 5 years £m	Over 5 years £m
Financial assets				
Trade and other receivables	0.2	—	—	—
Cash and cash equivalents	48.2	—	—	—
Loans due from related undertakings	0.1	—	—	—
	48.5	—	—	—
Financial liabilities				
Trade and other payables	(0.2)	—	—	—
	(0.2)	—	—	—

2. Financial risk management continued

Financial risk factors continued

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risk arises from open positions in interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

a) Other price risk

The Company is not exposed to other price risk with respect to financial instruments as it does not hold any marketable equity securities.

b) Cash flow and fair value interest rate risk

Interest on cash and cash equivalent balances is subject to movements in base rates. The Directors monitor interest rate risk and note that rates are expected fall in the near term. A 200 bps decrease in base rates could decrease the annual interest earned by c.£2.0 million (2023: 200 bps decrease and c.£1.0 million).

c) Sensitivity analysis

IFRS 7 requires disclosure of sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date showing how profit or loss and equity would have been affected by changing the relevant risk variables that were reasonably possible at that date.

As discussed above, the Company does not have significant exposure to interest rate risk, cash flow risk or other price risk and therefore no sensitivity analysis for those risks has been disclosed.

d) Foreign exchange risk

The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Foreign exchange risk is disclosed in note 16 to the consolidated financial statements.

Capital management

The Company considers its capital to comprise equity share capital, share premium, share options reserve and retained earnings.

The Directors' objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders.

The Company is not subject to any externally imposed capital requirements.

The Directors monitor a number of KPIs at both the Company and subsidiary level on a monthly basis. As part of the budgetary process, targets are set with respect to operating expenses in order to effectively manage the activities of the Company. Performance is reviewed on a regular basis and appropriate actions are taken as required. These internal measures indicate the performance of the business against budget/forecast and confirm whether the Company has adequate resources to meet its working capital requirements.

Decisions related to capital allocation are discussed and monitored by the Board who considers the balance of returning value to shareholders while maintaining sufficient capital thresholds to ensure liquidity and to ensure sustainable growth of the Group's business. The Company has taken measures to ensure sufficient distributable reserves are available to support capital activities, including the filing of Interim accounts and undertaking a capital reduction process in 2024. Distributable reserves are monitored regularly to ensure programmes such as the share buyback programme are supportable.

3. Company profit/(loss) for the year

The Company made a comprehensive profit for the year of £26.2 million (2023: comprehensive loss of £28.7 million).

4. Employees

The Company had no employees during the current or prior year other than Directors who numbered eight (2023: eight). The Company did not operate any pension schemes during the current or preceding year. Directors received emoluments in respect of their services to the Company during the year of £1.9 million (2023: £1.9 million). For further information, see the Remuneration Report on page 103.

Notes forming part of the Company financial statements continued

for the year ended 31 December 2024

5. Investments in subsidiary undertakings

	2024 £m	2023 £m
Balance at 1 January	**310.6**	333.3
Capital contribution regarding employee services in subsidiaries	**2.6**	5.4
Capital additions	**—**	—
Return of capital	**(50.6)**	(1.0)
Disposal of investment in subsidiary	**(4.4)**	—
Impairment	**—**	(27.1)
Balance at 31 December	**258.2**	310.6

Investments in subsidiary undertakings, which are listed in note 29 of the Group financial statements, are all stated at cost less any provision for impairment.

Year ended 31 December 2024:

Subsidiary investment	Opening investment balance £m	Capital contribution/ (redemption) regarding employee services £m	Capital allocation £m	Return of capital £m	Impairment in year £m	Disposal of investment £m	Closing investment balance £m	Dividends recognised in year £m
Funding Circle UK	**254.7**	**3.5**	**—**	**—**	**—**	**—**	**258.2**	**—**
Funding Circle Global Partners Limited	**0.8**	**—**	**—**	**(0.8)**	**—**	**—**	**—**	**1.0**
Funding Circle USA, Inc.	**55.1**	**(0.9)**	**—**	**(49.8)**	**—**	**(4.4)**	**—**	**—**
Funding Circle CE	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total	**310.6**	**2.6**	**—**	**(50.6)**	**—**	**(4.4)**	**258.2**	**1.0**

