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THE SECURITIES REFERENCED IN THE ATTACHED DOCUMENT MAY ONLY BE DISTRIBUTED IN "OFFSHORE TRANSACTIONS" AS DEFINED IN, AND IN RELIANCE ON, REGULATION S UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITHIN THE UNITED STATES TO PERSONS REASONABLY BELIEVED TO BE QUALIFIED INSTITUTIONAL BUYERS ("QIBs") AS DEFINED IN RULE 144A UNDER THE US SECURITIES ACT ("RULE 144A") OR ANOTHER EXEMPTION FROM, OR TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE US SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. NOTHING IN THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

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CANADIAN INVESTORS ARE ADVISED THAT THIS EMAIL AND THE DOCUMENT ATTACHED HERETO MAY ONLY BE TRANSMITTED IN THOSE JURISDICTIONS IN CANADA AND TO THOSE PERSONS WHERE AND TO WHOM THEY MAY BE LAWFULLY OFFERED FOR SALE AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES. THE DOCUMENT ATTACHED HERETO IS NOT AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, AN ADVERTISEMENT OR A PUBLIC OFFERING IN CANADA. NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS REVIEWED OR IN ANY WAY PASSED UPON THE DOCUMENT ATTACHED HERETO OR THE MERITS OF THE SECURITIES DESCRIBED THEREIN AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THE DISTRIBUTION OF THE

SECURITIES CONTAINED IN THE DOCUMENT ATTACHED HERETO IS BEING MADE ON A PRIVATE PLACEMENT BASIS ONLY AND IS EXEMPT FROM THE REQUIREMENT THAT THE COMPANY PREPARE AND FILE A PROSPECTUS WITH THE RELEVANT CANADIAN SECURITIES REGULATORY AUTHORITIES.

ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THE DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE US SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

This electronic transmission and the attached document and the Offer when made are only addressed to and directed at persons in member states of the European Economic Area (the “EEA”), other than the United Kingdom, who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) (“Qualified Investors”). This electronic transmission and the attached document must not be acted on or relied on in any member state of the European Economic Area other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which the attached document relates is available only, in any member state of the European Economic Area, other than the United Kingdom, to Qualified Investors, and will be engaged in only with such persons.

Confirmation of Your Representation: This electronic transmission and the attached document is delivered to you on the basis that you are deemed to have represented to the Company and Merrill Lynch International, Goldman Sachs International, Morgan Stanley & Co. International plc and Numis Securities Limited (collectively, the “Underwriters”) that (i) you are (a) a QIB acquiring such securities for its own account or for the account of another QIB or (b) acquiring such securities in “offshore transactions”, as defined in, and in reliance on, Regulation S under the US Securities Act; (ii) if you are in any member state of the EEA other than the United Kingdom, you are a Qualified Investor and/or a Qualified Investor acting on behalf of, Qualified Investors or relevant persons, to the extent you are acting on behalf of persons or entities in the EEA; and (iii) if you are not in the United States or the EEA (other than the United Kingdom) you are an institutional investor that is eligible to receive this document and you consent to delivery by electronic transmission.

For investors resident in British Columbia, Alberta, Ontario and Quebec (the “Relevant Provinces”). You acknowledge and agree that (a) the securities described in the attached document are only being distributed to investors resident in the Relevant Provinces, (b) you are (i) an “accredited investor” as such term is defined in National Instrument 45-106—Prospectus and Registration Exemptions and are receiving this email from a registered Canadian dealer, or (ii) an “accredited investor” who is a “permitted client”, as such term is defined in National Instrument 31-101—Registration Requirements, Exemptions and Ongoing Registrant Obligations, of a dealer relying on the “international dealer exemption”, which dealer has sent this email; and (c) where required by law, you are participating in the offering as principal for your own account and not as agent.

You are reminded that you have received this electronic transmission and the attached document on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. This document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Company, the Underwriters nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version. By accessing the attached document, you consent to receiving it in electronic form. None of the Underwriters nor any of their respective affiliates accepts any responsibility whatsoever for the contents of the attached document or for any statement made or purported to be made by it, or on its behalf, in connection with the Company or the Shares. The Underwriters and each of their respective affiliates, each accordingly disclaims all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by any of the Underwriters or any of their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in the attached document.

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You are responsible for protecting against viruses and other destructive items. Your receipt of this document via electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Funding Circle Holdings Limited

*(to be re-registered as a public company limited by shares and renamed
Funding Circle Holdings plc prior to Admission)*

The attached document (the “Prospectus”) has been published in connection with the admission of the Shares to the premium listing segment Official List of the UK Financial Conduct Authority (the “Financial Conduct Authority”) and to trading on London Stock Exchange plc’s main market for listed securities (together, “Admission”). The Prospectus has been approved by the Financial Conduct Authority as a prospectus prepared in accordance with the Prospectus Rules made under section 73A of the Financial Services and Markets Act 2000 (the “FSMA”). The Prospectus has been published and is available from the Company’s registered office and on the Company’s website at <http://corporate.fundingcircle.com/investors/prospectus>. Pricing information and other related disclosures are expected to be published on this website. Prospective investors are advised to access such information prior to making an investment decision. The distribution of this document and the offering and sale of the Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions could result in a violation of the laws of such jurisdictions. In particular, this document is not for distribution in or into Australia, Canada, Japan or the United States, save in the United States for distribution to persons reasonably believed to be qualified institutional buyers (“QIBs”) (as defined in Rule 144A under the US Securities Act 1933, as amended), in Japan pursuant to relevant private placement exemptions, in Australia to persons to whom the offer of securities may be made without a disclosure document in accordance with Part 6 D.2 of Division 2 of Part 7.9 of the Corporations Act 2001 (Cth) and in Canada pursuant to relevant private placement exemptions. Merrill Lynch International, Goldman Sachs International, Morgan Stanley & Co. International plc and Numis Securities Limited authorised by the Prudential Regulatory Authority and regulated by the Prudential Regulatory Authority and Financial Conduct Authority in the United Kingdom, are acting exclusively for the Company and no one else in connection with the Offer and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to in this document.

19 September 2018



HELPING BUSINESSES FLY



This document comprises a prospectus (the “Prospectus”) for the purposes of Article 3 of European Union Directive 2003/71/EC, as amended (the “Prospectus Directive”) relating to Funding Circle Holdings Limited (to be re-registered as a public company limited by shares prior to Admission (the “Company”)) prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the “FCA”) made under section 73A of the Financial Services and Markets Act 2000 (the “FSMA”). A copy of this Prospectus has been filed with, and approved by, the FCA and has been made available to the public in accordance with the Prospectus Rules.

Application will be made to the FCA for all of the ordinary shares of the Company (the “Shares”) issued and to be issued (including Shares to be issued pursuant to the exercise of vested options in the six month period following Admission), to be admitted to the premium listing segment of the Official List of the FCA and to London Stock Exchange plc (the “London Stock Exchange”) for all of the Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities (the “Main Market”) (together, “Admission”). Conditional dealings in the Shares are expected to commence on the London Stock Exchange on 28 September 2018. It is expected that Admission will become effective, and that unconditional dealings in the Shares will commence, on 3 October 2018. **All dealings before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. No application is currently intended to be made for the Shares to be admitted to listing or dealt with on any other exchange. The new Shares issued by the Company will rank *pari passu* in all respects with the existing Shares.**

The directors and the proposed director of the Company, whose names appear on page 55 of this Prospectus (the “Directors” and the “Proposed Director”, respectively), and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors, the Proposed Director and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

Prospective investors in Shares (“equity investors”) should read this Prospectus in its entirety, and, in particular, prospective equity investors are advised to examine all the risks that are relevant in connection with an investment in the Shares. See Part 1 (Risk Factors) for a discussion of certain risks and other factors that should be considered prior to any investment in the Shares.



Funding Circle Holdings Limited

to be re-registered and renamed as Funding Circle Holdings plc prior to Admission
(Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 07123934)

Offer of up to 136,039,416 Shares
at an Offer Price expected to be between 420 pence and 530 pence per Share
and admission to the premium listing segment of the Official List
and to trading on the Main Market of the London Stock Exchange

Joint Global Co-ordinators and Joint Bookrunners

BofA Merrill Lynch

Goldman Sachs International

Morgan Stanley

Joint Bookrunner

Numis Securities Limited

Sponsor

BofA Merrill Lynch

ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

(assuming that the Offer Price is set at the mid-point of the Price Range, the Selling Shareholder Options are exercised and the New Director Shares are issued)

Issued and fully paid	
Number	Nominal Value
336,780,889	£336,781

The Company is offering sufficient New Shares to raise a fixed amount of gross proceeds of £300 million in the Offer and the Eligible Selling Shareholders (as defined in Part 15 (Definitions and Glossary)) may offer up to 64,610,845 Existing Shares in the Offer as described in Part 13 (Details of the Offer). The Company will not receive any of the proceeds from the sale of the Existing Shares (if any), all of which will be received by the Eligible Selling Shareholders who sell Existing Shares as part of the Offer (the “Selling Shareholders”).

The Price Range, the New Share Offer Size Range and the Existing Share Offer Size Range have been set by the Company. It is currently expected that the Offer Price, the New Share Offer Size and the Existing Share Offer Size will be set within the Price Range, the New Share Offer Size Range and the Existing Share Offer Size Range, respectively. The Price Range is indicative only and may change during the course of the Offer, and the Offer Price may be set within, above or below the Price Range. All Shares subject to the Offer will be issued or sold at the Offer Price, which will be determined by the Company, following a bookbuilding process and consultation with the Joint Global Co-ordinators. A number of factors will be considered in determining the Offer Price, the Share Offer Size and the basis of allocation, including the level and nature of demand for the Shares during the bookbuilding process, the level of demand in the Intermediaries Offer and prevailing market conditions. See Part 13 (Details of the Offer) for further information.

Unless required to do so by law or regulation, the Company does not envisage publishing a supplementary prospectus or an announcement triggering the right to withdraw applications for Shares pursuant to section 87Q of FSMA on determination of the Offer Price, the New Share Offer Size or the Existing Share Offer Size. If the Offer Price is set within the Price Range and the New Share Offer Size and Existing Share Offer Size are set within the New Share Offer Size Range and Existing Share Offer Size Range, respectively, a pricing statement containing the Offer Price and confirming the number of Shares which are comprised in the Offer (the “Pricing Statement”) and related disclosures will be published on or about 28 September 2018 and will be available on the Company’s website at <http://corporate.fundingcircle.com/investors/prospectus>. If (i) the Offer Price is set above the Price Range or the Price Range is revised higher; (ii) the number of New Shares to be issued by the Company is set above or below the New Share Offer Size Range; and/or (iii) the number of Existing Shares to be sold by the Selling Shareholders is set above the Existing Share Offer Size Range, the Company will make an announcement via a Regulatory Information Service and prospective equity investors would have a statutory right to withdraw their application for Shares pursuant to section 87Q of FSMA. In such circumstances, the Pricing Statement would not be published until the period for exercising such withdrawal rights has ended and the expected date of publication of the Pricing Statement would be extended. The arrangements for withdrawing offers to subscribe for or purchase Shares would be made clear in the Company’s announcement.

Each of Merrill Lynch International (“BofA Merrill Lynch”), Goldman Sachs International, Morgan Stanley & Co. International plc (“Morgan Stanley”) and Numis Securities Limited (the “Underwriters”) is authorised by the Prudential Regulation Authority (“PRA”) and regulated by the FCA and the PRA in the United Kingdom and is acting exclusively for the Company and no one else in connection with the Offer. Apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters by the FSMA or the regulatory regime established thereunder, none of the Underwriters will regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for the giving of advice in relation to the Offer or any transaction, matter, or arrangement referred to in this Prospectus. None of the Underwriters nor any of their respective affiliates accepts any responsibility whatsoever for the contents of this Prospectus including its accuracy, completeness and verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Shares or the Offer. Each of the Underwriters and each of their respective affiliates accordingly disclaim, to the fullest extent permitted by applicable law, all and any liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Prospectus or any such statement. No representation or warranty, express or implied, is made by any of the Underwriters or any of their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this Prospectus, and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future.

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the securities to which it relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

The Company consents to the use of this Prospectus by the Intermediaries in connection with the Intermediaries Offer in the United Kingdom, the Channel Islands and the Isle of Man on the following terms: (i) in respect of Intermediaries who are appointed by the Company prior to the date of this Prospectus, from the date of this

Prospectus and (ii) in respect of Intermediaries who are appointed by the Company after the date of this Prospectus, from the date on which they are appointed to participate in the Intermediaries Offer and agree to adhere to and be bound by the terms of the Intermediaries Terms and Conditions, in each case until the closing of the Intermediaries Offer. The Company accepts responsibility for the information contained in the Prospectus with respect to any investor in Shares in the Offer.

Any Intermediary that uses the Prospectus must state on its website that it uses this Prospectus in accordance with the Company's consent and the conditions attached thereto. Intermediaries are required to provide, at the time of such offer, the terms and conditions of the Intermediaries Offer to any prospective equity investor who has expressed an interest to such Intermediary in participating in the Intermediaries Offer. Any application made by equity investors to any Intermediary is subject to the terms and conditions which apply to the transaction between such equity investor and such Intermediary.

Notice to overseas shareholders

The Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the “US Securities Act”) or with any securities regulatory authority of any state of the United States. The Shares offered by this Prospectus may not be offered, sold, pledged or otherwise transferred in the United States, except to persons reasonably believed to be qualified institutional buyers (“QIBs”), as defined in, and in reliance on, the exemption from the registration requirements of the US Securities Act provided in Rule 144A under the US Securities Act (“Rule 144A”) or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Prospective equity investors are hereby notified that the sellers of the Shares may be relying on the exemption from the provisions of section 5 of the US Securities Act provided by Rule 144A. Outside the United States, the Offer is being made in offshore transactions as defined in Regulation S under the US Securities Act. No actions have been taken to allow a public offering of the Shares under the applicable securities laws of any jurisdiction, including Hong Kong, Switzerland, the Dubai International Financial Centre, Australia, Canada or Japan. Subject to certain exceptions, the Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen of any jurisdiction, including Australia, Canada or Japan. This Prospectus does not constitute an offer of, or the solicitation of an offer to subscribe for or purchase any of the Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The Shares have not been and will not be registered under the applicable securities laws of Hong Kong, Switzerland, the Dubai International Financial Centre, Australia, Canada or Japan. Subject to certain exceptions, the Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen in Hong Kong, Switzerland, the Dubai International Financial Centre, Australia, Canada or Japan. The Shares have not been recommended by any US federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The distribution of this Prospectus and the offer and sale of the Shares in certain jurisdictions may be restricted by law. No action has been or will be taken by the Company, the Selling Shareholders or the Underwriters to permit a public offering of the Shares under the applicable securities laws of any jurisdiction. Other than in the United Kingdom, no action has been taken or will be taken to permit the possession or distribution of this Prospectus (or any other offering or publicity materials relating to the Shares) in any jurisdiction where action for that purpose may be required or where doing so is restricted by law. Accordingly, neither this Prospectus, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction, other than in the United Kingdom, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Company consents to the use of this Prospectus by the Intermediaries in connection with the Intermediaries Offer in the United Kingdom, the Channel Islands and the Isle of Man on the following terms: (i) in respect of Intermediaries who are appointed by the Company on or prior to the date of the Prospectus, from the date of the Prospectus and (ii) in respect of Intermediaries who are appointed by the Company after the date of the Prospectus, from the date on which they are appointed to participate in the Intermediaries Offer and agree to adhere and be bound by the terms of the Intermediaries Terms and Conditions, in each case until the closing of the Intermediaries Offer. Prospective equity investors interested in participating in the Intermediaries Offer should apply for Shares through the Intermediaries by following their relevant application procedures. **Intermediaries are required to provide, at or prior to the time of such offer, the terms and conditions of the Intermediaries Offer to any prospective equity investor who has expressed an interest to such Intermediary in participating in the Intermediaries Offer. Any application made by equity investors to any Intermediary is subject to the terms and conditions which apply to the transaction between such equity investor and such Intermediary. Any Intermediary that uses this Prospectus must state on its website that it uses this document in accordance with the Company’s consent and the conditions attached thereto.**

Available information

For so long as any of the Shares are in issue and are “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act, the Company will, during any period in which it is not subject to Section 13 or 15(d) under the US Securities Exchange Act of 1934, as amended (the “US Exchange Act”), nor exempt from reporting under the US Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of a Share, or to any prospective purchaser of a Share designated by such holder

or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the US Securities Act.

Information to Distributors

Solely for the purposes of the product governance requirements contained within (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“MiFID II”), (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II, and (c) local implementing measures (together, the “MiFID II Product Governance Requirements”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, Shares have been subject to a product approval process, which has determined that such Shares are (i) compatible with an end target market of retail equity investors and equity investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II, and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “Target Market Assessment”). Notwithstanding the Target Market Assessment, “distributors” (for purposes of the MiFID II Product Governance Requirements) should note that: the price of Shares may decline and equity investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in Shares is compatible only with equity investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Underwriters will only procure equity investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any equity investor or group of equity investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.

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SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A-E (A.1–E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

SECTION A—INTRODUCTION AND WARNINGS	
A.1	<p><i>Warning</i></p> <p>This summary should be read as an introduction to the prospectus.</p> <p>Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the equity investor. Where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff equity investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid equity investors when considering whether to invest in such securities.</p>
A.2	<p><i>Consent for Intermediaries</i></p> <p>The Company consents to the use of this Prospectus by the Intermediaries in connection with the Intermediaries Offer in the United Kingdom, the Channel Islands and the Isle of Man on the following terms: (i) in respect of Intermediaries who are appointed by the Company on or prior to the date of the Prospectus, from the date of the Prospectus and (ii) in respect of Intermediaries who are appointed by the Company after the date of the Prospectus, from the date on which they are appointed to participate in the Intermediaries Offer and agree to adhere and be bound by the terms of the Intermediaries Terms and Conditions, in each case until the closing of the Intermediaries Offer. Prospective equity investors interested in participating in the Intermediaries Offer should apply for Shares through the Intermediaries by following their relevant application procedures by no later than 27 September 2018.</p> <p>Intermediaries are required to provide, at or prior to the time of such offer, the terms and conditions of the Intermediaries Offer to any prospective equity investor who has expressed an interest to such Intermediary in participating in the Intermediaries Offer. Any application made by equity investors to any Intermediary is subject to the terms and conditions which apply to the transaction between such equity investor and such Intermediary. Any Intermediary that uses this Prospectus must state on its website that it uses this document in accordance with the Company’s consent and the conditions attached thereto.</p>
SECTION B—ISSUER	
B.1	<p><i>Legal and commercial name</i></p> <p>Funding Circle Holdings Limited, to be re-registered as a public company limited by shares and renamed Funding Circle Holdings plc prior to Admission (the “Company”).</p>
B.2	<p><i>Domicile and legal form</i></p> <p>The Company was incorporated on 13 January 2010 as a private company limited by shares in the United Kingdom, with its registered office situated in England and Wales. The Company operates under the Companies Act 2006. Prior to Admission, the Company shall be re-registered as a public company limited by shares and renamed Funding Circle Holdings plc.</p>

B.3

Current operations and principal activities

SMEs have historically been underserved by businesses and service providers across a range of industries. While innovation in technology and software over the last decade has helped SMEs across various industries to reach new geographies, increase their productivity and streamline processes, when it comes to securing financing, traditional lending channels have not kept pace in terms of both access and experience, with bank lending to SMEs significantly contracting over the past several years, given the increasing focus on corporate and consumer lending. Traditionally, SME lending has often been neglected by banks as it does not naturally sit within the commoditised retail lending space nor the larger ticket corporate lending segment of banks' operations—in many banks it moves between the two divisions.

With a mission of building a better financial world and igniting opportunities for SMEs, Funding Circle has developed a highly efficient and effective platform that enables SMEs to borrow money directly from Investors, creating opportunities for both. Funding Circle's aim is to help SMEs grow by providing them with streamlined access to capital. Its lending platform is centred on serving and building long-term relationships with Borrowers, which translates into high repeat rates as Borrowers seek more financing as they continue to grow. This enables Funding Circle to grow with its Borrowers. For Investors, Funding Circle aims to provide an alternative asset class to the investor community who have suffered from a decade-long trend of poor yields since the global financial crisis.

Funding Circle uses its cutting-edge technology, proprietary credit models and sophisticated data analytics to create an attractive and convenient proposition for Borrowers and Investors, providing SME Borrowers with fast and flexible financing at competitive prices through a simple online application, and Investors with attractive risk-adjusted returns¹. Through its platform, Funding Circle is contributing to the growth of the SME lending market and expanding access to financing at competitive and transparent pricing. Funding Circle has become a leading global SME loans platform, having facilitated more than £5 billion in loans to over 50,000 SMEs, with more than £2.5 billion under management as at 30 June 2018. In 2017 alone, loans facilitated through Funding Circle's platform contributed to £3.9 billion of gross value added to GDP and enabled more than 75,000 jobs². Founded in the United Kingdom in 2010, Funding Circle now operates in the United Kingdom, the United States, Germany and the Netherlands.

The efficiency and effectiveness of Funding Circle's platform, as well as its singular SME focus and credit and risk management expertise, have allowed it to achieve consistently high Borrower satisfaction rates, with a Net Promoter Score of 89 in each of the United Kingdom and the United States in the second quarter of 2018 (a "world class" rating), resulting in rising repeat rates and driving increased revenue and margins. In 2017, 32 per cent. of all originations (excluding property loans) generated through Funding Circle's platform were made to repeat Borrowers, and the Directors and the Proposed Director believe that, as Funding Circle continues to grow and facilitate the development of more SMEs, these repeat rates will continue to increase. According to a survey conducted by Oxford Economics in 2018, 85 per cent. of existing Borrowers indicated that they would approach Funding Circle's platform first should their business require external funding in the future.

Funding Circle also benefits from a diverse pool of Investors lending through its platform, including retail Investors, banks, asset management companies, insurance companies, government-backed entities and funds, providing it with diverse and stable funding from a range of Investors, with 45 per cent. of funding since the beginning of 2016 coming from global Investors (i.e. Investors who invest in more than one of Funding Circle's geographies). The 2017 cohort of loans is projected to deliver returns ranging from 4.6 per cent. to 7.6 per cent. per annum³ across the different geographies. 85 per cent. of Funding Circle's platform funding in 2017 and H1 2018 came from repeat Investors, demonstrating Investors' satisfaction with Funding Circle's proposition and model.

Funding Circle invests heavily in technology, data and analytics to drive customer experience and efficiency. Funding Circle follows a modern approach towards technology and is not burdened by

¹ Based on historical performance and return rates.

² According to Oxford Economics.

³ Based on Funding Circle's models as at 30 June 2018.

the challenges and maintenance costs related to legacy systems, in contrast to many bank competitors. Funding Circle's technology infrastructure is purpose-built from the ground up, with the ability to harness third party computing resources as it scales.

Funding Circle approaches risk management by blending practices from the financial services industry with innovation in technology and data and analytics. Even though Funding Circle does not assume the credit or funding risks relating to investments in loans facilitated through its platform⁴, its approach is focused on blending the robustness of leading financial institutions with a data driven approach using proprietary scoring models and data analytics techniques to enhance the precision and efficiency in predicting credit risk and performance. This enables Funding Circle to ultimately construct loan portfolios that achieve attractive risk-adjusted returns for Investors.

The Directors and the Proposed Director believe that Funding Circle's scale and self-reinforcing business model will drive continual improvement and increased competitive advantage, creating a virtuous circle that will continue to enhance its competitive position and drive market share across its current and future geographies.

From a cultural standpoint, Funding Circle has developed a strong and engaged culture in each of its offices, as well as a set of five core values that represent who Funding Circle is and how the team behaves; they are 'Made to do More':

- *Think Smart*: Challenge assumptions, seek insights and make informed decisions. Everyone has a voice, so be ambitious.
- *Make It Happen*: Be courageous and take ownership. Take small steps fast and commit to seeing it through.
- *Be Open*: Treat everybody with respect and be honest with each other. Transparency and integrity build trust.
- *Stand Together*: Listen, understand and support each other. Win or lose as one.
- *Live the Adventure*: Bring your passion with you every morning, and have fun.

In the United Kingdom, Funding Circle has frequently been featured in *The Sunday Times*' "Best Company to Work For" list. Most recently, Funding Circle UK was named as the 16th Best Company to Work For in *The Sunday Times*' 2018 annual survey.

This entrepreneurial and creative culture of Funding Circle and its leadership team have allowed it to grow rapidly, while delivering an improving financial profile. Cumulative originations in new geographies have grown at comparable or faster rates than the United Kingdom.

The following table sets out certain key financial and operating metrics of Funding Circle, for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(unaudited, unless otherwise indicated) (£ million, unless otherwise indicated)				
Loans under Management	860	1,362	2,107	1,705	2,584
Originations	721	1,065	1,738	797	1,043
Number of loans originated	9,568	13,724	23,350	10,734	14,783
Transaction yield	3.6%	3.7%	4.4%	4.1%	4.8%
Servicing yield	1.0%	1.0%	1.0%	1.0%	1.0%
Marketing spend as a percentage of revenue	64%	49%	41%	38%	39%
Revenue ⁽¹⁾	32.0	50.9	94.5	40.9	63.0
Segment Adjusted EBITDA ⁽¹⁾	(22.1)	(26.5)	(3.9)	(3.0)	0.9
Segment Adjusted EBITDA Margin	(69%)	(52%)	(4%)	(7%)	1%
Adjusted EBITDA ⁽¹⁾	(35.5)	(40.9)	(25.1)	(13.2)	(16.3)
Adjusted EBITDA Margin	(111%)	(80%)	(27%)	(32%)	(26%)
Free Cash Flow	(45.5)	(46.1)	(35.3)	(21.1)	(24.2)

Note:

(1) Audited for the three years ended 31 December 2015, 2016 and 2017 and H1 2018.

⁴ Except for (1) an initial holding period (typically of two days) in the United States, and (2) any loans that may be purchased by Funding Circle.

B.4a	<p>Significant recent trends affecting the Group and the industry in which it operates</p> <p>With a mission of building a better financial world and igniting opportunities for SMEs, Funding Circle has developed a highly efficient and effective platform that enables SMEs to borrow money directly from Investors, creating opportunities for both. Since its inception, Funding Circle has positioned itself to continue growing as a global leader in the platform lending industry. Funding Circle’s growth is underpinned by the following structural growth drivers:</p> <ul style="list-style-type: none"> • Despite the important societal and economic role that SMEs play in terms of economic growth, employment and innovation globally, SMEs have historically been underserved across industries. • As a result of recent developments and technological advancements, a number of businesses have emerged across a variety of sectors that are focused on enabling SMEs. • The global financial crisis impacted the supply of lending in a number of ways, particularly from banks, who are the largest providers of credit to the economy. As a result, lending to SMEs has declined substantially since the financial crisis in 2008 and 2009. • The post-global financial crisis era has also witnessed a number of policy initiatives designed to assist alternative SME lending. • Online lending platforms started to emerge as a result of the contraction in traditional credit sources following the financial crisis in 2008 and 2009, increasing internet penetration, advances in technology and the digitalisation of information. These platforms have grown rapidly and are increasingly becoming an important source of funding, including for SMEs, in the United Kingdom, the United States and other markets.
B.5	<p><i>Group description</i></p> <p>The Company is the ultimate holding company of the Group. Founded in the United Kingdom in 2010, the Group now operates in the United Kingdom, the United States, Germany and the Netherlands.</p>
B.6	<p><i>Significant shareholders</i></p> <p>The Shareholders identified below are expected to be, at the times indicated, directly or indirectly interested in 3 per cent. or more of the share capital of the Company (the “Principal Shareholders”). The table below sets out the interests of such Shareholders immediately prior to Admission, together with a corresponding estimate of their interests in Shares immediately following Admission. The Principal Shareholders (excluding the Cornerstone Investor) and certain of their immediate family members; other Shareholders holding more than 0.25 per cent. of the issued share capital of the Company immediately prior to Admission; the Directors; and the Eligible Employee Selling Shareholders (as defined in Part 15 (Definitions and Glossary)) (collectively, the “Eligible Selling Shareholders”) are entitled to make available for sale 25 per cent. of their respective holdings (including, if relevant, following the exercise of vested options over Shares) in the Offer. As at the date of this Prospectus, however, the Company has not received any binding commitment from any Shareholder to make available any Existing Shares for sale in the Offer.</p>

Shareholders	Immediately prior to Admission ⁽¹⁾		Immediately following Admission ⁽²⁾			
	Number of Shares	Percentage of issued share capital	Assuming No Share Sale Election		Assuming Maximum Share Sale Election	
			Number of Shares	Percentage of issued share capital	Number of Shares	Percentage of issued share capital ⁽³⁾
Index Ventures ⁽⁴⁾⁽⁵⁾	58,618,351	21.5%	58,618,351	17.4%	43,963,764	13.1%
Cornerstone Investor ⁽⁶⁾	—	—	33,625,246	10.0%	33,625,246	10.0%
Accel ⁽⁴⁾⁽⁷⁾	26,906,743	9.9%	26,906,743	8.0%	20,180,058	6.0%
Union Square Ventures ⁽⁸⁾	21,694,388	7.9%	21,694,388	6.5%	16,270,792	4.8%
Samir Desai CBE ⁽⁹⁾	19,272,368	7.1%	19,272,368	5.7%	14,454,276	4.3%
DST Global ⁽⁴⁾⁽¹⁰⁾	16,505,378	6.0%	16,505,378	4.9%	12,379,034	3.7%
James Meekings ⁽¹¹⁾	14,736,075	5.4%	14,736,075	4.4%	11,052,057	3.3%
Andrew Mullinger ⁽¹²⁾	12,285,350	4.5%	12,285,350	3.7%	9,195,784	2.7%
Stone Ridge Asset Management V ⁽⁴⁾⁽¹³⁾	8,313,540	3.0%	8,313,540	2.5%	6,235,155	1.9%

Notes:

(1) The interests in the share capital as at the date of this Prospectus have been stated on the basis that the Reorganisation has been completed in full.

(2) Assuming that the Offer Price is set at the mid-point of the Price Range and the New Director Shares are issued.

(3) Assuming that the Offer Price is set at the mid-point of the Price Range, the Selling Shareholder Options (as defined in Part 15 (Definitions and Glossary)) are exercised and the New Director Shares are issued.

(4) Assuming no exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Corporate Nominee (acting as nominee for and on behalf of the Over-allotment Shareholders) will sell further Shares representing in aggregate 10 per cent. of the Shares in the Offer.

(5) The Index Ventures group advises various investment funds including those which hold interests in the Company: namely Index Ventures Growth II (Jersey), L.P.; Index Ventures Growth II Parallel Entrepreneur Fund (Jersey), L.P.; Index Ventures V (Jersey), L.P.; Index Ventures V Parallel Entrepreneur Fund (Jersey), L.P. and Yucca (Jersey) SLP (as administrator of the Index Co-Investment Scheme).

(6) Aktieselskabet af 2.7.2018, a wholly-owned indirect subsidiary of Heartland A/S.

(7) The Accel investment funds which hold interests in the Company are: Accel London III, L.P.; Accel London Investors 2012 L.P.; Accel London Investors 2016 L.P.; Accel London V, L.P. and Accel London V Strategic Partners L.P.

(8) The Union Square Ventures entities with interests in the Company are Union Square Ventures 2012 Fund, L.P.; USV Investors 2012 Fund, L.P.; USV Opportunity 2014, L.P. and USV Opportunity Investors 2014, L.P.

(9) At Admission, Samir Desai CBE will, in addition to his Shares, hold unvested options over 2,150,000 Shares, and an interest in a further 2,237,532 unvested Nominee Shares (as defined in paragraph 11 (Employee Share Plans) of Part 14 (Additional Information)).

(10) The DST Global entity with an interest in the Company is DST Global IV, L.P.

(11) At Admission, James Meekings will hold an interest in a further 178,125 unvested Nominee Shares.

(12) At Admission, Andrew Mullinger will, in addition to his Shares, hold vested options over 72,916 Shares.

(13) The Stone Ridge Asset Management entity with interests in the Company is Stone Ridge Trust V, on behalf of its series, the Stone Ridge Alternative Lending Risk Premium Fund.

Other than the Principal Shareholders (together with their associates), the Company is not aware of any person who, directly or indirectly, jointly or severally, exercises or, immediately following the Offer, could exercise control over the Company.

Following admission, no Principal Shareholder will have any special voting rights over any Shares, and their Shares will rank *pari passu* with the other Shares in all respects.

The Company on the one hand, and Heartland A/S (“Heartland”) and Aktieselskabet af 2.7.2018 (a wholly-owned indirect subsidiary of Heartland) (the “Cornerstone Investor”) on the other, have entered into a cornerstone investment agreement (as amended, the “Cornerstone Investment Agreement”) pursuant to which: (i) the Cornerstone Investor has irrevocably agreed to subscribe for or purchase Shares in the Offer, at the Offer Price, such that, immediately following the Offer and Admission, the Cornerstone Investor will hold 10 per cent. of the issued ordinary share capital of the Company, (ii) Heartland has irrevocably agreed to procure that the Cornerstone Investor completes such subscription or purchase, and (iii) the Company has agreed to cause such Shares to

be delivered or allotted and issued to the Cornerstone Investor, at the Offer Price. The obligation of the Cornerstone Investor under the Cornerstone Investment Agreement to subscribe for or purchase Shares in the Offer is conditional upon Admission and certain other conditions being satisfied, including that the Offer Price is set within the Price Range, and will terminate automatically if such conditions have not been fulfilled or, in certain circumstances, waived by Heartland, on or before 30 November 2018 (or such other date as may be agreed between the parties thereto).

B.7

Historical financial information

The tables below set out the Group’s summary financial information for the periods indicated, as reported in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”). The audited interim consolidated financial information for the Group as of and for the six months ended 30 June 2018 (“H1 2018”) and the unaudited interim consolidated financial information for the Group as of and for the six months ended 30 June 2017 (“H1 2017”) has been extracted without material adjustment from Part 12 (Historical Financial Information). The audited consolidated financial information for the Group as of and for each of the three years ended 31 December 2015, 2016 and 2017 has been extracted without material adjustment from Part 12 (Historical Financial Information).

Consolidated income statement data

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
				(unaudited)	
			(£ million)		
Revenue	32.0	50.9	94.5	40.9	63.0
Operating expenses	(71.7)	(98.8)	(131.4)	(60.3)	(90.3)
Operating loss	(39.7)	(47.9)	(36.9)	(19.4)	(27.3)
Finance income	0.2	0.7	0.6	0.2	0.3
Loss before taxation	(39.5)	(47.2)	(36.3)	(19.2)	(27.0)
Income tax	(0.1)	0.6	1.0	—	—
Loss for the year / period	(39.6)	(46.6)	(35.3)	(19.2)	(27.0)

Consolidated balance sheet data

	As at 31 December			As at
	2015	2016	2017	30 June 2018
	(£ million)			
Non-current assets				
Goodwill	35.1	41.4	41.3	41.5
Intangible assets	4.2	11.7	16.2	17.9
Property, plant and equipment	4.6	5.1	4.7	5.0
Investments	1.8	1.2	0.3	0.2
	45.7	59.4	62.5	64.6
Current assets				
Investments	4.6	1.3	3.1	5.1
Trade and other receivables	8.6	11.8	13.4	19.5
Cash and cash equivalents	86.3	43.3	88.9	65.2
	99.5	56.4	105.4	89.8
Total assets	145.2	115.8	167.9	154.4
Current liabilities				
Trade and other payables	10.6	10.5	12.0	21.5
Provisions	1.1	0.7	2.1	4.1
	11.7	11.2	14.1	25.6
Non-current liabilities				
Provisions	0.3	0.4	0.4	0.7
Total liabilities	12.0	11.6	14.5	26.3
Equity				
Share capital	0.2	0.2	0.2	0.2
Share premium account	195.9	196.0	278.0	278.2
Foreign exchange reserve	4.3	15.2	13.3	14.1
Share options reserve	2.8	9.5	13.9	15.8
Accumulated losses	(70.0)	(116.7)	(152.0)	(180.2)
Total equity	133.2	104.2	153.4	128.1
Total equity and liabilities	145.2	115.8	167.9	154.4

Condensed consolidated cash flow statement data

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(unaudited)				
	(£ million)				
Net cash outflow from operating activities	(35.4)	(40.0)	(22.6)	(17.2)	(16.8)
Net cash outflow from investing activities	(10.1)	(6.1)	(12.7)	(3.9)	(7.4)
Net cash inflow from financing activities	95.1	—	81.9	81.9	0.2
Net increase/(decrease) in cash and cash equivalents	49.6	(46.1)	46.6	60.8	(24.0)
Cash and cash equivalents at the beginning of the year / period	35.0	86.3	43.3	43.3	88.9
Effect of foreign exchange rate changes	1.7	3.1	(1.0)	(0.6)	0.3
Cash and cash equivalents at the end of the year / period	86.3	43.3	88.9	103.5	65.2

Certain significant changes to the Group's financial condition and results of operations occurred during the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018. These changes are set out below.

Revenue increased 54 per cent., to £63.0 million in H1 2018 from £40.9 million in H1 2017. Revenue increased by 86 per cent., to £94.5 million for the year ended 31 December 2017 from

	<p>£50.9 million for the year ended 31 December 2016. Revenue for the year ended 31 December 2016 increased by 59 per cent., to £50.9 million from £32.0 million for the year ended 31 December 2015. Growth in revenue during the periods under review was primarily driven by an increase in the value of loans originated on the platform (primarily due to greater Borrower and Investor awareness from increased marketing activity, together with improvements in credit scoring models and credit assessment efficiency and effectiveness), an improvement in transaction yield and higher servicing revenue from a growing level of Loans under Management.</p> <p>Operating expenses increased by 50 per cent., to £90.3 million in H1 2018 from £60.3 million in H1 2017. Operating expenses increased by 33 per cent., to £131.4 million for the year ended 31 December 2017 from £98.8 million for the year ended 31 December 2016. Operating expenses for the year ended 31 December 2016 increased by 38 per cent., to £98.8 million from £71.7 million for the year ended 31 December 2015. Growth in operating expenses during the periods under review was primarily driven by an increase in people costs (primarily due to an increase in average headcount as the Group continued to grow and invest in building a global leadership team that can support a global business in terms of leveraging best practice, implementing common processes, procedures and reporting structures), as well as an increase in marketing spend aimed at raising brand awareness across the Group’s geographies.</p> <p>Loss for the period increased by 41 per cent., to £27.0 million in H1 2018 from £19.2 million in H1 2017, primarily due to the increase in the Group’s operating expenses. Loss for the year decreased by 24 per cent., to £35.3 million for the year ended 31 December 2017 from £46.6 million for the year ended 31 December 2016, primarily the result of a slower growing cost base compared to revenue growth, which was a function of operational leverage whereby the cost of acquiring, originating and servicing an individual loan decreased for both first loans and repeat loans. Loss for the year ended 31 December 2016 increased by 18 per cent. compared to £39.6 million for the year ended 31 December 2015, primarily due to an increase in people costs and marketing costs, which translated into increased revenue in the following year.</p> <p>Save as set out above, there has been no significant change in the financial condition and results of operations of the Group during or after the period covered by the historical financial information of the Group set out in this Prospectus.</p>
B.8	<p><i>Pro forma financial information</i></p> <p>Not applicable. There is no pro forma financial information included in this Prospectus.</p>
B.9	<p><i>Profit forecast</i></p> <p>Not applicable. There is no profit forecast or estimate included in this Prospectus.</p>
B.10	<p><i>Qualifications in the audit report on the historical financial information</i></p> <p>Not applicable. There are no qualifications to the accountants’ report on the historical financial information.</p>
B.11	<p><i>Insufficient working capital</i></p> <p>Not applicable. In the opinion of the Company, taking into account the net proceeds receivable by the Company from the subscription for New Shares in the Offer, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.</p>
<i>SECTION C—SECURITIES</i>	
C.1	<p><i>Type and class of securities</i></p> <p>On Admission, there will be between 329,708,334 and 345,053,027 ordinary shares (the “Shares”) of 0.1 pence each in the share capital of the Company in issue, depending on the determination of the Offer Price. The New Share Offer Size and the Existing Share Offer Size will be set out in a pricing statement (the “Pricing Statement”), which is expected to be published on or about 28 September 2018 and will be available on the Company’s website at http://corporate.fundingcircle.com/investors/prospectus.</p>

	<p>All Shares in issue on admission will be fully paid.</p> <p>When admitted to trading, the Shares will be registered with ISIN number GB00BG0TPX62 and SEDOL number BG0TPX6 and trade under the symbol “FCH”.</p>
C.2	<p><i>Currency</i></p> <p>The currency of the issue is United Kingdom pounds sterling.</p>
C.3	<p><i>Issued Share Capital</i></p> <p>As at the date of this Prospectus, the issued share capital of the Company is £258,220, comprising 85,936,080 ordinary shares of £0.001 each, 15,051,790 Growth Shares of £0.00001 each, 172,106,690 Preferred Shares of £0.001 each and 2,692,586 Deferred Shares of £0.00001 each (all of which were fully paid or credited as fully paid).</p> <p>Pursuant to the Reorganisation, all of the Growth Shares and the Preferred Shares shall automatically convert into Shares on a 1:1 basis in accordance with the articles of association of the Company, and the Company shall redeem all outstanding Deferred Shares in accordance with the articles of association of the Company immediately prior to Admission.</p> <p>Immediately following Admission, the issued share capital of the Company is expected to be between £329,708 comprising 329,708,334 Shares (assuming that the New Share Offer Size is set at the top of the New Share Offer Size Range, the Selling Shareholder Options are not exercised and the New Director Shares are issued) and £345,053 comprising 345,053,027 Shares (assuming that the New Share Offer Size is set at the bottom of the New Share Offer Size Range, the Selling Shareholder Options are exercised and the New Director Shares are issued).</p>
C.4	<p><i>Rights attaching to the Shares</i></p> <p>The rights attaching to the Shares will be uniform in all respects and they will form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.</p> <p>On a show of hands every holder of Shares in the capital of the Company (each, a “Shareholder”) who is present in person shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per Share.</p> <p>Except as provided by the rights and restrictions attached to any class of shares, Shareholders will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings.</p>
C.5	<p><i>Restrictions on transfer</i></p> <p>There are no restrictions on the free transferability of the Shares.</p>
C.6	<p><i>Admission</i></p> <p>Application will be made to the FCA for all of the Shares, issued and to be issued (including Shares to be issued pursuant to the exercise of vested options in the six month period following Admission), to be admitted to the premium listing segment of the Official List of the FCA and to the London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities.</p>
C.7	<p><i>Dividend policy</i></p> <p>The Company currently intends to retain any future earnings to finance the operation and expansion of its business, and the Company does not expect to declare or pay any dividends for the foreseeable future. The Company may revise its dividend policy from time to time.</p>

SECTION D—RISKS

D.1

Key information on the key risks specific to the Group and its industry

The Group's growth depends on its ability to maintain or increase loan originations through its platform. If the Group is unable to maintain or increase loan originations through its platform or if existing Borrowers or Investors do not continue to participate on its platform, its business, results of operations, financial condition or prospects will be adversely affected.