Year ended 31 December 2023:

Subsidiary investment	Opening investment balance £m	Capital contribution regarding employee services £m	Capital allocation £m	Return of capital £m	Impairment in year £m	Disposal of investment £m	Closing investment balance £m	Dividends recognised in year £m
Funding Circle UK	251.0	3.7	—	—	—	—	254.7	—
Funding Circle Global Partners Limited	1.8	—	—	(1.0)	—	—	0.8	—
Funding Circle USA, Inc.	80.5	1.7	—	—	(27.1)	—	55.1	—
Funding Circle CE	—	—	—	—	—	—	—	—
Total	333.3	5.4	—	(1.0)	(27.1)	—	310.6	—

During the year ended 31 December 2024 the Company sold its investment in the US business for cash consideration of £32.6 million relative to a carrying value of £4.4 million. Associated selling costs and related costs of disposal were £2.3 million, resulting in a net gain on disposal of £25.9 million treated as being exceptional in nature.

5. Investments in subsidiary undertakings continued

During the year the Company received £0.8 million cash capital redemptions (2023: £1.0 million) and £1.0 million cash dividends (2023: £nil) from Funding Circle Global Partners Limited. The Company received £49.8 million non-cash capital redemptions (2023: £nil) from Funding Circle USA, Inc. in exchange for a receivable from Funding Circle Ltd.

In addition to the above, the Company recognised a capital contribution of £2.6 million (2023: £5.4 million) representing the service cost for the employees of its subsidiaries, under the Company's share option schemes.

During the year ended 31 December 2024, the Company identified impairment of £nil (2023: impairment of £27.1 million) in relation to the Company's investment in Funding Circle USA, Inc. Refer to note 1: Key sources of estimation uncertainty.

The cumulative amount of impairment losses in relation to investment in subsidiaries is £80.2 million (2023: £217.9 million). The reduction in the year of £137.7 million related to subsidiaries disposed of in 2024.

Details of the sale of the US subsidiary investment:	£m
Consideration received:	
Cash consideration at prevailing exchange rate	32.6
Carrying value of investment disposed of	(4.4)
Gross gain on sale	28.2
Direct transaction costs for legal, advisory and other costs	(2.3)
Other disposal related costs	(2.3)
Gain on sale	25.9

6. Trade and other receivables

	31 December 2024 £m	31 December 2023 £m
Amounts due from related undertakings	**0.1**	—
Prepayments	**0.1**	0.2
Accrued income	**0.4**	0.2
	0.6	0.4

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

Notes forming part of the Company financial statements continued

for the year ended 31 December 2024

7. Loans due from subsidiary undertakings

	31 December 2024 £m	31 December 2023 £m
Stichting Derdengelden Funding Circle	**0.1**	0.1
Current portion	**0.1**	0.1

Amount due from Group undertakings

				31 December 2024				31 December 2023			
Group undertaking	Facility size and type	Term	Expiry	Drawn in year £m	Repaid in year £m	Interest recognised in year[1] £m	Drawn balance at the balance sheet date £m	Drawn in year £m	Repaid in year[1] £m	Interest recognised in year £m	Drawn balance at the balance sheet date £m
Stichting Derdengelden Funding Circle	Loan facility €0.1 million	Undefined	None but repayable on demand	—	—	—	**0.1**	—	—	—	0.1
Funding Circle Ltd	Loan facility £20.0 million	5 years	5 August 2025	—	—	—	—	—	—	—	—
Funding Circle CE GmbH	Revolving credit facility €2.0 million	5 years	18 July 2024	—	—	—	—	—	—	—	—
Funding Circle USA, Inc.[2]	Term loan facility £7.7 million	5 years	13 January 2025	—	—	—	—	—	—	—	—
Funding Circle USA, Inc.[2]	Revolving credit facility $3.0 million	5 years	27 January 2025	—	—	—	—	—	—	—	—
Funding Circle USA, Inc.[2]	Revolving credit facility £10.0 million	5 years	21 January 2026	—	—	—	—	7.8	(7.8)	—	—

1. All drawn balances on loan facilities bear interest at 3.5% above the base rate of the Bank of England (except Stichting Derdengelden Funding Circle which is 4% above the base rate) and is repayable with the principal amount at the end of the facilities term.
2. All loans to Funding Circle USA,Inc. were terminated prior to the sale of the subsidiary business in 2024.

8. Trade and other payables

	31 December 2024 £m	31 December 2023 £m
Accruals	**1.3**	1.2
Taxes and social security costs	**1.1**	0.4
Other creditors	**—**	0.2
Amounts due to related undertakings	**—**	—
	2.4	1.8

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

9. Share capital and share premium account

The movement on these items is disclosed in notes 17 and 18 to the consolidated financial statements.

10. Retained earnings

	£m
At 1 January 2023	66.7
Transfer of share option costs	3.8
Purchase of own shares	(1.8)
Loss for the year	(28.7)
At 31 December 2023	40.0
Transfer of share option costs	6.6
Buyback and cancellation of own shares	(33.6)
Capital reduction	293.5
Profit for the year	26.2
At 31 December 2024	**332.7**

11. Notes to the Company statement of cash flows

Cash inflow/(outflow) from operating activities

	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Profit/(loss) before taxation	**26.2**	(28.7)
Adjustments for:		
Non-cash employee benefits expense – share-based payments	**1.4**	—
Impairment charge	**—**	27.1
Net proceeds from sale of US subsidiary (see note 5)	**(25.9)**	—
Other non-cash movements	**—**	0.1
Changes in working capital		
Movement in trade and other receivables	**(0.3)**	0.1
Movement in trade and other payables	**(0.4)**	0.3
Net cash inflow/(outflow) from operating activities	**1.0**	(1.1)

Cash and cash equivalents

	2024 £m	2023 £m
Balance at 1 January	**48.2**	50.1
Cash flow	**49.0**	(1.9)
Balance at 31 December	**97.2**	48.2

These comprise cash held by the Company, short-term bank deposits with an original maturity of three months or less and money market funds. The carrying amount of cash balances approximates their fair value. As at 31 December 2024, money market funds totalled £96.3 million (2023: £47.0 million).

Notes forming part of the Company financial statements continued

for the year ended 31 December 2024

12. Related parties

	Amounts owed by related parties		Amounts owed to related parties	
	31 December 2024 £m	31 December 2023 £m	**31 December 2024 £m**	31 December 2023 £m
Short-term payables/receivables				
Funding Circle Ltd	**0.1**	—	**—**	—
Intercompany loans				
Stichting Derdengelden Funding Circle	**0.1**	0.1	**—**	—
	0.2	0.1	**—**	—

During the year, the Company made payment of expenses for amounts of £0.1 million (2023: received payment of expenses for amounts of £0.5 million) from Funding Circle Ltd.

During the year, the Company received a return of capital of £0.8 million (2023: £1.0 million) from Funding Circle Global Partners Limited and dividends of £1.0 million (2023: £nil).

During the year, Funding Circle USA, Inc. made a non-cash return of capital to the Company of £49.8 million in exchange for the assignment of the subsidiary's intercompany receivable from Funding Circle Ltd. The intercompany balance was subsequently cash settled by Funding Circle Ltd during the same year in full.

As at the year end, the Company was owed a cumulative amount of £0.1 million (2023: £0.1 million) from loans with Stichting Derdengelden Funding Circle.

See note 14 in relation to remuneration of key management personnel.