The Group's ability to attract Borrowers and Investors to, and build trust in, its platform is significantly dependent on its ability to effectively evaluate Borrowers' credit profiles and likelihood of default. If the credit approval and scoring models and processes the Group uses contain errors or are otherwise ineffective, or if Borrower data is incorrect or becomes unavailable, the Group's business may suffer.

In the United States, Germany and the Netherlands, there is a lower level of diversification in the Group's Investor base, as compared to the United Kingdom, with certain non-retail Investors accounting for a relatively large proportion of the aggregate investment in loans originated through the Group's platform in these countries. If a significant proportion of these Investors were to suspend, limit or terminate their relationship with the Group or withdraw part or all of their investments, the Group's business, results of operations, financial condition and prospects would be materially adversely affected.

The Group's funding and servicing agreements with non-retail Investors generally include contractual representations, warranties and covenants that the Group must comply with, in particular in respect of the origination and servicing of loans. If, as a result of any breach of such representations, warranties and covenants, the Group is required to purchase a substantial volume of loans in a relatively short period of time, the Group's business and cash flows could be materially adversely affected.

The strength of the Group's brand and reputation, as well as the reputation of the platform lending industry generally, may impact the Group's competitive position. Negative publicity about the platform lending industry or the Group, even if inaccurate, could adversely affect the Group's reputation, which could reduce the attractiveness of the Group's platform to Borrowers, Investors or both.

The SME lending market is competitive and evolving. If the Group is unable to effectively compete and meet the need for innovation in its industry, the demand for the Group's platform could stagnate or substantially decline, the Group could experience reduced revenue or its platform could fail to achieve or maintain more widespread market acceptance.

The body of law and regulation in respect of the platform lending industry is continuously evolving and, as a result, the application and interpretation of such laws and regulatory requirements are uncertain. Changes to the regulatory and legislative environment, or changes in the interpretation of existing legislation or regulation, could lead to increased compliance costs, the prohibition of certain types of trading, restrictions on the types of products and services which the members of the Group may provide in the future or on the way in which such products and services are marketed, changes to the eligible customers of members of the Group and changes to the authorisations and licences currently held.

The Group is subject to a number of laws relating to privacy and data protection, governing its ability to collect, use and transfer personal data including relating to actual and potential Borrowers and Investors, as well as any such data relating to its employees and others. Any perceived or actual failure by the Group to protect confidential data or any material non-compliance with privacy or data protection laws may harm its business, reputation and credibility.

D.3

Key information on the key risks specific to the Shares

There is no existing market for the Shares and an active trading market for the Shares may not develop or be sustained which may adversely affect the liquidity or trading price of the Shares. If a market for the Shares develops, the Shares could be subject to market price volatility and the

	<p>market price of the Shares may decline in response to developments that are unrelated to the Company's operating performance, or as a result of sales of substantial amounts of Shares, for example, following expiry of the lock-up period, or the issuance of additional Shares in the future, and Shareholders could earn a negative or no return on their investment in the Company.</p> <p>Shareholders may experience dilution as a result of the Group's employee share incentive plans, future acquisitions or otherwise.</p> <p>Shareholders in the United States or other jurisdictions may not be able to participate in future equity offerings which could result in dilution of such Shareholders' interests in the Company.</p>
SECTION E—OFFER	
E.1	<p><i>Net proceeds and costs of the Offer</i></p> <p>Through the issue of New Shares pursuant to the Offer, the Company expects to raise a fixed amount of gross proceeds of £300 million. The aggregate expenses of, or incidental to, Admission and the Offer to be borne by the Company are estimated to be approximately £17.8 million, which the Company intends to pay out of the proceeds of the Offer. The Company will issue a sufficient number of Shares to raise the net proceeds, taking into consideration the minimum and maximum number of New Shares available under the Offer.</p> <p>Assuming that the Offer Price is set at the mid-point of the Price Range, that the number of Existing Shares sold is set at the top of the Existing Share Offer Size Range and no exercise of the Over-allotment Option, the Selling Shareholders would raise approximately £306.9 million, before taking into account expenses associated with the Offer.</p> <p>Assuming that the Offer Price is set at the mid-point of the Price Range, that the number of Existing Shares sold is set at the top of the Existing Share Offer Size Range and no exercise of the Over-allotment Option, the aggregate underwriting commissions and amounts in respect of stamp duty or SDRT payable by the Selling Shareholders in connection with the Offer would be approximately £10.7 million.</p>
E.2a	<p><i>Reasons for the Offer and use of proceeds</i></p> <p>The Company intends to use the net proceeds from the issue of the New Shares to enhance its balance sheet position. The Directors and the Proposed Director believe this is important for the following reasons:</p> <ul style="list-style-type: none"> • to further engender trust in the Group's business with Investors, Borrowers and regulators; • to support the Group in pursuing growth over profitability in the medium term; and • to provide strategic flexibility and create the ability to take advantage of opportunities either in current markets or new geographies. <p>The Directors and the Proposed Director believe that this is an appropriate time to bring the Group to the public market, reflecting the robust foundations established for future growth. The Directors and the Proposed Director believe that the Offer will:</p> <ul style="list-style-type: none"> • increase the Group's profile and brand awareness; • demonstrate the maturity, transparency and governance of the business to Borrowers, Investors and employees; • assist in recruiting, retaining and incentivising key management and employees; • provide a stable base of long term Shareholders and give the Group access to a wider range of capital-raising options; and • provide future liquidity to Shareholders. <p>The sale of Existing Shares will provide the Selling Shareholders with an opportunity for a partial realisation of their shareholding in the Company.</p>

E.3

Terms and conditions of the Offer

The Offer is being made by way of:

- an Institutional Offer by the Company and the Selling Shareholders to certain institutional equity investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S and in accordance with locally applicable laws and regulations, and in the United States, only to QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act; and
- an Intermediaries Offer by the Company and the Selling Shareholders to Intermediaries for onward distribution to retail equity investors in the United Kingdom, the Channel Islands and the Isle of Man.

If there is more demand for Shares than the number of Shares available in the Offer, applications for Shares will be scaled back. The allocation of Shares as between the Institutional Offer and the Intermediaries Offer will be determined by the Company after having consulted with the Joint Global Co-ordinators. The allocation policy for the Intermediaries Offer will be determined by the Company after having consulted with the Joint Global Co-ordinators.

The price at which the Shares are to be issued and sold in the Offer (the “Offer Price”) is expected to be between 420 pence and 530 pence per Share (the “Price Range”). The number of New Shares to be issued in the Offer (the “New Share Offer Size”) is expected to be between 56,603,774 Shares and 71,428,571 Shares (the “New Share Offer Size Range”) and the number of Existing Shares that may be sold in the Offer (the “Existing Share Offer Size”) is expected to be up to 64,610,845 Shares (the “Existing Share Offer Size Range”).

In addition, existing Shares (representing up to 10 per cent. of the total number of Shares that are subject to the Offer) are being made available pursuant to the Over-allotment Option granted by the Corporate Nominee (acting as nominee for and on behalf of the Over-allotment Shareholders).

The Price Range, the New Share Offer Size Range and the Existing Share Offer Size Range have been set by the Company. It is currently expected that the Offer Price, the New Share Offer Size and the Existing Share Offer Size will be set within the Price Range, the New Share Offer Size Range and the Existing Share Offer Size Range, respectively. All Shares subject to the Offer will be issued or sold at the Offer Price, which will be determined by the Company after consultation with the Joint Global Co-ordinators, following a book-building process. A number of factors will be considered in determining the Offer Price, the Share Offer Size and the basis of allocation, including the level and nature of demand for the Shares during the bookbuilding process, the level of demand in the Intermediaries Offer and prevailing market conditions. The Offer Price, the New Share Offer Size and the Existing Share Offer Size are expected to be announced on or around 28 September 2018. The Pricing Statement, which will contain, among other things, the Offer Price, the New Share Offer Size and the Existing Share Offer Size, will (subject to certain restrictions) be published on the Company’s website at <http://corporate.fundingcircle.com/investors/prospectus>.

If (i) the Offer Price is set above the Price Range or the Price Range is revised higher; (ii) the number of New Shares to be issued by the Company is set above or below the New Share Offer Size Range; and/or (iii) the number of Existing Shares to be sold by the Selling Shareholders is set above the Existing Share Offer Size Range, then the Company would make an announcement via a Regulatory Information Service and prospective equity investors would have a statutory right to withdraw their application for Shares pursuant to section 87Q of FSMA.

In such circumstances, the Pricing Statement would not be published until the period for exercising such withdrawal rights has ended. The expected date of publication of the Pricing Statement would be extended and the arrangements for withdrawing offers to subscribe for or purchase Shares would be made clear in the accompanying announcement.

It is expected that Admission will take place and unconditional dealings in the Shares will commence on the London Stock Exchange at 8.00 a.m. on 3 October 2018. Prior to Admission, it is expected that dealings in the Shares will commence on a conditional basis on the London Stock Exchange on 28 September 2018. The earliest date for settlement of such dealings will be 3 October 2018. All dealings in the Shares prior to the commencement of unconditional dealings will be on a “when issued” basis and will be of no effect if Admission does not take place and such

	<p>dealings will be at the sole risk of the parties concerned. These dates and times may be changed without further notice.</p> <p>The Offer is subject to the satisfaction of certain conditions contained in the Underwriting Agreement, which are typical for an agreement of this nature, including Admission becoming effective by no later than 8.00 a.m. on 3 October 2018 and on the Underwriting Agreement not having been terminated prior to Admission.</p> <p>None of the Shares comprising the Offer may be offered for subscription, sale or purchase or be subscribed, sold or delivered, and this Prospectus and any other offering material in relation to the Shares may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration, other than the United Kingdom.</p> <p>The Company on the one hand, and Heartland and the Cornerstone Investor (a wholly-owned indirect subsidiary of Heartland) on the other, have entered into the Cornerstone Investment Agreement pursuant to which: (i) the Cornerstone Investor has irrevocably agreed to subscribe for or purchase Shares in the Offer, at the Offer Price, such that, immediately following the Offer and Admission, the Cornerstone Investor will hold 10 per cent. of the issued ordinary share capital of the Company, (ii) Heartland has irrevocably agreed to procure that the Cornerstone Investor completes such subscription or purchase, and (iii) the Company has agreed to cause such Shares to be delivered or allotted and issued to the Cornerstone Investor, at the Offer Price. The obligation of the Cornerstone Investor under the Cornerstone Investment Agreement to subscribe for or purchase Shares in the Offer is conditional upon Admission and certain other conditions being satisfied, including that the Offer Price is set within the Price Range, and will terminate automatically if such conditions have not been fulfilled or, in certain circumstances, waived by Heartland, on or before 30 November 2018 (or such other date as may be agreed between the parties thereto).</p> <p>Under the terms and conditions of the Offer, equity investors agreeing to subscribe for New Shares and/or purchase Existing Shares pursuant to the Offer agree with each of the Company, the Selling Shareholders and the Underwriters to be bound by certain terms and conditions upon which Shares will be issued and/or sold in the Offer. Upon being allocated Shares pursuant to the Offer, each equity investor agrees to become a member of the Company, to acquire the Shares allocated to it at the Offer Price and to pay the Offer Price for the Shares allocated to it. If an equity investor fails to pay as required, the relevant equity investor will remain liable to pay such amount and will be deemed to have appointed the Joint Global Co-ordinators to sell any or all of the Shares allocated to it at such price as the Joint Global Co-ordinators may achieve subsequent to any such failure to pay.</p> <p>Under the terms and conditions of the Offer, each equity investor makes certain representations, warranties and acknowledgements to the Company, the Selling Shareholders and the Underwriters customary for an offer of this type, including but not limited to: (i) in relation to certain characteristics of the equity investor; (ii) the equity investor's compliance with restrictions contained in the Offer and with specified laws and regulations; (iii) reliance, responsibility and liability in respect of the Prospectus, the Offer and information outside of the Prospectus; (iv) compliance with laws; (v) jurisdiction; and (vi) liability for duties or taxes.</p> <p>On request, an equity investor may be required to disclose certain information, including any information about the agreement to subscribe for and/or purchase Shares, the equity investor's nationality (if an individual) and the jurisdiction in which the equity investor's funds are managed or owned (if a discretionary fund manager). The terms and conditions also provide for the following issues: the sending of documents to the equity investor; the equity investor being bound by the Articles upon the transfer or issue of Shares; the application of English law to the contract to subscribe for and/or purchase Shares; and joint agreements to subscribe for and/or purchase Shares.</p> <p>The Offer will be fully underwritten by the Underwriters in accordance with the terms of the Underwriting Agreement.</p>
E.4	<p><i>Material interests</i></p> <p>There are no interests, including conflicting interests, that are material to the Offer, other than those disclosed in B.6 above.</p>

E.5

Selling Shareholders, Principal Shareholders and lock-up

As of the date of this Prospectus, the Company has not received any binding commitment from any Shareholder to make Existing Shares available for sale in the Offer, although the Eligible Selling Shareholders, in aggregate holding 93.1 per cent. of the issued share capital of the Company immediately prior to Admission, are each entitled to make available for sale 25 per cent. of their respective holdings (including, if relevant, following the exercise of vested options over Shares pursuant to the Selling Shareholder Options) in the Offer.

If such entitlements are exercised in full, the Eligible Selling Shareholders would hold, in aggregate, 58.5 per cent. of the issued share capital of the Company immediately following Admission (assuming the Offer Price is set at the mid-point of the Price Range, the Selling Shareholder Options are exercised, the New Director Shares are issued and the Over-allotment Option is not exercised).

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Co-ordinators, issue, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Pursuant to the Underwriting Agreement and related arrangements, the Directors (and certain of their immediate family members) have agreed that, subject to certain exceptions, during the period of 365 days from the date of Admission, they will not, without the prior written consent of the Joint Global Co-ordinators, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Pursuant to the Individual Deeds of Election, all Eligible Employee Selling Shareholders will agree that, subject to certain exceptions, during the period of 365 days from the date of Admission, they will not, without the prior written consent of the Joint Global Co-ordinators, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

All other Eligible Individual Selling Shareholders will be requested, pursuant to the Individual Deeds of Election, to agree that, subject to certain exceptions, during the period of 180 days from the date of Admission they will not, without the prior written consent of the Joint Global Co-ordinators, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

All of the Eligible Individual Selling Shareholders will be permitted to transfer Shares to charitable organisations by way of gift during their respective lock-up periods, provided that (with the exception of charitable transfers of (i) up to 7,225 Shares by Andrew Digby Learoyd and members of his family; and (ii) up to 35,715 Shares by James Meekings and members of his family) those charitable organisations will be subject to the same restrictions as outlined above.

Pursuant to lock-up deeds entered into with the Company and the Joint Global Co-ordinators, all Eligible Corporate Selling Shareholders have agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission they will not, without the prior written consent of the Joint Global Co-ordinators, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

The Cornerstone Investor has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Bookrunners, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares it has subscribed for or purchased under the Cornerstone Investment Agreement (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

E.6	<p><i>Dilution</i></p> <p>Pursuant to the Offer, existing Shareholders will experience a 18.8 per cent. dilution from the issue of 63,157,895 New Shares (that is, its, his or her proportionate interest in the Company will fall by 18.8 per cent.), if the New Share Offer Size is set at the mid-point of the New Share Offer Size Range.</p>
E.7	<p><i>Expenses charged to the equity investor</i></p> <p>Not applicable. No expenses will be charged by the Company or the Selling Shareholders to any equity investor who subscribes for or purchases Shares pursuant to the Offer.</p> <p>Any expenses incurred by any Intermediary are for its own account. Prospective equity investors should confirm separately with any Intermediary whether there are any commissions, fees, expenses or taxes that will be applied by such Intermediary in connection with any application made through that Intermediary pursuant to the Intermediaries Offer. The Intermediaries Terms and Conditions restrict the level of commissions that Intermediaries are able to charge any of their respective clients acquiring Shares pursuant to the Intermediaries Offer.</p>

PART 1

Risk Factors

Any investment in the Shares is subject to a number of risks. Prior to investing in the Shares, prospective equity investors should carefully consider the risk factors associated with any investment in the Shares, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below.

Prospective equity investors should note that the risks relating to the Group, its industry and the Shares summarised in the section of this Prospectus headed "Summary" are the risks that the Directors, the Proposed Director and the Company believe to be the most essential to an assessment by a prospective equity investor of whether to consider an investment in the Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective equity investors should consider not only the information on the key risks summarised in the section of this Prospectus headed "Summary" but also, among other things, the risks and uncertainties described below.

The risk factors described below are not an exhaustive list or explanation of all risks which equity investors may face when making an investment in the Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, results of operations and/or financial condition and, if any such risk should occur, the price of the Shares may decline and equity investors could lose all or part of their investment. An investment in the Shares involves complex financial risks and is suitable only for equity investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Prospective equity investors should consider carefully whether an investment in the Shares is suitable for them in the light of the information in this Prospectus and their personal circumstances.

RISKS RELATING TO THE GROUP'S BUSINESS, INDUSTRY AND MARKETS

Risks relating to the Group's business

If the Group is unable to maintain or increase loan originations through its platform or if existing Borrowers or Investors do not continue to participate on its platform, its business, results of operations, financial condition or prospects will be adversely affected.

The Group has experienced rapid growth in loans originated through its platform in recent periods, with originations increasing by 48 per cent. and 63 per cent. in 2016 and 2017, respectively, and totalling £1,738 million in 2017 and £1,043 million in H1 2018. This has led to significant revenue growth during this time. To continue to grow its business, the Group must continue to increase loan originations through its platform by attracting and retaining new and existing Borrowers who meet its lending standards in the different geographies where the Group operates, as well as new and existing Investors interested in investing in these loans. Loan originations could decrease, or increase at a slower rate than historical growth rates, if the number or rate of new Borrowers or Investors declines, the number or rate of repeat Borrowers and Investors decreases, or the average size of new or repeat loans decreases.

The Group's ability to attract new Borrowers to its platform and facilitate new loans to existing Borrowers depends on, among other things, its ability to continue to provide attractive loan products and prices, Borrower satisfaction levels, an effective marketing strategy, and the Group's reputation and ability to maintain the security of its platform and the confidentiality of information provided by Borrowers. Borrower demand also depends on factors that are beyond the Group's control, including general macroeconomic conditions, the competitive and regulatory environment and technological developments, among other factors.

The Group's operations are also reliant on sufficient Investor funding. The Group's ability to attract Investors to its platform and secure sufficient funding from existing or new Investors depends on, among other things, its ability to continue to provide attractive Investor returns, compliance with the terms and conditions of funding agreements with Investors, effective maintenance and scaling of financial, risk management and compliance controls and procedures, the Group's reputation and its ability to maintain the security of its platform and the confidentiality of information provided by Investors. Investor participation on the Group's platform also depends on factors that are beyond the Group's control, including demand for SME loans, general macroeconomic conditions and the competitive and regulatory environment, among other factors. To ensure Investor funding availability throughout economic and business cycles, the Group seeks to establish and facilitate diverse forms of funding, including, but not limited to, substantial volumes of forward commitments,

securitisation, investment funds and retail Investor funding channels. These Investor funding plans are subject to risks and uncertainties, many of which are beyond the Group's control.

In addition, a considerable portion of Investor commitments to fund loans originated through the Group's platform have in the past and are likely in the future to come from bespoke capital markets arrangements that the Group enters into with the aim of securing short- and long-term funding for the Group's platform. These transactions, which may include the formation of bespoke capital markets vehicles that invest in loans originated through the Group's platform, are often time consuming to establish, and involve significant operational resources and costs, whether or not such transactions proceed to completion. Failure by the Group to attract and help establish similar bespoke capital markets arrangements and vehicles in the future could adversely affect its ability to grow Investor commitments. Further, if credit losses for any such bespoke capital markets vehicles increase significantly and challenges arise in attracting investor demand to invest in these vehicles, or if reductions occur in the market capacity for SME loans, credit funds, or the types of asset-backed securities issued by certain of the Group's Investors, there could be an increased risk to these funding plans. Should this occur, and in the event the Group is unable to match Borrower demand with alternative funding sources, the Group may be required to reduce the amount of loans it originates through its platform.

The Group may also face risks arising from the relationship between Borrower and Investor demand. If the Group cannot match demand across its Borrowers and Investors over time, the Group would be required to reduce the amount of loans originated, which would have an adverse effect on its business and results of operations. In particular, if there are insufficient Investor commitments, Borrowers may be unable to obtain investment capital for their loans at competitive rates or at all, and may stop using the Group's platform for their borrowing needs. Similarly, Investor demand may decline if the Group is incapable of sourcing a steady supply of high-quality Borrowers.

Any of these events could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

If the credit approval and scoring models and processes the Group uses contain errors or are otherwise ineffective, or if Borrower data is incorrect or becomes unavailable, the Group's business may suffer.

The Group's ability to attract Borrowers and Investors to, and build trust in, its platform is significantly dependent on its ability to effectively evaluate Borrowers' credit profiles and likelihood of default. The Group employs a comprehensive credit approval process to evaluate loan applications, which involves automated processes as well as human input, assessment and analysis. This process is designed with multiple controls to avoid error, such as independent model validation, model user acceptance tests, model monitoring, data quality checks, independent review of manual credit decisions, portfolio performance monitoring and defaulted loans analysis, among other controls. Despite these controls, the credit approval process may be ineffective and may not accurately assess actual creditworthiness of Borrowers for various reasons, including as a result of:

- errors (whether human or otherwise) in constructing, interpreting or using the models and techniques used in the evaluation process;
- the use of inaccurate data (including as a result of human error in data input, inaccurate data received from external data vendors (e.g., credit bureaux and public registries) and fraudulent data input by Borrowers, employees or third-party service providers). While the Group seeks to cross-reference some of the information it receives from Borrowers against publicly available information (e.g., from credit bureaux and public registries), it does not undertake a comprehensive verification of information, and any such verification may be inaccurate or incomplete. Additionally, it is possible that, following the date of any credit information received, a Borrower may default on a pre-existing debt obligation, take on additional debt or sustain other adverse financial or life events, which, if known, might have resulted in the assignment of a different credit rating or a decision not to lend;
- the creation and use of models based on incorrect assumptions or inadequate data. Although the Group takes significant care to source data from a variety of sources, there can be no assurance that it will always be able to procure sufficient data, particularly when entering new geographies, or that such data will not become more difficult or expensive to access (including as a result any of changes in privacy and data protection laws and regulations adversely affecting the Group's or its external data vendors' ability to collect, use and transfer personal data), in order to adequately evaluate potential Borrowers;
- incorrect judgment and decisions by the Group's employees or third-party service providers, which could impact credit performance and result in a breach to the Group's representations, warranties and covenants under its funding agreements with non-retail Investors (see "*The Group's funding and servicing*

agreements with non-retail Investors generally include contractual representations and warranties, the breach of which could harm the Group's business" in this Part 1 (Risk Factors)); and

- errors in the IT systems supporting the Group's risk models.

In addition, although these models and techniques attempt to take into account the external environment that might impact Borrowers' ability to service their debts, such as macroeconomic, interest rate and political environments (see also "*The Group's business and operating results are exposed to macroeconomic conditions*" in this Part 1 (Risk Factors)), they may not accurately predict the actual credit risk for various reasons, including as a result of inaccurate assumptions or failure to update such assumptions appropriately or in a timely manner.

If any of these credit scoring models and other analytical techniques are ineffective or contain errors, or if the data provided by Borrowers or third parties is incorrect or out of date, or becomes more difficult to obtain or otherwise unavailable, the Group's loan pricing and approval process could be negatively affected, resulting in mispriced or misclassified loans, incorrect approvals or denials of loans, loss of Investor confidence, regulatory intervention and damage to the Group's reputation, among other things.

Any of these events could result in increased losses and lower returns on loans, and have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Currently, a relatively small number of non-retail Investors account for a large amount of investment in loans originated through the Group's platform in the United States, Germany and the Netherlands.

The Group generally benefits from a highly diversified, global Investor base lending through its platform, including retail Investors, banks, asset management companies, insurance companies, government-backed entities and funds. In the United States, Germany and the Netherlands, however, there is a relatively lower level of Investor diversification, with certain non-retail Investors accounting for a relatively large proportion of the aggregate investment in loans originated through the Group's platform in these countries. Although the Group believes that its relationships with these Investors are stable, its ability to renew existing agreements with them, or to enter into new contractual relationships, either on commercially attractive terms or at all, depends on a range of commercial and operational factors and events, including the performance history of loans, the financial condition of such Investors, existing contractual protections across this asset class and incentives for renewals and the commercial decisions by such counterparties, any of which may be beyond the Group's control. Although the Group provides a quick, easy and flexible process to the SME lending market, there can be no assurance that a competitor will not, in the future, offer a more attractive investment proposition, or that the SME loan asset class accessed through these investments will continue to be attractive to existing Investors. Furthermore, the Group's funding agreements with these non-retail Investors may not provide for a forward commitment to fund a specified amount or such commitment may be for a limited period of time, or (in a limited number of cases) provide the Investor with the right, based upon the performance of Borrower loans or a material change in circumstances in respect of the Investor, to withdraw future commitments or terminate the agreement in respect of future commitments following a contractual notice period. These agreements are also typically terminable for cause (see "*The Group's funding and servicing agreements with non-retail Investors generally include contractual representations and warranties, the breach of which could harm the Group's business*" in this Part 1 (Risk Factors)). If a significant proportion of these Investors were to suspend, limit or terminate their relationships with the Group or withdraw part or all of their investments, the Group's business, results of operations, financial condition and prospects would be materially adversely affected.

The Group's funding and servicing agreements with non-retail Investors generally include contractual representations and warranties, the breach of which could harm the Group's business.

The Group's funding agreements with non-retail Investors, which, in 2017 and H1 2018, accounted for approximately 74 per cent. and 69 per cent., respectively, of total Investor funding, generally include contractual representations and warranties that the Group must comply with, in particular in respect of the origination and servicing of loans. For example, these agreements generally require that the Group comply with, among other things, lending policies, laws and regulations (including, but not limited to, anti-money laundering, and anti-bribery and corruption laws and regulations) and loan eligibility criteria, and in certain cases with pre-determined portfolio concentration limits. If the Group breaches any of these representations and warranties, the Group could be required to purchase the non-compliant loan or loans or indemnify the relevant counterparties, among other remedies that may be available to the Investors. A breach of certain representations and warranties could also result in the termination of these agreements and in turn result in loss of future funding.

Furthermore, the Group's servicing agreements with non-retail Investors generally contain contractual representations, warranties, covenants and indemnities by the Group, including compliance with laws and regulations, servicing and collection policies of the Group and standard of care. If the Group breaches any of these representations, warranties or covenants, the Group could be required to purchase any loans impaired by the Group as servicer of the loan (for example, if a loan is modified in a way that is not permitted), or to indemnify the relevant counterparties, among other remedies that may be available to Investors. In addition, pursuant to its servicing agreements with non-retail Investors, the Group is generally required to provide such Investors with daily and/or monthly reports, setting out various information on the respective loan portfolio(s), including on the type of loan(s), credit band, amount, term, interest rate, defaulted principal, defaulted interest and other relevant information. Any errors in these reports, whether as a result of human error or otherwise, could result in loss of Investor confidence, termination of servicing agreements, regulatory intervention and damage to the Group's reputation, and could subject the Group to damages.

In addition, from time to time, the Company is required to provide a parent company guarantee and/or indemnify counterparties or other third parties (including providers of revolving credit facilities and underwriters or placement agents) in connection with the funding agreements entered into with the operating companies (or related securitisation transactions), which would require the Group to purchase certain loans or reimburse losses suffered by such counterparties or third parties as a result of a breach or non-compliance by its operating entities or other third parties (including third parties entering into warehouse financing transactions and those acting as co-sponsor in a securitisation transaction) with their obligations.

If, as a result of any breach of such representations, warranties and covenants, the Group is required to purchase a substantial volume of loans in a relatively short period of time or to reimburse significant losses, the Group's business and cash flows could be materially adversely affected. Furthermore, while the Group seeks to re-distribute on the platform any non-defaulting loans that the Group is required to purchase pursuant to any breach or non-compliance with such representations, warranties or covenants, there can be no assurance that such loans can be successfully reallocated to Investors in a timely manner or at all.

Although the Group maintains a comprehensive compliance program and controls designed to ensure that these representations, warranties and covenants are complied with, there can be no assurance that the Group will at all times be able to comply with those requirements, including as a result of events beyond the Group's control, such as fraud or where the Company is required to provide a guarantee in respect of the breach or non-compliance of a third party. See also "*Misconduct and errors by employees and third parties could harm the Group's business and reputation*" in this Part 1 (Risk Factors).

The Group is also subject to the risk of legal claims and proceedings in connection with these funding and servicing agreements, and the Group cannot guarantee that the results of future claims and proceedings will not materially harm its business, nor can the Group guarantee that it will not incur losses in connection with future claims and proceedings that exceed any available insurance coverage.

Any of these risks could materially adversely affect the Group's reputation, business, results of operations, financial condition or prospects.

Negative publicity could adversely affect the Group's brand, business, results of operations, financial condition or prospects.

The strength of the Group's brand and reputation, as well as the status of the platform lending industry generally, may impact the Group's competitive position. Negative publicity about the platform lending industry or the Group could adversely affect the Group's reputation, which could reduce the attractiveness of the Group's platform to Borrowers, Investors or both. Even if inaccurate, negative publicity could arise in relation to the platform lending industry generally (whether due to regulatory intervention, heightened scrutiny, or otherwise); the quality and reliability of the Group's platform; effectiveness of the credit scoring models and risk management framework used in its platform; its pricing practices; changes to its platform; the experience of Borrowers and Investors with its platform or services; the Group's ability to effectively manage and resolve Borrower and Investor complaints; privacy and security practices (see also "*Data privacy compliance breaches or failure to protect confidential information could harm the Group's reputation and expose the Group to litigation or other legal or regulatory actions*" in this Part 1 (Risk Factors)); litigation, regulatory activity and the quality and reputation of its Borrowers, Investors, referral partners, brokers and corporate partners providing ancillary services to SMEs (collectively "third-party origination partners"). The Group's reputation could also be damaged as a result of employee misconduct or error, or misconduct or error by the Group's partners, outsourced service providers or other counterparties (see also "*Misconduct and errors by employees and third parties could harm the Group's business and reputation*" in this Part 1 (Risk Factors)). Furthermore,

given that the Group's lending base comprises a considerable number of retail Investors, the Group could potentially be subject to additional scrutiny by the media, regulators and others, due to the generally heightened attention associated with retail Investors.

Given the nature of the platform lending industry and the potentially differing interests of the various stakeholders, including Investors, Borrowers, third-party service providers, as well as the Group, actual or perceived conflicts of interest may arise. Conflicts can arise, for example, when there are competing interests between the Group on the one hand, and Investors or Borrowers on the other, as well as between Investors investing in loans or loan parts through the Group's platform via different channels with differing contractual terms and conditions. While the Group has put in place a conflicts of interest policy aimed at ensuring that Investors and Borrowers are always treated fairly, there are inherent limitations in such policies, including the possibility that certain risks have not been identified or that such policies are not adhered to. Actual or perceived conflicts of interest involving the Group, Investors, Borrowers or third-party service providers could harm the Group's reputation.

The Group also manages the ongoing loan monitoring and servicing for loans originated through the platform. While the Group seeks to amicably address and resolve with Borrowers any payment defaults or delays, the Group may nonetheless decide to initiate legal proceedings and court enforcement actions if its resolution attempts are not successful. Negative publicity about the Group by aggrieved Borrowers could harm the Group's reputation.

In addition, the Group does not guarantee liquidity to its retail or non-retail Investors. In the United Kingdom, retail Investors are able to buy and sell their loan parts with each other via the "secondary marketplace". The ability of retail Investors participating on the Group's platform in the United Kingdom to liquidate investments in loan parts prior to the maturity and settlement of the corresponding loan(s) is dependent on those loans being sold to another retail Investor on the "secondary marketplace". If a significant number of retail Investors decide to withdraw their funds within a limited period of time, such Investors' ability to re-sell those loan parts could be limited by a lack of corresponding demand. Any widespread inability to liquidate investments in loan parts could damage the Group's reputation and subject it to additional scrutiny by the media, regulators and others.

The Group's success and future growth depend significantly on its successful marketing efforts, increasing its brand awareness, and its ability to attract new Borrowers through direct and indirect channels.

The Group attracts the substantial majority of its Borrowers via direct channels (which, in 2017 and H1 2018, accounted for approximately 70 per cent. and 72 per cent., respectively, of the total amount of loans originated through the Group's platform, excluding property loans). The Group's success and future growth therefore depend significantly on its marketing efforts and its ability to attract new Borrowers to the platform as well as facilitating new loans to existing Borrowers. The Group has in the past dedicated and intends to continue to dedicate significant resources to its marketing efforts, particularly as it continues to grow and expand into new geographies. The Group's ability to attract Borrowers depends in large part on the success of these marketing efforts and the success of the marketing channels the Group uses to promote its platform. The Group scores significantly lower than traditional lenders on brand awareness and Borrowers' consideration of the Group's platform. As a result, increasing these metrics is one of the Group's key strategies. The Group's marketing channels include the press, paid search, social media, display, online advertising, search engine optimisation, search engine marketing, offline partnerships, radio and television advertising, targeted emails and traditional direct mail.

The Group also uses, to a lesser extent, indirect or intermediary channels for loan origination, which, in 2017 and H1 2018, accounted for approximately 30 per cent. and 28 per cent., respectively, of the total amount of loans originated through the Group's platform, excluding property loans. If the Group is unable to maintain these relationships or enter into new relationships with certain partners that the Group may consider to be important for the business, the Group's business, results of operations, financial condition and prospects could be adversely affected.

In recent years, the proportion of loans originated through direct channels has been steadily growing, in line with the Group's overall strategy to reduce reliance on indirect channels and ensure sufficient borrowing volumes and requests independently of third-party origination partners. There can be no assurance, however, that the Group will be successful in maintaining or increasing the proportion of loans originated through direct channels. Given that the Group generally pays commissions to the indirect or intermediary channels for introducing customers who borrow through the Group's platform (including, under some circumstances, in respect of new loans to existing Borrowers initially introduced via the indirect or intermediary channel), such loans are generally less profitable than loans originated via direct channels. As such, if the Group is not able to

maintain or increase the proportion of loans originated through direct channels, the Group's results of operations could be materially adversely affected.

If any of the Group's current or future direct and indirect channels are ineffective or if the Group is unable to continue to efficiently and effectively use any of these channels, it may be unable to attract new Borrowers in a cost-effective manner, which could materially adversely affect its business, results of operations and financial condition or prospects.

Borrowers may prepay a loan at any time without penalty, which may drive Investors to stop investing in loans and reduce the Group's servicing fees.

A Borrower may decide to prepay all or, where permissible under the terms and conditions of the relevant loan, such as in Germany and the Netherlands, a portion of the remaining principal amount on a loan at any time without penalty. In the event of a prepayment of the entire remaining unpaid principal amount of a loan originated through the Group's platform, the Group will not receive a servicing fee on the anticipated future loan payments and Investors will not receive related payments. If a Borrower prepays a portion of the remaining unpaid principal balance, interest will cease to accrue on the prepaid portion, and the Group will not receive a servicing fee on the prepaid portion. If a significant volume of prepayments occurs, including as a result of favourable refinancing opportunities or a decrease in interest rates, Investors may stop investing in loans and the amount of the Group's servicing fees would decline, either of which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group has been incurring net losses and may not achieve or maintain profitability in the future.

Since its inception, the Group has incurred net losses. In 2017 and H1 2018, the Group reported net losses of £35.3 million and £27.0 million, respectively. These losses have resulted from the Group's investments in, and expenditures relating to, the development of its technology and platform and the expansion of its business, and have been funded primarily by successive equity investments. Although in the opinion of the Company, taking into account the net proceeds receivable by the Company from the subscription for New Shares in the Offer, together with the Company's existing cash resources and cash flows from operations, will be sufficient to fund the Group's expected expenses and budgeted investments (and, for the avoidance of doubt, will provide sufficient working capital for its present requirements) for at least the next 12 months following the date of this Prospectus, the Group may not be able to achieve profitability in the longer term, which would require the Group to raise debt or equity funding at the time of any then-extant shortfall between the Group's revenue and expenses. There can be no assurance that such financing will be available on commercially acceptable terms, or at all, and any inability to raise financing in the longer term would have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's ability to protect the confidential information of its Borrowers and Investors may be adversely affected by cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions or faults with its systems.

The Group's platform processes certain non-public information (including personal data) from Borrowers and Investors. Due to the sensitive nature of this information, it is imperative that the Group complies with applicable laws and regulations governing the security of non-public information and employs best practices in dealing with such information. While the Group has implemented internal controls, policies and procedures intended to maintain any non-public personal information it collects from Borrowers (and their primary business owner(s)) and Investors securely, the Group's platform may still be vulnerable to operational, information security and related risks resulting from failures of, or security breaches to, the Group's cybersecurity measures.

A failure of or breach to the Group's cybersecurity measures, whether as a result of deliberate cyber-attacks or unintentional events, may cause the Group to lose proprietary information or Borrowers' and Investors' personal data, and suffer data loss and/or corruption. Any of these events could result in financial losses, impediments to trading, violations of applicable data protection and privacy (see "*Data privacy compliance breaches or failure to protect confidential information could harm the Group's reputation and expose the Group to litigation or other legal or regulatory actions*" in this Part 1 (Risk Factors)) and other laws, civil claims, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs.

Cyber incidents could also cause disruption and impact business operations, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future.

Furthermore, the perception that the Group has failed to protect confidential information, including as a result of unfounded allegations, could harm the Group's reputation and/or result in a loss of Borrowers, Investors and third-party origination partners.

While the Group has established business continuity plans and strategies, there are inherent limitations in such plans, strategies, systems, policies and procedures including the possibility that certain risks have not been identified or that new cybersecurity threats emerge. Although many business continuity processes have been considered, not all potential scenarios have been tested or have undergone business impact analysis, which may result in unforeseen damage. Furthermore, the Group cannot have full ability to control the business continuity plans or strategies put in place by service providers. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in the Group's software are exposed and exploited, its relationships with Borrowers and Investors could be severely damaged, and the Group could incur significant liability. Because techniques used to sabotage or obtain unauthorised access to systems change frequently and generally are not recognised until they are launched against a target, the Group and its third-party service providers may be unable to anticipate these techniques or implement adequate preventative measures.

If the Group is unable or is perceived to be unable to protect confidential information of its Borrowers and/or Investors, it could suffer reputational damage and experience a loss of Borrowers, Investors and third-party origination partners, any of which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Any failure of the Group's current or future platforms, software and technology infrastructure, including the global money and loan management platform currently being developed by the Group, could materially adversely affect its business, results of operations, financial condition or prospects.

The Group has developed and continues to develop its own bespoke platform, software and technology infrastructure, and also utilises third-party products and service providers in connection with the provision, operation and maintenance of the Group's platform, software and technology infrastructure, which are critical to the Group's operations, customer service and reputation.

The Group is currently developing a new single unified money and loan management platform that it intends to implement across all its markets. The Group expects that the new platform will be implemented in the United States first, and be subsequently rolled out in the other geographies in which it operates. The development and implementation of a new platform involves significant risks and operational challenges, including difficulties in data migration, inability to timely or successfully complete the transition, challenges using or applying new technologies, cost overrun, dependence on key personnel, and reliance on technologies and products provided by third parties, among other risks. In addition, the Group may be unable to realise any operational efficiencies anticipated from any such new platform.

The Group currently relies on multiple third-party hosting providers for its technical infrastructure. These third parties provide varying levels of service, disaster recovery, security, and scalability. Consequently, the Group is migrating its hosting infrastructure from these third-party providers to Amazon Web Services ("AWS") in order to have a consistent infrastructure platform across geographies. The migration to AWS involves significant risks and operational challenges, including difficulties in data migration, inability to timely or successfully complete the transition, challenges using or applying new technologies, dependence on key personnel, and reliance on technologies and products provided by third parties among other risks. The Group cannot guarantee the quality of AWS' operations, including performance, reliability, data security, immunity to cyber-attacks, or continued business operation. This risk may be particularly acute given the reliance on AWS as sole hosting infrastructure provider following the transition.

The Group's business is also dependent on a limited group of third-party suppliers and service providers for technology-related products and services that are essential to its business. For example, the Group depends on a limited number of key service providers for payment processing, portfolio management services and customer relationship management systems. If the Group encounters a cessation, interruption or delay in the supply of products or services purchased from these third-party suppliers and service providers, or if such products or services are not of sufficient quality, the Group may be unable to obtain such products or services through other sources on commercially acceptable terms or within a reasonable amount of time.

The Group's current or future platforms, software and technology infrastructure may be subject to certain defects, failures or interruptions, including those caused by computer "worms", viruses, power failures, third-party error, the Group's error, natural disasters or security breaches, whether accidental or wilful. Any failure in the systems and technology developed, maintained or used by the Group could result in a negative experience for Borrowers and Investors, adversely impact the Group's operational effectiveness, delay introductions of new features or enhancements, result in errors, compromise the Group's intellectual property and/or expose the Group to cybersecurity risks, among other things. In addition, certain operations interface with, or depend on, systems and technology operated by third parties which are outside the control of the Group, and the Group may not be in a position to verify the risks or reliability of such third-party systems.

The implementation of upgrades and changes to the Group's platform, product features, software and technology requires significant investments. The Group's results of operations may be affected by the timing, effectiveness and costs associated with the successful implementation of any upgrades or changes to these systems and infrastructure.

Furthermore, while the Group continually monitors the performance of these systems and technology and has defined processes in place to respond to disruptions, there can be no guarantee that issues will not arise or that the Group's processes will timely or effectively address any such disruption. In addition, the Group's disaster recovery plan has not been tested under actual disaster conditions, and the Group may not have sufficient capacity to recover all data and services in the event of an outage.

Any of these risks could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Failure by the Group to properly plan, execute and manage any geographical expansion could harm its business.

The Group was founded in the United Kingdom in 2010 and in 2013 began to expand its operations globally. The Group now operates in the United Kingdom, the United States, Germany and the Netherlands, and may in the future seek to expand into additional geographies. Managing any geographical expansion requires additional resources and controls, and subjects the Group's business to risks associated with international operations, including:

- the need to support and integrate with local third-party service providers;
- competition with service providers that have greater experience in the local markets than the Group does, or have pre-existing relationships with potential Borrowers and Investors in those markets;
- increased demands on management and difficulties in managing foreign operations in an environment of diverse laws, market dynamics and customer preferences;
- increased travel, infrastructure and legal and compliance costs associated with international operations;
- difficulties in attracting and retaining skilled employees;
- difficulties in obtaining the appropriate regulatory and governmental approvals and licenses;
- compliance with multiple, potentially conflicting and changing governmental laws and regulations, including financial services, employment, privacy and data protection laws and regulations;
- compliance with potentially conflicting and changing tax laws, the complexity and adverse consequences of such tax laws and potentially adverse tax consequences due to changes in such tax laws;
- diversion of management's attention from the management of daily operations; and
- regional economic and political conditions.

Prior to expanding into new geographies, the Group prepares detailed investment plans aimed at forecasting investment returns. These models rely on certain market information and assumptions, such as macroeconomic assumptions about the market, economic growth forecasts, pricing and competition in determining a given investment's timing, cost and expected profitability for the Group. If actual conditions deviate from the assumptions underlying these models, whether as a result of difficulties in establishing familiarity with local markets, inaccurate assumptions, errors or otherwise, the Group may be unable to replicate the historic growth rates it has achieved in its existing geographies, its anticipated investment returns may not be achieved and it could suffer additional losses. This risk may be particularly acute because of the evolving regulatory and legislative environment surrounding the platform lending industry.

Furthermore, when entering into a new geography, the Group may provide credit or yield enhancement, in the form of cashback or other forms of recourse for certain Investors as an incentive to provide significant long-term initial funding in the new geography. In the United Kingdom, in the early years of the business, the Group provided credit or yield enhancement in the form of cashback to retail Investors as an incentive to participate on the platform. Similar arrangements providing recourse to non-retail Investors were also put in place in the United States and the Developing Markets as the Group was seeking to establish a footprint.

Moreover, the accuracy and effectiveness of scoring models are heavily reliant on the availability of adequate data, including historical performance data. A rich data set also generally results in higher conversion rates of prospective Borrowers to active Borrowers, as it enables effective targeting and accurate pricing. As such, the success of any future international expansion efforts that the Group may undertake will depend in part on its ability to accumulate rich proprietary data sets, which generally requires two to three years of operation.

Further, the Group believes that a critical component of its success is its corporate culture. The Group's core values are focused on encouraging employee engagement, ambition, teamwork, creativity, passion and openness, with a view to delivering its mission of building a better financial world and igniting opportunities for SMEs. As the Group continues to expand geographically, it may find it difficult to maintain these valuable aspects of its corporate culture, in particular if it expands through inorganic growth. Any failure to preserve this culture could adversely affect the Group's ability to attract and retain talent, encourage creativity, teamwork, passion and transparency, and effectively focus on and pursue the Group's mission.

As a result of these risks, any potential future international expansion efforts that the Group may undertake may not be successful, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group may not be able to successfully integrate businesses that it acquires and may not be able to realise the anticipated cost savings, revenue enhancements or other synergies from any such acquisitions.

Since its inception, the Group has completed two acquisitions; the acquisition of Endurance Lending Network (now Funding Circle US) in 2013 and the acquisition of the Zencap Group (now Funding Circle Continental Europe) in 2015. Looking forward, the Group may consider acquisition opportunities as part of its disciplined, phased and strategic geographical expansion plan. Any acquisition that the Group undertakes could subject it to integration and other risks and difficulties, including:

- the need to support and integrate with local third-party service providers;
- difficulties in conforming the acquired company's accounting, books and internal controls to the Group's;
- difficulties in integrating the acquired company's information technology systems and platforms;
- difficulties in retaining employees who may be vital to the integration of the acquired business or to the future prospects of the combined businesses;
- inability to eliminate duplicative overhead and overlapping and redundant marketing, finance and general and administrative functions;
- increases in other expenses unrelated to the acquisitions, which may offset the cost savings and other synergies from the acquisitions; and
- unanticipated costs and expenses associated with any undisclosed or potential liabilities.

As a result of these risks, there can be no assurance that the Group will be able to realise anticipated cost savings, synergies or revenue enhancements from any such acquisitions. Any of these risks could result in goodwill impairment and have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Misconduct and errors by employees and third parties could harm the Group's business and reputation.

The Group's business depends on its employees and third-party service providers to process a large number of increasingly complex transactions, including payment processing transactions that involve significant amounts and loan transactions that involve the processing, use, disclosure and evaluation of personal and business information and data, among other things (see also "If the credit approval and scoring models and processes the Group uses contain errors or are otherwise ineffective, or if Borrower data is incorrect or becomes unavailable, the Group's business may suffer" in this Part 1 (Risk Factors)).

The Group is subject to the risk of errors and fraudulent activity associated with its platform, employees, contractors, third-party origination partners, Borrowers, Investors and third-party service providers that handle Borrower and Investor information. While the Group maintains and regularly reviews internal controls over financial reporting, risk elevation and corporate compliance, these internal controls have inherent limitations. In particular, certain of the Group's internal controls over financial reporting, risk elevation and corporate compliance involve manual input and human diligence and compliance, which increases the potential for misconduct or errors, and could in turn negatively impact the Group's ability to assess and manage risk.

The Group could be materially adversely affected if it was subject to fraudulent Borrower applications, Borrowers were not appropriately identified, payments were redirected or misappropriated (or transactions were otherwise improperly executed), personal and business information was disclosed to unintended recipients or otherwise used for illegal activities, or an operational breakdown or failure in the processing of other transactions occurred, whether as a result of human error, a purposeful sabotage or fraudulent manipulation of the Group's operations or systems, or otherwise. In addition, the manner in which the Group stores and uses certain personal information and interacts with Borrowers and Investors is governed by various laws and regulations in all of the countries in which the Group operates.

If employees, third-party service providers or other third parties take, convert or misuse funds, documents, data or intellectual property (including source code, credit models, historical credit data and employee records or other valuable intellectual property), or if the Group's employees or third-party service providers fail to follow protocol when interacting with Borrowers and Investors, the Group could be liable for damages and subject to regulatory actions and penalties. See also "*The Group's ability to protect the confidential information of its Borrowers and Investors may be adversely affected by cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions or faults with its systems*" and "*Data privacy compliance breaches or failure to protect confidential information could harm the Group's reputation and expose the Group to litigation or other legal or regulatory actions*" in this Part 1 (Risk Factors). The Group could also be perceived to have facilitated or participated in illegal misappropriation of funds, documents or data, or the failure to follow protocol, and therefore be subject to civil or criminal liability. It is not always possible to identify and deter misconduct or errors by prospective Borrowers or Investors, employees or third-party service providers, and the precautions the Group takes to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses. Any of these occurrences could result in the Group's diminished ability to operate its business, potential liability to existing Borrowers and Investors, inability to attract future Borrowers and Investors, reputational damage, regulatory intervention and financial harm, any of which could materially adversely affect the Group's business, results of operations, financial condition or prospects.

Any failure to protect the Group's intellectual property rights, or any actual or alleged infringement by the Group of third parties' intellectual property rights, could harm the Group's business and reputation.

The Group's success and ability to compete depend in part on protecting its intellectual property. The Group relies on a combination of copyright, trade secret, trademark and other rights, as well as contractual provisions to protect its proprietary technology, processes and other intellectual property. However, the steps that the Group takes to protect its intellectual property rights may be inadequate or may be unsuccessful in obtaining the desired registrations or protections. Third parties may seek to challenge, invalidate or circumvent the Group's copyright, trade secret, trademark and other rights or applications for any of the foregoing. In order to protect its intellectual property rights, the Group may be required to spend significant resources. Litigation brought to protect and enforce the Group's intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of the Group's intellectual property.

In addition, the Group may be sued by third parties for alleged infringement of their proprietary rights. Although the Group is not aware of any claims to its proprietary intellectual property, it may be that the Group's competitors, as well as a number of other entities and individuals, may claim to own intellectual property relating to the Group's industry. From time to time, third parties may claim that the Group is infringing on their intellectual property rights, and the Group may be found to be infringing on such rights. In the future, others may claim that the Group's applications and underlying technology infringe or violate their intellectual property rights. The Group may, however, be unaware of the intellectual property rights that others may claim cover some or all of its technology or services. Any claims or litigation could cause the Group to incur significant expenses and, if successfully asserted against the Group, could require that the Group pay substantial damages or ongoing royalty payments, prevent it from operating its platform or require that the Group comply with other unfavourable terms. Even if the Group were to prevail in such a dispute, any

litigation regarding its intellectual property could be costly and time-consuming and divert the attention of the Group's management from its business operations.

Any of these events could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

If the Group fails to retain its highly skilled employees and key personnel, and to continue attracting highly skilled employees in the future, it may not be able to achieve its anticipated level of growth and its business could suffer.

The Group believes that its success depends on the efforts and talents of its employees, including software and data engineers, data analysts, financial personnel, marketing professionals and legal and compliance professionals. The Group's future success depends on its continued ability to attract, develop, motivate and retain highly qualified and skilled employees. Competition for highly skilled technical and financial personnel is extremely intense.

The Group may not be able to hire and retain these personnel at compensation levels consistent with its existing compensation and salary structure, or at all. Many of the companies with which the Group competes for experienced employees have greater resources than the Group has and may be able to offer more attractive terms of employment. The Group may also face challenges recruiting or retaining highly skilled employees for reasons unrelated to compensation, including its reputation.

In addition to attracting and retaining highly skilled employees in general, the Group's future performance depends on its ability to attract and retain key personnel, including its executive officers and senior management team, all of whom would be difficult to replace. The loss of the services of executive officers or other key personnel, and the process to replace any of them, would involve significant time and expense and may significantly delay or prevent the achievement of the Group's business objectives.

Any of these risks could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group is subject to complex taxation in multiple jurisdictions, which often requires subjective interpretation and determinations. As a result, the Group could be subject to additional tax risks attributable to previous assessment periods.

The Group is subject to many different forms of taxation, including but not limited to corporation tax, withholding tax, value added tax, property tax and social security and other payroll related taxes. Tax law and administration is complex and often requires subjective interpretation and determinations.

The Group has obligations to file tax returns and pay tax across several different jurisdictions. Although the Group considers that it complies with all relevant obligations, there is a risk that it may inadvertently fail to comply with applicable laws and regulations in any jurisdiction in which it does business and/or the tax authorities may not agree with the determinations that are made by the Group with respect to the application of tax law, leading to potentially lengthy and costly disputes and potentially resulting in the payment of substantial amounts for tax, interest and penalties.

Further, the Group has granted options over Shares and other share awards to employees as part of its overall plans to incentivise them to help grow the Group's business. In doing so the Group has historically performed periodic valuations of the Shares. As these valuations can be subjective, they are subject to scrutiny and potential challenge by tax authorities from time to time. The risk of such a challenge arising can be higher whenever there is a material arm's length transaction in the Shares, particularly if the value assigned to the Shares by that transaction is significantly different to a valuation prepared by the Group at an earlier but relatively proximate date. There is therefore a risk that additional amounts will be required to be accounted for by the Group in respect of employment taxes and social security in respect of the grant or exercise of options and other share awards in the event of successful challenge of the valuations adopted.

Any of these risks could subject the Group to additional or increased tax payments and in turn have a material adverse effect on its business, financial condition, results of operations and prospects.

Changes in tax law or the interpretation of tax law, or the expansion of the Group's business into jurisdictions with less favourable tax regimes, could increase the Group's effective tax rate and in turn adversely affect its business, results of operations, financial condition and prospects.

Changes in tax laws or the interpretation of those laws, including changes which restrict the utilisation or timing of utilisation of tax losses to shelter future taxable profits (such as those recently introduced in the United Kingdom), could adversely affect the Group's effective tax rate and reduce the value of any tax assets recorded on its balance sheet, which in turn could reduce the Group's net cash flow and have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group's growth strategy may see acquisitions or organic growth in new geographies and the source of profits across different jurisdictions may change over time towards jurisdictions with higher or lower tax rates, or with more or less favourable tax regimes for calculating the tax base. This in turn could increase or decrease the Group's effective tax rate. Changes in the tax rate or tax base in any of the jurisdictions in which the Group operates could further amplify the effect of the change in profit mix in terms of its effective tax rate.

Furthermore, owing to and following the continuing implementation at a national and international level of the actions comprising the OECD Base Erosion and Profit Shifting Action Plan ("OECD BEPS"), tax authorities are likely to be more focused on areas such as transfer pricing and, as a result of the increasing exchange of information between tax authorities, more challenges may arise. Most jurisdictions in which the Group operates have transfer pricing regulations that require tax liabilities to be computed on the basis that transactions involving associated companies are made on arm's length terms. If the tax authorities in any relevant jurisdiction do not regard such arrangements as being made on an arm's length basis or consider there to be insufficient documentation to support the Group's transfer pricing methodology and successfully challenge those arrangements, the amount of tax payable, in respect of both current and previous years, may increase materially and penalties or interest may be payable. Any challenge to the Group's transfer pricing arrangements or changes in transfer pricing regulations or methodology could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Uncertainties in the interpretation or application of, or changes in, tax laws could adversely affect the tax treatment of Borrowers or Investors participating on the Group's platform and accordingly reduce Borrower or Investor participation on the platform.

Changes to the taxation of debt funding in the United Kingdom, the United States or elsewhere (including the ability to treat interest expenses as deductible for tax purposes) may reduce the tax incentive for borrowers to use debt funding and cause them to seek alternative sources of funding, leading to reduced participation on the Group's platform and a consequent reduction in loans originated through the platform.

Tax rules may limit the extent to which deductions are available for interest and other funding costs and, in accordance with the recommendations in the OECD BEPS Action 4 Report, the United Kingdom and the United States (in line with the majority of developed economies) have recently introduced new rules restricting interest deductions above a certain threshold for larger businesses. The focus of OECD BEPS has been on multinationals and cross-border investment generally, and the Group is not aware of any proposals to introduce new rules or further changes in relation to interest deductibility in the United Kingdom, the United States or elsewhere which would impact smaller businesses. However, the possibility that any such rules will be introduced or that existing rules will be extended in a way which results in their applying more widely in the future cannot be ruled out.

If debt funding becomes relatively less attractive to businesses than under current tax rules as a consequence of adverse changes to the taxation of debt funding, this may adversely affect Borrower appetite for the Group's platform and have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Investors' post-tax returns in respect of their participation on the Group's platform may also be adversely affected by changes in tax laws or by an unfavourable interpretation or application by a tax authority of existing tax laws, including in relation to withholding taxes (which may also involve reporting obligations for the Group), or if Investors' returns were not treated as net of certain fees for tax purposes.

Uncertainties in the interpretation or application of, or changes in, tax laws could therefore adversely affect the tax treatment of Borrowers or Investors that participate on the Group's platform and accordingly reduce Borrower or Investor participation on the platform, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Risks relating to the Group's industry and markets

The SME lending market is competitive and evolving.

The Group competes with lenders and lending platforms, as well as financial products, that attract borrowers, investors or both. With respect to Borrowers, the Group primarily competes with traditional financial institutions, such as banks, specialist lenders, online platforms and captive networks. With respect to Investors, the Group primarily competes with other investment vehicles and asset classes, such as short-term fixed income securities, bonds and equities.

The Group may face increasing competition for potential Borrowers as the platform lending industry continues to evolve and, potentially, from other sources of alternative or traditional lending, including for example UK "challenger" banks, global direct lending funds and online lending platforms. Other institutional sources of capital may enter the market in the United Kingdom, the United States or elsewhere. Furthermore, in recent years traditional banks have increasingly been focusing on digitisation with a view to enhancing efficiency and customer experience, potentially mitigating the competitive advantage that lending platforms have traditionally enjoyed in this respect.

These lending competitors may have higher risk tolerances, be willing to accept smaller return on capital, or have other economic arrangements, which may place them at an advantage over the Group. In addition, other lending platforms may provide more favourable terms to potential borrowers, or employ more effective marketing, which may reduce the number of loan requests received by the Group through the platform. The Group relies on direct and indirect loan origination channels, the success of which in generating loan applications cannot be guaranteed (see also "*The Group's success and future growth depend significantly on its successful marketing efforts, increasing its brand awareness, and its ability to attract new Borrowers through direct and indirect channels*" in this Part 1 (Risk Factors)). Accordingly there can be no assurance that: (i) sufficient applications for loans will be received by the Group that satisfy its credit processes; or (ii) the Group will be able to compete effectively for the origination of loans with other lenders.

With respect to Investors, the Group competes with a wide variety of investment vehicles and asset classes offered by a large number of financial and other institutions. These competitors may offer more attractive risk-adjusted rates of return, better liquidity, or a wider potential pool of borrowers (as a result of regulatory requirements or otherwise) or otherwise have more favourable terms and conditions, which may reduce the amount of Investor funding available to the Group to satisfy qualified borrowing requests. In addition, the Group relies on direct and indirect funding through its platform, and assists in the formation of bespoke capital markets arrangements to provide short- and long-term funding for the Group's platform (see "*The Group's success and future growth depend significantly on its successful marketing efforts, increasing its brand awareness, and its ability to attract new Borrowers through direct and indirect channels.*" in this Part 1 (Risk Factors)), the success of which cannot be guaranteed. Accordingly there can be no assurance that: (i) sufficient Investor funding commitments will be received by the Group to fund its qualified borrowing requests; or (ii) that the Group will be able to compete for prospective Investors.

Many of the Group's competitors operate with different business models, have different cost structures or participate selectively in different market segments. They may ultimately prove more successful or more adaptable to new regulatory, technological and other developments. Additionally, some of the Group's current or potential competitors have or may in the future have significantly more financial, technical, marketing and other resources, and may be able to devote greater resources to the development, promotion, sale and support of their platforms and distribution channels. Lastly, the Group may be unable to continue to design, develop, acquire, implement or utilise, in a cost-effective manner, information systems and products that provide the capabilities necessary for the Group to compete effectively.

The Group's current or potential competitors may also have longer operating histories, more extensive customer bases, greater brand recognition and brand loyalty and broader customer and partner relationships than the Group has. Additionally, a current or potential competitor may acquire one or more of the Group's existing competitors or form a strategic alliance with one or more of these competitors. The Group's competitors may be better at developing new products, responding quickly to regulatory change and new technologies and undertaking more extensive marketing campaigns. If the Group is unable to compete with such companies and meet the need for innovation in its industry, the demand for the Group's platform could stagnate or substantially decline, the Group could experience reduced revenue or its platform could fail to achieve or maintain more widespread market acceptance, any of which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group's business and operating results are exposed to macroeconomic conditions.

General economic factors and conditions in the United Kingdom, the United States, Germany, the Netherlands or worldwide, including the general interest rate environment (see *"The Group faces risks associated with interest rate levels and volatility"* in this Part 1 (Risk Factors)), unemployment rates and inflation, may affect Borrower demand for loans and Investor ability and propensity to invest in loans. This risk may be particularly acute for the Group because Borrowers participating on the Group's platform consist of SMEs, which may be more susceptible to default during periods of heightened market volatility and adverse changes in trading conditions compared to businesses which are larger or which have more significant internal sources of funding.

In addition, the effects of the United Kingdom exiting the European Union (commonly referred to as "Brexit") will depend on any agreements the United Kingdom makes to retain access to EU markets. Brexit could lead to legal uncertainty and potentially divergent national laws and regulations, and could also adversely affect economic or market conditions in the United Kingdom, Europe or globally. These changes could negatively impact the broader economic environment in which SMEs operate, or create more specific obstacles to their historic operating models, either of which could lead to a decline in their operating results and ability to service loans. Adverse economic conditions could also reduce the number of Investors seeking to invest in loans originated through the Group's platform, encourage Investors to withdraw their existing investments, reduce the number of qualified Borrowers seeking loans through the Group's platform and result in increased Borrower default rates.

The general economic environment throughout the Group's operating history in each of the geographies in which the Group operates has been characterised by relatively stable conditions, and the Group has not experienced severe economic downturns. Nonetheless, the Group continuously considers the potential impact of adverse economic conditions on its loan portfolio, via a variety of stress testing analysis and models using a mix of key economic indicators and assumptions, including inflation, unemployment and interest rates. While these models indicate that the loan portfolio originated through the Group's platform is not likely to suffer an aggregate loss as a result of prolonged periods of economic recession (although investment returns would be adversely effected), there can be no assurance that these models accurately predict the actual consequences of any such recession on the loan portfolio, including as a result of inaccurate assumptions or errors (whether human or otherwise) in constructing, interpreting or using the models.

Any economic downturn or other changes in macroeconomic conditions affecting the Group's industry could result in a decline in the Group's revenue and transactions on its platform, which could in turn have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group faces risks associated with interest rate levels and volatility.

Changes or volatility in the interest rate environment may discourage Investors and Borrowers from participating on the Group's platform and may reduce the Group's loan originations. Potential Borrowers could seek to defer borrowing activity as they wait for interest rates to settle. If interest rates decrease after a loan is made to a Borrower, the Borrower may prepay its loan(s) to take advantage of the lower rates (see also *"Borrowers may prepay a loan at any time without penalty, which may drive Investors to stop investing in loans and reduce the Group's servicing fees"* in this Part 1 (Risk Factors)). Similarly, Investors could delay or reduce future loan investments.

In addition, the interest rate environment throughout the Group's operating history has been characterised by notably low interest rates by historical standards, which has encouraged investors to consider alternative investment strategies (including lending platforms). If interest rates normalise, there is a risk that investors will return to more conventional savings and other investment vehicles. Furthermore, any such increase in interest rates could adversely affect the Group's margins if not fully passed on to Borrowers and/or result in an increase to the rates charged on loans originated through the Group's platform, potentially discouraging Borrowers from participating on the platform.

Any changes or volatility in the interest rate environment could result in a decline in the Group's revenue and transactions on its platform, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

RISKS RELATED TO COMPLIANCE AND REGULATION

Risks related to compliance and regulation generally

The regulatory and legislative environment surrounding the platform lending industry is relatively new and susceptible to change.

The regulatory and legislative environment surrounding the platform lending industry is relatively new and susceptible to change and may in certain respects require clarification or interpretive guidance in respect of existing laws and regulations. The body of law and regulation in respect of the platform lending industry is continuously evolving and, as a result, the application and interpretation of such laws and regulatory requirements are uncertain. In the geographies in which it operates, the Group is subject to laws and regulations enacted by supranational, national, state and local governments (as applicable) and members of the Group are, or may be in future, affected by such technical requirements in existing laws and regulations.

Any change in the law and regulation affecting a member of the Group may have a material adverse effect on the ability of that member to carry on its business. In particular, regulatory change could lead to increased compliance costs, the prohibition of certain types of trading, restrictions on the types of products and services which the members of the Group may provide in the future or on the way in which such products and services are marketed, changes to the eligible customers of members of the Group and changes to the authorisations and licences currently held. In addition, the interpretation of existing legislation or regulation may change or may prove different than anticipated when applied to the Group's business model.

Compliance with such requirements could involve additional costs for the relevant members of the Group, and failure to comply could result in civil or criminal violations of laws and regulations in respect of appropriate regulatory permissions, permitted conduct, or in other areas of the business, which could have a material adverse impact on the Group and result in reputational damage, and which could adversely affect or constrain the Group's ability to provide its services in the geographies in which it operates.

Commercial banks and other regulated financial institutions may seek to influence lawmakers as well as financial services regulators to impose new or more burdensome laws or regulations that could adversely affect the Group.

An example of legislative change is that the European Commission published in March 2018 a proposal to regulate crowdfunding and peer-to-peer lending in Europe. The overall aim of the initiative is to enable crowdfunding activity to grow by making better use of the "EU Single Market" potential. The European Commission's Capital Markets Union Action Plan places great emphasis on strengthening the different sources of alternative finance, including crowdfunding. The European Commission proposal sets out a standalone opt-in EU framework, which seeks to enable crowdfunding platforms to provide their services across the "EU Single Market". Instead of having to comply with different regulatory regimes in relation to their core activities, platforms will be able to elect to comply with only one set of rules, both when operating in their home market and in other member states of the European Economic Area ("Member States").

At this stage, it is unclear what the final rules will look like and whether these will significantly affect how the Group will be regulated in Member States. It is possible that the new rules may require the Group to incur costs and spend time and resources on compliance, including in Member States which currently have their own regulatory regime. However, on the basis of the proposed legislation (as presently drafted), the Directors and the Proposed Director do not consider that the impact of the European Commission's proposals will have a significant impact on the Group, unless it chooses to opt in to the regime.

Changes to the regulatory and legislative environment surrounding the platform lending industry could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Data privacy compliance breaches or failure to protect confidential information could harm the Group's reputation and expose the Group to litigation or other legal or regulatory actions.

The Group is subject to a number of laws relating to privacy and data protection, including General Data Protection Regulation (Regulation (EU) 2016/679) ("GDPR"), the United Kingdom's Data Protection Act 2018, the Gramm-Leach-Bliley Act and applicable state privacy laws (including the recently passed California Consumer Privacy Act, which will become effective in 2020) and certain other relevant non-EEA data protection and privacy laws. Such laws govern the Group's ability to collect, use and transfer personal data including relating to actual and potential Borrowers and Investors, including the use of that information to assess loan applications and for marketing purposes, as well as any such data relating to its employees and others. The Group relies on third-party service providers and its own employees to collect and process personal

data and to maintain its databases. Therefore, the Group is exposed to the risk that such data could be wrongfully appropriated, lost or disclosed, damaged or processed in breach of privacy or data protection laws. See also “*The Group’s ability to protect the confidential information of its Borrowers and Investors may be adversely affected by cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions or faults with its systems*” in this Part 1 (Risk Factors).

While the Group strives to comply with all applicable laws and regulations relating to privacy and data protection, it is possible that such requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another or may conflict with other rules or the Group’s practices. That concern is particularly relevant for the GDPR given that it only recently came into force and that different Member State regulators may differ as to its interpretation and their approach to enforcement. Any perceived or actual failure by the Group to protect confidential data or any material non-compliance with privacy or data protection laws may harm its reputation and credibility, adversely affect revenue, reduce its ability to attract and retain customers, result in litigation or other actions being brought against the Group and the imposition of significant fines and, as a result, could have a material adverse effect on the Group’s business, results of operations, financial condition or prospects.

If the Group enters into new areas of business, which are subject to local law and regulation, the Group will need to comply with applicable regulatory requirements.

If the Group expands its business in different geographies or starts to provide new products and services, it is possible that the regulatory framework to which its members are subject will change. Depending on the business and products and services which are proposed to be carried out, a member of the Group might need to become authorised to carry out the new business. Applying for authorisation can be an extensive process, and can require significant time, resources and costs. Depending on the business carried out, the applicable regulatory regime may be one with which the Group is less familiar and which increases the relevant entity’s (and in some cases, the Group’s) capital requirements. Failure to comply with applicable legislation could result in civil or criminal violations of existing laws and regulations in respect of appropriate regulatory permissions, permitted conduct, or in other areas of the business, which could have a significant adverse impact on the Group and result in reputational damage.

The Group may not adequately discharge its obligations under anti-money laundering, anti-bribery and corruption, market abuse and financial sanctions laws and regulations.

The Group, along with other market participants, is subject to increasing scrutiny by regulators in relation to its compliance with global anti-money laundering and financial sanctions laws and regulations, as well as laws relating to anti-bribery and corruption and the prevention of market abuse. In order to discharge its obligations under the anti-money laundering and counter-terrorist financing laws and regulations of the United Kingdom and the United States, the Group is required to perform adequate due diligence prior to accepting each new client, whether a Borrower or Investor, and ensure that it has proper systems and safeguards in place to prevent and detect money laundering and market abuse and comply with international financial sanctions, including maintaining mechanisms to report suspicious activity to the relevant authorities including the National Crime Agency in the United Kingdom and the Financial Crimes Enforcement Network (*FinCEN*), which is a bureau of the US Department of Treasury (the “Treasury Department”), as required pursuant to the US Bank Secrecy Act. In addition, the Group is required to engage with third parties in the United Kingdom, the United States and other geographies in a manner compliant with the anti-bribery and corruption laws, guided as a rule by the UK Bribery Act, the FCPA and similar laws. While the Group devotes significant time and resources to ensure compliance with all relevant anti-money laundering, anti-bribery and corruption and financial sanctions laws and regulations, and the Directors and the Proposed Director are not aware of any violations of such laws or regulations having occurred by or within the Group, there can be no assurance that its systems and procedures will be deemed compliant with relevant laws or standards in the geographies where it operates, that they will be effective under all circumstances, or that notwithstanding their effectiveness individuals will not circumvent the Group’s systems and procedures to engage in money laundering, market abuse, bribery and corruption or other prohibited activities.

If the Group is found to have violated applicable anti-money laundering, financial sanctions, market abuse or anti-bribery and corruption laws and regulations, the Group and its directors and officers may be subject to financial penalties and criminal sanctions, or be required to suspend or cease part or all of its operations. Furthermore, any actual or perceived violation of these laws and regulations could materially damage the Group’s reputation and brand, and in turn result in a loss of Borrowers, Investors and third-party origination partners.

Any of these events could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Risks related to compliance and regulation in the United Kingdom

The UK regulatory regime is under review and subject to change.

Funding Circle Ltd ("Funding Circle UK") is authorised and supervised by the FCA. The regulated activities which Funding Circle UK is currently authorised to carry out are operating an electronic system in relation to lending, debt administration, debt collection, credit broking and agreeing to carry on any of these regulated activities.

On 1 April 2014, the regulation of the consumer credit market transferred from the Office of Fair Trading to the FCA, including responsibility for regulating loan-based crowdfunding platforms, and more detailed rules on the conduct of such firms came into force on 1 October 2014. The FCA committed to carry out a full post-implementation review of the crowdfunding market and regulatory framework, in particular in relation to investor protection, in 2016 to identify whether further changes are required. The FCA published a call for input (the "Call for Input") seeking evidence as part of its review in July 2016 and published its proposed changes to the regulatory framework in a consultation paper released on 27 July 2018. Responses to the consultation are requested by 27 October 2018 and the FCA has proposed that the new rules should come into force six months from publication of the final rules and policy statement.

Based on its proposals, the FCA believes it is necessary to strengthen the investor protections provided by its rules, while continuing to ensure it promotes competition in the sector. The FCA has invited responses to the following specific proposals:

- *Risk management framework.* The FCA has proposed prescriptive rules for a risk management framework that requires, as a minimum, that a platform gathers enough information to competently assess the creditworthiness of its borrowers, to categorise borrowers according to its credit risk, and to price loan agreements fairly and appropriately given the credit risk profile of a borrower.
- *Governance.* Building on the existing requirement to have in place robust governance arrangements, the FCA proposes to additionally require peer-to-peer ("P2P") platforms to establish, implement and maintain adequate risk management policies and procedures, including effective procedures for risk assessment, which identify, manage and monitor risks relating to their activities, processes and systems.
- *Marketing restrictions.* The FCA has proposed certain marketing restrictions in line with those currently required for equity-based platform operators.
- *Wind-down planning.* Under the FCA's current rules, firms should have arrangements in place such that, in the event of their failure, existing loans continue to be administered. The FCA proposes to strengthen the rules to ensure that the agreements facilitated by a P2P platform are capable of being managed and administered, in accordance with the contract terms, if the platform ceases to carry out those functions itself and to require platforms to have a 'P2P resolution manual'.
- *Disclosures to potential investors.* The FCA has concerns about the quality of communications with potential investors, particularly financial promotions, and is concerned that standards of disclosure do not meet its expectations. The FCA proposes more prescriptive requirements on the content, quality and timing of disclosures to customers both before and during the lifecycle of the underlying P2P agreements.

Further legislation and changes to existing rules could have a material adverse effect on Funding Circle UK's business. Accordingly, Funding Circle UK might seek to pass on increased regulatory compliance costs to its customers. Although Funding Circle UK intends to fully comply with any new rules, or new application or interpretation of existing rules, it may be required to incur significant costs and spend significant time and resources in order to comply with any such new or existing rules. It may be the case that Funding Circle UK will need to revise the services it currently provides or reconsider any new services or products, or the way in which new or existing products or services are marketed to retail investors, in light of new requirements. However, the Directors and the Proposed Director do not believe that any rules resulting from the proposed changes would materially affect the way which Funding Circle UK currently carries on its business.

Changes to the UK regulatory regime could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The UK legislative regime with respect to finance for SMEs is under review and subject to change.

One of the UK's parliamentary select committees, the Treasury Committee, has opened an inquiry into the state of the SME finance market. The Treasury Committee is appointed by the House of Commons to examine the expenditure, administration and policy of HM Treasury, HM Revenue & Customs, and associated public bodies, including the Bank of England and the FCA. The inquiry is considering, among other things, the case for bringing lending to SMEs within the regulatory perimeter. Given the Group's focus on the SME loan market, further legislation and changes to existing legislation could, among other things, require Funding Circle UK to incur significant time, resources and costs in complying with a new regime and increase the capital requirements to which Funding Circle UK would be subject, any of which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The increased significance of the sector could lead to greater scrutiny, changes in existing guidance and the interpretation of existing law, and consequently the risk of regulatory sanctions in the event of breach of regulatory requirements.

The FCA continues to assess its position in relation to the crowdfunding and peer-to-peer lending sector, including by publishing guidance to the sector (for example, publication of a "Dear CEO" letter in February 2017 on its expectations of firms that operate a loan-based crowdfunding platform which facilitates loans to lending businesses). As noted above (see also "*The UK regulatory regime is under review and subject to change*" in this Part 1 (Risk Factors)), the FCA is currently carrying out a review of the peer-to-peer lending sector. The process of the review and the increasing scrutiny of the peer-to-peer lending sector given its significance in the United Kingdom could have a material adverse effect on Funding Circle UK's business, particularly where the FCA spends significant time focussing on the current arrangements of the major platform providers. The definitions of the relevant regulated activities and exclusions to them are difficult to interpret and have not been subject to significant judicial consideration or specific regulatory guidance in respect of their application to existing business models within the industry. As a result, Funding Circle UK may not always have been or be in strict technical compliance in all respects with the FCA's authorisation regime and applicable rules. Non-compliance with the applicable rules can lead to enforcement action, which would take up significant time and resources of Funding Circle UK, as well as the FCA potentially imposing sanctions, such as fines, public censure, or, in significant cases, varying, suspending or cancelling Funding Circle UK's authorisation. There would also be a risk of consumer redress and compensation.

There is a risk that guidance published by the FCA or future findings may lead to Funding Circle UK being in breach of applicable rules or regulatory requirements which may result in civil or criminal sanction or may require changes to Funding Circle UK's business model in relation to regulated lending and related servicing, which may potentially adversely affect or constrain Funding Circle UK's ability to operate in the United Kingdom, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The FCA may have an alternative interpretation of applicable law and regulation which apply to Funding Circle UK, which may lead to financial detriment for Funding Circle UK, enforcement action and reputational risk.

The body of law and regulation in respect of the platform lending industry in the United Kingdom is continuously evolving and it is possible that the FCA may come to alternative views on interpretation of law and regulation to that of Funding Circle UK. Funding Circle UK endeavours to comply with applicable law and regulation and take account of applicable guidance, but it is possible that Funding Circle UK could be the subject of enforcement action by the FCA (and reputational damage arising from such enforcement action) if the FCA does take an alternative interpretation. The consequences of enforcement action include taking up significant time and resources of Funding Circle UK, as well as the FCA potentially imposing sanctions, such as fines, public censure, or, in significant cases, varying, suspending or cancelling Funding Circle UK's authorisation. There would also be a risk of consumer redress and compensation, as well as, depending on the applicable law, the risk of Funding Circle or another person committing a criminal offence. Any of these events could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

There is a risk that Funding Circle UK may need to become authorised to carry out different business.

In an interim feedback document published by the FCA in December 2016 (the "Interim Feedback Statement"), the FCA stated that "some business models we have seen from crowdfunding applicants include aspects that are the same or similar to those in the investment management and banking sectors. We are therefore concerned

about the significant risk of arbitrage in parts of the industry and expect crowdfunding firms applying for authorisation to ensure their activities fall within the scope of the permissions for which they have applied.” The FCA highlighted two trends that may create a risk of regulatory arbitrage with other financial services sectors:

- the FCA noted that there appeared to be increased pooling of credit risk for investors, which had the potential to create a blurred line between loan-based crowdfunding and asset management. In the FCA’s view, this creates a risk of regulatory arbitrage where firms conduct what is essentially asset management business, but under a regulatory regime not designed for this. In particular, some of the respondents to the Call for Input noted the possibility of arbitrage with investment management business because of firms operating provision funds (effectively, a contingency fund that fully or partially covers investors against the risk of bad debt), offering autobid options, channelling investment through special purpose vehicles or offering fixed rate products; and
- the FCA noted that maturity mismatch products were beginning to be offered on platforms. These investment products have similarities with banking business, where banks lend money on longer terms than savings account notice periods. Respondents to the Call for Input also noted that even if maturity transformation did not technically occur, there were a number of similarities with banking business. For example, investors are exposed to unknown borrowers and are reliant on the platform’s due diligence in a manner not fundamentally different from bank depositors.