13. Parent Company guarantee – exemption from audit for subsidiary companies

The following UK entities, all of which are 100% owned by the Group, are not subject to an audit by virtue of section 479A of the Companies Act 2006 relating to subsidiary companies:

Company	Registration number
Funding Circle BB Limited	12593368
Funding Circle Eclipse Lending Limited	12570773
Funding Circle Focal Point Lending Limited	12407296
Funding Circle Global Partners Limited	10554628
Funding Circle Polaris Lending Limited	13216286
Funding Circle Trustee Limited	07239092

The Company will guarantee the debts and liabilities of the above UK subsidiary undertakings at the balance sheet date in accordance with section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantee as remote.

The Company will guarantee the debt and liabilities of the European subsidiary Funding Circle CE GmbH and therefore meets the requirements of section 264(3) HGB and the entity is not subject to audit by virtue of this guarantee. The Company has assessed the probability of loss under the guarantee as remote.

The following UK entities, which are 100% owned by the Group, are exempt from the requirement to prepare accounts by virtue of section 394A and section 448A of the Companies Act 2006 relating to the individual accounts of dormant subsidiaries:

Company	Registration number
Funding Circle Horizon Lending Limited	13451185
Made To Do More Limited	10575978

14. Remuneration of key management personnel

The remuneration of key management personnel is disclosed in note 25 to the consolidated financial statements.

15. Ultimate controlling party

In the opinion of the Directors, the Group does not have a single ultimate controlling party.

Alternative performance measures

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

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition
Income statement			
Adjusted EBITDA	EBITDA, while not defined under IFRS, is a widely accepted profit measure.	Refer to note 5.	Profit for the year before finance costs (being the discount unwind on lease liabilities), taxation, depreciation and amortisation and impairment ("AEBITDA") and additionally excludes share-based payment charges and associated social security costs, foreign exchange and exceptional items.
Net investment income	Net income.	Refer to Finance Review.	Net investment income represents investment income less investment expense.
Cash flow			
Free cash flow	Cash generated from operating activities.	Refer to Finance Review.	Net cash flows from operating activities less the cost of purchasing intangible assets, property, plant and equipment, lease payments and interest received. It excludes the warehouse and securitisation financing and funding cash flows and excludes cash flows on drawdowns and repayment of FlexiPay lines of credit.

Glossary

Term	Definition
Amortisation	In lending terms, the process by which the outstanding balance on a loan reduces through repayments made by the borrower, until the loan is fully repaid. Not to be confused with the general accounting term relating to the equivalent form of depreciation for intangible assets.
BBB	British Business Bank. A state-owned economic development bank established by the UK government. Its aim is to increase the supply of credit to small and medium-sized enterprises as well as providing business advice services. The BBB has administered all the recent government-backed loan schemes in the UK on behalf of the Secretary of State for Business, Energy & Industrial Strategy.
Balances under management	Includes LuM and drawn lines of credit balances along with Cashback credit card spend balances. It excludes defaulted balances and excludes unallocated cash collections. It is a measure of the balances serviced by the Group at a point in time.
BBLS	Bounce Back Loan Scheme. A UK government-backed low fixed interest loan scheme intended to support businesses through the Covid-19 pandemic. The scheme facilitated loans of a maximum of £50,000 for up to six years, and these were 100% backed by a government guarantee for the lender. The borrower always remained fully liable for the debt. All Funding Circle loans under BBLS were to existing non-government-guaranteed lending customers and Group total lending under the scheme amounted to c.£35 million.
Beta testing (“beta”)	The second phase of testing a new product using real customers in a live but restricted environment.
Borrowers	Actual or prospective borrowers participating on the Group’s lending platform.
Cashback credit card	Cashback credit card refers to Funding Circle’s business credit card offering launched in H2 2024. Cardholders can spend earning cashback of 2% for an introductory period before reducing to 1% thereafter.
Capital Markets	A functional division within Funding Circle that deals with all relations and activities associated with institutional investors.
CBILS	Coronavirus Business Interruption Loan Scheme. UK government-backed loan scheme intended to provide support for SMEs (up to £45 million annual turnover) through the Covid-19 pandemic. The scheme facilitated loans from £1,000 to £5 million for up to six years, with the first 12 months of interest charges, and lender levied fees covered by the government. The loans were initially 80% backed by government guarantee for the lender, reducing later to 70%, but the borrower always remained fully liable for the debt. CBILS closed to new applications on 31 March 2021. Funding Circle was the third largest approver through the scheme among 90 accredited providers, facilitating c.£3 billion of loans. Transaction fee yields on CBILS loans were fixed at 4.75%.
Circlers	A term used by the Group to refer to its employees.
Cohorts	A term used to denote loan groupings. Loan cohorts are determined by their year of origination. Investor cohorts denote loan groupings according to the loan funding institution.
Company	When capitalised, “Company” refers to Funding Circle Holdings plc.
Credit bureau (“bureau”)	A company that collects information relating to credit ratings of companies and/or individuals and makes this available to other financial institutions.
Credit extended	This includes Term Loan Originations and FlexiPay line of credit and Cashback credit card transactions. It is a measure of the volume of new transactions and lending to SMEs over a period of time.
Credit model	A mathematical model used to estimate the probability for a customer to default on a loan.
Default	A term used to describe loans where the customer has failed to repay a loan in accordance with the terms of the agreement. Loans are placed into default when it is deemed likely the customer can no longer meet the terms of the scheduled loan repayments (e.g. due to company liquidations and insolvencies) or when the borrower has consistently failed to pay in accordance with the terms and it has not been possible to arrange an alternative repayment schedule. A default affects the credit score of the borrower.
Delinquencies	A term used to describe loans where the borrower is late making payment(s). This need not affect a customer’s credit score if the borrower is able to agree and meet a revised schedule for repayments.