If it appears that consumer detriment is likely, the FCA has stated that it will also consider introducing additional rules to reduce or remove the potential for arbitrage.

The Group believes that this risk of recategorisation (both to banking business and in relation to investment management) is unlikely in the short to medium term. The UK government has a policy to implement a specific peer-to-peer lending authorisation and supervisory regime which applies to businesses such as Funding Circle UK and the Group is not aware of any proposed legislation to address this point. The Directors and the Proposed Director consider it to be particularly unlikely that Funding Circle UK’s business would be recategorised as banking business, including because, unlike banks, Funding Circle UK is not the first lender of record and does not offer products with a maturity mismatch. In addition it does not, nor does it intend in the future to, offer a bad debt provision fund.

If the FCA were to implement new rules or provide further guidance on existing rules, such that Funding Circle UK’s business were to be recategorised as an asset management or banking business, Funding Circle UK would need to either (i) change its business model such that it provided only the business which it was authorised to do, which would potentially adversely affect or constrain Funding Circle UK’s ability to operate or to offer new products and services in the United Kingdom, or (ii) become authorised as an asset manager or bank (or obtain such other authorisation as appropriate under the relevant FCA guidance). Becoming authorised as another type of regulated entity would be an extensive process, taking up significant time, resources and costs. In addition to different regulatory requirements which would apply to Funding Circle UK, being authorised as a different type of firm could significantly increase the capital requirements to which Funding Circle UK would be subject. Any of these events could have a material adverse effect on the Group’s business, results of operations, financial condition or prospects.

Risks related to compliance and regulation in the United States

The application of certain US federal and state laws and regulations to the Group’s business is not entirely tested yet, given the recent evolution of the platform lending industry generally and the growth of the Group’s business activities.

Certain companies within the Group—Funding Circle USA, Inc. and its US subsidiaries and affiliates (collectively, “Funding Circle US”)—engage in online lending to SMEs, as well as related capital raising activities, in the United States. In the United States, the Group does not make loans to consumers and therefore believes that it is not subject to various licensing and other requirements applicable to businesses involved in those activities that are, in many cases, more burdensome than those applicable to lending solely to SMEs. The Group is, however, regulated state-by-state as a non-bank commercial lender.

Unlike certain other lending platforms operating in the United States, the Group does not conduct its activities based upon a contractual relationship with a regulated bank or other similarly regulated financial institution. Instead, the Group conducts its platform lending activities in the United States on the basis that (a) the Group complies with all applicable US federal laws, (b) where state laws require a licence to conduct those activities, the Group acts under the authority of such licence and (c) where state laws make it clear those activities may

be conducted within parameters specific to activities exempted from or not requiring licensing, the Group conducts those activities within such parameters.

The application of certain US federal and state laws and regulations to the Group's business is not entirely tested yet, given the recent evolution of the platform lending industry generally, and the growth of the Group's business activities. Categories of US federal and state laws (and related regulations) to which the Group activities may be subject include, but are not limited to: (1) state licensing and usury laws and other substantive state regulations that impose requirements related to loan disclosures and terms, credit discrimination, credit reporting, debt collection and unfair, deceptive or abusive acts or practices; (2) federal and state securities laws (e.g., the US Securities Act, the US Securities Exchange Act, the Investment Company Act, the Investment Advisers Act, and various state "blue sky" laws); (3) the Equal Credit Opportunity Act ("ECOA"); (4) the Fair Credit Reporting Act; (5) anti-money laundering requirements (e.g., the Bank Secrecy Act, as amended by the Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001); (6) privacy and data regulations (e.g., the Gramm-Leach-Bliley Act); (7) electronic transactions legislation (e.g., the Electronic Signatures in Global and National Commerce Act and the Uniform Electronic Transactions Act); (8) the Servicemembers Civil Relief Act; (9) the Telephone Consumer Protection Act of 1991; (10) Section 5 of the Federal Trade Commission Act, which prohibits unfair or deceptive acts or practices in or affecting commerce and (11) the Dodd-Frank Wall Street Reform and Consumer Protection Act. For more detail, see *"The United States—Summary of applicable laws and regulations"* in Part 6 (Regulatory Overview).

Although the Group maintains a comprehensive compliance program and database that it believes ensures that activities are conducted, in states where licences have been obtained, in accordance with the terms of those licences and, in states where no licence has been obtained, in accordance with parameters specific to activities exempted from or not requiring licensing, such compliance program and database may not correctly reflect actual legal limitations applicable to the conduct of the Group's business. As a result, there can be no assurance that the Group has always been, or will always be, in compliance with laws and regulations applicable to the conduct of the Group's business activities.

Compliance with these laws and regulations is costly, time-consuming and may limit the Group's operational flexibility. Compliance costs and litigation exposure could increase materially if regulators enact new regulations, change regulations that were previously adopted, modify, through supervision or enforcement, past regulatory guidance, or interpret existing regulations in a manner different or stricter than have been previously interpreted.

Failure by the Group to comply with laws and regulatory requirements applicable to the Group's business activities in the United States may, among other things, limit the collectability or other enforceability of all or a portion of the principal of or interest on loans or other extensions of credit that the Group makes. Such limitations may also impair the Group's ability to collect fees or other compensation payable in connection with the origination of loans. In addition, non-compliance could subject the Group to damages, revocation of required licences, class action lawsuits, administrative enforcement actions, rescission rights held by investors in securities offerings and civil and criminal liability. In particular, if the Group were found to have violated a state's licensing or usury laws, the Group may have to alter how it conducts business in a manner that may be adverse to its financial results. In addition, the occurrence of any of the foregoing may limit the Group's ability to engage in capital raising activities in the United States.

Any of these risks could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

If loans originated by the Group were found to violate a state's licensing or usury laws, the Group may have to alter its business model and its business may be harmed.

The Group maintains a comprehensive compliance program and database to seek to ensure that activities are conducted, in states where licences have been obtained, in accordance with the terms of those licences and, in states where no licence has been obtained, in accordance with parameters specific to activities exempted from or not requiring licensing. The Group offers SME loans in all but one of the 50 states (Nevada) and also in the District of Columbia, and the Group has obtained licences to lend in California, Florida, North Dakota, South Dakota and Vermont.

Although most states do not impose interest rate limits on commercial loans (or do not impose such limits if a lender is properly licensed), certain states have enacted usury laws that limit the interest, fees or other charges that a lender may charge for such loans. The Group takes a multi-tiered approach to compliance with these usury laws that the Group believes adequately manages its exposure to usury limitations. First, the Group

makes all loans in the United States under California law in accordance with the California choice of law in its loan documentation (with the exception of loans to SMEs located in South Dakota, where the obtaining of a lending licence requires that the lending relationship be subject to local law). As a licensed California lender, Funding Circle US is not required under California law to limit the rate of interest that it charges. In addition, the Group evaluates any local usury statutes which, if applied, might restrict the range of products Funding Circle US is able to offer. The Group believes that all loans offered by Funding Circle US in all but four states (Arkansas, Florida, Tennessee and Texas) comply with both California law (the chosen law) and the law of the jurisdiction in which the Borrower is located. In those four states, the Group has obtained legal advice (based on, among other things, applicable conflicts of laws principles) that the courts in such state will give effect to the parties' choice of California law (including as it relates to the issue of usury).

Funding Circle US believes that it is in compliance with all state laws. The Group maintains a comprehensive compliance program and database that it believes ensures that, with respect to most states, the loans originated by the Group in those states do not fall within usury limitations applicable in those states. There is, however, an element of uncertainty as regards each of the four states in which the Group has assumed that local conflicts of laws principles will result in the application of California law. There is a possibility that the legal advice upon which such assumption is based may be incorrect or may rely on assumptions that are inapposite to the particular factual circumstances.

If loans originated by the Group were found to violate a state's licensing or usury laws, the Group may have to alter its business model and its business, results of operations, financial condition and prospects could be materially adversely affected.

The Group is engaged with US federal and state regulators on issues that cross a broad spectrum. Such interaction is ongoing and may be subject to unexpected developments.

Over the last few years, US federal and state regulatory and other policymaking entities have taken an increased interest in platform lending and financial technology, including the activities of Funding Circle US. The Group is actively engaged and has collaborated with regulators on issues that cross a broad spectrum. Examples of circumstances involving such engagement are:

- In July 2018, the Treasury Department released a report entitled *Nonbank Financials, Fintech, and Innovation*. The report represents the fourth in a series of reports required by Executive Order 13772, which called upon the Treasury Department to identify laws that were inconsistent with the current administration's core principles for financial regulation. The report included more than 80 regulatory recommendations to encourage innovation, embrace financial technology, and better support non-bank financial services companies. The Group cannot predict whether any legislation or rulemaking will actually be introduced as a consequence of these recommendations. Previously, in May 2016, the Treasury Department published a white paper on *Opportunities and Challenges in Online Marketplace Lending*, which included several recommendations to the federal government and private sector participants to encourage the safe growth of platform lending and better access to credit for SMEs and consumers. Funding Circle US has consistently provided information to the Treasury Department and the National Economic Council to assist in drafting these publications.
- In December 2015, the California Department of Business Oversight (the "DBO") sent its *Marketplace Lending Survey* to 14 platform lenders, including Funding Circle US, requesting information about the Group's business model, online platform, loan performance and investor funding process, including information regarding referral programs. Funding Circle US responded to the survey in March 2016 and to the DBO's requests for additional information from survey participants in June 2016 and October 2016. The DBO has not requested further information.
- In October 2016, the Officer of the Comptroller of Currency (the "OCC"), which is the principal supervisor of national banks in the United States and part of the Treasury Department, released a whitepaper on *Responsible Innovation* in financial technology and has subsequently taken steps to create a special purpose, limited charter (a "Fintech Charter") whose scope may encompass certain online lending activities and facilitate the provision of core banking activities through financial technology but currently remains uncertain. Most recently, in July 2018, the OCC announced that it would begin accepting applications for the Fintech Charter from financial technology companies. Funding Circle US has engaged in discussions with the OCC regarding the impact that a Fintech Charter could have on the platform lending industry.
- In July 2018, the New York Department of Financial Services (the "DFS") issued a report on online lending, as required by a bill passed by the state's legislature in June 2017. The report contained findings

from the DFS' *New York Marketplace Lending Survey*, which requested information from 48 lending platforms, including Funding Circle US, operating in New York. The Group cannot predict whether any legislation or rulemaking will actually be introduced as a consequence of this report. Previously, in May 2016, the DFS sent a request for information to 28 online lenders, including Funding Circle US, requesting information on the financial products and services offered by the Group in New York and any arrangements the Group may have with banks, financial institutions and other third parties in connection with offering those financial products and services. Funding Circle US submitted its response to the DFS in June 2016 and did not receive any request for further information.

- In July 2017, the Conference of State Bank Supervisors, a national organisation of state financial regulators, launched a series of initiatives called Vision 2020 aimed collectively at driving efficiency, standardisation, and a convergence of supervisory expectations in state-based oversight of non-banks. Among these initiatives was formation of a Fintech Industry Advisory Panel, which includes Funding Circle US. The Group cannot predict whether any changes to the state regulatory regime for non-bank lenders will actually be introduced as a consequence of Vision 2020.
- In contrast to its broad authority over consumer lending, the Consumer Financial Protection Bureau ("CFPB"), created by the Dodd-Frank Act, has much more limited jurisdiction over lending to SMEs. The primary area of such jurisdiction is enforcement of the ECOA. Section 1071 of the Dodd-Frank Act ("Section 1071") amended Regulation B of the Board of Governors of the Federal Reserve System, the implementing regulation of ECOA, to require the CFPB to enact rules to collect data on minority- and women-owned and small businesses from all financial institutions. In May 2017, the CFPB issued a request for information on the SME lending market as part of its Section 1071 rulemaking process. The next step in this process would entail panel review under the Small Business Regulatory Enforcement Fairness Act. The Group cannot predict whether or when Section 1071 will be implemented and, if implemented, what impact any resulting rules may have on the Group's operations and/or compliance program.

In many cases, these engagements or initiatives were presented as information gathering projects to assist US federal and state governments in better understanding, among other things, the business models, activities, and impact of online and platform lending on credit markets. These engagements or initiatives either have resulted, or are expected to result, in policy recommendations that could impact the Group's business practices and operations to the extent the recommendations drive new laws or regulations, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Future legal or regulatory developments, including those relating to the retention of credit risk as mandated by Section 15G of the US Exchange Act, credit rating downgrades, market volatility, market disruptions or other factors, could impede the Group's ability to form or assist in the formation of bespoke capital markets vehicles on a timely basis or upon advantageous terms. These developments may also increase the risk of litigation.

The Group has entered into, and intends to continue to enter into, arrangements with Investors that include the formation of bespoke capital markets vehicles with the aim of securing short- and long-term funding for the Group's platform. These arrangements may include Funding Circle US supporting investors that purchase loans on its platform engaging in securitisation transactions. In the United States, rules newly promulgated under Section 15G of the US Exchange Act (as amended by the Dodd-Frank Act), require that the "sponsor" of a "securitization transaction" acquire not less than 5 per cent. of the credit risk of the securitised assets. Application of these risk retention rules to a securitisation transaction involving Funding Circle US may result in a Group member being deemed to be subject to risk retention requirements even though it does not hold the loans on its balance sheet. Such application may impose financial limitations on the Group's ability to originate additional loans and expose the Group to ongoing credit risk associated with the transferred loans. In addition, these newly adopted rules further prohibit the "sponsor" from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that it is required to retain during the period specified under the rules. The application of these rules is novel and, while precedent transactions exist, to some extent remain uncertain, particularly in the context of platform lending, and the imposition of certain required disclosures concerning retained risk retention interests may lead to liability for false or misleading statements, or in respect of any enforcement action.

More generally, the issuance of debt securities in the capital markets, particularly in the United States, can involve a relatively high risk of litigation, including class action lawsuits and administrative enforcement actions, especially following periods of market volatility. Any litigation brought or threatened against the Group could subject it to substantial costs, divert resources and the attention of management from the business and

materially adversely affect the Group's business, results of operations, financial condition or prospects, including by reason of the fact that the Group may be unable to transfer loans to capital markets vehicles. In addition, while the Group intends to continue to operate the 'platform' model in the United States and elsewhere (e.g., where loans originated through the Group's platform in the different geographies are allocated to third-party Investors via the platform in such geographies, without the Group holding loans on its balance sheet), the Group may nonetheless be required to invest in and hold on its balance sheet, either directly or indirectly, a portion of any securities issued in connection with a securitisation transaction involving loans originated through its platform. The Group may also be required to provide credit or yield enhancement in the form of cash reserves, subordination, guarantees or other forms of recourse for Investors in connection with capital markets transactions related to the Group's entry into new markets.

When selling loans and other extensions of credit to capital markets vehicles or Investors, the selling or intermediating member of the Group will typically be required to make representations as to the status of the loans or other extensions of credit that are being transferred or intermediated. Although the recourse of Investors in obligations or securities issued by capital markets vehicles is typically limited to those vehicles, (a) a material breach of any of those representations may result in the selling or intermediating member of the Group (and any credit support provider within the Group for that selling or intermediating member) incurring repurchase obligations or economic damages and (b) the Group may have an incentive to take steps to support the financial condition of a capital markets vehicle in order to maintain its market reputation.

Any of these risks could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

There is a risk that one or more Investors purchasing loans originated by Funding Circle US may be deemed the "true lender", which may impair their ability to acquire loans without obtaining necessary licences and may result in other adverse consequences.

As discussed above, the Group does not conduct its activities based upon a contractual relationship with a regulated bank or other similarly regulated financial institution. In embracing a different business model from other online lenders that rely on originating banks, Funding Circle US is the true lender in respect of its lending activities. However, if Funding Circle US were treated as an agent of a securitisation, other capital markets vehicle or other Investor that purchases loans from Funding Circle US, such Investor may be deemed the true lender for regulatory (including tax) purposes.

There has been litigation challenging the identity of the true lender in lending arrangements where an originating lender sells and assigns a loan to a third party, particularly where a loan is sold from a bank to a non-bank entity that assists in the origination and servicing of the loan. The facts of these disputes are not directly applicable to the Group's business, as they generally involve the post-sale applicability of state usury laws to loans originated in a context where such laws had been pre-empted or otherwise did not apply. However, the case law addressing whether an originating lender, on the one hand, or a third-party purchaser, on the other hand, is the "true lender" of a loan is still developing and courts have come to different conclusions and applied different analyses. Any characterisation of an Investor, rather than Funding Circle US, as the true lender could impair the relevant Investor's ability to acquire loans without obtaining the appropriate licenses. This could make it significantly more difficult for the Group to raise debt financing for its loans, and in turn have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group may have to further constrain certain of its business activities or forego certain business development opportunities to avoid being deemed an investment company under the Investment Company Act.

The Group conducts, and intends to continue to conduct, business in a manner that does not result in the Company, any of the Group's subsidiaries in the United States, or any capital markets vehicles facilitated by the Group to provide funding for loans originated by the Group, being characterised as an investment company for purposes of the US Investment Company Act of 1940, as amended (the "Investment Company Act").

A company that holds itself out as being engaged primarily, or that proposes to engage primarily, in the business of investing, reinvesting or trading in securities will, subject to certain exemptions, be deemed to be an investment company. Any company that meets such definition (or that qualifies as an investment company under an alternative quantitative test relating to a company's holdings of investment securities) but cannot rely on an applicable exception or an exemption must register as an "investment company" under the Investment Company Act. In the case of a foreign issuer, the characterisation as an investment company would only occur if it offered securities to residents of the United States.

A company that is required to register as an investment company must comply with a variety of substantive requirements under the Investment Company Act imposing, among other things, limitations on capital structure, restrictions on specified investments, prohibitions on transactions with affiliates, compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations and, potentially, compliance with daily valuation requirements. Application of these requirements to the Group would likely materially adversely affect the Group's business, financial condition and results of operations.

In this regard, where any member of the Group or any capital markets vehicle facilitated by the Group to provide funding for loans originated by the Group currently engages in securities-related activities in reliance on an exemption from the Investment Company Act or an assessment that the Investment Company Act does not otherwise apply, the Group closely monitors those activities to ensure that they do not result in the relevant company being characterised as an investment company. Nevertheless, to avoid being deemed an investment company, the Group may be forced to forego certain attractive business development opportunities or have to apply for formal exemptive relief from the SEC, to provide additional clarity on the Group's status under the Investment Company Act. This process is lengthy and uncertain.

Securitisation and other capital markets vehicles that purchase loans and other extensions of credit from the Group may also be subject to the registration requirements under the Investment Company Act absent the availability of an applicable exception or exemption.

As a result of the foregoing, the Group may have to further constrain certain of its business activities or forego certain business development opportunities to avoid being deemed an investment company under the Investment Company Act, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group may have to constrain its business activities to avoid being deemed an investment adviser under the Investment Advisers Act.

The Group's subsidiaries and affiliates conduct, and intend to continue to conduct, business in a manner that the Group believes does not result in any Group company being characterised as an investment adviser for purposes of the US Investment Advisers Act of 1940, as amended (the "Investment Advisers Act"). A person or company falls within the definition of "investment adviser" under the Investment Advisers Act if that person or company (i) for compensation (ii) is engaged in the business of (iii) providing advice to others or issuing reports or analyses regarding securities. A company would have to satisfy all three elements to fall within the definition of "investment adviser". A company that is required to register as an investment adviser must comply with a variety of substantive requirements under the Investment Advisers Act, including (i) fiduciary duties to advisory clients; (ii) certain substantive prohibitions and requirements; (iii) requirements defining permissible terms in investment advisory contracts; (iv) recordkeeping requirements; and (v) administrative oversight by the SEC, primarily by inspection. One of the Group companies, FC Partners, LLC, is registered in California as an investment adviser and is an "exempt reporting adviser" under the Investment Advisers Act. As such, it is required to file a portion of the report that investment advisers generally are required to file.

Application of these requirements to the Group could materially adversely affect the Group's business, financial condition and results of operations. To minimise the risk of being characterised as investment advisers, companies within the Group intend not to give (directly or indirectly) advice about securities, market trends relating to securities, the selection and retention of investment advisors or asset allocation decisions involving securities (other than in an isolated and infrequent circumstance) and intend not to seek to receive compensation that represents a clearly definable charge for providing investment advice.

As a result of the foregoing, Group may have to constrain its business activities to avoid being deemed an investment adviser under the Investment Advisers Act, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Risks related to compliance and regulation in Germany

Changes in the regulatory environment in Germany could harm the Group's business.

The Group's German operating entity, Funding Circle Deutschland GmbH ("Funding Circle Germany"), is authorised and supervised by the local trade supervisory authority (*Gewerbeamt Kreuzberg Friedrichshain*). The regulated activities which Funding Circle Germany is authorised to carry on are credit brokering and financial investment brokering which are set out under the German Industrial Code (*Gewerbeordnung*). Funding Circle Germany is not regulated by the German Federal Financial Supervisory Authority ("BaFin") as

a financial services institution (*Finanzdienstleistungsinstitut*) or a credit institution and the services which it provides do not fall under the German Banking Act (*Kreditwesengesetz*).

There is no statutory bespoke crowdlending regime under German law.

In general, business carried on in the context of crowdlending falls within the scope of existing rules such as the German Banking Act, the German Industrial Code, the Regulation on the Intermediation of Financial Investments (*Verordnung über die Finanzanlagenvermittlung*) or the Investment Product Act (*Vermögensanlagengesetz*).

The German Federal Financial Supervisory Authority has issued a circular which describes what is meant by “crowdlending” (broadly, crowdlending refers to the brokering of a loan over an internet services platform between a customer (the borrower) and a credit institution (the lender), as well as of loan receivables between the credit institution or an intermediary and investors), the different business models which constitute crowdlending, and the regulatory issues that arise.

Although the Group is not aware of any proposals to change the German legal framework on crowdlending and implement a bespoke German crowdlending regime, it is possible that the existing rules will be subject to change, particularly in light of the European Commission’s announcement to regulate peer-to-peer lending (see “*The regulatory and legislative environment surrounding the platform lending industry is relatively new and susceptible to change*” in this Part 1 (Risk Factors)) the implementation of the Directive 2014/65/EU (Second Markets in Financial Instruments Directive, MiFID II) or new domestic legislative initiatives.

To the extent that Funding Circle Germany publicly offers loan receivables (such as to retail Investors), it must comply with the provisions of the Investment Products Act which sets out, among other things, conduct requirements and the sort of information that must be provided to investors for investment products (*Vermögensanlagen*). In the course of the transposition of MiFID II into German law, there have also been discussions by the German Parliament as to whether the Regulation on the Intermediation of Financial Investments should be revised (for example, updating the requirements that apply to recording of electronic or telephone communications, or the provisions relating to the receipt of inducements). There is currently no legislative proposal to revise the law relating to these matters in a way that would affect Funding Circle Germany, but it is possible that new requirements will enter into force which could require Funding Circle to adapt its processes and operations in Germany.

The coalition agreement of the German Government published on 7 February 2018 indicates that there may be changes to the supervision of entities carrying out the brokering of financial investments. At this stage, it is not clear whether the changes indicate that the German Federal Financial Supervisory Authority will become the competent supervisory authority for financial investments brokering, or whether this business will be subject to the requirements under the German Banking Act. If the latter, this would have a significant impact on Funding Circle, as it would likely need to obtain a financial services licence under the German Banking Act and have to comply with a number of additional legal requirements. Obtaining a new authorisation would be an extensive process, taking up significant time, resources and costs, and different regulatory requirements would apply to Funding Circle Germany.

Although Funding Circle Germany intends to fully comply with any new rules, a change of the regulatory regime and materialisation of any of the risks described above may put a substantial burden on Funding Circle Germany and, in turn, have a material adverse effect on the Group’s business, results of operations, financial condition or prospects.

Operational errors could result in a breach to exemptions under the Investment Products Act.

Under German law, loan receivables are regarded as investment products (*Vermögensanlagen*) under the definition set forth in section 1 para. 2 no. 7 Investment Products Act (*Vermögensanlagengesetz*). The act obliges the offeror of the investment product, which are publicly offered, to provide a prospectus and/or a product information sheet (*Vermögensanlagen-Informationsblatt*), unless one of the relevant exemptions applies pursuant to section 2 and section 2a Investment Products Act (which provides an exemption from prospectus requirements for crowdfunding platforms, but not product information sheet requirements). Funding Circle Connect GmbH relies on the exemption pursuant to section 2 para. 1 no. 3b Investment Products Act when offering loan receivables to retail Investors. Given that the amount of each loan receivable that Funding Circle Connect GmbH assigns does not exceed the threshold of EUR 100,000, Funding Circle Connect GmbH is not required to provide a prospectus and/or product information sheet (offers to specific institutional Investors are out of scope of the Investment Products Act since they are not publicly offered). Concerning institutional Investors, Funding Circle Connect GmbH could also rely on the exemption pursuant to section 2 para. 1 no. 3a

(offerings of investment products are limited to 20 shares) or to section 2 para. 1 no. 4 Investment Products Act (offerings which are made to persons who acquire/sell investment products commercially in relation to institutional investors). However, if the thresholds set out under the exemptions of the Investment Products Act were exceeded, e.g., due to an operational error, the provisions of the Investment Products Act would apply in case of public offers. Such errors in individual cases cannot be ruled out entirely although the Group endeavours, and has processes in place to comply with all applicable laws and regulations and the Directors and the Proposed Director are not aware of any such breaches in the past. If Funding Circle Connect GmbH was no longer able to rely on the relevant exemption pursuant to section 2 para. 1 no. 3b Investment Products Act with respect to retail Investors, it would need to adapt its business towards retail Investors to make use of the exemption pursuant to section 2a Investment Products Act (which provides an exemption from prospectus requirements for crowdfunding platforms, an approach used by several other crowdlending platforms in Germany). In general, the provision will also apply if an exemption for institutional Investors falls away (to the extent that the loan receivables are publicly offered). However, in this event, Funding Circle Connect GmbH would have to prepare a product information sheet to be provided to the Investors. Complying with this requirement would take significant time, resources and costs, and would put a substantial burden on the business operations. The failure to comply with these requirements could lead to buy back obligations towards retail Investors and potentially to financial penalties or other regulatory sanctions imposed by the German Federal Financial Supervisory Authority if it were found to be breaching applicable rules in this regard, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Risks related to compliance and regulation in the Netherlands

Changes in the AFM exemption conditions in the Netherlands could harm the Group's business.

The Group's Dutch operating entity, Funding Circle Nederland B.V. ("Funding Circle NL"), operates under an exemption issued by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten—AFM*) from the prohibition to broker callable funds (Section 4:3 paragraph (1) and (4) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht—Wft*)).

While there is currently no specific regulatory regime applicable to SME crowdlending in the Netherlands, the AFM monitors the industry closely. In this context, the AFM has introduced certain conditions and requirements for platforms operating under the exemption from the prohibition to broker callable funds, such as Funding Circle NL. Examples of such conditions are a EUR 80,000 investment cap for retail investors per platform and the recently introduced rule that a proposal for a new loan, including all required information in relation thereto, must be published at least 48 hours before investors can place funding offers.

There is a risk that the AFM issues new conditions to the exemption that may be onerous for the Group's business in the Netherlands. The inability of the Group to comply with any such requirements imposed by the AFM may adversely affect its ability to operate in the Netherlands, which in turn could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Changes in the regulatory environment in the Netherlands could harm the Group's business.

On 12 October 2017, the Dutch Ministry of Finance published for consultation a questionnaire asking market participants to present their views on a suitable and desirable framework for a crowdlending regime to be introduced under Dutch law in due course. The content of any new crowdlending regime that may result from the aforementioned consultation process and the expected timing of the implementation thereof are yet unclear. The introduction of such regime and any related rules, requirements and guidelines could have an adverse impact on the manner in which the Group operates in the Netherlands.

Furthermore, with the implementation in the Netherlands of the Second Payment Services Directive (*Directive 2015/2366/ EU—PSD2*) still outstanding, there remains some uncertainty as to whether Stichting Derdengelden Funding Circle—the foundation that handles cash flows between Investors and Borrowers for the Dutch platform—will in the future require a licence as a provider of payment services. In the event that, following the implementation of PSD2 or any relevant new legislation in the Netherlands, the Group were required to either apply for such a licence or use external providers of payment services to handle cash flows between Investors and Borrowers for the Dutch platform, this could have a material adverse effect on the Group's business in the Netherlands and result in increased compliance costs. In such a scenario, the Group expects that a significant transitional period would apply as the introduction of any such requirement would affect the entire industry. However, the Directors and the Proposed Director believe that the implementation of PSD2 is unlikely to lead to such requirements.

Any change in the law and regulation affecting the Group's business and operations in the Netherlands may have a material adverse effect on the Group's ability to carry on its Dutch business. In particular, regulatory change could lead to increased compliance costs, the prohibition of certain types of trading, as well as restrictions on the type of services which the Group may provide in the Netherlands in the future. In addition, the interpretation of existing legislation or regulation may change when applied to the Group's business model in the Netherlands. Any of these events could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

RISKS RELATING TO THE OFFER AND THE SHARES

There is no existing market for the Shares and an active trading market for the Shares may not develop or be sustained.

Prior to Admission, there has been no public trading market for the Shares. Although the Company has applied to the UK Financial Conduct Authority for admission to the premium listing segment of the Official List and has applied to the London Stock Exchange for admission to trading on its main market for listed securities, the Company can give no assurance that an active trading market for the Shares will develop or, if developed, could be sustained following the closing of the Offer. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares could be adversely affected.

Shares in the Company may be subject to market price volatility and the market price of the Shares in the Company may decline disproportionately in response to developments that are unrelated to the Company's operating performance.

The Offer Price is not indicative of the market price of the Shares following Admission. The market price of the Shares may be volatile and subject to wide fluctuations. The market price of the Shares may fluctuate as a result of a variety of factors, including, but not limited to, those referred to in these Risk Factors, as well as period to period variations in operating results or changes in revenue or profit estimates by the Group, industry participants or financial analysts. The market price could also be adversely affected by developments unrelated to the Group's operating performance, such as the operating and share price performance of other companies that equity investors may consider comparable to the Group, speculation about the Group in the press or the investment community, unfavourable press, strategic actions by competitors (including acquisitions and restructurings), changes in market conditions, regulatory changes and broader market volatility and movements. Any or all of these factors could result in material fluctuations in the price of Shares, which could lead to equity investors getting back less than they invested or a total loss of their investment.

Shareholders may experience dilution as a result of the Group's employee share incentive plans, future acquisitions or otherwise.

The Company's remuneration policy has been and will continue to be designed to provide a remuneration framework that will attract, motivate and retain executives, senior management and employees of the Group, to deliver the Company's strategic goals and create long-term shareholder value. As such, the Company's remuneration policy has made and plans to continue to make share-based awards (whether in the form of newly-issued shares or the re-issue of treasury shares) a substantial part of its employees' (including its senior management's) remuneration and in general such awards will be in place of a cash bonus. The Company's approach to remuneration reflects market practice for international, and more specifically US, FinTech comparators. The number of shares (or interests therein) awarded pursuant to the LTIP going forward will either depend on the satisfaction of performance measures aligned to Company strategy, and/or other conditions including continuing employment over the relevant performance period or (if the award is not subject to a performance measure) vesting period. If these performance measures and conditions are met in full or to a material extent, shares issued in satisfaction of such awards may in certain circumstances exceed, in aggregate, 1 per cent. of the Group's issued share capital in any given year. In addition, a number of Shares may be issued following Admission pursuant to awards granted prior to Admission, which will not count towards the Investment Association's Dilution Limits. As at Admission, it is expected that the Company will have in issue approximately 9,969,552 unexercised vested options and 10,810,344 unvested options over Shares, in aggregate representing approximately 6.2 per cent. of the Company's issued share capital (assuming the Offer Price is set at the mid-point of the Price Range, the Selling Shareholder Options are exercised and the New Director Shares are issued). Equity investors could suffer dilution immediately following Admission if holders of vested options over Shares elect to exercise such options. In addition, over time, the satisfaction of share incentive awards using newly issued or treasury shares could dilute (to a greater extent than would otherwise be the case) the percentage ownership of equity investors who subscribe for or purchase Shares in the Offer.

Furthermore, the Group may seek to raise financing to fund future acquisitions and other growth opportunities. The Company may, for these and other purposes, issue additional equity or convertible equity securities. As a result, equity investors who subscribe for or purchase Shares in the Offer may suffer dilution in their percentage ownership, or the market price of the Shares may be adversely affected.

Shareholders in the United States and other jurisdictions outside of the United Kingdom may not be able to participate in future equity offerings.

The Articles provide for pre-emption rights to be granted to Shareholders in the Company, unless such rights are disappplied by a shareholder resolution. However, securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders in future offerings. In particular, shareholders in the United States may not be entitled to exercise these rights, unless either the Shares and any other securities that are offered and sold are registered under the US Securities Act, or the Shares and such other securities are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The Company cannot assure prospective equity investors that any exemption from such overseas securities law requirements would be available to enable US or other Shareholders to exercise their pre-emption rights or, if available, that the Company will utilise any such exemption.

The Company's ability to pay dividends in the future depends, among other things, on the Group's financial performance and capital requirements.

The Company currently intends to retain any future earnings to finance the operation and expansion of its business, and the Company does not expect to declare or pay any dividends for the foreseeable future. Any decision to declare and pay dividends will be made at the discretion of the Board and will depend on, among other things, applicable law, regulation, restrictions on the payment of dividends in financing arrangements that the Group may from time to time enter into, the Group's financial position, the Company's distributable reserves, regulatory capital requirements, working capital requirements, finance costs, general economic conditions and other factors the Board deems significant from time to time.

PART 2 Presentation of Financial and Other Information

General

Prospective equity investors should only rely on the information in this Prospectus. No person has been authorised to give any information or to make any representations in connection with the Offer, other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Proposed Director, the Selling Shareholders, or any of the Underwriters. No representation or warranty, express or implied, is made by any of the Underwriters any of their respective affiliates or any selling agent as to the accuracy, completeness or verification of the information set forth in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by any of the Underwriters, any of their respective affiliates or any selling agent as to the past, present or future. The Underwriters assume no responsibility for its accuracy, completeness or verification and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this document or any such statement. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to FSMA, neither the delivery of this Prospectus nor any subscription or sale of Shares pursuant to the Offer shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group since the date of this Prospectus or that the information contained herein is correct as of any time subsequent to its date.

The Company will update the information provided in this Prospectus by means of a supplement if a significant new factor that may affect the evaluation by prospective equity investors of the Offer occurs after the publication of this Prospectus or if this Prospectus contains any material mistake or substantial inaccuracy. This Prospectus and any supplement will be subject to approval by the FCA and will be made public in accordance with the Prospectus Rules. If a supplement to this Prospectus is published prior to Admission, equity investors shall have the right to withdraw their applications for Shares made prior to the publication of the supplement. Such withdrawal must be made within the time limits and in the manner set out in any such supplement (which shall not be shorter than two clear business days after publication of the supplement).

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective equity investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice and related aspects of a purchase of the Shares. In making an investment decision, each equity investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Offer, including the merits and risks involved.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, the Proposed Director, the Selling Shareholders, any of the Underwriters or any of their affiliates or representatives that any recipient of this Prospectus should subscribe for or purchase the Shares. Prior to making any decision as to whether to subscribe for or purchase the Shares, prospective equity investors should read this Prospectus. Prospective equity investors should ensure that they read the whole of this Prospectus carefully and not just rely on key information or information summarised within it. In making an investment decision, prospective equity investors must rely upon their own examination, analysis and enquiry of the Company and the terms of this Prospectus, including the merits and risks involved.

All equity investors who subscribe for or purchase Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on any of the Underwriters or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; (ii) they have relied only on the information contained in this Prospectus; and (iii) no person has been authorised to give any information or to make any representation concerning the Group or the Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors, the Proposed Director, the Selling Shareholders or any of the Underwriters.

None of the Company, the Directors, the Proposed Director, the Selling Shareholders, any of the Underwriters or any of their affiliates or representatives is making any representation to any offeree, subscriber or purchaser of the Shares regarding the legality of an investment by such offeree, subscriber or purchaser under the laws applicable to such offeree or purchaser. Each equity investor should consult with his or her own advisers as to the legal, tax, business, financial and related aspects of a purchase of the Shares.

In connection with the Offer, each of the Underwriters and any of their respective affiliates may take up a portion of the Shares in the Offer as a principal position and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to the Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue, offer, subscription, acquisition, dealing or placing by the Underwriters and any of their affiliates acting in such capacity. In addition certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with equity investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Shares. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Over-allotment and Stabilisation

In connection with the Offer, Goldman Sachs International, as Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Shares or effect other stabilisation transactions with a view to supporting the market price of the Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings of the Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Shares up to a maximum of 13,603,941 Shares, being 10 per cent. of the total number of Shares comprised in the Offer. For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over-allotments and/or from sales of Shares effected by it during the stabilising period, it is expected that the Corporate Nominee (acting as nominee for and on behalf of the Over-allotment Shareholders) will grant the Stabilising Manager the Over-allotment Option, pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Shares up to a maximum of 10 per cent. of the total number of Shares comprised in the Offer (the "Over-allotment Shares") at the Offer Price. The Over-allotment Option will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional dealings of the Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Shares, including for all dividends and other distributions declared, made or paid on the Shares, will be purchased on the same terms and conditions as the Shares being issued or sold in the Offer and will form a single class for all purposes with the other Shares.

Presentation of financial information

The financial information in this Prospectus has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The significant IFRS accounting policies of the Company have been applied consistently in the audited consolidated financial information in this Prospectus.

The Group's consolidated historical financial information included in Part 12 (Historical Financial Information) of this Prospectus has been prepared in accordance with the requirements of the Prospectus Directive and the Listing Rules and in accordance with IFRS. The basis of preparation and significant accounting policies are set out within Note 1 of the Group's consolidated historical financial information in Part 12 (Historical Financial Information).

Financial information

The Company's financial year runs from 1 January to 31 December. The financial information for the Group included in Section B of Part 12 (Historical Financial Information) is covered by the accountants' report included in Section A of Part 12 (Historical Financial Information), which was prepared in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

None of the financial information used in this Prospectus has been audited in accordance with auditing standards generally accepted in the United States of America (“US GAAS”) or auditing standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”). In addition, there could be other differences between the auditing standards issued by the Auditing Practices Board in the United Kingdom and those required by US GAAS or the auditing standards of the PCAOB. Potential equity investors should consult their own professional advisers to gain an understanding of the financial information in Part 12 (Historical Financial Information) and the implications of differences between the auditing standards noted herein.

Non-IFRS financial information

This Prospectus contains certain financial measures that are not defined or recognised under IFRS, including Adjusted EBITDA, Adjusted EBITDA Margin, Segment Adjusted EBITDA, Segment Adjusted EBITDA Margin, Free Cash Flow and Free Cash Flow Margin. Definitions of these measures, along with reconciliations of the measures, as applicable, to the Group’s historical financial information appears in Part 9 (Selected Financial Information).

The Directors and the Proposed Director consider these metrics to be the non-IFRS financial measures used by the Group to help evaluate growth trends, establish budgets and assess operational performance and efficiencies. The Directors and the Proposed Director believe that these non-IFRS performance measures, in addition to IFRS measures, provide an enhanced understanding of the Group’s results and related trends, therefore increasing transparency and clarity into the core results of the business. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare the Group’s performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or loss or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity. Further explanation of the relevance of each of the non-IFRS measures, a reconciliation of the non-IFRS measures to the most directly comparable measures calculated and presented in accordance with IFRS and a discussion of their limitations is set out in Part 9 (Selected Financial Information). The Group does not regard these non-IFRS measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS. The non-IFRS measures may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group’s operating results as reported under IFRS.

Key performance indicators

To assist prospective equity investors in comparing the Group’s historical financial performance from period to period, certain key performance indicators and other operating measures have been presented in this Prospectus. Save where indicated, these measures have been extracted from the Group’s management reporting systems but have not been audited or reviewed by external auditors, consultants, independent experts or other third parties. Set out below is a description of the key performance indicators used by the Group, other than the non-IFRS measures set out in “Non-IFRS financial information” of this Part 2 (Presentation of Financial and Other Information).

- *Loans under Management.* Represents the total value of outstanding principal and interest to Borrowers and includes amounts that are overdue but not loans that have defaulted. The Directors and the Proposed Director view Loans under Management as a useful measure because it is a key driver of servicing revenue, and denotes the level of investment on the platform at a point in time.
- *Originations.* Represents the monetary value of loans originated through the Group’s platform in any particular period. The Directors and the Proposed Director view originations as a useful measure because it is a key driver of transaction revenue and Loans under Management.
- *Number of loans originated.* Represents the number of loans originated from both existing and new Borrowers in any particular period. The Directors and the Proposed Director view the number of loans originated as a useful measure because it indicates the level of activity taking place on the platform in terms of Borrower and Investor interaction and is a useful measure of the level of operational activity that is being conducted by the Group.
- *Transaction yield.* Represents the total revenue the Group derives from Borrowers for originating loans on the platform, divided by the value of the loans originated. The Directors and the Proposed Director view

transaction yield as a useful measure because it demonstrates the economic return the Group earns from one of its core activities, namely connecting Investors and Borrowers.

- *Servicing yield.* Represents the total revenue the Group derives from servicing loans outstanding on its platform, divided by the average value of Loans under Management in that particular period. The Directors and the Proposed Director view servicing yield as a useful measure because it demonstrates the economic return the Group earns for the activity it undertakes in collecting, distributing and processing receipts and payments on its platform.
- *Marketing spend as a percentage of revenue.* Represents the total cost of third-party marketing expenditure in any particular period divided by the revenue earned in that period. The Directors and the Proposed Director consider marketing spend as a percentage of revenue to be a useful measure because it demonstrates the proportion of revenue that is required to be spent attracting Borrowers and Investors to the Group’s platform.

Currency presentation

Unless otherwise indicated, all references in this Prospectus to “sterling”, “pounds sterling”, “GBP”, “£”, or “pence” are to the lawful currency of the United Kingdom. All references to “EUR”, “euro” or “€” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references to “US dollar”, “USD” or “\$” are to the lawful currency of the United States.

Certain industry-related information included in this Prospectus is shown translated from US dollars and euros into pounds sterling at specified rates solely for the convenience of the reader. These convenience translations should not be construed as representations that the US dollar and euro amounts actually represent such pound sterling amounts or could have been or could be converted into pounds sterling at the specified rate or at all. Furthermore, the exchange rate for purposes of the convenience translation is not necessarily the same rate used in preparing the Group’s financial statements and other financial information that appears elsewhere in this Prospectus. The exchange rate used for purposes of the convenience translations is, in most instances: USD/GBP: 0.72 and EUR/GBP 0.89.

Exchange rate information

The average exchange rates of US dollars and euros are shown relative to pounds sterling below. The rates below may differ from the actual rates used in the preparation of the financial statements and other financial information that appears elsewhere in this Prospectus. The inclusion of these exchange rates is for illustrative purposes only and does not mean that the sterling amounts actually represent such US dollar or euro amounts or that such sterling amounts could have been converted into US dollar or euro at any particular rate, if at all.

Average rate against pounds sterling

Year	US dollars per £1.00			
	Period End	Average	High	Low
2013	1.6566	1.5648	1.6566	1.4858
2014	1.5581	1.6474	1.7165	1.5515
2015	1.4734	1.5283	1.5872	1.4654
2016	1.2345	1.3554	1.4810	1.2158
2017	1.3524	1.2886	1.3582	1.2068
June 2018	1.3194	1.3288	1.3413	1.3095
July 2018	1.3127	1.3162	1.3264	1.2990
August 2018	1.2959	1.2875	1.3118	1.2700
September 2018 (through 17 September 2018)	1.3159	1.2994	1.3159	1.2854
2018 (through 17 September 2018)	1.3159	1.3535	1.4325	1.2700

Year	Euros per £1.00			
	Period End	Average	High	Low
2013	1.2014	1.1779	1.2328	1.1431
2014	1.2874	1.2409	1.2874	1.1912
2015	1.3559	1.3775	1.4399	1.2726
2016	1.1705	1.2243	1.3645	1.0983
2017	1.1250	1.1416	1.1968	1.0758
June 2018	1.1299	1.1380	1.1447	1.1299
July 2018	1.1215	1.1266	1.1334	1.1191
August 2018	1.1178	1.1151	1.1243	1.0999
September 2018 (through 17 September 2018)	1.1251	1.1181	1.1251	1.1088
2018 (through 17 September 2018)	1.1251	1.1317	1.1568	1.0999

Source: Bloomberg

Roundings

Certain data in this Prospectus, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100 per cent.

Market, economic and industry data

Unless the source is otherwise stated, the market, economic and industry data in this Prospectus constitute the Directors' and the Proposed Director's estimates, using underlying data from independent third parties. The Company obtained market data and certain industry forecasts used in this Prospectus from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications, including publications and data compiled by OC&C, Oxford Economics, P2PFA, the 2017 Small Business Credit Survey, Eurostat, Alternative Credit Council, Preqin, NFIB, FFIEC, FDIC, DBA, FAAN, Bundesbank, DFC, BDL, Department for Business, Innovation and Skills, De Nederlandsche Bank, AltFi Data, Cambridge Centre for Alternative Finance, Crowdfundingmarkt.nl, UK Investment Association, UK Finance, OECD, the Bank of England, ECB, EIB, Lloyds Banking Group, RBS, Santander UK, Nationwide, Barclays, HSBC, Shawbrook, CYBG, Aldermore, OneSavings Bank, The Co-operative Bank and Infosys.

The Company confirms that all third-party data contained in this Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Prospectus, the source of such information has been identified. While the Directors and the Proposed Director believe the third-party information included herein to be reliable, neither the Company nor the Underwriters has independently verified such third-party information.

Service of process and enforcement of civil liabilities

The Company is incorporated under English law. Many of the Directors, and the Proposed Director, are citizens of the United Kingdom (or other non-US jurisdictions), and a majority of the Company's assets are located outside the United States. As a result, it may not be possible for equity investors to effect service of process within the United States upon the Directors and the Proposed Director, or to enforce against them in the US courts judgments obtained in US courts predicated upon the civil liability provisions of the US federal securities laws. There is doubt as to the enforceability in England, in original actions or in actions for enforcement of judgments of the US courts, of civil liabilities predicated upon US federal securities laws.

No incorporation of website information

The contents of the Company's websites do not form part of this Prospectus.

Definitions and glossary

Certain terms used in this Prospectus, including all capitalised terms and certain technical and other items, are defined and explained in Part 15 (Definitions and Glossary).

Information not contained in this Prospectus

No person has been authorised to give any information or make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this Prospectus or that the information in this Prospectus is correct as of any time subsequent to the date hereof.

Information regarding forward-looking statements

This Prospectus includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Directors' and the Proposed Director's current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned", "anticipates" or "targets" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Directors, the Proposed Director or the Group concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies, and dividend policy of the Group and the industry in which it operates. In particular, the statements under the headings "Summary", "Risk Factors", "Business Description" and "Operating and Financial Review" regarding the Company's strategy, targets and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in this Prospectus regarding matters that are not historical facts involve predictions. 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. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements.

Such forward-looking statements contained in this Prospectus speak only as of the date of this Prospectus. The Company, the Directors, the Proposed Director, the Selling Shareholders and the Underwriters expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the Prospectus Rules, the Listing Rules, the Disclosure Guidance and Transparency Rules of the FCA or the Market Abuse Regulation.

PART 3
Directors, Proposed Director, Secretary, Registered and Head Office and Advisers

Directors	Andrew Digby Learoyd (<i>Chairman of the Board</i>) Samir Desai CBE (<i>Co-founder, Chief Executive Officer</i>) Sean Robert Glithero (<i>Chief Financial Officer</i>) Catherine Jane Keers (<i>Independent Non-Executive Director</i>) Edward James Wray (<i>Independent Non-Executive Director</i>) Hendrik Willem Nelis (<i>Non-Executive Director</i>) John Eric Daniels (<i>Independent Non-Executive Director</i>) Neil Alexander Rimer (<i>Non-Executive Director</i>) Robert King Steel (<i>Senior Independent Non-Executive Director</i>)
Proposed Director	Geeta Gopalan (<i>Proposed Independent Non-Executive Director</i>) ⁽¹⁾
Company Secretary and Global General Counsel	Lucy Vernall
Registered and head office of the Company	71 Queen Victoria Street London EC4V 4AY United Kingdom
Joint Global Co-ordinators and Joint Bookrunners	Merrill Lynch International 2 King Edward Street London EC1A 1HQ Goldman Sachs International Peterborough Court 133 Fleet Street London EC4A 2BB Morgan Stanley & Co. International plc 25 Cabot Square London E14 4QA
Joint Bookrunner	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Sponsor	Merrill Lynch International 2 King Edward Street London EC1A 1HQ
English and US legal advisers to the Company	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS
English and US legal advisers to the Joint Global Co-ordinators, Joint Bookrunners, Underwriters and Sponsor	Linklaters LLP One Silk Street London EC2Y 8HQ

Reporting Accountants and Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Registrar and Receiving Agent	Equiniti Limited Aspect House, Spencer Road, Lancing West Sussex BN99 6DA
Intermediaries Offer Adviser	Solid Solutions (Associates) UK Limited 5 St Johns Lane London EC1M 4BH

Note:

(1) Ms Gopalan has agreed to be appointed as a Non-Executive Director with effect from 1 November 2018.

PART 4
Expected Timetable of Principal Events and Offer Statistics

Expected timetable of principal events

<u>Event</u>	<u>Time and Date⁽¹⁾⁽²⁾</u>
Latest date for submission of applications by retail equity investors to their Intermediary (exact time to be determined by the Intermediary)	27 September 2018
Latest time and date for receipt by the Receiving Agent of applications from Intermediaries	By 4:00 p.m. on 27 September 2018
Latest date for receipt of indications of interest in the Institutional Offer	27 September 2018
Announcement of the Offer Price and Offer Size, publication of the Pricing Statement and notification of allocations of Shares ⁽³⁾	7:00 a.m. on 28 September 2018
Commencement of conditional dealings in Shares on the London Stock Exchange	8:00 a.m. on 28 September 2018
Admission and commencement of unconditional dealings in Shares on the London Stock Exchange	8:00 a.m. on 3 October 2018

Notes:

- (1) Times and dates set out in the timetable above and mentioned throughout this Prospectus that fall after the date of publication of this Prospectus are indicative only and may be subject to change without further notice. **In particular, the dates and times of the announcement of the Offer Price and Offer Size, commencement of conditional dealings in Shares on the London Stock Exchange and Admission and commencement of unconditional dealings in shares on the London Stock Exchange may be accelerated or extended by agreement between the Joint Global Coordinators and the Company.**
- (2) All references to time in this timetable are to UK time.
- (3) The Offer Price and Offer Size will be set out in the Pricing Statement. The Pricing Statement will not necessarily be sent to persons who receive this document but it will be available (subject to certain restrictions) on the Company's website at <http://corporate.fundingcircle.com/investors/prospectus>. If (i) the Offer Price is set above the Price Range or the Price Range is revised higher; (ii) the number of New Shares to be issued by the Company is set above the New Share Offer Size Range; and/or (iii) the number of Existing Shares to be sold by the Selling Shareholders is set above the Existing Share Offer Size Range, then the Company would make an announcement via a Regulatory Information Service and prospective equity investors would have a statutory right to withdraw their application for Shares pursuant to section 87Q of FSMA. In such circumstances, the Pricing Statement would not be published until the period for exercising such withdrawal rights has ended. The expected date of publication of the Pricing Statement would be extended and the arrangements for withdrawing offers to subscribe for or purchase Shares would be made clear in the accompanying announcement.

It should be noted that, if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

Offer statistics

Price Range (per Share) ⁽¹⁾	420 pence to 530 pence
Number of New Shares in the Offer	
—Minimum	56,603,774
—Maximum	71,428,571
Number of Existing Shares in Offer	
—Minimum ⁽²⁾	—
—Maximum ⁽²⁾	64,610,845
Number of Shares expected to be allotted to the Cornerstone Investor ⁽³⁾⁽⁵⁾	33,625,246
Maximum number of Existing Shares subject to the Over-allotment Option ⁽⁴⁾⁽⁵⁾	13,603,941
Number of Shares in issue following the Offer ⁽⁵⁾	336,780,889
Market capitalisation of the Company at the Offer Price ⁽⁵⁾⁽⁶⁾	£1,600,000,000
Estimated net proceeds of the Offer receivable by the Company ⁽⁷⁾	£282 million
Estimated net proceeds of the Offer receivable by the Selling Shareholders ⁽⁸⁾	£296 million
Maximum number of New Shares which may be issued by the Company in connection with the exercise of existing vested options in the six month period following Admission ⁽⁹⁾	11,953,368

Notes:

- (1) It is currently expected that the Offer Price will be within the Price Range. It is expected that the Pricing Statement containing the Offer Price and the number of Shares which are comprised in the Offer will be published on or about 28 September 2018 and will be available (subject to certain restrictions) on the Company's website at <http://corporate.fundingcircle.com/investors/prospectus>. If the Offer Price is set above the Price Range, or the Price Range is revised higher, the Company would make an announcement via a

Regulatory Information Service and prospective equity investors would have a statutory right to withdraw their application for Shares pursuant to section 87Q of FSMA.

- (2) Assuming no exercise of the Over-allotment Option.
- (3) The Company on the one hand, and Heartland and the Cornerstone Investor (a wholly-owned indirect subsidiary of Heartland) on the other, have entered into the Cornerstone Investment Agreement pursuant to which: (i) the Cornerstone Investor has irrevocably agreed to subscribe for or purchase Shares in the Offer, at the Offer Price, such that, immediately following the Offer and Admission, the Cornerstone Investor will hold 10 per cent. of the issued ordinary share capital of the Company, (ii) Heartland has irrevocably agreed to procure that the Cornerstone Investor completes such subscription or purchase, and (iii) the Company has agreed to cause such Shares to be delivered or allotted and issued to the Cornerstone Investor, at the Offer Price. For more information, see “*Cornerstone Investor*” in Part 13 (Details of the Offer).
- (4) The maximum number of existing Shares comprised in the Over-allotment Option is, in aggregate, equal to 10 per cent. of the maximum number of Shares comprised in the Offer.
- (5) Assuming the Offer Price is set at the mid-point of the Price Range, the Selling Shareholder Options are exercised and the New Director Shares are issued.
- (6) The market capitalisation of the Company at any given time will depend on the market price of the Shares at that time. There can be no assurance that the market price of a Share will be equal to or exceed the Offer Price.
- (7) The estimated net proceeds receivable by the Company are stated after deduction of the estimated underwriting commissions and other fees and expenses of the Offer (including VAT) payable by the Company, which are currently expected to be approximately £17.8 million. The Company will not receive any of the net proceeds from the sale of the Existing Shares (if any) in the Offer by the Selling Shareholders or the sale of Shares pursuant to the Over-allotment Option.
- (8) The estimated net proceeds receivable by the Selling Shareholders assume that the Offer Price is set at the mid-point of the Price Range, that the number of Existing Shares sold is set at the top of the Existing Share Offer Size Range and no exercise of the Over-allotment Option, and are stated after deduction of the estimated underwriting commissions and other fees and expenses of the Offer (including VAT) payable by the Selling Shareholders, which would be approximately £10.7 million.
- (9) At Admission, a block listing application will be made to the FCA in respect of 11,953,368 Shares which may be issued in connection with the exercise of existing vested options in the six month period following Admission. Subject to the lock-up arrangements described in more detail in paragraphs 13.3 (*Eligible Individual Selling Shareholders lock-up arrangements*) and 13.4 (*Corporate Selling Shareholders and Cornerstone Investor lock-up arrangements*) of Part 14 (Additional Information), which apply to the Directors and the Eligible Individual Selling Shareholders, Shares which are issued in connection with the exercise of vested options may be sold from and including the date of Admission. For more detail, see “*Listing, dealing and settlement arrangements*” in Part 13 (Details of the Offer).

PART 5 Industry Overview

The following information relating to the Group's industry has been provided for background purposes only. The information has been extracted from a variety of sources released by public and private organisations. The information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Prospective equity investors should read this Part 5 (Industry Overview) in conjunction with the more detailed information contained in this Prospectus including Part 1 (Risk Factors) and Part 10 (Operating and Financial Review).

Key trends in SME lending

SMEs play a vital role in global economy but are often underserved

SMEs are important drivers of economic growth, employment and innovation globally. SMEs are typically a major source of employment in a country—in the OECD area, they account for, on average, approximately 70 per cent. of all jobs—and are a major contributor to the economy, generating between 50 and 60 per cent. of annual economic value creation (source: OECD, 2016).

Despite this important societal and economic role that they play, SMEs have historically been underserved across industries. Few businesses have focused on delivering products and services needed to support small businesses, with the primary focus being on the highly commoditised mass market consumer base and larger corporates. However, as a result of recent developments and technological advances, a number of businesses have emerged across a variety of sectors, including financing, that are focused on enabling SMEs.

The global financial crisis and its aftermath had a significant negative impact on the supply of lending to SMEs

The global financial crisis impacted the supply of lending in a number of ways, particularly from banks, who are the largest providers of credit to the economy. Structural issues, such as changes in the regulatory environment and increased capital requirements under Basel III, have caused banks to de-lever and de-risk balance sheets, encouraging them to focus on larger clients better suited for their business models and operating infrastructures. In addition, investments required to address the SME lending market, such as new IT infrastructure and analytics systems, have not been a strategic priority.

As a result, lending to SMEs has declined substantially since the financial crisis in 2008 and 2009. In the United Kingdom, total outstanding borrowing facilities from traditional banks to SMEs have declined by 13 per cent., from £189 billion in December 2011 to £165 billion in December 2017, according to the Bank of England. In the United States, small-business loans⁵ outstanding declined by 10 per cent., from \$781 billion in June 2008 to \$699 billion in December 2017 (source: FDIC). Moreover, the share of small-business loans in the banks' total stock of commercial and industrial lending has decreased from 30 per cent. in 2010 to 20 per cent. in 2017 (source: Oxford Economics).

SMEs' financing needs continue to be underserved by traditional players

SME lending is a small part of banks' overall balance sheets. As at 31 December 2017, SME lending in the United Kingdom represented approximately 6 per cent. only of the total pooled retail and corporate lending exposure for certain major incumbent and challenger UK banks⁶. The majority of banks' balance sheets are focused on historical areas of priority such as mortgages, consumer lending and large-scale commercial lending.

Executing a successful SME lending strategy is challenging. Data is generally harder to obtain and less detailed than in corporate and consumer lending, making automation more difficult; loan sizes and other non-lending revenue opportunities tend to be smaller for SMEs than for larger corporates, departing from banks' scale-reliant business models. As a result, while the majority of SME lending across the United States, the United Kingdom, Germany and the Netherlands still comes from banks, it has had limited long-term focus and often falls between their retail and commercial divisions.

⁵ Defined as loans of less than \$1 million. Including farm loans.

⁶ Based on publicly available data from Lloyds Banking Group, RBS, Santander UK, Nationwide, Barclays, HSBC, Shawbrook, CYBG, Aldermore, OneSavings Bank and The Co-operative Bank.

Legacy IT systems have also acted as a barrier. A significant part of banks' IT budgets are spent on maintaining, rather than improving, current systems which often prevents banks from investing in, and utilising, technological advances to offer a better customer experience and more competitively-priced loans to SMEs. According to Infosys, SME borrowers spend over 25 hours on their bank loan request paperwork, resulting in an unnecessary burden for SMEs and distracting them from running their day-to-day businesses.

According to a 2017 global survey by Oxford Economics, 53 per cent. of SMEs reported that it is difficult to get sufficient access to capital for expansion. In the United States, according to the 2017 Small Business Credit Survey, only 46 per cent. of SMEs that applied for funding received all the financing they sought. OC&C estimate that there is an approximately 15 per cent. SME lending gap in the United Kingdom and that a comparable gap likely exists in the United States and the Netherlands.

Online lending platforms have emerged, supported by technological advances, regulatory changes and governmental policies

Online lending platforms started to emerge as a result of the contraction in traditional credit sources following the financial crisis in 2008 and 2009, increasing internet penetration, advances in technology and the digitalisation of information. These platforms, which generally match borrowers and investors directly without the use of an intermediary (such as a bank), have grown rapidly and are increasingly becoming an important source of funding, including for SMEs, in the United Kingdom, the United States and other markets.

Initial online lending platforms in the United States and the United Kingdom primarily focused on consumer lending because it is generally simpler than SME lending. In consumer lending, credit data is abundant, allowing for commoditised products and largely automated processes. In contrast, the lack of easily-accessible and applicable initial credit data on SMEs makes it harder to collect data in a comprehensive format from public or third-party sources, but provides a powerful competitive advantage for those that do accumulate strong data sources over time. The next generation of lending platforms, such as Funding Circle, followed to address the more complex SME lending market.

Successful SME lending platforms are often able to offer an improved value proposition to both borrowers and investors, in particular as compared to traditional lending sources. For borrowers, these entail a much simpler application process, increased convenience through online access, faster response times compared to traditional lenders, and competitively-priced rates. For investors, benefits include exposure to the previously largely unavailable SME-credit asset class, and attractive risk-adjusted returns.

Regulators and policymakers have expressed support for funding sources that help diversify lending and reduce the economy's dependency on large banks, through regulatory and policy measures, as well as public statements. Mark Carney, the Governor of the Bank of England, noted in this context that "...an effective financial system needs intermediation outside the traditional banking sector. When conducted appropriately, it can be a valuable alternative to, and provide competition for, banks in funding the real economy."

The post-global financial crisis era has witnessed a number of policy initiatives designed to assist alternative SME lending. Examples are the regulatory sandbox that allows innovators to conduct live experiments in a controlled environment under the supervision of United Kingdom's FCA, and the referral programme that, if a small business is rejected for finance by the big banks, the bank is obliged to offer the business a referral to a designated, online finance platform. One additional recent example is the Capability and Innovation Fund set up by the United Kingdom government in 2018 to encourage the development and improvement of financial products and services that are available to SMEs.

Furthermore, European governments, including the United Kingdom, have also used these platforms to channel public funds to SMEs to stimulate economic growth. Examples include the United Kingdom's government-backed British Business Bank and the European Investment Bank ("EIB"), both of which invest in SME loans through Funding Circle's platform, either directly or indirectly.

In general, Funding Circle believes that governments are likely to remain supportive of new forms of lending as it aligns with the financial inclusion objective, where all members of society should have adequate access to financial services.

SME lending market size and key trends by geography

The SME lending market is vast and underserved. According to OC&C, the aggregate market for SME debt financing in the four countries in which Funding Circle operates (the United Kingdom, the United States, Germany and the Netherlands) is estimated at £1.2 trillion loans outstanding as at 31 December 2017. According to OC&C, and taking into account Funding Circle's current participation and strategy, the total

addressable market⁷ is estimated at £470 billion and total annual addressable originations are estimated to be £185 billion, as at 31 December 2017. The table below sets out the estimated size for Funding Circle’s total addressable originations, total addressable market, originations and Loans under Management for 2017, in each of the jurisdictions in which Funding Circle currently operates.

	<u>Total Addressable Originations⁽¹⁾⁽³⁾</u>	<u>Total Addressable Market⁽¹⁾⁽³⁾</u>	<u>Funding Circle Originations⁽²⁾</u>	<u>Funding Circle Loans under Management⁽³⁾</u>
United Kingdom	£35 billion	£85 billion	£1.26 billion	£1.58 billion
United States	\$125 billion	\$305 billion	\$514 million	\$577 million
Germany	€55 billion	€160 billion	€55 million	€64 million
The Netherlands	€10 billion	€25 billion	€34 million	€40 million

Notes:

- (1) Source: OC&C estimates.
- (2) In the year ended 31 December 2017.
- (3) As at 31 December 2017.

United Kingdom

The total market size for SME debt financing in the United Kingdom as at 31 December 2017 is estimated by OC&C at £180 billion, with the total addressable market estimated at £85 billion. This compares to Funding Circle’s £1.58 billion Loans under Management in the United Kingdom as at 31 December 2017, a 1.9 per cent. share of the addressable market. Annual SME loan originations in the United Kingdom in 2017 are estimated by OC&C at £70 billion, of which £35 billion are thought to be addressable. For comparison, Funding Circle had £1.26 billion of originations in the United Kingdom in 2017.

Despite a steady increase in the number of SMEs in the United Kingdom between 2012 and 2017, which grew by a CAGR of 3.7 per cent. over that period (source: OC&C), bank lending to SMEs has contracted significantly, with loans outstanding declining from £189 billion in 2011 to £165 billion in 2017, according to the Bank of England. At the same time, the number of SMEs getting financed has halved, while average loan size has doubled as banks have concentrated their exposure on higher-value loans (source: OC&C). Banks’ net lending to SMEs was negative following the financial crisis and only recovered in 2014, with total net lending supplemented by increasing market share of lending platforms, according to the P2PFA. In 2017, UK-resident banks’ net lending⁸ to SMEs was £677 million, according to Oxford Economics, while Investors participating on Funding Circle’s UK platform alone lent £598 million, on a net basis. Indeed, net lending to SMEs through Funding Circle’s platform in the third and fourth quarters of 2017 exceeded that of the entire UK banking system. Increasingly, banks have also funded larger loans for medium-sized businesses—while the number of approved bank loans has gradually declined for both small and medium sized businesses since 2012, the average bank loan value has doubled for medium-sized businesses (source: OC&C).

United States

The total market size for SME debt financing in the United States as at 31 December 2017 is estimated by OC&C at \$880 billion, of which the total addressable market is estimated to be \$305 billion. This compares to Funding Circle’s \$577 million of Loans under Management in the United States as at 31 December 2017, a 0.2 per cent. share of the total addressable market. Annual originations of SME loans in 2017 are estimated by OC&C at \$300 billion, of which \$125 billion are thought to be addressable. For comparison, Funding Circle had \$514 million of originations in the United States in 2017.

In the United States, optimism and investment expectations among SMEs are high, with the SME business confidence index in 2017 at highest levels after the financial crisis of 2008 (see Fig. 1). Also SMEs’ appetite to invest is high, with 29 per cent. of SMEs planning capital expenditure during the first three to six months of 2018, according to OC&C analysis. Hence, SME loan originations are growing but, as at 31 December 2017, were still more than 50 per cent. below peak in terms of volume and nearly 30 per cent. in terms of originations, following the sharp decline post the financial crisis of 2008 (see Fig. 2).

⁷ For the purposes of estimating Funding Circle’s target addressable market, a number of segments are excluded from the total SME debt finance market, including without limitation commercial mortgages and loans of more than £500,000, as well as loans having an interest rate of more than 25 per cent.

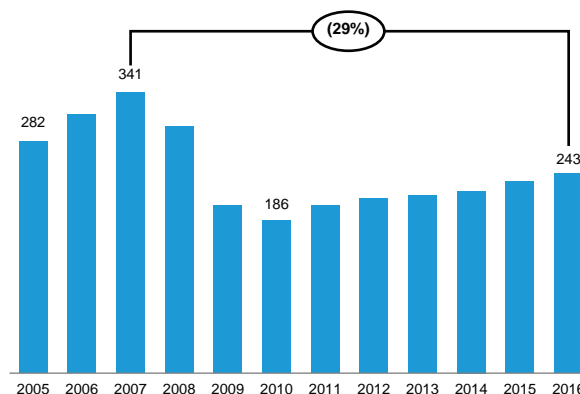
⁸ Defined as gross new lending less repayments.

Fig. 1: SME monthly business confidence in the United States



Source: OC&C, NFIB Small Business Economic Trends June 2018.

Fig. 2: Value of new small business loans, <\$1m per year in the United States



Source: OC&C, FFIEC—CRA National Aggregate Reports.

Germany

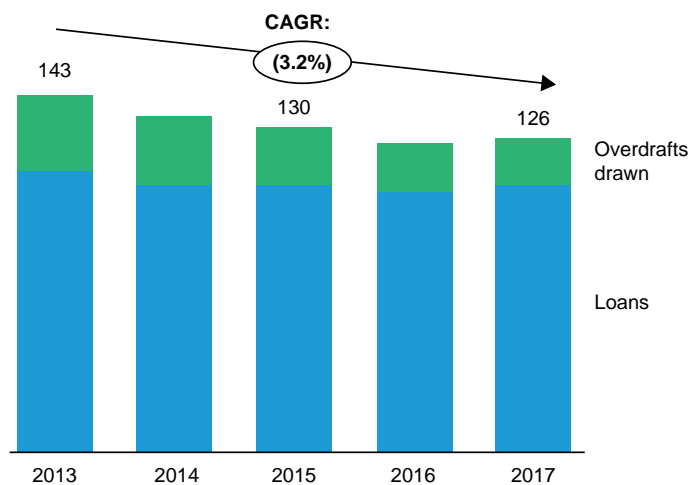
The total market size for SME debt financing in Germany as at 31 December 2017 is estimated by OC&C at €310 billion, with the total addressable market estimated to be €160 billion. This compares to Funding Circle’s €64 million of Loans under Management in Germany as 31 December 2017, a 0.04 per cent. share of the total addressable market. Annual originations in 2017 are estimated by OC&C at €105 billion in the SME debt financing market, of which €55 billion are thought to be addressable. For comparison, Funding Circle had €55 million of originations in Germany in 2017.

The Netherlands

The total market size for SME debt financing in the Netherlands as at 31 December 2017 is estimated by OC&C at €140 billion, with the total addressable market estimated to be €25 billion. This compares to Funding Circle’s €40 million of Loans under Management in the Netherlands as 31 December 2017, a 0.2 per cent. share of the total addressable market. Annual originations in 2017 are estimated by OC&C at €20 billion in the SME debt financing market, of which €10 billion are thought to be addressable. For comparison, Funding Circle had €34 million of originations in the Netherlands in 2017.

Bank SME loan stock has been declining since 2013 by 4.2 per cent. annually. The Netherlands has one of the highest online banking penetration in Europe (89 per cent. in 2017, according to Eurostat), indicating high willingness to engage with online providers.

Fig. 3: Top 3 bank loan stock and overdrafts to SMEs



Source: De Nederlandsche Bank, data annually in Q4.

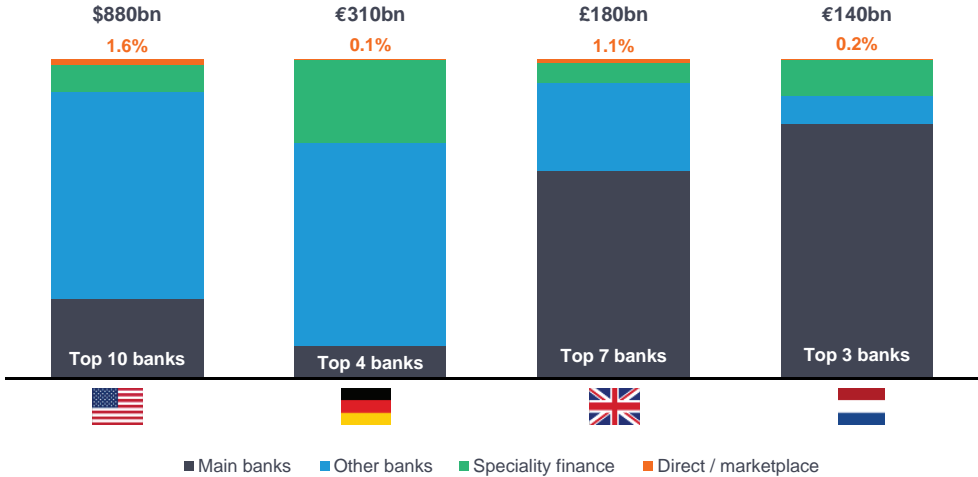
Market participants in SME lending and competitive overview

The market participants in SME lending can be broadly classified into four categories. Banks hold the majority of market share in the SME lending market but there are three additional groups of players: online lending platforms, specialist lenders and captive networks.

Banks

Despite the significant transformation in the funding landscape for SMEs since the global financial crisis, banks continue to be the dominant players in terms of the overall SME lending volume in each of Funding Circle’s markets (see Fig. 4). The markets have different concentration characteristics—with high levels of concentration in the United Kingdom and the Netherlands and high fragmentation in the United States and Germany—but the outcome for SMEs has been the same. Innovation for SME lending has been limited, resulting in a situation where SME lending markets remain underserved.

Fig. 4: Total SME debt finance balances by competitor type



Source: OC&C analysis; FDIC, FFIEC, FED, BoE, UK Finance, Annual Reports, DNB, DBA, FAAN, Bundesbank, DFC, BDL.

In the United Kingdom, SME lending has been historically concentrated within a limited number of large banks. The Bank of England Q1 2018 Credit Conditions review indicates that the major United Kingdom lenders—Banco Santander, Barclays, HSBC, Lloyds Banking Group, Nationwide and Royal Bank of Scotland—accounted for approximately 65 per cent. of the stock of lending to businesses in the United Kingdom.

In the United States, banks are the main source of credit for SMEs, particularly community banks. Extensive consolidation has resulted in a significant decline in the number of community banks from 14,000 in 1984 to 7,000 more recently, according to a 2017 report by Infosys, but there still remains a very high number of, often sub-scale, banks.

Personal credit lines from credit card companies have now become an alternative source of credit for SMEs. By contrast, larger companies are able to rely on capital markets for debt and equity financing as an alternative to bank financing.

In Germany, companies have also traditionally relied on bank loans. The banking landscape features a three-tiered system of private commercial banks, public-sector institutions (such as savings banks and state banks) and co-operative banks. Private commercial banks are dominated by the “big three”: Deutsche Bank, Commerzbank and HypoVereinsbank (HVB, part of UniCredit). Germany has a tradition of small local credit co-operatives and public-sector savings banks (owned by local authorities) geared towards servicing SMEs. These small local savings and co-operative banks account for the majority of credit institutions (source: Department for Business, Innovation and Skills). Consolidation of these institutions remains behind other European markets and is believed to be an essential reason why they are less innovative than in other European markets.

In the Netherlands, the banking sector is highly concentrated and dominated by a small number of large national banks. According to the ECB, the leading five Dutch-based banks account for around 85 per cent. of total banking assets.

While banks dominate the market share of outstanding loans across different geographies, enjoy high levels of awareness and can offer competitive rates, they are generally constrained by legacy IT systems and expensive branch networks, distracted by other strategic issues and focused on serving larger clients. This lack of focus on SMEs provides a major opportunity for online lending platforms.

Online lending platforms

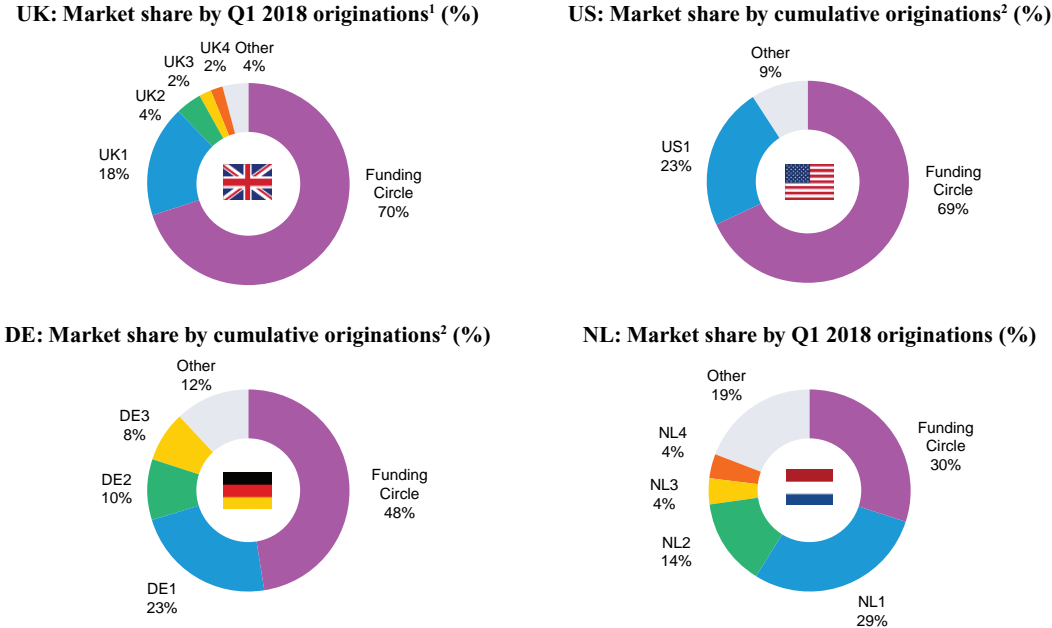
Online lending platforms provide an alternative source of funding for SMEs compared to traditional banks, and aim to offer fast and flexible financing at competitive prices through a simple online application. This can culminate in a better customer experience for potential borrowers. For investors, online lending platforms can provide an attractive source of risk-adjusted returns. The combination of borrower demand and investor supply enables online lending platforms to compete with banks in SME lending and unlock addressable loans that are economically unattractive to banks due to the costs associated with underwriting these segments for the banks.

While lending platforms generally place the full economic risk of the loans with the investors and do not assume the credit or funding risk relating to the loans they originate, their approach to credit risk must be robust in order to deliver attractive risk-adjusted returns for investors and retain their funding and confidence in the platform.

Key players

Online lending platforms have emerged around the globe, most prominently in the United States, the United Kingdom and China, and are expected to continue to emerge globally. Today, a wide variety of online lending platforms (see Fig. 5) offer a range of financing products, including term unsecured and secured loans, short term working capital loans, asset backed loans and property development loans.

Fig. 5: Relative market shares of SME lending platforms across markets



Source: OC&C analysis; AltFi Data, Cambridge Centre for Alternative Finance, Crowdfundingmarkt.nl, company websites.

- (1) OC&C analysis excludes invoice financing businesses as it is not directly comparable.
- (2) OC&C estimate.

Specialist lenders

There are a number of different types of specialist lenders focused either on specific segments by product, such as asset finance or invoice finance; or specific segments by SME groups, such as short term financing at higher interest rates (e.g., more than 40 per cent. annual interest rate). These lenders serve a smaller portion of the overall market and differentiate themselves by offering very short-term loans at short notice, often to resolve liquidity shortages, and by offering same-day decision and funding. Loans in this segment often carry a higher

risk and therefore higher interest rates. These specialist lenders typically have lower awareness levels than banks but have a broader risk appetite.

Captive networks

In recent years, e-commerce platforms, payment processors and telecommunication companies have provided lending products to their captive customer bases. These networks tend to serve specific industry segments of smaller SMEs with short-term loans in the lower spectrum of loan sizes. For example, SMEs are able to access working capital loans on platforms such as Amazon, PayPal or Square. The repayments are typically deducted from sales made on the platform.

The key advantage for these lenders is the ongoing visibility they have on a substantial portion of their borrowers' financial, with focus on transactional, activities. In addition, the servicing process is already facilitated as the borrowing merchants are connected to their systems and the contractual relationship is already in place. However, the business model is currently largely focused on offering lending products to SMEs who use their services. Hence, they currently serve a relatively small portion of the overall SME population.

Investor overview

Funding Circle classifies the Investors participating on its platform into four categories: institutional Investors, retail Investors, listed credit funds or investment trusts (e.g., FCIF), and supranationals and public bodies. These Investor groups are indicative of investors in other online lending platforms.

The capital currently committed by these investors to online lending platforms represents a very small proportion of the total pool of capital invested in the global fixed income market.

Institutional investors

Institutional investors encompass asset managers, banks, pension funds, endowment funds and insurance companies who allocate capital with the goal of earning suitable risk-adjusted returns. Institutional investors have increasingly shifted their investments towards alternative fixed income investments. Hence, the private credit industry is now lending to businesses at record levels and, having witnessed a CAGR of nearly 20 per cent. since 2000, is now expected to grow to \$1 trillion by 2020, according to recent research by the Alternative Credit Council. As the platform lending industry has grown, it has increasingly been perceived by asset managers as a fixed-income investment that offers attractive risk-adjusted returns, and the ability to directly gain exposure to the SME credit asset-class. According to Preqin, the unutilised capital available of direct lending funds stood at \$236 billion as of December 2017.

Retail investors

Retail investors can generally invest in loans through lending platforms in a variety of ways, including, in some cases, in a way that allows for preferential tax treatment. In the United Kingdom, direct investment can be made through an "Innovative Finance ISA", which allows retail investors to lend to borrowers in return for income within a tax-free wrapper. Innovative Finance ISAs are expected to significantly increase in popularity in the coming years as the range of investments available increases, and investor knowledge regarding the attractive returns from alternative asset classes such as lending platforms becomes widespread. In the United Kingdom, there were approximately £282 billion of UK ISA deposits as of May 2018 (source: Bank of England data provided by Building Societies Association (not seasonally adjusted)).

Listed credit funds or investment trusts

Permanent capital vehicles include publicly listed funds which invest directly in loans originated through platforms. There are currently two types of investment trusts: cross-platform funds (e.g., P2PGI) and single-platform funds (e.g., FCIF). Investment trusts have proven popular with both retail and institutional investors and are viewed as fixed-income investments. Many of these investment trusts are available in the United Kingdom for purchase through stocks and shares ISAs for retail investors to receive tax-free interest and capital gains. For institutional investors, investment trusts provide a liquid investment. Lending platform investment trusts have grown in popularity. In the United Kingdom, there were eight SME credit investment trusts listed on the London Stock Exchange as at 30 June 2018, and approximately £243 billion of fixed income funds under management for unit trusts and open-ended investment companies as at 31 December 2017 (source: UK Investment Association).