Term	Definition
Developing Markets (“Other Term Loans”)	The name formerly used for the primary reporting segment for the Group subsequently referred to as “Other Loans” and now reported within the UK Term Loans segment on the basis of materiality, consisting of operations in Germany, the Netherlands and Spain (all of which the Group has now exited and are in wind down).
EBT	Employee Benefit Trust. A trust under which shares in the Company are held on behalf of the employees.
Employee engagement score/ index	Employee engagement is a function of the relationship between the Group and its employees. We measure this through surveys designed to help understand and improve the workplace and culture so that our employees feel more connected and dedicated to the Group goals and values.
ERMF	Enterprise Risk Management Framework.
FCA	Financial Conduct Authority. The UK institution responsible for regulating financial institutions.
FlexiPay	FlexiPay is Funding Circle’s line of credit product that allows businesses to make purchases and then spread the cost over between three and twelve months, paying back in three equal monthly instalments. It’s designed to satisfy the working capital needs of SME businesses and is currently available in the UK.
FlexiPay card	FlexiPay card is another way for customers to use their FlexiPay line of credit, helping them to pay for everyday business expenses and make purchases.
Forward flow agreements	Agreements made between Funding Circle and institutional investors that indicate the lending funds they intend to provide for borrowers. Agreements generally stipulate the key lending terms, target borrower metrics, total funds earmarked for lending and the period over which they will be deployed.
FVTPL	Fair Value Through Profit or Loss. A term used to describe those securities where the business model under which these investments are held by the Group remains for these to be sold; and hence the fair value of these investments is reported through the P&L.
Government-backed loan schemes	A term used to describe the various schemes deployed by governments to support their economies through economic shocks, most recently the Covid-19 pandemic. These include CBILS, BBLS and RLS in the UK and PPP in the US (see definitions). Invariably, government-backed loan schemes have conferred various advantages to either or both the institutional investors and the borrowers making them more attractive products compared to normal commercial lending. Lenders and lending platforms normally require formal accreditation to be able to provide the loans under these schemes.
Growth guarantee scheme (“GGS”)	Growth Guarantee scheme. A UK government-backed loan scheme and successor to RLS with similar terms (see below).The government provided lenders under the scheme with 70% guarantees against the outstanding balance of the facility after normal recovery processes. The borrower always remains fully liable for the debt.
IFRS	International Financial Reporting Standards, as adopted by the European Union.
Institutional investors	Actual or prospective institutional investors participating on the Group’s platform who provide the funds to lend to SME borrowers, and who also take the credit risk associated with the loans.
Invested capital	Investment in Funding Circle lending products the Group has strategically made and retains on its balance sheet net of related borrowing liabilities. Invested capital can be monetised if liquidity needs arise.
LuM	Loans under Management. The total value of outstanding principal and interest to borrowers; includes amounts that are overdue (delinquencies), but not loans that have defaulted and excludes unallocated cash collections.
LTIP	Long-term Incentive Plan. A scheme used to reward employees.
Marketplace	A term used to describe our referral of borrowers (who fall outside our credit risk or service capability) to specialist lenders who can meet their needs. Funding Circle generally receives a fee for such referrals.
Ninth-generation	We use generational factors at Funding Circle to describe the number of fundamental enhancements/ revisions that have been made to the credit modelling used to determine borrower creditworthiness for lending. In the UK we are currently using a ninth generation credit model.

Glossary continued

Term	Definition
NPS	Net Promoter Score. An index ranging from -100 to +100 that measures the willingness of customers to recommend a company's products or services to others. The more positive the score, the more likely a customer is to recommend the service.
Origination	A term used to describe the process of a loan taken out by a borrower.
Peer-to-peer lending	Peer-to-peer lending. A legacy service that facilitated retail investments in loans to SME businesses on a retail platform. Funding Circle paused P2P lending in April 2020, and in March 2022 the Group confirmed that it would permanently close the retail platform for new investments. Some legacy historical P2P lending remains on the Group balance sheet, but this will reduce to £nil as the loans continue to amortise.
PPP	Paycheck Protection Program. A US government, SBA-backed loan scheme to help SMEs keep their workforces employed during the Covid-19 pandemic. Borrowers were able to apply for forgiveness on these loans where they could prove that the proceeds have been spent on payroll costs and other eligible expenses. The scheme closed to new business on 31 May 2021. Accounting for PPP loans differed to normal loans with transaction fees spread over the expected life of the loans under IFRS 9 (as the loans had to be held on balance sheet at amortised cost until forgiven), and with no servicing fees earned on PPP loans. The PPP loans were deconsolidated with the sale of the US business in 2024.
PPPLF	The Paycheck Protection Program Liquidity Facility. The name of the funding facility used by the US government for PPP loans.
RLS	Recovery Loan Scheme. A UK government-backed loan scheme to help businesses recover from the effects of Covid-19. To date, there have been three different RLS schemes, designed to support access to finance for UK businesses as they looked to invest and grow. Term Loans of up to £2 million and six months have been available through the scheme at improved commercial terms. The government provided lenders under the scheme with 70% guarantees against the outstanding balance of the facility after normal recovery processes. The borrower always remains fully liable for the debt.
SBA	Small Business Administration. A US governmental institution established in 1953 to help SMEs succeed by providing counselling, capital, contracting expertise, information resources and a voice for SMEs.
Securitisation	The process by which multiple loans are pooled and packaged into interest-bearing securities (bonds). Horizontal securitisation denotes the packaging of loans into cohorts ranked according to risk potential: from the lowest risk, lowest reward, first receiver of loan yield, to the highest risk, highest reward bearer of first losses and receiver of surplus yield on the loans. In terms of existing horizontal securitisations on the Group balance sheet, Funding Circle temporarily holds the residual tranches with the intention to sell once seasoned. Vertical securitisation denotes a packaging of loans where all investors take their share of the yield across the entire pool of loans. In terms of existing vertical securitisations on the Group balance sheet, Funding Circle was required by regulation to retain a 5% equal participation in all classes of bonds issued.
Segment	The principal reporting segments of our operations, representing the divisional structure through which the business is currently managed. Namely UK Term Loans, and FlexiPay being the continuing operations segments and US Term Loans being the discontinued operation segment, presented separately in discontinued operations. 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. See note 5 of the financial statements.
Servicing yield	The ratio of the servicing fee (the fee charged to institutional investors for managing their loans) to the amortised loan balance. Typically, the servicing yield is between 1% and 1.25% pa of the loan balance.
SME	Small and medium-sized enterprises. A term used in the UK to represent smaller businesses.
SONIA	Sterling Overnight Index Average. A UK interest rate benchmark that came in as a replacement for LIBOR (London Interbank Offer Rate).
SPV	Special Purpose Vehicle. A subsidiary created by a company to isolate a financial risk. The Group has held a number of SPVs housing securitised loans.
TAM	Total Addressable Market. An estimation of the total potential market value for which Funding Circle can compete.
Unrestricted cash	A term used to describe the cash on the balance sheet that is available for use by Funding Circle. This excludes cash balances being held on behalf of third parties, like governments and bondholders.
Warehousing	A process whereby loans that have been issued to borrowers are pooled into a holding warehouse with the intention that these are ultimately being held for packaging and reselling to a third party investor.