Supranationals and public bodies

Supranationals and public bodies seek to channel public funds to stimulate economic growth. Given the significant impact that SMEs have on job creation and economic growth, government-backed entities have provided and continue to provide various forms of funding to SMEs. More recently, they have directed funds towards SMEs using lending platforms as policy tools that support a country's economic agenda. This is part of a broader theme of governments stepping up efforts to foster a diversified financial offer for SMEs. In 2017 alone, the British Business Bank and the European Investment Fund provided nearly £27 billion in funding to small businesses (source: EIB).

PART 6 Regulatory Overview

The Group is subject to numerous laws and regulations in the various jurisdictions in which it operates. Set out below is a regulatory overview by jurisdiction.

The United Kingdom

Regulatory status

Funding Circle UK is authorised and supervised by the FCA. On 1 April 2014, the FCA assumed responsibility for regulating loan-based crowdfunding platforms. Funding Circle UK held interim permissions for credit brokerage and P2P lending platform activities until it became fully authorised on 24 May 2017. The regulated activities which Funding Circle UK is authorised to carry on are operating an electronic system in relation to lending, credit broking, debt administration, debt-collecting and agreeing to carry on any of these regulated activities. As a result, Funding Circle UK is subject to certain of the FCA's rules as set-out in its Handbook of Rules and Guidance (the "FCA Handbook").

In summary, the FCA Handbook specifically applies to Funding Circle UK in relation to the following activities:

- (a) in respect of its platform, because it operates an electronic system in relation to lending;
- (b) in respect of individual⁹ (non-institutional) investors who use the platform to lend money to borrowers;
- (c) in respect of sole traders and small partnerships (three or fewer non-corporate partners, and all of whom borrow in excess of £25,000) in terms of debt collection, debt administration and credit broking to the extent that such agreements are not P2P agreements ("P2P Agreements" or, as defined in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544), "article 36H agreements"); and
- (d) in respect of any referrals to third parties of sole traders and small partnerships.

Central to the regulatory regime applicable to Funding Circle UK, and relevant to the identification of certain regulated and non-regulated activity, is the nature of a P2P Agreement.

Applicable law

Funding Circle UK is subject to regulatory rules with respect to prudential requirements, client money protection, financial promotion, conduct of business and anti-money laundering ("AML"). Further detail on some of the key rules that relate to Funding Circle UK is set out below.

- (a) *Wind-down planning.* Firms are required to have resolution plans in place so that, if they are unable to continue their loan servicing responsibilities, loan repayments will continue to be administered. Funding Circle UK's wind-down plan sets out the transfer of responsibility for servicing loans to one or more backup service providers, and the subsequent return of client money to investors and cancellation of regulatory permissions.
- (b) *Prudential requirements.* Firms are currently subject to a minimum prudential requirement of the higher of £50,000 or, as in Funding Circle UK's case, a volume-based amount calculated as the sum of certain proportions of loaned funds outstanding. This is intended to ensure continuity of operations in the case of future financial shocks.
- (c) *Financial promotions and client communications.* The FCA requires firms to provide clients with a general description of the nature and risks of designated investments, and requires that all communications and financial promotions from firms to clients be fair, clear and not misleading. The FCA has produced specific guidance for firms offering Innovative Finance ISAs on the requirement to provide clients with a general description of the nature and risks of designated investments (see "*Innovative Finance Individual Savings Account*" in this Part 6 (Regulatory Overview)).
- (d) *Client money.* Money received from an individual (non-institutional) investor to lend to borrowers and repayments from borrowers to be paid back to such investors is, while the firm is holding it, 'client money' held by the firm for or on behalf of the client in relation to investment business. Funding Circle UK holds client money as it operates a P2P platform that generates investment business and is therefore

⁹ "individual" means (a) a natural person, (b) a partnership consisting of two or three persons not all of whom are bodies corporate; or (c) an unincorporated body of persons which does not consist entirely of bodies corporate and is not a partnership.

subject to the client money rules contained in Chapter 7 of the FCA's Client Assets Sourcebook ("CASS") to that extent. While these client money arrangements therefore apply where there are P2P Agreements, Funding Circle UK has made arrangements to elect to treat money held for other investor types also as 'client money'.

- (e) *Consumer credit and regulated debt collection.* Entering into a "regulated credit agreement" as a lender is a regulated activity if done so by way of business. A regulated credit agreement is, broadly, an agreement under which a lender (lending in the course of business) extends credit to individuals, sole traders, small partnerships or unincorporated bodies of persons. Funding Circle UK permits a person to participate on the platform as a borrower only if it is acting in the course of its business. The question of whether a loan made through the platform is a regulated credit agreement arises, therefore, only where the borrower is a sole trader or a small partnership. A credit agreement will not be a regulated credit agreement if it is an "exempt credit agreement". A credit agreement will be an exempt credit agreement if the credit exceeds £25,000 and if the agreement is entered into wholly or predominantly for the purposes of a business carried on by the borrower. On Funding Circle UK's platform, the minimum amount which sole traders and small partnerships can borrow is £25,020 and this must be wholly for business purposes. When lending in excess of £25,000 to sole traders and small partnerships for purposes wholly or predominantly for the purposes of their business, lenders, even where lending in the course of their business, do not need to be authorised and would not be subject to the applicable regulatory rules in the FCA's Consumer Credit Sourcebook ("CONC").

Funding Circle UK is authorised to carry on the regulated activities of debt collection and debt administration, in order to facilitate the collection of debt from sole traders and small partnerships where there is no P2P Agreement. When Funding Circle UK carries on these activities, it is subject to certain requirements in CONC, for instance rules on treatment of customers in default or arrears.

- (f) *AML.* The majority of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ("MLRs")¹⁰ apply to "relevant persons", pursuant to Regulation 8(1) of the MLRs. A category of relevant person is "financial institutions". Funding Circle UK considers itself to be a financial institution for the purposes of the MLRs and consequently seeks to comply with the provisions of the MLRs, which include rules on risk assessment and controls, customer due diligence and record-keeping.

Further, under the FCA's Senior Management Arrangements, Systems and Controls handbook ("SYSC"), firms such as Funding Circle UK are required to establish, implement and maintain adequate policies and procedures sufficient to ensure compliance of the firm, including its managers, employees and appointed representatives (or where applicable, tied agents), with its obligations under the regulatory system and for countering the risk that the firm might be used to further financial crime. The firm's policies and procedures must include systems and controls that: (1) enable the firm to identify, assess, monitor and manage money laundering risk; and (2) are comprehensive and proportionate to the nature, scale and complexity of its activities.

Funding Circle UK is not, and does not need to be, registered under the MLRs as the FCA already supervises its anti-money laundering systems and controls. Funding Circle UK has a person approved as a CF11 (Money Laundering Reporting).

- (g) *Innovative Finance Individual Savings Account.* In June 2017, Funding Circle UK became approved as an Individual Savings Account manager by HMRC. Funding Circle offers the Innovative Finance Individual Savings Account ("IFISA"), which allows individuals to use their annual ISA investment allowance to lend funds through the P2P lending market, while protecting the returns from both income tax and capital gains tax. Existing disclosure-related rules within the FCA's Conduct of Business Sourcebook apply to firms offering IFISAs. The FCA has also provided guidance on the information it expects firms to disclose to consumers about the relevant risks that a firm should give a retail client in relation to an IFISA.

Other UK entities in the Group

Funding Circle Global Partners Limited ("FCGP") currently carries out limited capital markets activities (other than in the United States), primarily involving marketing to institutional Investors. FCGP is an appointed representative of a third party directly authorised by the FCA and so is an exempt person for the purposes of section 39 of FSMA and does not need to be authorised.

¹⁰ With the exception of part 7 (Transfer of Funds (Information on the Payer) Regulations).

The legal title of a loan in default is assigned to Funding Circle Trustee Limited (“FCTL”). The Investors retain beneficial title, and Funding Circle UK carries out the enforcement of the loan. Funding Circle UK is authorised by the FCA to carry on the regulated activity of debt collection, which is a consumer credit permission required where Funding Circle UK enforces loans against sole traders and small partnerships when not collecting pursuant to a P2P Agreement. These arrangements do not affect the prudential requirements of FCTL or Funding Circle UK. FCTL is not itself authorised.

Key potential changes in the regulatory and legislative framework

Set out below are the key potential changes in the regulatory and legislative framework that could affect Funding Circle UK.

FCA consultation paper on new rules

As noted above, the FCA assumed responsibility for the crowdfunding market in 2014. The FCA committed to carry out a full post-implementation review of this market and the applicable regulatory framework, in particular in relation to investor protection, in 2016, to identify whether further changes were required to the regulatory framework that applies to equity-based and loan-based P2P platform operators. The FCA published the Call for Input, seeking evidence as part of its review in July 2016 and published its proposed changes to the regulatory framework in a consultation paper released on 27 July 2018. Responses to the consultation are requested by 27 October 2018 and the FCA has proposed that the new rules should come into force six months from publication of the final rules and policy statement.

Based on its proposals, the FCA believes it is necessary to strengthen the investor protections provided by its rules, while continuing to ensure it promotes competition in the sector. The FCA has invited responses to the following specific proposals:

- (a) *Risk management framework.* The FCA has proposed prescriptive rules for a risk management framework that requires, as a minimum, that a platform gathers enough information to competently assess the creditworthiness of its borrowers, to categorise borrowers according to its credit risk, and to price loan agreements fairly and appropriately given the credit risk profile of a borrower.
- (b) *Governance.* Building on the existing requirement to have in place robust governance arrangements, the FCA proposes to additionally require P2P platforms to establish, implement and maintain adequate risk management policies and procedures, including effective procedures for risk assessment, which identify, manage and monitor risks relating to their activities, processes and systems.
- (c) *Marketing restrictions.* The FCA has proposed certain marketing restrictions in line with those currently required for equity-based platform operators.
- (d) *Wind-down planning.* Under the FCA’s current rules, firms should have arrangements in place such that, in the event of their failure, existing loans continue to be administered. The FCA proposes to strengthen the rules to ensure that the agreements facilitated by a P2P platform are capable of being managed and administered, in accordance with the contract terms, if the platform ceases to carry out those functions itself and to require platforms to have a ‘P2P resolution manual’.
- (e) *Disclosures to potential investors.* The FCA has concerns about the quality of communications with potential investors, particularly financial promotions, and is concerned that standards of disclosure do not meet its expectations. The FCA proposes more prescriptive requirements on the content, quality and timing of disclosures to customers both before and during the lifecycle of the underlying P2P agreements.

The Directors and the Proposed Director do not believe that any rules resulting from the proposed changes would materially affect the way which Funding Circle UK currently carries on its business.

Treasury Committee inquiry

On 19 February 2018, the Treasury Committee of the House of Commons opened an inquiry into the state of the SME finance market. The inquiry will consider:

- (a) the level of protection currently afforded to SMEs when they borrow money;
- (b) the case for bringing lending to SMEs within the regulatory perimeter, including (i) the likely impact on the supply of, and demand for, credit; and (ii) lessons learned from past misconduct; and
- (c) other non-regulatory or quasi-regulatory options for policing SME lending, such as the establishment of industry codes and standards.

As at the date of this Prospectus, the Treasury Committee has not published any documents concluding this inquiry or provided guidance on any potential legislative or regulatory change.

European Commission proposal

On 8 March 2018, the European Commission put forward a proposal to regulate crowdfunding and P2P business lending in the European Union. The overall aim of the initiative is to enable growth in EU-wide crowdfunding activity in order to develop the sector's potential and to better enable access to funding by small businesses throughout the European Union. The European Commission's Capital Markets Union Action Plan places great emphasis on strengthening the different sources of alternative finance, including crowdfunding, and is also a key component of the European Commission's FinTech Action plan.

The European Commission's proposal introduces an optional EU regime which seeks to enable crowdfunding platforms to provide their services across the "EU Single Market". Instead of having to comply with different regulatory regimes in relation to their core activities, platforms can elect to comply with only one set of rules, both when operating in their home market and in other Member States. The proposal is, as at the date of this Prospectus, in the legislative process so amendments are possible.

The United States

Authorisation and licensing

Certain companies within Funding Circle US engage in online lending to SMEs, as well as related capital raising activities, in the United States. Lending platforms, such as Funding Circle USA, Inc., operate in an extensive and complex regulatory environment, one which is not regulated at the federal or state level by one unified regulator. As a result, Funding Circle USA, Inc. is subject to various federal and state laws common to the financial services industry and intended to protect Borrowers and Investors.

Lending

In the United States, the Group does not make loans to consumers and therefore believes that it is not subject to various licensing and other requirements applicable to businesses involved in those activities that are, in many cases, more burdensome than those applicable to lending solely to SMEs. The Group is, however, regulated state-by-state as a non-bank commercial lender.

Unlike certain other lending platforms operating in the United States, the Group does not conduct its activities based upon a contractual relationship with a regulated bank or other similarly regulated financial institution. Instead, the Group conducts its platform lending activities in the United States on the basis that (a) the Group complies with all applicable US federal laws, (b) where state laws require a license to conduct those activities, the Group acts under the authority of such a license, and (c) where state laws make it clear those activities may be conducted within parameters specific to activities exempted from or not requiring licensing, the Group conducts those activities within such parameters.

The Group offers loans to SMEs in all but one of the 50 states (Nevada) and also in the District of Columbia, and the Group has obtained licenses to lend in California, Florida, North Dakota, South Dakota and Vermont.

Although most states do not impose interest rate limits on commercial loans (or do not impose such limits if a lender is properly licensed), certain states have enacted usury laws that limit the interest, fees or other charges that a lender may charge for such loans.

Capital raising

Funding Circle US operates an online investment platform through which eligible Investors can directly or indirectly invest in SME loans originated by the Group. Certain of these investment programs are subject to federal and state laws relating to the offering and issuance of securities and impose liabilities for, among other things, false or misleading disclosure in connection with such offerings and issuances. Currently, eligible Investors in loans originated through the Group's US platform only include institutional investors and accredited investors, as defined in Rule 501(a) of Regulation D promulgated under the US Securities Act.

Summary of applicable laws and regulations

Capital

Unlike banks or similarly regulated financial institutions in the United States, Funding Circle USA, Inc. is not subject to capital adequacy or other similar guidelines applicable to banks pursuant to the Basel III framework.

Specific federal and state laws

Categories of US federal and state laws and related regulations to which the Group's activities may be subject include, but are not limited, to: (1) state licensing and usury laws and other substantive state regulations that impose requirements related to loan disclosures and terms, credit discrimination, credit reporting, debt collection and unfair, deceptive or abusive acts or practices (as described in more detail in "*Lending*" above); (2) federal and state securities laws (e.g., the US Securities Act, the US Securities Exchange Act, the Investment Company Act, the Investment Advisers Act, and various state "blue sky" laws), which shape the form and manner in which the Group raises capital in the United States to fund loans originated by the Group; (3) the ECOA, which makes it unlawful to discriminate against any credit applicant on the basis of race, color, sex, age, religion, national origin, marital status and other criteria; (4) the Fair Credit Reporting Act, which promotes the accuracy, fairness, and privacy of consumer information in the files of credit reporting agencies and regulates the collection, dissemination and use of such information; (5) anti-money laundering requirements (e.g., the Bank Secrecy Act, as amended by the Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001), which impose certain customer identification, verification and screening procedures with regard to the onboarding of new Borrowers and Investors by the Group; (6) privacy and data regulations (e.g., the Gramm-Leach-Bliley Act), which safeguard personal customer information through limitations on the sharing and disclosure by financial institutions of nonpublic personal information about a consumer to affiliated and nonaffiliated third parties; (7) electronic transactions legislation (e.g., the Electronic Signatures in Global and National Commerce Act and the Uniform Electronic Transactions Act), which authorise the creation of legally binding and enforceable agreements utilising electronic records and signatures; (8) the Servicemembers Civil Relief Act, which requires the Group to adjust the interest rate for obligors who are military members and request, under this legislation, to suspend or postpone certain civil obligations to devote themselves to military duties; (9) the Telephone Consumer Protection Act of 1991, which includes limitations on telemarketing, auto-dialed and pre-recorded calls, text messages and unsolicited faxes; (10) Section 5 of the Federal Trade Commission Act, which prohibits unfair or deceptive acts or practices in or affecting commerce and (11) the Dodd-Frank Act, particularly in relation to the rules newly promulgated under Section 15G of the US Exchange Act, as amended by the Dodd-Frank Act, in relation to risk retention, as described in more detail elsewhere in this Prospectus. The Group believes that, as at the date of this Prospectus, it is in compliance with the foregoing legislation and the rules and regulations enacted under it.

Regulatory developments in the platform lending sector, with particular regard to credit risk retention

Currently, members of the Group assist in the formation of capital markets vehicles that issue debt securities backed by (or whose payments are based on payments made on) pools of commercial loans (or fractional interests therein) originated by the Group. In order to avoid potential adverse legal and tax consequences of having these capital market vehicles being deemed to be the originators of these credit assets, the Group will typically hold the credit assets for a limited period of time prior to transfer, and the Group will therefore bear the credit risk of such credit assets during such limited period.

The Group intends to continue to operate the 'platform' model in the United States and elsewhere (e.g., where loans originated through the Group's platform in the different geographies are allocated to third-party Investors via the platform in such geography). In the United States, however, the Group may nonetheless be required to invest in and hold on its balance sheet, either directly or indirectly, a portion of any securities issued in connection with a securitisation transaction involving loans facilitated through its platform. Rules newly promulgated under Section 15G of the US Exchange Act (as amended by the Dodd-Frank Act) require that the "sponsor" of a "securitization transaction" acquire not less than 5 per cent. of the credit risk of the securitised assets. These newly adopted rules further prohibit the "sponsor" from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that it is required to retain during the period specified under the rules. See "*Future legal or regulatory developments, including those relating to the retention of credit risk as mandated by Section 15G of the US Exchange Act, credit rating downgrades, market volatility, market disruptions or other factors, could impede the Group's ability to form or assist in the formation of bespoke capital markets vehicles on a timely basis or upon advantageous terms. These developments may also increase the risk of litigation*" in Part 1 (Risk Factors).

Germany

Authorisation

Funding Circle Deutschland GmbH ("Funding Circle Germany") is licensed to carry out financial investments brokering (*Finanzanlagenvermittlung*) and credit brokering (*Kreditvermittlung*) pursuant to Sec. 34f para. 1

sentence 1 and Sec. 34c para. 1 sentence 1 no. 2 of the German Industrial Code (*Gewerbeordnung*, or “GewO”). It is therefore subject to the supervision of the local trade supervisory authority (*Gewerbeaufsicht*).

Funding Circle Germany does not originate loans itself and does not hold client funds. It cooperates with a partner bank, Wirecard Bank AG, a German credit institution, which grants the loans to Borrowers (only entrepreneurs in the meaning of Sec. 14 of the German Civil Code (*Bürgerliches Gesetzbuch*), i.e. a natural or legal person or a partnership with legal personality who or which, when entering into a legal transaction, acts in exercise of his or its trade, business or profession). Wirecard Bank AG then sells its repayment claim and assigns the loan receivables to an intermediary entity, Funding Circle Connect GmbH, which in turn, sells and assigns these loan receivables to Investors (including retail Investors). Funding Circle Germany is furthermore exempted from the application of the German Banking Act (*Kreditwesengesetz*, or “KWG”) pursuant to Sec. 2 para. 6 no. 8 lit. e. KWG since it only renders investment brokerage services between Investors and a domestic credit institution. Funding Circle Germany is not, and does not currently need to be, supervised by BaFin.

Before the Group’s acquisition of Zencap Deutschland GmbH, which was renamed “Funding Circle Deutschland GmbH”, BaFin confirmed in May 2015 that the crowdlending business model of Zencap Deutschland GmbH did not require a banking or financial services license under the KWG (and hence does not fall under its supervision).

Funding Circle Connect GmbH is not registered as a factoring company and therefore is not authorised by BaFin. Apart from its confirmation of May 2015, BaFin has stated in a circular on crowdlending business models that an intermediary, such as Funding Circle Connect GmbH, does not carry on factoring business provided that certain conditions apply. The Group believes that it fulfils these conditions since there is no framework agreement between Wirecard Bank AG and Funding Circle Connect GmbH and the assignments do not serve a financing purpose.

Summary of applicable rules

Due to its authorisation as financial investments broker and credit broker, Funding Circle Germany is subject to the provisions under the GewO. In general, the regime provides that the local trade supervisory authority has sanctioning rights, particularly if there are doubts regarding the reliability and suitability of the licensed entity, including its representatives to carry out the business.

In addition, the business model of Funding Circle Germany is subject to the “Regulation on the Intermediation of Financial Investments” (*Verordnung über die Finanzanlagenvermittlung*, or “FinVermV”). The FinVermV provides for conduct duties, organisation and suitability requirements. In particular, when an entity such as Funding Circle Germany is providing financial investment brokering, that entity must provide certain information to Investors, such as information on remuneration and inducements received, and costs and risks regarding the financial investment products.

Further, in principle, the Investment Product Act (*Vermögensanlagegesetz*, or “VermAnlG”) applies to investment products (*Vermögensanlagen*), which includes the loan receivables which are assigned to investors pursuant to Sec. 1 para. 2 no. 7 VermAnlG. The entity offering the investment product to the public must generally issue a prospectus and/or product information sheet (*Vermögensanlagen-Informationsblatt*) which is subject to the rules under the VermAnlG if they are offered to the public (pursuant to Sec. 1 para. 1 VermAnlG). In principle, the lending platform itself is not considered as promoting the investment product, however, the credit institution or the intermediary entity assigning the loan receivables (in the case of the Group, Funding Circle Connect GmbH) are regarded as being the addressees of such rules. The VermAnlG stipulates certain *de minimis* provisions which exempt the addressees from most of the provisions under the VermAnlG including the obligation to issue a prospectus or a product information sheet.

Amongst others, this applies to the offering of “shares” in an investment product if the shares do not exceed EUR 100,000 within 12 months pursuant to Sec. 2 para. 1 no. 3b) VermAnlG. Since aggregate loan receivables in respect of any Borrower, assigned to retail Investors on the Funding Circle Germany “partial loan” marketplace, are limited to EUR 100,000, the VermAnlG is not applicable in the present case. Before an investment product is offered on the “partial loan” marketplace, Funding Circle Germany seeks to ensure that there will be no new shares of that investment product offered within 12 months. To this end, Funding Circle Germany has processes in place to perform backward and forward looking checks. If retail Investors do not accumulate sufficient funds for a project, it will either be issued on a reduced amount or cancelled. Institutional Investors (i.e. “entrepreneurs”) are able to lend up to EUR 250,000 on the Funding Circle Germany platform. In this regard, the Group considers that the offers do not fall within the scope of the VermAnlG because they are not made to the public. Apart from that, either the exemption under Sec. 2 para. 1 no. 4 VermAnlG (offerings which are made to persons who acquire/sell investment products commercially) or pursuant to Sec. 2

para. 1 no. 3a) VermAnlG (offerings of investment products are limited to 20 shares) applies with regard to institutional investors. As, in principle, one of the exemptions under Sec. 2 VermAnlG is applicable, there is currently no need to make use of section 2a VermAnlG which exempts offerors from preparing a prospectus.

There is no other statutory bespoke crowdlending regime in Germany. BaFin has issued a circular providing guidance on crowdlending, including a description of different types of business models and the potential regulatory implications which might apply to the specific business models.

Key potential changes in the regulatory and legislative framework

The coalition agreement of the future German Government published on 7 February 2018 indicates a possible change in the supervision of financial investments brokering. However, as at the date of this Prospectus, it is not yet clear how extensive any such changes will be.

The Netherlands

Dutch regulatory framework

In the Netherlands, the Group operates a direct crowdlending model, where loan agreements are entered into directly between Borrowers and one or more (retail and/or commercial) Investors.

As such, there is currently no bespoke domestic regulatory regime applicable to crowdlending platforms facilitating loans to SMEs in the Netherlands. In order to be able to operate in the Netherlands, however, such platforms are required to obtain an exemption (*ontheffing*) from the AFM from the prohibition to act as intermediary in relation to attracting repayable funds (in accordance with Section 4:3 paragraphs (1) and (4) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, or “DFSA”)).

After obtaining such exemption, platforms are required to comply on an ongoing basis with certain requirements and conduct of business rules as issued by the AFM and pursuant to the Dutch Decree on Conduct of Business Supervision (*Besluit Gedragstoezicht financiële ondernemingen Wft*, or “Bgfo”). The AFM monitors and supervises the industry and its compliance with these requirements.

Authorisation of Funding Circle NL

Funding Circle NL currently operates under an exemption issued by the AFM as referred to above (the “AFM Exemption”).

The AFM Exemption was first issued to Funding Circle NL by the AFM on 24 December 2014 and last amended on 19 September 2017. Funding Circle NL is required to comply with the requirements set out in the AFM Exemption including a EUR 80,000 investment cap for retail Investors and the obligation for Funding Circle NL to publish proposals for new loans (together with all required information) at least 48 hours before Investors can place funding offers. In addition, Funding Circle NL is required to comply with the following requirements stemming from the Bgfo:

- (a) the trustworthiness of the policymakers of Funding Circle NL must at all times be beyond doubt;
- (b) the policymakers of Funding Circle NL must possess suitable skills and expertise for the performance of their tasks and duties;
- (c) Funding Circle NL must have an adequate policy safeguarding controlled and sound business operations;
- (d) Funding Circle NL may not be affiliated with persons in a formal or factual control structure that is opaque and as such prevents or may prevent adequate supervision by the AFM; and
- (e) Funding Circle NL must ensure adequate customer complaint handling.

Key potential changes in the regulatory and legislative framework

Set out below are the key potential changes in the regulatory and legislative framework that could affect Funding Circle NL.

Public consultation on crowdlending regime

On 12 October 2017, the Dutch Ministry of Finance issued a questionnaire for public consultation asking market participants to present their views on a suitable and desirable framework for a crowdlending regime to be introduced under Dutch law in due course. The consultation period has in the meantime lapsed and it is expected that the Dutch legislator will publish a draft legislative proposal in due course. At this stage, the

contents and impact of any such proposal for a new crowdlending regime and the expected timing of its implementation remain unclear.

PSD2

Stichting Derdengelden Funding Circle currently handles cash flows between Investors and Borrowers connected by Funding Circle NL. Funding Circle NL does not consider Stichting Derdengelden Funding Circle to require a license as a payment services provider under proposed Dutch legislation implementing the Directive 2015/2366/EU (*PSD2*), although, as at the date of this Prospectus, it has not had formal written confirmation.

PART 7 Business Description

Prospective equity investors should read this Part 7 (Business Description) in conjunction with the more detailed information contained in this Prospectus including the financial and other information appearing in Part 10 (Operating and Financial Review). Where stated, financial information in this section has been extracted from Part 12 (Historical Financial Information).

OVERVIEW

SMEs have historically been underserved by businesses and service providers across a range of industries. While innovation in technology and software over the last decade has helped SMEs across various industries to reach new geographies, increase their productivity and streamline processes, when it comes to securing financing, traditional lending channels have not kept pace in terms of both access and experience, with bank lending to SMEs significantly contracting over the past several years, given the increasing focus on corporate and consumer lending. Traditionally, SME lending has often been neglected by banks as it does not naturally sit within the commoditised retail lending space nor the larger ticket corporate lending segment of banks' operations—in many banks it moves between the two divisions.

With a mission of building a better financial world and igniting opportunities for SMEs, Funding Circle has developed a highly efficient and effective platform that enables SMEs to borrow money directly from Investors, creating opportunities for both. Funding Circle's aim is to help SMEs grow by providing them with streamlined access to capital. Its lending platform is centred on serving and building long-term relationships with Borrowers, which translates into high repeat rates as Borrowers seek more financing as they continue to grow. This enables Funding Circle to grow with its Borrowers. For Investors, Funding Circle aims to provide an alternative asset class to the investor community who have suffered from a decade-long trend of poor yields since the global financial crisis.

Funding Circle uses its cutting-edge technology, proprietary credit models and sophisticated data analytics to create an attractive and convenient proposition for Borrowers and Investors, providing SME Borrowers with fast and flexible financing at competitive prices through a simple online application, and Investors with attractive risk-adjusted returns¹¹. Through its platform, Funding Circle is contributing to the growth of the SME lending market and expanding access to financing at competitive and transparent pricing. Funding Circle has become a leading global SME loans platform, having facilitated more than £5 billion in loans to over 50,000 SMEs, with more than £2.5 billion under management as at 30 June 2018. In 2017 alone, loans facilitated through Funding Circle's platform contributed to £3.9 billion of gross value added to GDP and enabled more than 75,000 jobs¹². Founded in the United Kingdom in 2010, Funding Circle now operates in the United Kingdom, the United States, Germany and the Netherlands.

The efficiency and effectiveness of Funding Circle's platform, as well as its singular SME focus and credit and risk management expertise, have allowed it to achieve consistently high Borrower satisfaction rates, with a Net Promoter Score of 89 in each of the United Kingdom and the United States in the second quarter of 2018 (a "world class" rating), resulting in rising repeat rates and driving increased revenue and margins. In 2017, 32 per cent. of all originations (excluding property loans) generated through Funding Circle's platform were made to repeat Borrowers, and the Directors and the Proposed Director believe that, as Funding Circle continues to grow and facilitate the development of more SMEs, these repeat rates will continue to increase. According to a survey conducted by Oxford Economics in 2018, 85 per cent. of existing Borrowers indicated that they would approach Funding Circle's platform first should their business require external funding in the future.

Funding Circle also benefits from a diverse pool of Investors lending through its platform, including retail Investors, banks, asset management companies, insurance companies, government-backed entities and funds, providing it with diverse and stable funding from a range of Investors, with 45 per cent. of funding since the beginning of 2016 coming from global Investors (i.e. Investors who invest in more than one of Funding Circle's geographies). The 2017 cohort of loans is projected to deliver returns ranging from 4.6 per cent. to 7.6 per cent. per annum¹³ across the different geographies. 85 per cent. of Funding Circle's platform funding in 2017 and H1 2018 came from repeat Investors, demonstrating Investors' satisfaction with Funding Circle's proposition and model.

¹¹ Based on historical performance and return rates.

¹² According to Oxford Economics.

¹³ Based on Funding Circle's models as at 30 June 2018.

Funding Circle invests heavily in technology, data and analytics to drive customer experience and efficiency. Funding Circle follows a modern approach towards technology and is not burdened by the challenges and maintenance costs related to legacy systems, in contrast to many bank competitors. Funding Circle's technology infrastructure is purpose-built from the ground up, with the ability to harness third party computing resources as it scales.

Funding Circle approaches risk management by blending practices from the financial services industry with innovation in technology and data and analytics. Even though Funding Circle does not assume the credit or funding risks relating to investments in loans facilitated through its platform¹⁴, its approach is focused on blending the robustness of leading financial institutions with a data driven approach using proprietary scoring models and data analytics techniques to enhance the precision and efficiency in predicting credit risk and performance. This enables Funding Circle to ultimately construct loan portfolios that achieve attractive risk-adjusted returns for Investors.

The Directors and the Proposed Director believe that Funding Circle's scale and self-reinforcing business model will drive continual improvement and increased competitive advantage, creating a virtuous circle that will continue to enhance its competitive position and drive market share across its current and future geographies.

From a cultural standpoint, Funding Circle has developed a strong and engaged culture in each of its offices, as well as a set of five core values that represent who Funding Circle is and how the team behaves; they are 'Made to do More':

- *Think Smart*: Challenge assumptions, seek insights and make informed decisions. Everyone has a voice, so be ambitious.
- *Make It Happen*: Be courageous and take ownership. Take small steps fast and commit to seeing it through.
- *Be Open*: Treat everybody with respect and be honest with each other. Transparency and integrity build trust.
- *Stand Together*: Listen, understand and support each other. Win or lose as one.
- *Live the Adventure*: Bring your passion with you every morning, and have fun.

In the United Kingdom, Funding Circle has frequently been featured in *The Sunday Times*' "Best Company to Work For" list. Most recently, Funding Circle UK was named as the 16th Best Company to Work For in *The Sunday Times*' 2018 annual survey.

This entrepreneurial and creative culture of Funding Circle and its leadership team have allowed it to grow rapidly, while delivering an improving financial profile. Cumulative originations in new geographies have grown at comparable or faster rates than the United Kingdom.

The following table sets out certain key financial and operating metrics of Funding Circle, for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(unaudited, unless otherwise indicated) (£ million, unless otherwise indicated)				
Loans under Management	860	1,362	2,107	1,705	2,584
Originations	721	1,065	1,738	797	1,043
Number of loans originated	9,568	13,724	23,350	10,734	14,783
Transaction yield	3.6%	3.7%	4.4%	4.1%	4.8%
Servicing yield	1.0%	1.0%	1.0%	1.0%	1.0%
Marketing spend as a percentage of revenue	64%	49%	41%	38%	39%
Revenue ⁽¹⁾	32.0	50.9	94.5	40.9	63.0
Segment Adjusted EBITDA ⁽¹⁾	(22.1)	(26.5)	(3.9)	(3.0)	0.9
Segment Adjusted EBITDA Margin	(69%)	(52%)	(4%)	(7%)	1%
Adjusted EBITDA ⁽¹⁾	(35.5)	(40.9)	(25.1)	(13.2)	(16.3)
Adjusted EBITDA Margin	(111%)	(80%)	(27%)	(32%)	(26%)
Free Cash Flow	(45.5)	(46.1)	(35.3)	(21.1)	(24.2)

Notes:

- (1) Audited for the three years ended 31 December 2015, 2016 and 2017 and H1 2018.
- (2) For more information on the definition and calculation of these metrics, including a reconciliation to Funding Circle's reported historical financial information prepared on an IFRS basis, where relevant, please see "Non-IFRS financial information" and "Key performance indicators", each in Part 2 (Presentation of Financial and Other Information).

¹⁴ Except for (1) an initial holding period (typically of two days) in the United States, and (2) any loans that may be purchased by Funding Circle.

FUNDING CIRCLE'S HISTORY

Along with other parts of the economy, SMEs were severely impacted and underserved following the global financial crisis. With a mission to build a better financial world and, in doing so, ignite opportunities for SMEs, Samir Desai CBE, James Meekings and Andrew Mullinger founded Funding Circle in 2010. It was among the first pure platforms globally to focus on SME lending.

In August 2011, Funding Circle, together with two other founding members, formed a self-regulated body for platform lending in the United Kingdom, the Peer-to-Peer Finance Association.

Funding Circle began expanding beyond the United Kingdom and into international markets in 2013. In October 2013, Funding Circle expanded its operations into the United States, through its acquisition of Endurance Lending Network (now Funding Circle US), a lending platform focused on SME loans. Since then, Funding Circle has grown the US platform from annual originations of less than £2.0 million in 2013, to more than £395 million in 2017, with a total of 8,283 loans originated over the period. In October 2015, Funding Circle acquired the Zencap Group (now Funding Circle Continental Europe), a lending platform with operations in Germany, the Netherlands and Spain, to gain exposure to continental European markets. Funding Circle has now become the leading online SME loan provider in both the German and Dutch markets¹⁵. In January 2017, following market testing and a recognition of the different dynamics of the Spanish market, Funding Circle took the formal decision to withdraw from Spain (with originations ceasing as from the third quarter of 2016). Spanish Loans under Management represented less than 0.1 per cent. of Funding Circle's total Loans under Management at the time it decided to exit the Spanish market.

In April 2016, Funding Circle US, together with two other founding members, formed the Marketplace Lending Association, a trade association focused on promoting responsible business practices and sound public policy.

In May 2017, the FCA granted full authorisation to Funding Circle UK, subsequently enabling it to apply for authorisation from HMRC as an ISA Manager and launch the "Innovative Finance ISA" in November 2017. This means that retail Investors can lend to Borrowers in return for income within a tax-free wrapper.

Since its inception, Funding Circle has positioned itself to continue growing as a global leader in the platform lending industry. It has regularly been praised by various policymakers and governments, who have increasingly shown support for its contribution to SMEs and the economy more generally, having facilitated more than £5 billion in loans to SMEs and supported over 50,000 businesses in total.

Funding Circle has also attracted more than 80,000 Investors in total to its platform across the various geographies in which it operates, comprising a wide range of retail Investors, leading financial services institutions as well as supranationals and public bodies. For example, in March 2013, the British Business Bank began investing in loans originated through Funding Circle's platform and has now lent more than £133 million to SMEs through Funding Circle's retail platform. In November 2015, Funding Circle facilitated the creation of the first single-platform publicly listed vehicle in the world, FCIF, whose shares are listed on the London Stock Exchange and, as at 30 June 2018, had £476 million in gross assets under management. In June 2016, the EIB agreed to invest £100 million in loans originated through Funding Circle's platform, which represented the first deployment of EIB funding through a lending platform. In August 2017, Funding Circle and Dutch financial services group, Aegon, agreed a partnership whereby Aegon committed to lend to SMEs through Funding Circle's platform over four years, with more than £160 million to be invested over the first 12 months.

Through six rounds of equity capital raises between March 2011 and May 2017, Funding Circle has raised approximately £250 million and has attracted blue-chip shareholders including Accel, Baillie Gifford, a fund managed by BlackRock, DST Global, Index Ventures, Ribbit Capital, Sands Capital, a Temasek investment vehicle and Union Square Ventures.

COMPETITIVE STRENGTHS

The Directors and the Proposed Director believe that Funding Circle's competitive strengths are as follows:

Leading global platform in a large, underserved SME lending market

Funding Circle is a leading global SME loans platform, having facilitated more than £5 billion in loans to SMEs since its founding. In 2017 alone, £1.7 billion in loans were originated through Funding Circle's platform, with cumulative originations in new geographies growing at comparable or faster rates than the United Kingdom. Loans under Management amounted to £2.1 billion as at 31 December 2017. Funding Circle's origination levels continued to grow in H1 2018, with more than £1.0 billion in loans originated during

¹⁵ By Q1 2018 originations for the Netherlands and cumulative originations for Germany, according to OC&C analysis and estimates.

that period, and more than £2.5 billion in Loans under Management as at 30 June 2018, making Funding Circle the leading online SME loan provider across the United Kingdom, the United States, Germany and the Netherlands¹⁶. This volume and pace of originations reflects Funding Circle's global scale, its established brand and cutting-edge technology, and the benefits of integrated functions and infrastructure across its geographies.

The target addressable SME lending opportunity in Funding Circle's markets is estimated to comprise £470 billion of loans outstanding¹⁷. Significant opportunities exist to further penetrate the current addressable market and also for further growth by expanding Funding Circle's addressable market through product or geographic expansion, as the total SME debt lending market in these geographic markets is estimated to be £1.2 trillion¹⁸, with a much larger global addressable SME lending opportunity as Funding Circle currently operates in geographies that account for approximately 34 per cent. of global GDP (as of 2016). Although Funding Circle has grown rapidly, it still accounts for only a fraction of the market, with a 1.9 per cent. share of the addressable market in the United Kingdom and less than 0.5 per cent. share across all four geographies taken together, as at 31 December 2017.

Despite the attractiveness of the large addressable SME lending market, SMEs continue to be underserved by businesses and service providers across a range of industries. In 2017, UK-resident banks' net lending¹⁹ to SMEs was £677 million according to Oxford Economics, while Investors participating on Funding Circle's UK platform alone lent £598 million, on a net basis. Chancellor Philip Hammond has praised Funding Circle as a "real success story for British Fintech" that is "changing the financial landscape for small businesses and investors globally, ensuring a better deal for everyone and helping to create a more sustainable and fairer economy".

Through its value proposition, Funding Circle is ensuring access to financing for SMEs in a relatively stagnant lending market. While innovation in technology and software over the last decade has helped SMEs across various industries to reach new markets, increase their productivity and streamline their processes, when it comes to securing financing, traditional lending channels have not kept pace in terms of access as well as experience. For instance, according to Infosys, SME borrowers spend over 25 hours on their loan request paperwork and typically have to approach numerous banks with their application. While small businesses can now flexibly launch a front-end website or swiftly receive cloud computing from companies such as Amazon or Shopify, successful loan applicants typically have to wait for weeks or even months to get fully approved by the bank. In terms of access, bank lending to SMEs has significantly contracted since the financial crisis, with traditional banks increasingly focusing on corporate and consumer lending. Through its platform, Funding Circle offers a quick, easy and flexible process at competitive prices. Applications are typically completed within ten minutes, and credit decisions are generally made within 24 hours in the United Kingdom and the United States and within one to three days in Germany and the Netherlands.

Virtuous network effects driven by scale and an attractive underlying business model

The Directors and the Proposed Director believe that Funding Circle's scale and self-reinforcing business model create a virtuous circle that will continue to enhance its competitive position and market share across geographies.