Shareholder information

Receiving shareholder information by email:

You can opt to receive shareholder information from us by email rather than by post. We will then email you whenever we add shareholder communications to the Company website. To set this up, please visit www.shareview.co.uk and register for electronic communications ("e-comms").

If you subsequently wish to change this instruction or revert to receiving documents or information by post, you can do so by contacting the Company's registrars at the address shown in the Company information opposite. You can also change your communication method back to post by logging in to your Shareview account and going to "update my communication preferences" within the "Quick links" section.

Registrar

The Company's registrar is Equiniti Limited.

Equiniti provides a range of services to shareholders.

Extensive information including many answers to frequently asked questions can be found online.

Use the QR code to register for FREE or visit www.shareview.co.uk

Equiniti's registered address is:

Highdown House, Yeoman Way, Worthing,
West Sussex, BN99 3HH

Tel*: +44 (0) 371 384 2030

* Lines are open from 8.30am to 5.30pm, UK time Monday to Friday (excluding public holidays in England and Wales).

Please use the country code when dialling from outside the UK.

Shareholder enquiries

If you have any queries relating to your shareholding, dividend payments or lost share certificates, or if any of your details change, please contact the Company's registrars by visiting www.shareview.co.uk or by using the telephone number above.

Annual shareholder calendar

Final results announced	6 March 2025
Annual Report published	April 2025
Annual General Meeting	15 May 2025

Interim Report

As part of our e-comms programme, we have decided not to produce a printed copy of our Interim Report. We will instead publish the report on our website. It is expected that this year's report will be available on our website in September.

Cautionary statement

Certain statements included in our 2024 Annual Report, or incorporated by reference to it, may constitute "forward-looking statements" in respect of the Group's operations, performance, prospects and/or financial condition.

Forward-looking statements involve known and unknown risks and uncertainties because they are beyond the Group's control and are based on current beliefs and expectations about future events about the Group and the industry in which the Group operates.

No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. If the assumptions on which the Group bases its forward-looking statements change, actual results may differ from those expressed in such statements. The forward-looking statements contained in this report reflect knowledge and information available at the date of this Annual Report and the Group undertakes no obligation to update these forward-looking statements except as required by law.

This report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase, any shares or other securities in the Company, and nothing in this report should be construed as a profit forecast.

Company information

Directors

Executive Directors

L Jacobs (Chief Executive Officer)

T Nicol (Chief Financial Officer)

Non-Executive Directors

A D Learoyd (Chair)

K Stannard (Incoming Chair)

G Gopalan

H W Nelis

N A Rimer

H Beck

Company Secretary

L K Vernall

Independent statutory auditors

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London SE1 2RT

Bankers

Barclays Bank UK plc

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London E14 5HP

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Spencer Road
Lancing
West Sussex BN99 6DA

Brokers

Investec

30 Gresham Street
London EC2V 7QN

Deutsche Numis

The London Stock Exchange Building
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Registered office