The attractiveness of a loan offering to SME borrowers is driven by price, speed, access and convenience. Over the past eight years, Funding Circle has accumulated proprietary data sets across its various geographies, which it has continuously used to enhance its credit scoring models and improve the Borrower experience. As Funding Circle accumulates more data through applications and loan performance, it is able to improve the precision of its risk models, which leads to higher acceptance rates and lower pricing for Borrowers. This, in turn, results in higher conversion rates of Borrower applications to loans and enables Funding Circle to serve a broader population of SMEs and reduce marketing and processing costs per loan, further reducing costs to Borrowers and therefore attracting more SMEs to the platform, reinforcing the positive data accumulation cycle. By attracting more Investors to the platform, Funding Circle is able to increase the speed of providing funding to SMEs, which is a core value driver for Borrowers.

¹⁶ By Q1 2018 originations for the United Kingdom and the Netherlands, and cumulative originations for the United States and Germany, according to OC&C analysis and estimates.

¹⁷ According to OC&C, as at 31 December 2017.

¹⁸ Based on the amount of loans outstanding as at 31 December 2017.

¹⁹ Defined as gross new lending less repayments.

The attractiveness of an investment opportunity to investors is driven by return levels, volatility, liquidity, as well as the expediency and ease of deploying their desired level of investment. Thanks to its position as the leading online SME loan provider in each of the geographies in which it operates²⁰, Funding Circle offers Investors an opportunity to quickly invest in a highly diversified loan portfolio and, for larger Investors, the ability to deploy significant sums of capital. It also offers a strong track record of delivering returns to Investors. Furthermore, in the United Kingdom, retail Investors are able to buy and sell their loan parts with each other via the “secondary marketplace” often within a matter of minutes, enabling them to build up a diversified portfolio quickly and to withdraw invested funds prior to the maturity and settlement of the corresponding loan(s) (provided that these loan parts are sold to other Investors). This means that every additional retail Investor that joins the platform renders it more valuable for existing and prospective Investors. These trends also support the overall business model, as continued growth in the number of Investors and the volume of Investor funding on the platform enhances Borrowers’ abilities to find loans in a quick and efficient manner.

The Directors and the Proposed Director believe that these effects will continue to strengthen as data accumulation continues and will increase Funding Circle’s ability to attract both Borrowers and Investors to the platform.

A differentiated and resilient model focused exclusively on SMEs

SME lending is difficult and complex, but can be highly attractive. Funding Circle’s singular SME focus over the past eight years has allowed it to develop a deep understanding of SME lending and customer needs that, combined with its cutting-edge technology and proprietary credit models and data sets, provides it with distinctive advantages.

- *Data quality and availability.* SME credit-related data is not as widely and readily available as information relating to consumers. With respect to consumer lending, consumer credit data is generally widely available through credit bureaus and other providers, and its standardised nature allows for commoditised lending products. In contrast, SME lending is characterised by a lower level of publicly available data, and requires in-depth credit assessment expertise to analyse the data shared by prospective borrowers. Supported by the scale of its operations, Funding Circle has built proprietary SME data sets over eight years, which combine publicly available data with performance data, and continuously uses these sets for improving its credit scoring models and credit assessment efficiency and effectiveness.
- *Competitive environment.* Given the challenges which relate to credit data quality and availability, there are typically fewer SME lenders than consumer lenders. Banks have traditionally been the primary lender to SMEs in developed economies. The complexity of obtaining credit from banks and the reduction in the availability of credit from banks, combined with the trend of digitisation of services to SMEs, have created three further participants in SME lending: online platform lenders, specialist lenders and captive networks (see “Market participants in SME lending and competitive overview” in Part 5 (Industry Overview) and “Competition” in this Part 7 (Business Description)). These alternative lending platforms—which are relatively unaffected by the capital requirements of traditional banks, typically have a more flexible cost structure, and often face less restrictive regulatory regimes—succeeded in attracting both borrowers (often without access to adequate capital) and lenders (seeking attractive returns in a low interest rate environment).
- *Repeat dynamic.* Relative to consumers, SMEs generally have a more natural propensity to seek repeat financing throughout their lifetimes, to maintain their balance sheet debt gearing ratio and optimise returns, as businesses can generally deduct interest payments from taxable profits. Unlike with consumer lending, which is often transactional, Funding Circle’s lending platform is centred on serving and building long-term relationships with the Borrowers, which translates into high repeat rates as Borrowers seek more financing as they continue to grow. This relationship aspect is evidenced by Funding Circle’s high volume of repeat Borrowers. In 2017, 32 per cent. of all originations (excluding property loans) generated through Funding Circle’s platform were made to repeat Borrowers. The repeat nature of Funding Circle’s business drives attractive cohort dynamics, providing Funding Circle with visibility on recurring revenues from its Borrower base.

²⁰ By Q1 2018 originations for the United Kingdom and the Netherlands, and cumulative originations for the United States and Germany, according to OC&C analysis and estimates.

The Directors and the Proposed Director believe that Funding Circle's business model benefits from inherent resilience. Its platform enables Investors to lend directly to SMEs, without Funding Circle holding loans on its balance sheet²¹. Funding Circle therefore does not assume the credit or funding risks relating to investments in loans facilitated through its platform. While macroeconomic conditions do affect the level of Investor and Borrower activity on its platform, Funding Circle believes that its highly diversified Investor and Borrower base across geographies and industries will help mitigate the adverse effects of an economic downturn. In addition, based on historical evidence of bank retrenchment from the SME market during a downturn, the Directors and the Proposed Director believe that Funding Circle is relatively well positioned to absorb resulting demand for financing.

Superior value proposition for both Borrowers and Investors, driving high satisfaction and repeat rates

Value proposition to Borrowers

The attractiveness of a loan product to SME borrowers is driven by price, speed, access and convenience. Funding Circle provides its Borrowers with a differentiated value proposition including:

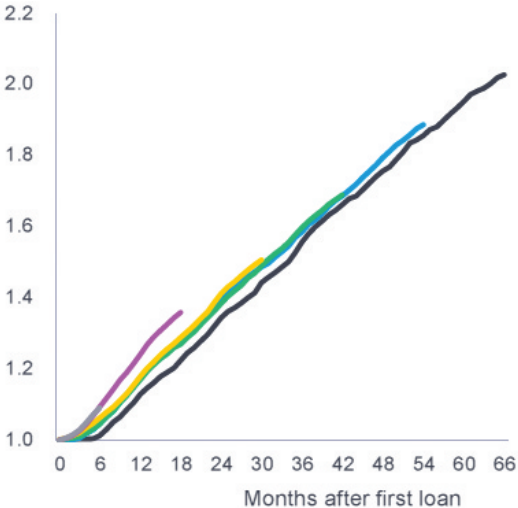
- *Speed and simplicity:* Funding Circle's simple, online application is significantly faster and simpler than traditional lending channels, enabling SMEs to access the capital they need in days rather than months. Across all of Funding Circle's markets, Borrowers complete a simple online application, typically in about ten minutes, and provide a small number of additional documents, such as bank statements. Funding Circle does not require businesses to prepare and provide business plans, cash flow forecasts, and other data that are often highly complex and time consuming. Credit decisions are generally made within 24 hours in the United Kingdom and the United States and within one to three days in the Netherlands and Germany.
- *Competitive market-driven pricing:* Funding Circle's platform lending model provides competitive and transparent pricing for Borrowers (starting at 1.9 per cent. per annum for an A+ rated, six-month loan in the United Kingdom).
- *Outstanding customer experience and ease of use:* Funding Circle is continually focused on delivering an excellent customer-centric service and product, with a view to maximising user experience and application process efficiency. Funding Circle's Borrowers can access the platform 24 hours a day, seven days a week, and Borrower applications are generally supported with personal account managers. In the first half of 2018, 74 per cent. of all loan applications in the United Kingdom received a decision within 24 hours.

This fast, flexible and competitively priced product is underpinned by cutting-edge technology, risk and analytics. The attractive value proposition Funding Circle offers to Borrowers is evidenced by Funding Circle's Borrower satisfaction rates (with a Net Promoter Score of 89 in each of the United Kingdom and the United States in the second quarter of 2018, a "world class" rating). These high levels of satisfaction encourage Borrowers to come back to Funding Circle's platform the next time they require financing. According to a survey conducted by Oxford Economics in 2018, 85 per cent. of existing Borrowers indicated that they would approach Funding Circle's platform first should their business require external funding in the future. As a result, Funding Circle's repeat rates have continuously increased, while existing Borrower balances have become stable and a consistent part of Borrowers' capital structure. In 2017, 32 per cent. of all originations (excluding property loans) generated through Funding Circle's platform were made to repeat Borrowers.

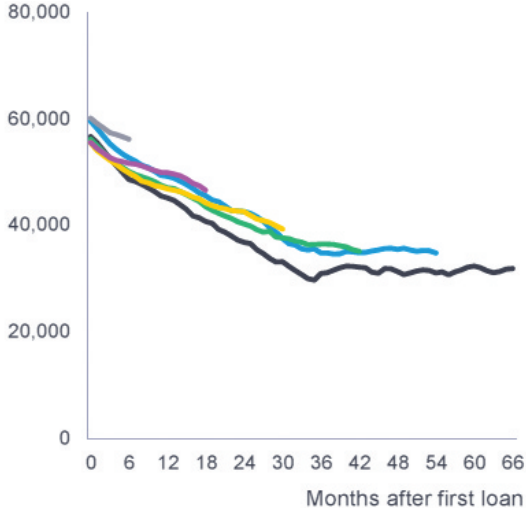
The following figures highlight the strong repeat nature of Funding Circle's business in the United Kingdom by showing the average cumulative number of loans, as well as existing Borrowers' outstanding balances, per SME, by months after first loan.

²¹ Except for (1) an initial holding period (typically of two days) in the United States, and (2) any loans that may be purchased by Funding Circle.

UK: Average number of loans taken per SME vs. months after first loan by cohort⁽¹⁾



UK: Existing Borrower balance per SME vs. months after first loan by cohort⁽¹⁾



Cohort 2012
 Cohort 2013
 Cohort 2014
 Cohort 2015
 Cohort 2016
 Cohort 2017

Note:

(1) Excluding property loans. Cohort refers to the year in which the Borrower first entered into a loan agreement. Only includes data points with a full cohort.

Value proposition to Investors

Funding Circle has opened up a new asset class to a range of Investors and enabled them to receive attractive risk-adjusted returns.

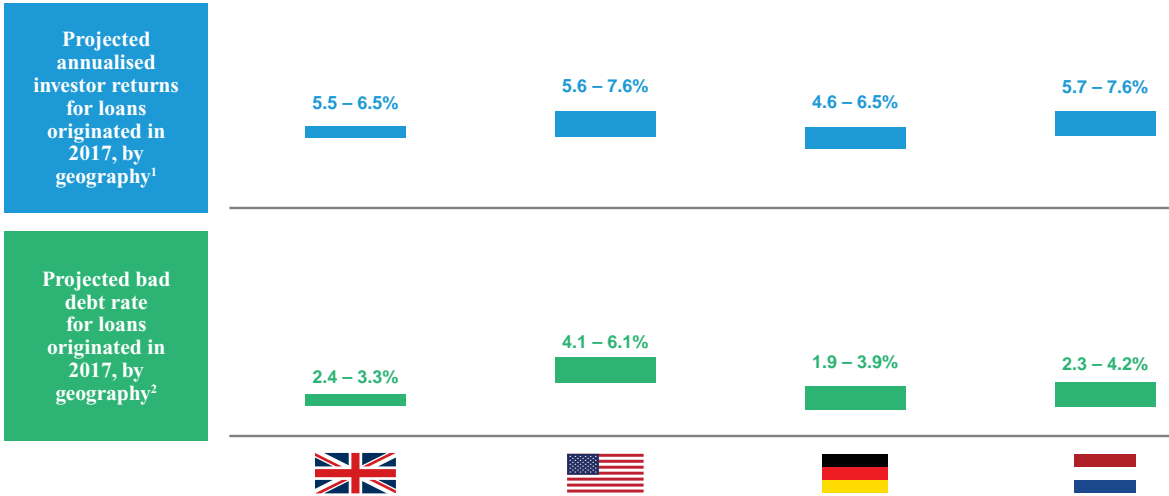
Through Funding Circle’s platform, a wide range of Investors are now able to invest in SME loans, which, traditionally, have only been held on bank balance sheets. Its Investor base now includes a deep and broad variety of Investors, providing it with diverse and stable funding from a range of Investors, as well as long-term funding commitments across the various geographies in which it operates (for more detail, see “Products—Investors” in this Part 7 (Business Description)). Since the beginning of 2016, 45 per cent. of funding has on average come from global Investors (i.e. Investors who invest in more than one of Funding Circle’s geographies), reinforcing Funding Circle’s global scale.

In addition to high diversity in terms of Investor type, Funding Circle also benefits from high diversity within its institutional, retail and supranational Investor bases. For example, Investors participating on Funding Circle’s platform comprise banks, asset management companies, insurance companies, government-backed entities and funds, such as the British Business Bank, FCIF and the European Investment Bank. In 2017, Funding Circle entered into a partnership with Aegon, one of nine systemically important insurers in the world, pursuant to which Aegon committed to lend to SMEs through Funding Circle’s platform over four years, with more than £160 million to be invested over the first 12 months.

Funding Circle’s ability to attract this deep and diverse Investor base is in part due to its Investor returns track record. Following an initial investment period of two to three years in any new market, Funding Circle has demonstrated an ability to deliver attractive returns to Investors.

The following figures set out the projected annualised Investor returns and bad debt rates for loans originated in 2017, by geography.

Projected annualised Investor returns and bad debt rates for loans originated in 2017, by geography

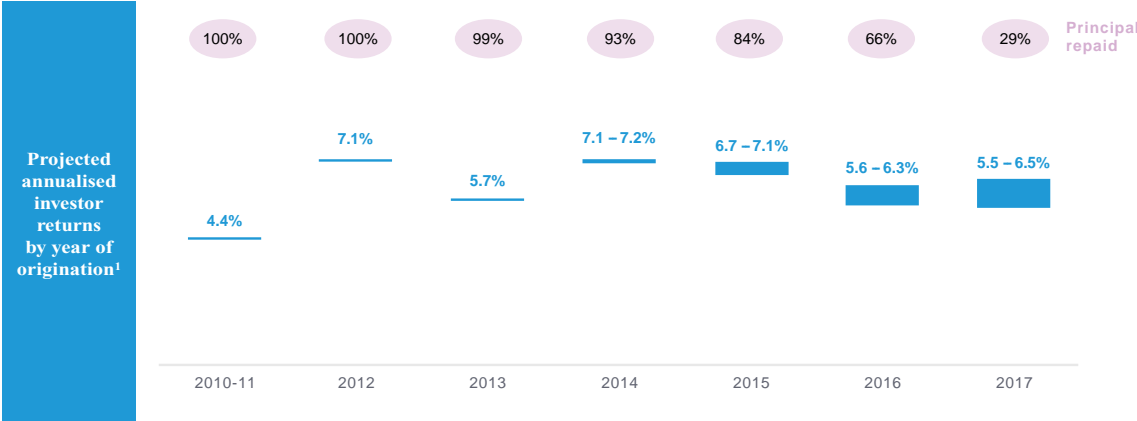


Note: Based on Funding Circle’s models as at 30 June 2018. The UK projected annualised Investor returns and bad debt rates include property loans.

- (1) The graph shows how loans are estimated to perform. Loans are shown by the year they were taken out, and are after fees and bad debt. Returns equal gross yield minus net losses minus servicing fee and are estimated, using an internally-managed model, by cohort of origination incorporating actual returns received for each cohort and adding future expected returns which are determined using the same aforementioned model. Net yield is compounded to recognise re-investment. These expectations may be revised, for example if macroeconomic conditions change, and the projected returns and bad debt rates may be adjusted to reflect this.
- (2) The graph shows the projected annualised percentage of loans, by loan amount, that will not be repaid. Loans are shown by the year they were taken out and include recoveries. It can take up to five years for loans to be fully repaid, so the projected returns and bad debt rates take into account how loans are performing and how Funding Circle expects them to perform in future. These expectations may be revised, for example if macroeconomic conditions change, and the projected returns and bad debt rates may be adjusted to reflect this.

In the United Kingdom, Funding Circle’s most mature market, Investors are projected to earn returns ranging between 4.4 per cent. and 7.2 per cent. on loans originated through the UK platform since 2010, as illustrated in the following figure.

UK: Projected annualised Investor returns, by year of origination

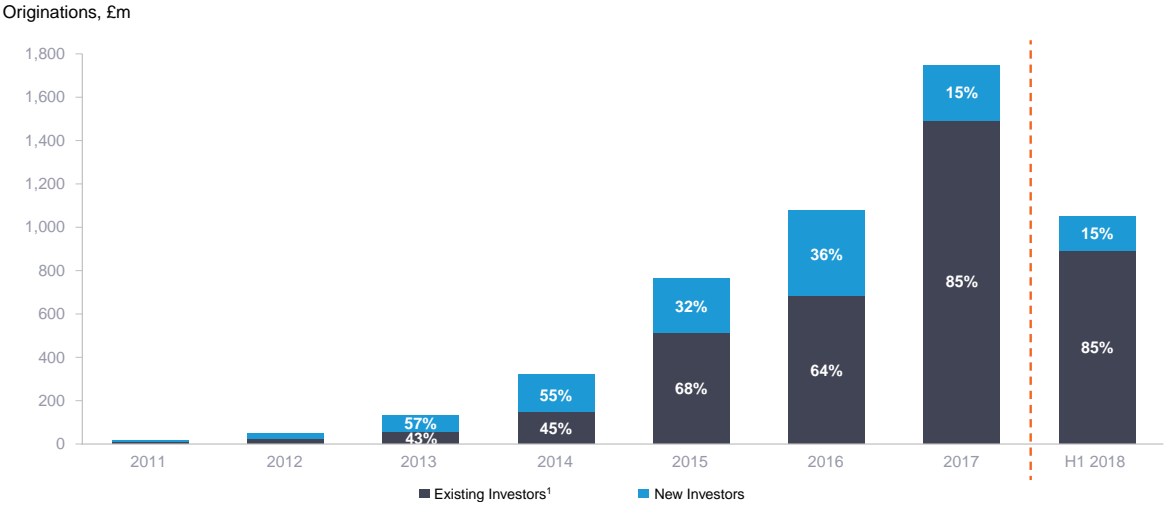


Note: Based on Funding Circle’s models as at 30 June 2018. The projected annualised Investor returns include property loans.

- (1) The graph shows how loans are estimated to perform. Loans are shown by the year they were taken out, and are after fees and bad debt. Returns equal gross yield minus net losses minus servicing fee and are estimated, using an internally-managed model, by cohort of origination incorporating actual returns received for each cohort and adding future expected returns which are determined using the same aforementioned model. Net yield is compounded to recognise re-investment. These expectations may be revised, for example if macroeconomic conditions change, and the projected returns and bad debt rates may be adjusted to reflect this.

Funding Circle’s value proposition to Investors, supported by an outstanding Investor experience and a proven track record of attractive Investor returns, have allowed Funding Circle to achieve high Investor retention rates, as evidenced by the continued growth and high proportion of its existing Investors’ investments through the platform. The following figure illustrates the growth in existing Investors’ investments for the periods indicated.

Originations by Investor type, globally



Notes: Originations exclude Spain.

(1) Existing Investors defined as Investors having started lending through the platform in the previous year.

Funding Circle has also considered the potential impact of adverse economic conditions on its loan portfolio, covering several scenarios of economic recession. These tests have indicated that even in a severe economic recession, Investors would still be expected to make positive returns. For more detail, see “Risk Management and Data Analytics—Stress testing” in this Part 7 (Business Description).

Proprietary risk and analytics platform, driving better customer experience, efficiency and platform quality

Funding Circle utilises sophisticated data analytics tools to create an attractive and convenient proposition for both Borrowers and Investors. It utilises an integrated approach to value optimisation and credit risk assessment throughout the Borrower lifecycle, from marketing to credit assessment and ongoing collections and recoveries.

Funding Circle approaches risk management by combining practices from the financial services industry with innovation in technology and data and analytics. Even though Funding Circle does not assume the credit or funding risks relating to investments in loans facilitated through its platform²², it utilises a credit assessment approach that aims to blend the robustness of leading financial institutions with a data driven approach using proprietary scoring models and data analytics techniques to enhance the precision and efficiency in predicting credit risk and performance, including through back-tested analysis across both accepted and rejected loans. Funding Circle’s systematic approach and use of data enables predictive credit assessment²³ for SME Borrowers and increases its ability to attract Borrowers. Through continued tracking of both accepted and rejected loans, Funding Circle has over the past eight years built rich proprietary data sets on borrowers and borrower performance, based on a combination of both internally generated and publicly available sources. These datasets are expected to be further enhanced by the onset of Open Banking and PSD2, which are expected to enable the sharing of banking data, allowing for more enriched data sets and potentially enabling easier access into new markets. The Directors and the Proposed Director believe that Funding Circle is well positioned to take advantage of these new regulations given its existing SME knowledge and marketing expertise.

In addition, Funding Circle benefits from an experienced credit assessment team with decades of experience in some of the world’s leading financial institutions, who work very closely with the product and engineering teams who come from technology-driven businesses, bringing together a deep expertise in finance and technology.

²² Except for (1) an initial holding period (typically of two days) in the United States, and (2) any loans that may be purchased by Funding Circle.

²³ In geographies and cohorts with sufficient ageing and maturity, where sufficient data is available. Based on historical performance.

Funding Circle utilises these analytical tools and extensive borrower data beyond risk metrics, for uses across its business. For example, with respect to marketing activities, Funding Circle uses machine learning models that are aimed at optimising marketing and messaging intensity and reducing acquisition cost.

Modern, customer-centric technology approach

Similar to other leading SME enablement platforms, technology, data and data-based learning are at the core of Funding Circle's business. Funding Circle has developed and continues to develop and harness modern, customer-centric technology that enables it to deliver scalable, innovative and automated solutions to Borrowers and Investors. Unlike many traditional banks, Funding Circle is not burdened by the challenges and maintenance costs related to legacy systems, and can therefore devote resources to developing, innovating and further enhancing its technology, rather than maintaining existing legacy systems.

Funding Circle's technology approach and strategy focus on both internal and external customers, and its sophisticated web and mobile interfaces and data analytics platforms are designed to drive a frictionless user experience. It embraces agile ways of working, leading to greater cross-team collaboration, continuous and fast deployment on a daily basis, and an ability to adapt quickly. Funding Circle uses modern technology and coding languages throughout the business, such as Clojure and Kafka, and has developed an infrastructure that scales horizontally. As a result, Funding Circle's technology supports significant increased scale at minimal incremental latency for the Borrower- and Investor-facing portions of the web interface.

Funding Circle is currently developing a new single unified money and loan management platform that it intends to implement across all its markets, enabling it to scale quickly and effectively. The technology it is using to build the global platform will enable a data flow architecture, distributed coordination, fault tolerance and improved operational efficiency.

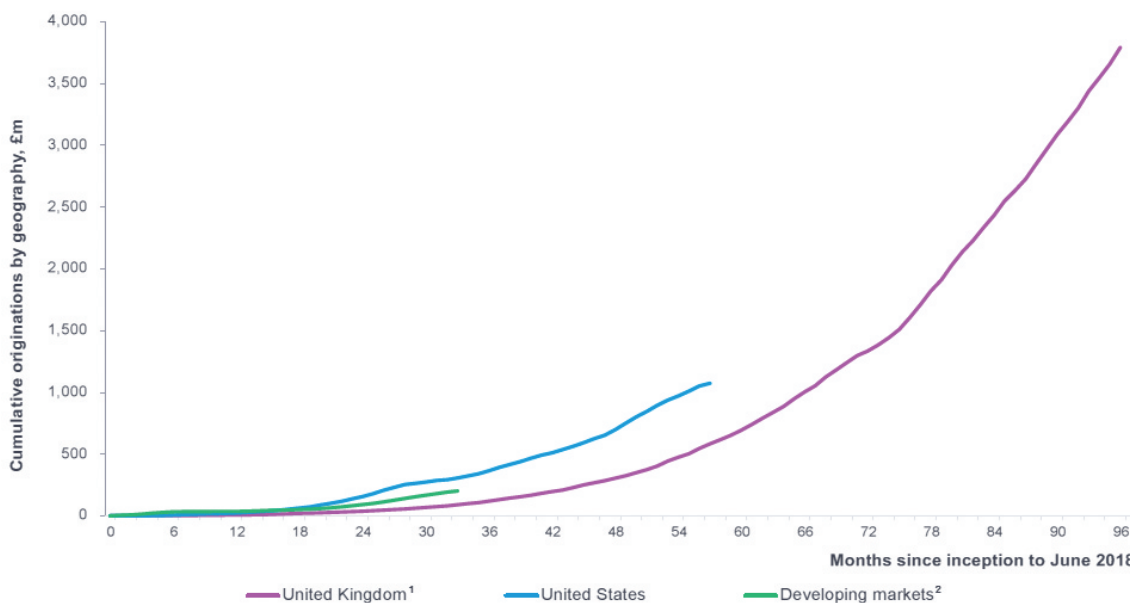
In addition to its sophisticated technology, Funding Circle benefits from an exceptional team of software and data engineers possessing a deep understanding of the lending business and customer needs. As at 30 June 2018, the technology team (including contractors) accounted for nearly 27 per cent. of Funding Circle's global workforce (including contractors). Funding Circle's technology plays a significant role in helping to attract and retain skilled software and data engineers, by giving them the opportunity to utilise cutting-edge technologies in their work on Funding Circle's platform.

Strong growth opportunities combined with an improving financial profile

Funding Circle has delivered strong growth in revenue, with a 78 per cent. CAGR from 2015 to 2017 (excluding property loans), primarily driven by an increase in originations from £607 million in 2015 to £1,631 million in 2017 (both excluding property loans), and an increase in average transaction yield from 3.6 per cent. in 2015 to 4.4 per cent. in 2017. In H1 2018 alone, Funding Circle generated £62.7 million in revenue (excluding property loans).

In the United Kingdom, Funding Circle has seen rapid growth in originations. In newer geographies, cumulative originations have grown at comparable or faster rates than the United Kingdom, supplementing the UK origination growth. The following chart illustrates the accelerated growth in Funding Circle's originations across each of its newer geographies, compared to the United Kingdom. As demonstrated below, the Directors and the Proposed Director believe that the infrastructure built and the experience accumulated by Funding Circle enables it to replicate key aspects of its business model and scale at a faster pace as it expands into its newer regions.

Cumulative originations by geography



Notes:

- (1) Including property loans.
- (2) Comprising Germany, the Netherlands and Spain.

Future growth prospects for Funding Circle are supported by meaningful penetration upside in existing geographies, given Funding Circle's limited share to date of an estimated £470 billion addressable market (as at 31 December 2017), with incremental upside from potential future expansion into new geographies.

An increasing portion of Funding Circle's revenue is derived from existing customers. This increase in repeat business is enabled by a combination of Funding Circle's value proposition to Borrowers, which results in strong Borrower repeat rates, growth in Loans under Management, and, in turn, an increasing share of income from existing customers. Funding Circle has observed that in the United Kingdom, over time, Borrowers maintain an ongoing balance of financing from Funding Circle's platform through repeat borrowing. In addition, Funding Circle's value proposition for Investors has resulted in a growing percentage of funding from existing Investors (85 per cent. of originations in 2017 and H1 2018, up from 68 per cent. in 2015). In 2017 and H1 2018, 40 per cent. and 43 per cent., respectively, of Funding Circle's revenue was generated from existing customers.

Attractive unit economics are driving expanded margins at Funding Circle. In the United Kingdom, first loan margins²⁴ improved to approximately 20 per cent. in 2017 and 14 per cent. in H1 2018, compared to approximately negative 37 per cent. in 2015, with repeat loan margins growing from approximately 23 per cent. in 2015 to approximately 57 per cent. in 2017 and 55 per cent. in H1 2018. In the United States, first loan margins improved to approximately negative 45 per cent. in 2017 and negative 35 per cent. in H1 2018, compared to approximately negative 151 per cent. in 2015, with repeat loan margins growing from approximately negative 51 per cent. in 2015 to approximately positive 4 per cent. in 2017 and positive 8 per cent. in H1 2018.

The improvement in margins was driven by two main factors. Over time, Funding Circle has leveraged its expertise to reduce the cost of acquiring a Borrower, by accumulating more complete data sets of potential Borrowers, changing and optimising the emphasis placed on each marketing channel and, through improved credit models, converting more applications to originated loans. Furthermore, costs have grown at a slower pace than revenue growth, as a result of increased automation, economies of scale and better absorption of fixed costs. This operational leverage has resulted in a decrease in the cost of acquiring, originating and

²⁴ Margins are calculated as estimated revenue from an average-size loan, less estimated loan acquisition costs and other segment costs on that loan, as a percentage of estimated revenue from that loan. Estimated revenue represents the sum of estimated Borrower transaction fee plus life-time servicing and other revenue, adjusting for early prepayments and defaults, for an average loan. Estimated loan acquisition costs and other segment costs exclude certain central and other costs. Estimated acquisition costs represent estimated third party marketing costs, including first loan commission paid to partners, for an average loan. For instance, first loan margin in the United Kingdom in 2017 was calculated on the basis of (i) average loan size of £60,000, (ii) estimated revenue of £4,000 from that loan, and (iii) estimated acquisition costs and other segment costs of £1,800 and £1,400, respectively, on that loan.

servicing an individual loan, for both first loans and repeat loans. Funding Circle expects unit economics and margins to improve in the medium to long term, driven both by increased business scale and a focus on direct lending channels (as opposed to indirect channels, such as third-party origination partners, where Funding Circle generally pays commissions to such partners), which drives lower loan acquisition costs. In the immediate term first loan margins may decline or flatten when more spend is directed to “above-the-line” marketing channels that are less effective in the short term in attracting Borrowers compared to the current “below-the-line” channels.

These operational trends have, among other contributing factors, resulted in a substantial improvement in Segment Adjusted EBITDA, which, in H1 2018, turned positive on a Group level. In the United Kingdom, Segment Adjusted EBITDA Margin has improved to 25 per cent. and 23 per cent. in 2017 and H1 2018, respectively, compared to negative 29 per cent. in 2015. In the United States, while still negative, Segment Adjusted EBITDA Margin has significantly improved to negative 49 per cent. and negative 34 per cent. in 2017 and H1 2018, respectively, compared to negative 186 per cent. in 2015. On a Group level, Segment Adjusted EBITDA Margin improved from negative 69 per cent. in 2015 to negative 4 per cent. in 2017, and positive 1 per cent. in H1 2018. During the same period, operating leverage has contributed to the Group’s Adjusted EBITDA Margin, which has improved to negative 27 per cent. and negative 26 per cent. in 2017 and H1 2018, respectively, compared to negative 111 per cent. in 2015.

Experienced management team and entrepreneurial values-driven culture

Funding Circle has built an experienced management team that has consistently delivered strong growth. Its management team has a blend of deep functional experience across technology, product development, finance, risk management and marketing, as well as entrepreneurial experience. Funding Circle’s strong business and culture have allowed it to continuously improve and refine its management team. The management team is led by Chief Executive Officer and co-founder Samir Desai CBE. Prior to founding Funding Circle, Samir was an executive at Olivant, a private equity firm that invests in financial services businesses in Europe, the Middle East and Asia. He was also previously a management consultant at the Boston Consulting Group. The Chief Financial Officer, Sean Glithero, joined Funding Circle in 2017 from Auto Trader Group where he served as chief financial officer and helped it undertake an initial public offering and join the FTSE 250. Funding Circle’s risk team is headed by Jerome Le Luel, who joined Funding Circle in 2015 bringing more than 20 years of experience in risk management, having served as head of risk analytics at Barclays and chief risk officer at Barclaycard before joining Funding Circle. Funding Circle’s product, engineering and operations team is headed by David Yu, who has over 20 years of experience in driving forward successful technology businesses, having spent more than a decade at Betfair, the world’s largest betting exchange, where he held the roles of chief technology officer, chief operating officer and then chief executive officer.

For Funding Circle, people and culture are considered fundamental to the success of the business. Funding Circle’s team consists of a talented group of people (“Circlers”) that have strong alignment with its mission to build a better financial world, and share the same drive and passion as its customers; they are ‘Made to do More’. The Directors and the Proposed Director believe that creating the right culture is crucial for both attracting and retaining talent. All permanent Circlers hold options and/or shares in the equity of the business, ensuring they are aligned with Funding Circle’s mission, vision and objectives. Funding Circle has developed a strong and engaged culture in each of its offices, as well as a set of five core values that represent who Funding Circle is and how the team behaves:

- *Think Smart*: Challenge assumptions, seek insights and make informed decisions. Everyone has a voice, so be ambitious.
- *Make It Happen*: Be courageous and take ownership. Take small steps fast and commit to seeing it through.
- *Be Open*: Treat everybody with respect and be honest with each other. Transparency and integrity build trust.
- *Stand Together*: Listen, understand and support each other. Win or lose as one.
- *Live the Adventure*: Bring your passion with you every morning, and have fun.

These values are strongly implemented across all of Funding Circle’s operations, from recruitment to remuneration.

Funding Circle runs a global, quarterly culture survey across all functions to track employee engagement and satisfaction. All results are reviewed by the people team and the senior management team to continue to drive engagement and execution across all geographies. In the United Kingdom, Funding Circle has frequently been featured in *The Sunday Times*’ “Best Company to Work For” list. Most recently, Funding Circle UK was named

as the 16th Best Company to Work For in *The Sunday Times*' 2018 annual survey. Funding Circle's aim is to become the best FinTech company to work for.

STRATEGY

Drive better Borrower experience and increase brand awareness

Funding Circle's medium-term strategy is to increase market penetration in its existing geographies. To that end, it intends to continue to improve Borrower experience and increase brand awareness.

Funding Circle aims to further improve Borrower experience by focusing on price, access, experience and customer engagement. It will continue to invest in modern technology to enhance its data-centric architecture and platform, improve convenience and automation, increase efficiency, reduce manual processes and ultimately improve the overall Borrower experience throughout the economic cycle. In addition, it intends to continue to invest in data and credit analytics with a view to creating more predictive risk models in order to optimise pricing and increase its ability to serve more SMEs. Investment in data and credit analytics will also enable further personalisation, by tailoring customer experience and propositions to customer needs.

Funding Circle sees significant profitability growth potential in repeat customers, given that on average they generate higher margins. Funding Circle currently observes high repeat rates of Borrowers through the Funding Circle platform. According to a survey conducted by Oxford Economics in 2018, 85 per cent. of existing Borrowers indicated that they would approach Funding Circle's platform first should their business require external funding in the future. As such, as the number of SMEs that Funding Circle attracts continues to grow, Funding Circle intends to continue driving Borrower engagement to drive repeat growth and establish itself as their first choice for financing needs. To that end, it intends to continue executing on its core promise of delivering a better Borrower experience and creating new ways to maintain and enhance customer engagement.

Although Funding Circle achieves high Borrower satisfaction rates and repeat rates, its brand awareness and consideration remain low compared to banks, who have large branch networks and a long history. As such, Funding Circle has recently invested and intends to continue to heavily invest in its brand through marketing initiatives with a view to increasing brand awareness, particularly vis-a-vis Borrowers. For example, in 2017, Funding Circle launched a new brand to a global internal audience, which was later unveiled in conjunction with a TV, radio and outdoor advertising campaign in the United Kingdom, 'Made to do More'. This initiative was premised on the objective of creating a brand that was highly differentiated from competitors and appealed to, and united, Funding Circle's Borrowers, Investors and Circlers. Initial feedback is that this campaign has been highly successful.

Invest in modern data, analytics and technology

Continued innovation is central to Funding Circle's strategy. Funding Circle has made, and will continue to make, significant investments in modern data, analytics and technology to drive further automation, improve customer experience and enhance credit models.

Funding Circle's approach to credit and risk analytics combines both value optimisation and credit risk management across the Borrower lifecycle from marketing to credit assessment and ongoing collections and recoveries. Funding Circle has built large proprietary data sets that combine publicly available SME data with loan performance data. It leverages these databases to train machine-learning models in order to optimise targeting, marketing, pricing and customer conversion. Funding Circle plans to grow its data sets and invest in proprietary analytics and tools in order to improve its customer experience and value proposition by creating personalised processes, optimising pricing and maximising access to Borrowers. As more data is collected, risk models become more predictive, enabling better pricing and risk decisioning.

Furthermore, in line with its technology approach and globalisation strategy, Funding Circle is currently developing a new single unified money and loan management platform that it intends to implement across all its markets, enabling it to scale quickly and effectively. The technology it is using to build the global platform will enable a data flow architecture, distributed coordination, fault tolerance and improved operational efficiency. It also plans to continue migration to consistent cloud-based hosting across all geographies, which is expected to yield improved fault tolerance, simpler operational management, and an infrastructure blueprint for future geographic expansion.

Diversify funding sources and deliver an improved Investor experience to Funding Circle's Investor base and secure long-term commitments

In recent years, Funding Circle has increasingly focused on further diversifying its funding base, attracting long-term commitments from Investors and enhancing predictability and stability of investments.

For instance, in 2015 it facilitated the formation of FCIF, a registered closed-ended collective investment fund which invests in a globally diversified portfolio of loans originated through Funding Circle's platform. In 2016 (and again in 2018), it worked with platform Investors to facilitate the securitisation of loans originated through the platform via the Small Business Origination Loan Trust 2016-1 DAC ("SBOLT 2016-1"), which was the first ever securitisation of SME loans originated through a lending platform in Europe. In 2017, it entered into an agreement with the EIB to invest through the platform, entered into a multi-year partnership with Aegon, and launched its Innovative Finance ISA product for retail Investors in the United Kingdom.

Funding Circle believes that a highly diversified Investor base provides it with Investor funding stability and reinforces the resilience of its business. In order to retain existing Investors and attract new Investors, Funding Circle focuses on ensuring attractive risk-adjusted returns through the economic cycle, as well as maintaining a fast and flexible investment process to optimise Investor experience, which drives continued growth in its Investor base and attracts global and larger commitments from Investors.

Going forward, Funding Circle intends to continue diversifying its platform funding sources, focusing on growing its retail Investor base, while at the same time continuing to secure long-term commitments from institutional Investors and capital markets vehicles.

Continue building a highly scalable, global business

Since its inception, Funding Circle has positioned itself to continue growing as a global leader in the platform lending industry, and intends to continue building a highly scalable, global business.

Funding Circle believes that there is a significant opportunity to roll out its innovative model into new geographic markets and serve an even larger base of SMEs and Investors, as it currently operates in geographies that, as of 2016, accounted for approximately 34 per cent. of global GDP. Funding Circle has demonstrated a track record of successfully identifying and executing on expansion opportunities. For instance, following its expansion into the United States, Germany and the Netherlands, Funding Circle's cumulative originations in these geographies have grown at comparable or faster rates than the United Kingdom. The Directors and the Proposed Director believe that there remain further attractive expansion opportunities that would meet Funding Circle's expansion strategy in the future, and will continue examining market opportunities to follow similar growth strategies, either through organic expansion or bolt-on acquisitions. Funding Circle takes a disciplined, phased and strategic approach to managing geographical expansion, continuing to actively consider geographic markets that could enhance its business. It has developed a shortlist of attractive countries that it believes would have a significant and positive impact on the business profile. In its assessment, Funding Circle has considered four major factors: demand for SME borrowing, investor sentiment, operational complexity including regulatory environment and credit data availability. In all of the geographies that Funding Circle has examined, SMEs appear to be underserved by traditional lenders.

The Directors and the Proposed Director believe that Funding Circle's scale and competitive position provides it with significant advantages in expanding its business and reach globally, leveraging its experience, data sets, brand and proprietary credit models.

BUSINESS DESCRIPTION

Business Model

Funding Circle operates a lending platform that allows Investors to lend money directly to SMEs, without Funding Circle holding loans on its balance sheet²⁵. It provides fast, flexible and competitively priced SME loans, which, in the United Kingdom, Germany and the Netherlands, are generally unsecured by collateral (except for loans exceeding certain thresholds). It also provides Investors with attractive investment returns²⁶.