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Registered number

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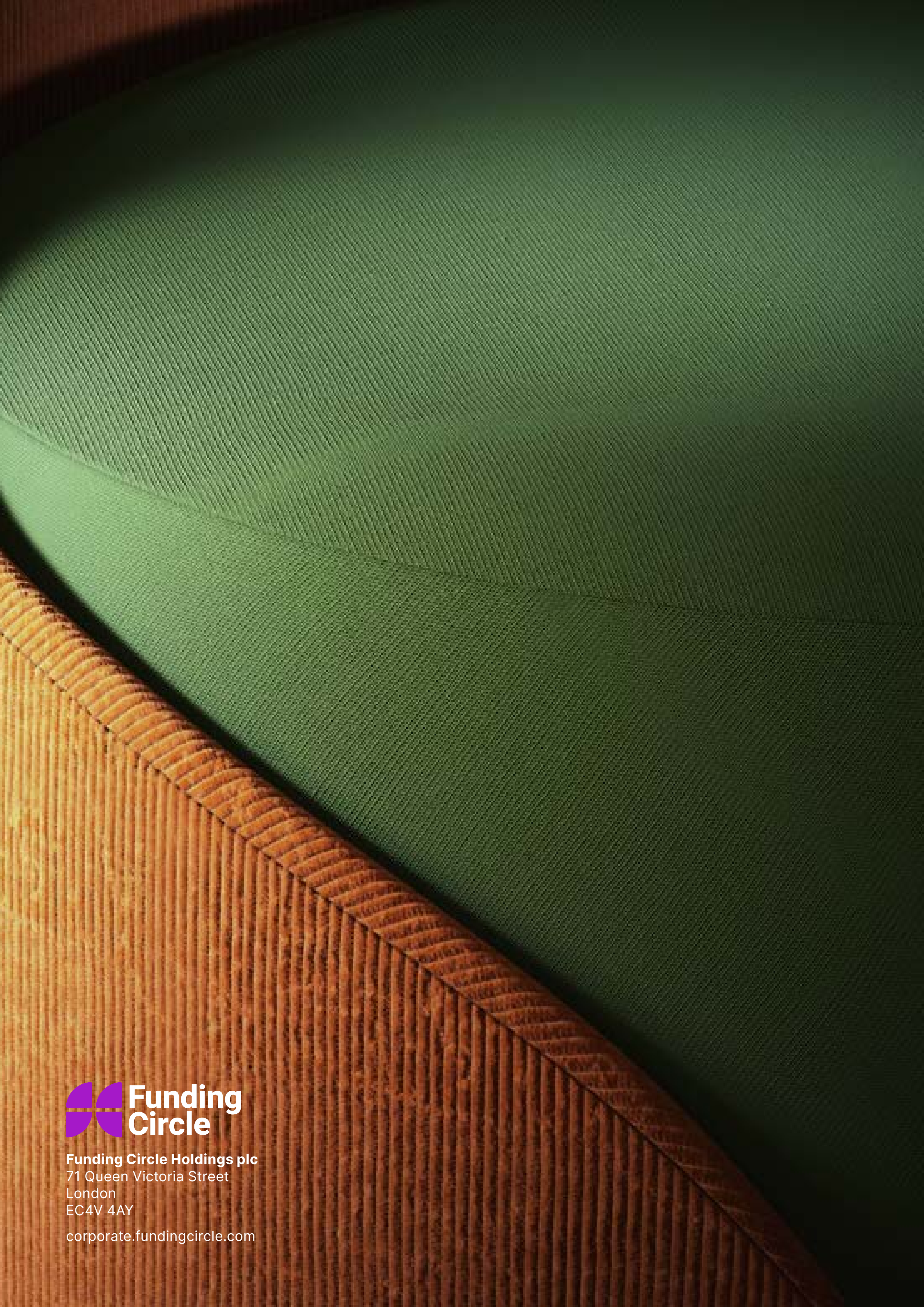

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