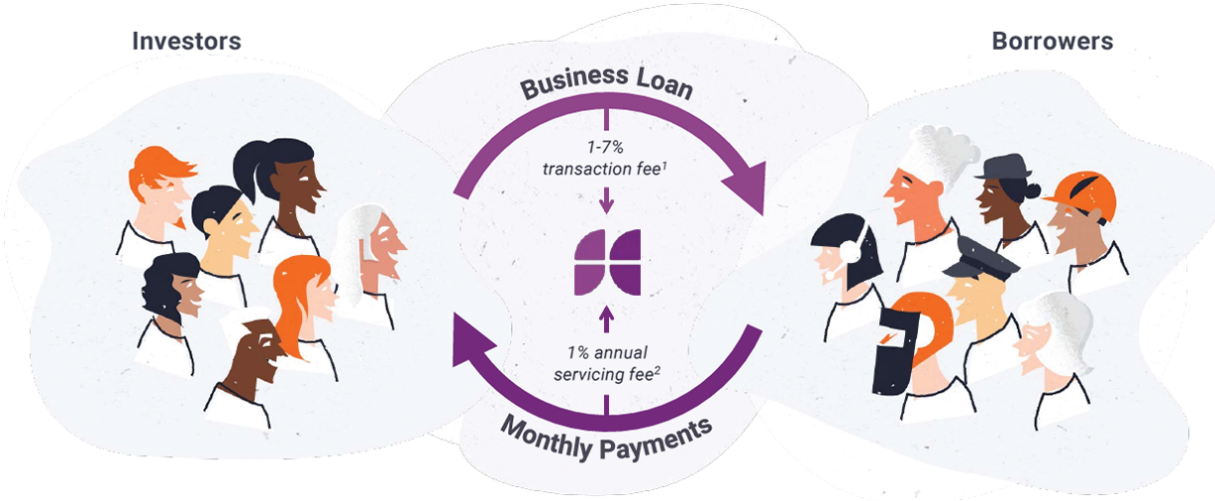
Funding Circle generates revenue in two primary ways: (i) a transaction fee typically ranging between 1 per cent. and 7 per cent. of the original principal balance of the loan, that is deducted from the loan proceeds paid to the Borrower, and (ii) an ongoing servicing fee of 1 per cent. per annum, calculated monthly on each

²⁵ Except for (1) an initial holding period (typically of two days) in the United States, and (2) any loans that may be purchased by Funding Circle.

²⁶ Based on historical performance and return rates.

loan (in most instances as a percentage of the outstanding principal balance of a loan). Funding Circle may from time to time change the amount and manner of collection of transaction and servicing fees.

The following figure illustrates Funding Circle’s model.



Notes:

- (1) As at the date of this Prospectus. Upfront borrower transaction fee ranging between 0.99 per cent. and 6.99 per cent.
- (2) As at the date of this Prospectus. Ongoing servicing fee of 1 per cent. per annum, calculated monthly on each loan (in most instances as a percentage of the outstanding principal balance of a performing loan).

Products

Borrowers

Funding Circle focuses exclusively on SME lending. In H1 2018, excluding property loans, Borrowers across Funding Circle’s geographies had, on average, approximately £950,000 of revenue per annum, eight employees and a trading history of ten years, and average loan size was approximately £70,000²⁷. Borrowers must have a trading history of at least two years.

Loans originated through Funding Circle’s platform are fully amortising²⁸, with terms ranging between six and 60 months and an average loan term of 52 months in H1 2018 (excluding property loans). Interest rates on loans originated through the platform have averaged approximately 11 per cent. per annum during that period (excluding property loans) and, as at the date of this Prospectus, range from 1.9 per cent. to 27 per cent. per annum.

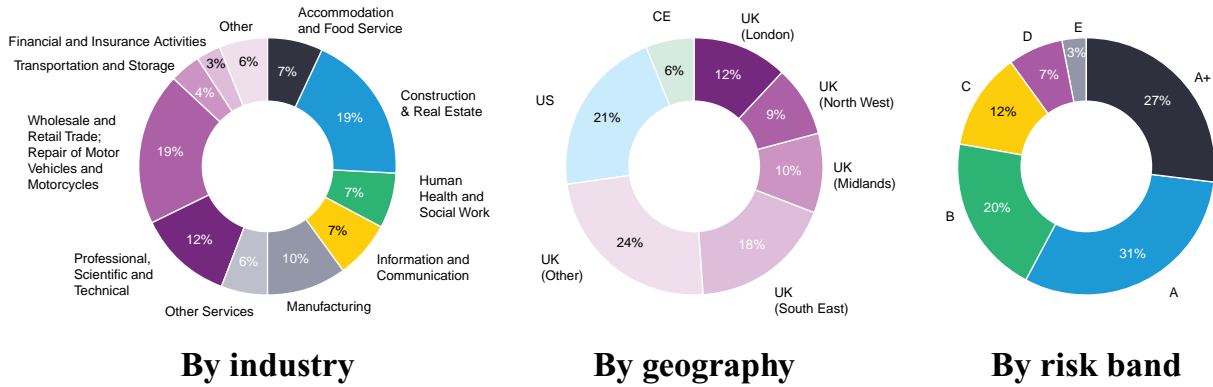
Where the Borrower is a company with limited liability, loans are generally guaranteed by personal guarantees. In some instances, loans facilitated through the platform are also secured by collateral (e.g., for loans exceeding certain thresholds or in the United States).

Funding Circle benefits from a highly diversified Borrower base across geographies and industries (largely in line with the general population of SMEs), which the Directors and the Proposed Director believe helps ensure stable returns and mitigates the adverse effects of a downturn in the economy. The following figures show the distribution of Funding Circle’s loan portfolio in H1 2018, by industry, geography, and risk band as at the time of origination.

²⁷ Ranging between €5,000 and £1,000,000.

²⁸ Except for property loans.

Loan portfolio by industry, geography and risk band



Notes:

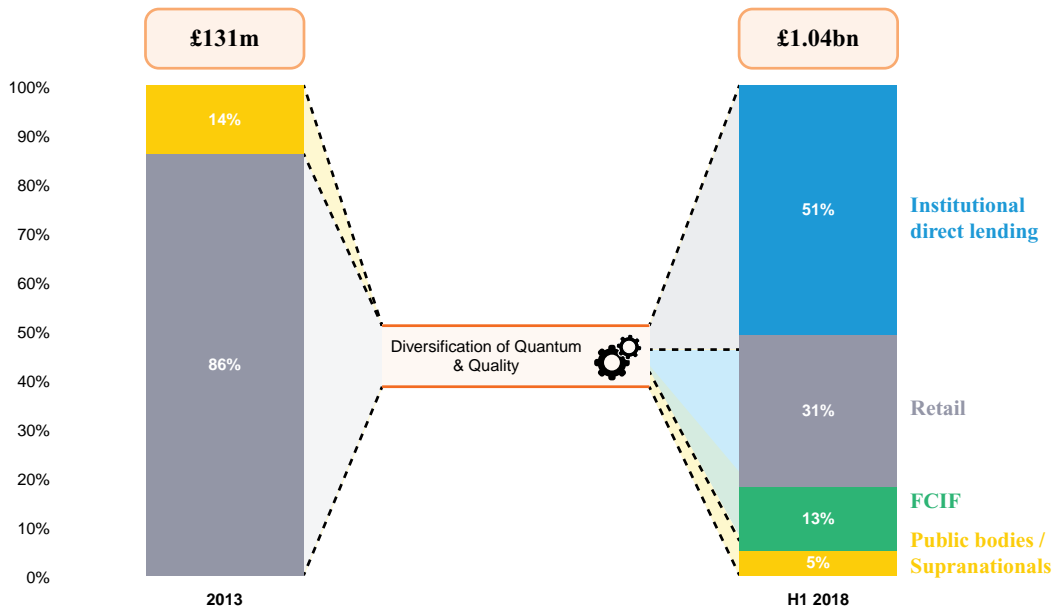
- (1) Based on originations during H1 2018, excluding property loans.
- (2) Risk band categorisation varies between geographies.

Investors

Funding Circle has supported the growth of a new asset class, helping to open it to a range of Investors. Through Funding Circle's platform, a wide range of Investors are now able to invest in SME loans, which, traditionally, have only been held on bank balance sheets. Its platform enables broad diversification for both large and small Investors by allowing distribution of investments in loans in increments.

Funding Circle's Investor base now includes a deep and broad variety of Investors, ranging from retail Investors to public bodies, providing it with Investor funding diversity and stability. Since the beginning of 2016, 45 per cent. of funding has on average come from global Investors (i.e. Investors who invest in more than one of Funding Circle's geographies), reinforcing Funding Circle's global scale and demonstrating Investor satisfaction with its platform. The following figure sets out Funding Circle's Investor base composition across all geographies, by volume of originations, in the six months ended 30 June 2018 as compared to year ended 31 December 2013.

Investor base composition



Funding Circle seeks to ensure that certain principles are upheld across all Investor groups:

- *Passive investment:* all institutional and retail Investors, with the exception of retail Investors in Germany and the Netherlands as well as “accredited investors” in the United States (which, as at 30 June 2018, collectively represented approximately 1.6 per cent. of Funding Circle’s global lending volume) invest passively through Funding Circle’s platform.
- *Random allocation:* in all of the United Kingdom, the United States, Germany and the Netherlands, Funding Circle operates “whole loan” and “partial loan” marketplaces that allow Investors to either purchase whole loan or loan parts, starting at low increments. Loans qualifying for inclusion on Funding Circle’s platform are allocated between specific Investors on a random basis.
- *Diversification:* with a view to mitigating risk to Investors, Funding Circle always seeks to ensure adequate diversification of loan portfolios.

Funding Circle strives to enable Investors to invest in loans originated through its platform via a variety of means, exploring various Investor markets and delivering appropriate structures for the different types of Investors. Funding Circle’s Investors now fall within four principal groups, who access the platform in different ways:

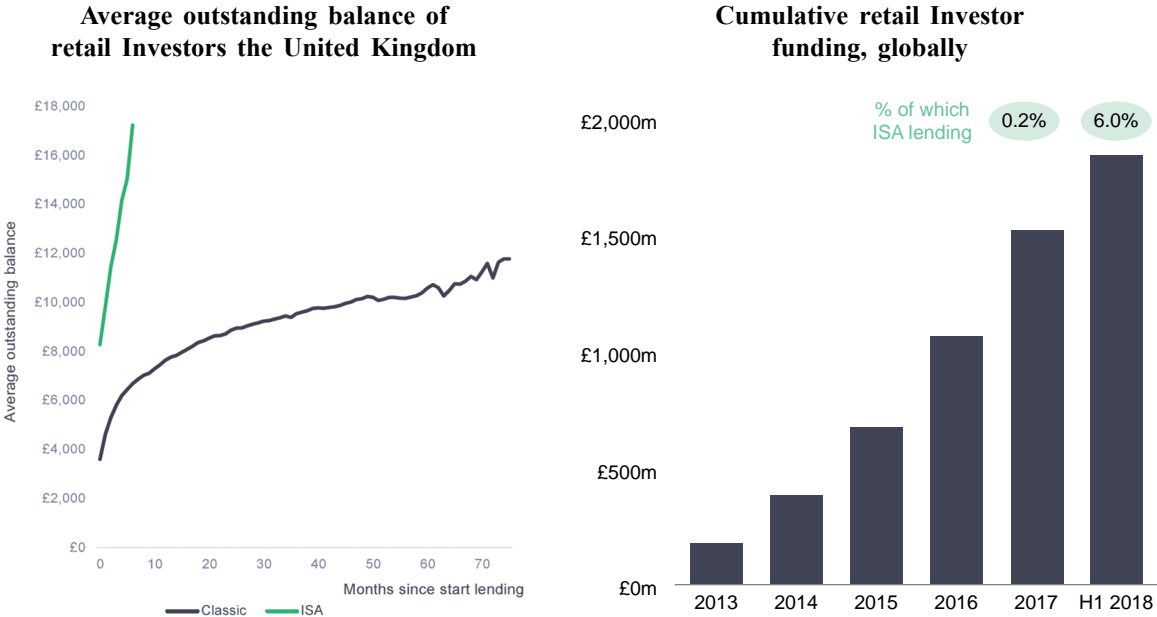
Direct institutional Investors

Funding Circle has a wide range of direct institutional Investors, including banks, insurance companies and asset management companies the majority of which invest in “whole loans” directly through the platform. These Investors include the INTRUST Bank and Dutch financial services group, Aegon, among others. Furthermore, in 2016, Funding Circle facilitated the first ever securitisation of SME loans originated through a lending platform in Europe, having helped establish SBOLT 2016-1. This was followed in 2018 with SBOLT 2018-1.

Institutional Investors may fund or acquire whole loans originated through the platform by entering into one of a variety of funding arrangements with Funding Circle.

Retail Investors

Funding Circle’s retail Investor base has significantly grown over the past eight years, with more than 80,000 retail Investors to date lending directly to SMEs through the platform in the United Kingdom, Germany and the Netherlands. Cumulative funding from retail Investors, as well as average outstanding balance, have continued to rapidly grow as Funding Circle continued to diversify its Investor base, as illustrated by the following figures.



Retail Investors access the platform via Funding Circle’s website or through mobile applications.

In the United Kingdom, retail Investors have an average portfolio of approximately £9,600 (as at 30 June 2018) and their funds are diversified across different loans. For those who invest at least £2,000, no more than 1.0 per cent. of their total investment amount is allocated to a single Borrower, with a view to ensuring adequate diversification of portfolio risk. UK retail Investors invest passively through Funding Circle's platform by choosing one of two different lending options, "Conservative" or "Balanced", based on their preferred level of risk. In Germany and the Netherlands, retail Investors manually choose who to lend money to. In the United States, Funding Circle does not currently seek retail Investors. Retail Investors in the United Kingdom are also able to select an option to automatically reinvest repayments and any available funds.

In addition, in the United Kingdom retail Investors are able to buy and sell their loan parts with each other via the "secondary marketplace" without paying any fees, enabling them to build up a diversified portfolio quickly and to withdraw invested funds prior to the maturity and settlement of the corresponding loan(s) (provided that these loan parts are sold to other Investors). Furthermore, in May 2017, the FCA granted full authorisation to Funding Circle UK, subsequently enabling it to apply for authorisation from HMRC as an ISA Manager and launch the "Innovative Finance ISA" in November 2017. This means that retail Investors can lend to Borrowers in return for income within a tax-free wrapper.

As at the date of this Prospectus, retail Investors are only able to participate on the "partial loan" marketplace.

FCIF

In 2015, Funding Circle facilitated the formation of FCIF, a registered closed-ended collective investment scheme that provides an investment conduit for public market investors including, but not limited to, discretionary pension funds, multi-asset funds, discretionary wealth managers and other investors to gain access to a globally diversified portfolio of Funding Circle's SME loans. FCIF invests in "whole loans" directly through the platform in all four of Funding Circle's geographies. FCIF is admitted to the premium segment of the Official List and its shares are traded on the London Stock Exchange's main market for listed securities. As at 30 June 2018, FCIF had £476 million in gross assets under management.

Supranationals and public bodies

Given the impact that SMEs have on job creation and economic growth, government-backed entities have invested, and continue to invest, through Funding Circle's platform to support SMEs' access to financing. For instance, in the United Kingdom, since UK government-owned institutions first started lending on Funding Circle's platform in 2013, more than 10,000 SMEs have benefited from their funding. Approximately 7 per cent. of Investor money in 2017 came from public or supranational sources (5 per cent. in H1 2018). The British Business Bank, the European Investment Bank, the European Investment Fund and KfW have all invested in loans originated through Funding Circle's platform. These bodies and entities invest via a variety of means, including directly through the "partial loan" marketplace and indirectly through the various capital markets vehicles that invest through Funding Circle's platform.

Sales, Marketing and Distribution

Borrowers

Funding Circle uses a variety of means, including emails, direct mail, newsletters and outbound contact from account managers to ensure continued engagement with its existing and potential Borrowers. This focus on customer engagement, combined with the attractive value proposition Funding Circle offers Borrowers, have led to high Borrower repeat rates, with 32 per cent. of all originations (excluding property loans) generated through Funding Circle's platform made to repeat Borrowers in 2017. Looking forward, Funding Circle has a clear strategy to continue to drive Borrower repeat rates. Moreover, further supporting repeat rates on the platform, Funding Circle has observed that in the United Kingdom, over time, Borrowers maintain an ongoing balance of financing from Funding Circle's platform through repeat borrowing, thus becoming a consistent part of their capital structures.

Funding Circle expects to heavily invest in marketing to drive awareness, which is currently low. A survey conducted by Monkey See for Funding Circle in 2017 showed the benefit of increased awareness. In the United Kingdom, of the surveyed participants who were already aware of Funding Circle, those who recall seeing television advertisements relating to Funding Circle are 140 per cent. more likely to consider the brand than those who have not. As such, Funding Circle expects that increased marketing spend will significantly increase brand awareness and in turn help drive further growth in originations. Furthermore, as data accumulation continues to increase, the effectiveness of Funding Circle's marketing is expected to continue to improve.

Funding Circle benefits from strong diversification in its origination channels.

Direct channels

Funding Circle attracts the substantial majority of its Borrowers via direct channels (which, in 2017 and H1 2018, accounted for approximately 70 per cent. and 72 per cent., respectively, of the total amount of loans originated through the platform, excluding property loans). The proportion of loans originated through direct channels has been steadily growing in recent years, in line with Funding Circle's strategy. Funding Circle operates a data-centric approach to its "direct channels" marketing strategy. It has built large proprietary data sets on borrowers and borrower performance in each of its geographies that it leverages in its targeting and segmenting strategy, using machine learning models aimed at optimising and tailoring marketing and messaging intensity to target specific Borrowers, and reducing acquisition cost. These machine learning models are supported by a proprietary knowledge base of thousands of test and learn experiments that are used to optimise marketing as well as Funding Circle's calibrated, performance-driven customer selection and customer conversion. Direct marketing channels include digital marketing (such as paid search, social media and display), "above-the-line" marketing (including television and radio) advertising and promotion, as well as targeted emails and traditional direct mail campaigns.

Indirect or intermediary channels

Funding Circle also uses, to a lesser extent, indirect or intermediary channels for loan origination (which, in 2017 and H1 2018, accounted for approximately 30 per cent. and 28 per cent., respectively, of the total amount of loans originated through the platform, excluding property loans). These primarily comprise referral partners and brokers. Funding Circle has established referral partnerships with leading accounting software providers, banks and other small business advisory firms in the United Kingdom, the United States and elsewhere. For example, in the United Kingdom, The Royal Bank of Scotland plc and Santander UK plc refer SMEs seeking financing that either sit outside their current lending criteria or which they cannot service for other reasons, to Funding Circle's UK platform. Commercial finance brokers are also an active part of the wider SME loan provision market in the United Kingdom, the United States and elsewhere. Funding Circle receives applications introduced by these brokers, and generally pays an introduction fee if an application successfully passes the credit process and a loan is subsequently accepted by the Borrower. Funding Circle also pays referral commissions to other non-broker introducers.

Investors

Funding Circle has a dedicated sales team, with in-depth experience in the lending business and capital markets transactions, tasked with attracting and maintaining relationships with institutional Investors. With respect to the retail Investor base, Funding Circle primarily relies on its reputation, word of mouth and referrals to drive growth.

Risk Management and Data Analytics

Funding Circle's ability to attract Borrowers and Investors to, and build trust in, the platform is significantly dependent on its ability to effectively evaluate risk. As such, Funding Circle has heavily invested in its technology infrastructure and, as at 30 June 2018, its risk team represented approximately 22 per cent. (including contractors) of Funding Circle's global workforce (including contractors), bringing together years of experience of managing risk processes and governance and a strong risk culture throughout the business. Together with a collaborative approach, flexible and modern technology, data and analytics and the ability to create rapid change, Funding Circle has developed a strong, sophisticated risk framework. Funding Circle utilises analytics tools, such as machine learning, throughout the business and the Borrower lifecycle to drive customer experience and efficiency, focusing on both risk management and value optimisation. Funding Circle's risk management strategy and data analytics techniques focus on active evaluation and surveillance of risk across Funding Circle's different functions and geographies, with rapid mitigation and change in response to any identified risks, supporting ongoing recession readiness.

Credit assessment strategy

Funding Circle considers that its success, reputation and ability to continue to attract and retain Investors are highly dependent on its ability to maintain the attractive rates of returns it has historically allowed Investors to achieve, and is therefore committed to best practices in terms of credit risk evaluation and assessment, with a view to ensuring accurate and optimised pricing.

Across all of its geographies, Funding Circle follows the same principles and techniques in its credit assessment approach that are focused on active evaluation and surveillance of risk, with rapid mitigation and change in response to any identified risks, supporting ongoing recession readiness. As part of its continued evaluation of credit risk, Funding Circle continuously reassesses expected lifetime loss rate and returns by cohort, simulates changes to credit parameters and conducts stress tests. Leveraging its agile technology and approach, Funding Circle quickly responds to credit risk and, if needed, deploys change (e.g., to its models, policies and pricing) quickly, with extraordinary sessions of the Group’s dedicated Credit Risk Management Committee where necessary. Funding Circle continuously monitors credit risk by, for example, monitoring external indicators by region, sector and sub-sector, internal risk indicators and portfolio performance by cohort and operating segment, as well as collecting and analysing feedback from the collections and recoveries (“C&R”) team.

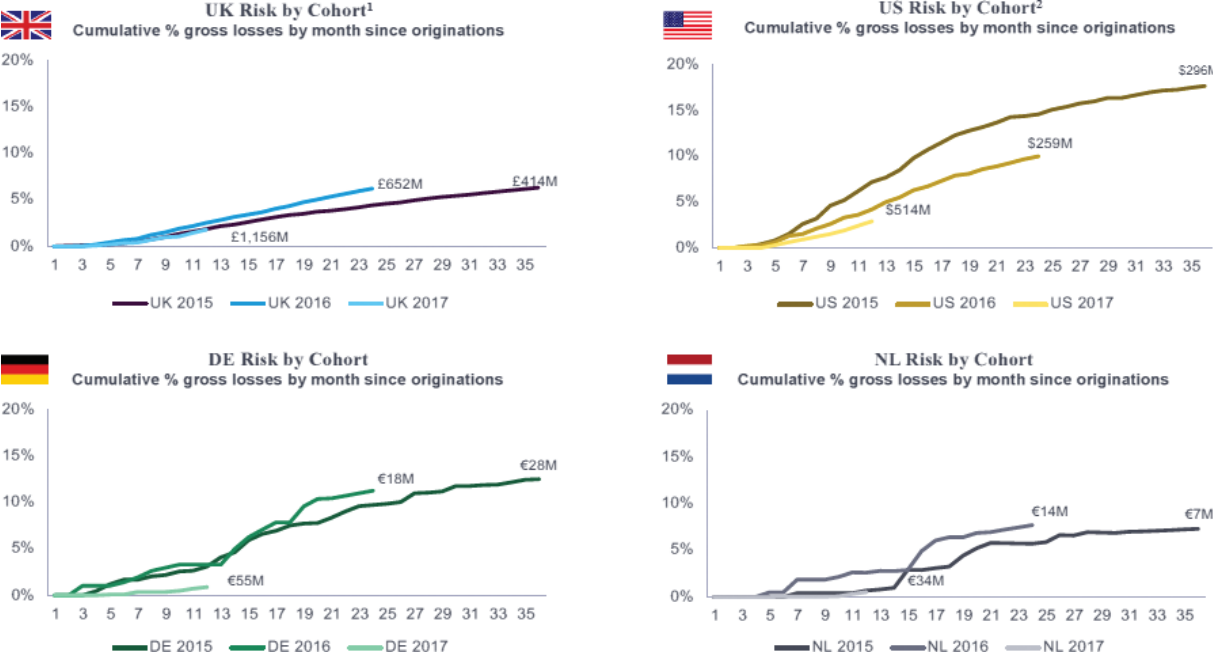
Given the differences in data availability, market characteristics and level of market maturity across its operations and geographies, Funding Circle has developed separate bespoke credit assessment models for each geography, which are continuously iterated and updated based on realised performance and additional available data. For example, its data set in the United Kingdom is more developed than that in Germany and the Netherlands. As such, Funding Circle can more heavily utilise automated processes in its credit assessment in the United Kingdom, resulting in a more accurate assessment of risk. In addition, because of the rich data sets, conversion rates of prospective Borrowers to active Borrowers tend to be higher in the United Kingdom than in other geographies, as Funding Circle is able to better target Borrowers and price loans. In Germany and the Netherlands, the data sets are not as rich, leading to less sophisticated Borrower targeting and increased reliance on expert credit assessment.

Credit assessment process

Funding Circle’s credit assessment processes comprise a combination of proprietary and automated, data-driven assessment, as well as manual assessment. Funding Circle believes that this mix enables it to enhance precision—in an asset class where credit bureau scores are not a very predictive indicator of a Borrower’s probability of default—with efficiency.

Through continued enhancement of its credit models, Funding Circle has been able to continually optimise the borrower lifecycle to grow originations, while controlling credit losses, as illustrated by the following graphs.

Risk by cohort (cumulative percentage of gross losses by month since origination)



Note:

- (1) Excluding property loans. Gross losses are losses before any recoveries.
- (2) Risk data in the United States for the 2015 cohort includes the first 19 days of 2016, as loans during this period were written on the same basis.

Set out below are some key features of Funding Circle's credit assessment process.

Main policies and procedures for credit assessment

The credit assessment process allows Funding Circle to evaluate the risk associated with lending to SME applicants and categorise them into risk bands, using algorithmic, automated risk models. Funding Circle applies systematic risk-based pricing to ensure that Borrowers receive rates appropriate to their level of risk. This supports Funding Circle's aim that, on average, sufficiently diversified Investors should earn positive returns in a stressed scenario. It leverages technology to draw together information from various sources and expedite the credit assessment process.

Risk bands are allocated to each application by the risk models. Risk band categorisation varies by geography and range from A+ to E in the United Kingdom, Germany and the Netherlands, and A+ to D in the United States. These bands, as calculated, are applied to each loan unless there is a specific reason why such calculation does not represent the correct banding (for instance, if a data input was missing or incorrect) and, together with other factors, dictate the corresponding gross annual interest rate to be paid by the Borrower. When reviewing Borrower gross interest rates, a number of factors are taken into account, including macroeconomic trends, the expected mix of risk bands of Borrowers, expected bad debt rates and wider competition in the market. Risk bands, however, do not amount to any form of recommendations or guarantee by Funding Circle as to the amount of payments that the potential Investor will actually receive or the likelihood of payment defaults occurring on a particular potential loan. Funding Circle continually assesses and periodically refines its pricing models to deliver optimised performance and reserves the right to make any changes to it in the future.

Funding Circle's general approach to credit assessment is as follows:

- identify the business and directors/proprietors;
- assess the integrity and quality of information available;
- assess the financial strength and credit quality of the business; and
- assess whether the business can afford the loan.

Main variables used in the scoring system and models

Funding Circle's credit models draw data from a range of different external sources including areas such as firmographics, company credit history, directors' credit history, financial ratios, scores from credit bureaux and bank cash flow information. Some of this data is pulled automatically from credit bureau providers. Others come from specific information requested from Borrowers.

Each geography's credit model is periodically refined to reflect growth in the region's loan portfolio and related loan performance data. Funding Circle maintains a balanced mix of risk tools, including statistical models, logical rule-sets and human expert judgment to assess the risk profile of SME applications. It performs periodic analyses on improvements to the models, which may apply to all or a portion of the loan portfolio, to ensure performance meets expectations. Additionally, model components are validated annually (whether in-house or third party) to determine model design appropriateness, data quality validation, back testing and performance validation.

Stress testing

As part of its prudent risk management strategy, from time to time Funding Circle conducts voluntary stress testing analysis to support recession readiness planning.

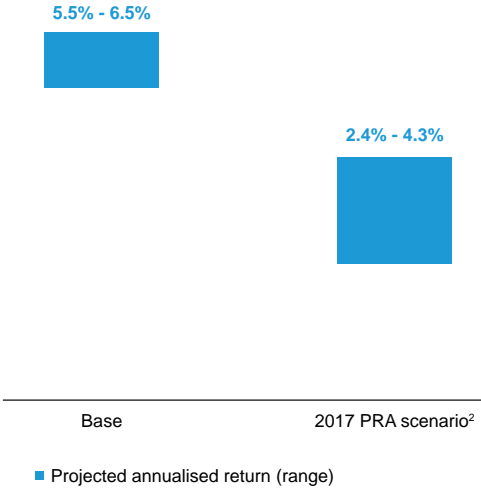
Funding Circle's experienced credit risk management team has created a bespoke stress testing model for its UK loan portfolio, using more than 25 years of UK insolvency and macroeconomic data, alongside seven years of SME lending data. For example, in 2017, Funding Circle undertook a stress test analysis in connection with its UK loan portfolio, covering several economic scenarios, including the UK PRA 2017 variant, which assesses the resilience of UK banks under a common adverse scenario. The below charts set out the actual insolvency levels and Funding Circle model estimates for the UK PRA 2017 stress test scenario, as well as the stressed-tested returns. In this scenario, Funding Circle has applied the UK PRA 2017 variant to its model. This scenario results in approximately a twofold increase in net losses for Investors. However, stressed-expected

returns remain attractive (ranging between 2.4 per cent. and 4.3 per cent.) in this extreme downturn scenario, illustrating the resilience of Funding Circle’s model.

UK: Actual insolvency levels and model estimates for 2017 stress test scenario



UK: Stressed expected returns remain positive even in an extreme economic downturn⁽¹⁾



Notes:

- (1) Lifetime expected returns for 2017 Funding Circle UK loan cohort—simulated applying 2017 stress test scenario. Based on Funding Circle’s models as at 30 June 2018. Assumes recoveries also reduce by 40 per cent. in recession.
- (2) Based upon an Investor who invested in 2017.

In the United States, stress tests conducted by Funding Circle on recent loan cohorts indicate that Investors would be expected to make positive returns, even in a severe economic recession, although loss levels would be greater than those in the United Kingdom.

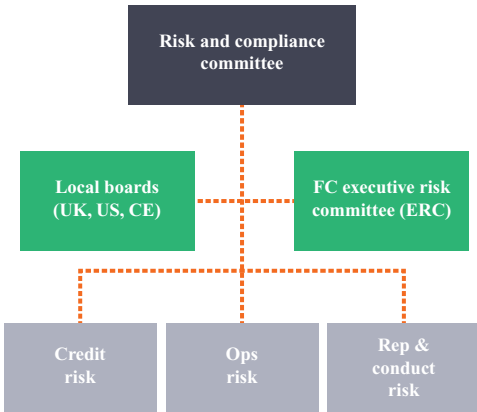
Enterprise Risk Management

The Directors and the Proposed Director believe strong governance, risk management and controls are vitally important to the long-term sustainability of the platform. As such, and in line with its values, Funding Circle always seeks to apply best-practices from the financial services sector, to embed and develop a strong risk and compliance culture across the business. Funding Circle has adopted a global Enterprise Risk Management Framework (“ERMF”), with an objective to deliver a strong control environment, and has implemented a consistent, systemic and integrated approach to risk management to help continually assess, respond and monitor significant risks throughout the business.

In addition, Funding Circle has implemented a formal risk governance structure across all of its geographies, with a clear policy hierarchy to connect each control procedure to the overall ERMF principles and ensure effective risk monitoring and risk events escalation processes, providing continuous reporting and full visibility to the relevant boards of directors. In the United Kingdom, Funding Circle operates a “Three Lines of Defence” model with the first line owning and managing risks, the second line (risk and compliance) providing oversight and challenge as well as compliance reviews and controls testing and the third line (internal audit function), which is currently outsourced to an independent third-party audit firm. First and second lines of defence have been established in the United States and the third line of defence is being implemented. In Germany and the Netherlands, the first and second lines of defence are being implemented and it is intended that the internal audit function will be rolled out during 2019. In Germany, Funding Circle is an outsourcing partner to Wirecard Bank for certain substantial banking activities and as such is subject to audits by Wirecard Bank in accordance with the outsourcing rules under the German Banking Act.

Funding Circle has implemented the same risk governance structure across all geographies with three committees: Credit Risk Management Committee, Operational Risk Committee and Reputation and Conduct

Risk Committee that report to local boards, the Executive Risk Committee and ultimately the Risk and Compliance Committee, per the following diagram.



Funding Circle has also implemented independent risk and compliance functions that report to the Chief Risk Officer and the Global General Counsel, each of whom has a direct line into the Board of Directors.

Loan Servicing, Collections and Recoveries

Funding Circle manages the ongoing loan monitoring and servicing for loans originated through the platform. With the goal of promoting trust, loyalty and commitment, collections and recoveries are largely managed by Funding Circle itself, while using a number of external agents for support and assistance, particularly in relation to insolvency related appointments, legal support, tracing and service of process and court enforcement. In addition, to ensure continuity of services, Funding Circle has put in place arrangements with third-party back-up servicers, who would take on its servicing obligations in respect of most Investors if it ceases operations.

Funding Circle’s C&R team deals with Borrowers who are in arrears, who may go into arrears, who have defaulted or who have breached their loan conditions. The team is broadly sub-divided into two parts: collections and recoveries. The collections team is generally responsible for Borrower payment issues within the 0-90 day period, while the recoveries team is generally responsible for dealing with delinquent Borrowers who have defaulted or are in or intend to enter a formal insolvency procedure.

The C&R team uses a number of online and manual tools to track and monitor all late and defaulted loans and Borrowers on a daily basis, for work allocation, strategic planning, regulation of systems and controls, and regulatory compliance. The online tools enable the team to identify issues which may affect Borrowers and their ability to repay a loan, to monitor loans for updating the trackers, and to help the team prepare for direct contact with the Borrower through telephone, email or letter. The C&R team also uses a number of external agents for support and assistance for insolvency related appointments, legal support, tracing and service of process and for court enforcement.

Collection Strategy

Funding Circle’s collection strategy aims to provide best-in-class collection services in each geography to its Borrowers, while protecting Investors’ returns. The pillars of the collection strategy set forth below were established through careful consideration of key differences between balance-sheet lenders and lending platforms.

Organisational self-awareness

When a collection process is required, Funding Circle aims to promote trust, loyalty and commitment with Borrowers through clear communication of its policies and the rationale behind them.

Transparency and responsiveness

For SMEs, personal finance is often intertwined with business finance and therefore credibility must be assessed on transparency and responsiveness from the relevant guarantor(s) where applicable. Borrower and Investor accessibility to information is key to the success of long-term payment plans, full recoveries and a better customer experience for both sides of the platform.

Survival for revival

“Survival for revival” means believing that most Borrowers/guarantors will succeed after they have weathered the storm of financial distress. Funding Circle encourages business owners to learn from their mistakes and start new businesses because, when they are successful, they will be able to afford to settle their old debts in full. Funding Circle will not add additional post contractual interest to credible Borrowers/guarantors who adhere to the terms of the loan contract, personal guarantee and/or any agreement entered into after the loan has been defaulted. Where credibility is in doubt or the Borrower/guarantor does not adhere to any such agreements, legal proceedings will follow.

Recoveries

Funding Circle has historically achieved high recovery rates of approximately 49 per cent. on UK loan defaults within 36 months from default²⁹, and recovery rates in the future on mature cohorts in the United Kingdom are expected to be in line with the historic rates. In the United States, due to different market and operational dynamics, recovery rates are generally lower.

TECHNOLOGY

Funding Circle has developed and continues to develop a modern, customer-centric technology that enables it to deliver scalable, innovative and automated solutions to Borrowers and Investors. It uses modern, modular technologies resulting in enhanced performance and flexibility, and its horizontally-scalable architecture helps maintain a stable performance level in terms of response time, regardless of the number of users accessing the platform. Funding Circle is not burdened by the challenges and maintenance costs related to monolithic legacy systems, which many of its bank competitors struggle with on a daily basis. Its technology approach and strategy focus on both internal and external customers, and its sophisticated web and mobile interfaces and data analytics platforms were designed to optimise user experience. Funding Circle also employs modern ways of working—for example, using agile methodologies in its software development approach, ensuring collaboration between self-organising cross-functional teams, adaptive planning, early delivery and continuous improvement, which allow it to respond to change quickly and easily.

Funding Circle continues to be one of the pioneers of implementing a real-time stream processing based architecture. Its continuous investment in cutting-edge technology allows it to continuously and easily enhance and tailor its platform to meet customers’ needs. Funding Circle is currently developing a new single unified money and loan management platform using Kafka, which it intends to implement across all its markets, enabling it to scale quickly and effectively. The technology it is using to build the global platform will enable a data flow architecture, distributed coordination, fault tolerance and improved operational efficiency.

In addition to sophisticated technology, Funding Circle has an exceptional team of software and data engineers possessing a deep understanding of the lending business and customer needs, dedicated to delivering innovation and advancement of Funding Circle’s technology, as well as integrating the systems and platforms of acquired businesses. Funding Circle has established key development centres in London and San Francisco. The technology team department (including contractors) accounted for approximately 27 per cent. of Funding Circle’s global workforce (including contractors) as at 30 June 2018, reflecting the growth of its investment in technology. Funding Circle’s technology workforce is distributed across its various geographies (in addition to a team in Bulgaria), which helps attract highly skilled technology employees.

SECURITY CONTROLS

The Directors and the Proposed Director believe that security is critical to the continued success of Funding Circle. As such, Funding Circle has heavily invested and expects to continue investing in information security with a view to maintaining the security of its platform and customer and financial data. Funding Circle takes a modern technology approach to security—in addition to its internally developed security tools and controls, it sources security tools and processes from world-leading technology and security firms, including Darktrace, Twistlock and other service providers.

Funding Circle’s Chief Information Security Officer, who reports directly to the Chief Product Officer, is tasked with setting the information security strategy and overseeing information security areas across all of Funding Circle’s geographies, including employee skills, controls and disciplines. The team is responsible for security policy, awareness, application security, threat monitoring and security incident response.

²⁹ Of all defaulted UK loans that have reached at least 36 months of maturity post default, the actual recovery rate at month 36 post default is approximately 49 per cent.

Funding Circle takes a risk-based approach to security with layered controls and strong governance and assurance. Key projects and controls are based on mitigating key risks, including data loss and visibility of relevant security events. Controls are implemented via a defence in-depth approach, with controls like data loss prevention and access control at the data level; web firewalls and source code analysis at the application level; segregation and continuous vulnerability scanning at the network level; and anti-malware protections on the endpoints. Regular reviews are done through bi-annual penetration tests conducted by third-party specialists. Funding Circle's IT and security controls are audited by third parties to achieve certifications including SOC 1, PCI and ISAE 3402. This is in addition to internal audits of the information security programme.

Data is key to Funding Circle's ability to manage risk, serve its customers and ensure sustainable returns. Funding Circle has established clear guidelines in connection with data collection, storage and processing. Data is stored securely in line with the legal frameworks of the respective jurisdiction, with appropriate controls and regular audits. Funding Circle is transparent about its use of data in its website privacy policy and other notifications that it provides to customers from time to time as necessary. There are established processes in place for ensuring that any collection of new data, or the use of data for a new purpose, is done lawfully and in line with customers' expectations. There are also processes in place that enable Funding Circle's customers to exercise their rights under applicable privacy laws.

Information security risks are governed through the Global Technology Risk sub-committee, which is under the authority of Funding Circle's Operational Risk Committee. Annual information security training is mandatory for all employees, with additional specialist training undertaken throughout the year.

In so far as the Directors and the Proposed Director are aware, Funding Circle has not experienced any material operational or information security issues resulting from failures of, or breaches in, cybersecurity.

COMPETITION

Funding Circle competes with lenders and lending platforms on the SME side, as well as investment products on the investor side. With respect to Borrowers, Funding Circle primarily competes with traditional financial institutions, such as banks, that focus on SME lending. In addition to traditional financial institutions, Funding Circle's competitors include online lending platforms, specialist lenders, and captive networks. For more detail, see "*Market participants in SME lending and competitive overview*" in Part 5 (Industry Overview).

Despite the funding landscape for SMEs undergoing a significant transformation since the global financial crisis, banks continue to be the dominant players in terms of the overall SME lending volume in each of Funding Circle's markets. For instance, as at December 2017, more than 80 per cent. of the total SME lending across Funding Circle's geographies consisted of bank financing (source: OC&C), underlining the imperative need of SMEs for alternative financing means. Banks generally benefit from a much stronger brand awareness as compared to alternative financing businesses, translating into significantly higher SME lending volumes. However, there has been little innovation or investment in the SME lending proposition, leading in many cases to a poor borrower experience. Banks are also constrained by legacy IT systems and expensive branch networks, distracted by other strategic issues and organised to serve larger clients. This lack of focus on SMEs provides a major opportunity for lending platforms.

INTELLECTUAL PROPERTY

Funding Circle's key trademarks comprise the FUNDING CIRCLE brand name (with some variation depending on the jurisdiction), the FUNDING CIRCLE device and the MADE TO DO MORE mark. Funding Circle has registered or applied for trademarks relating to every country of current operation, as well as in a number of other jurisdictions or regions (including with the Office for Harmonisation in the Internal Market in respect of the European Union). The registration and administration of the Group's trade mark portfolio is managed by Funding Circle's legal team, in conjunction with its brand and strategy teams and external trade mark attorneys.

Funding Circle also holds a portfolio of domain names (most notably, www.fundingcircle.com) that is managed by the Group's technology team, in conjunction with its brand, strategy and legal teams.

Funding Circle has proprietary rights over its own bespoke credit assessment and multi-dimensional scoring models, technology, platform, data and reporting systems. These include systems and technology relating to loan allocation and loan portfolio management, credit risk assessment, ledger maintenance and financial reconciliation, physical money movements, repayment distributions and loan servicing. Funding Circle also licences from third parties technology software for managing aspects of its business, including in respect of customer relationship management, information security and data storage and processing, and also makes use of open source software where appropriate.

On occasion, Funding Circle engages third parties to develop processes, techniques, technology or other intellectual property on its behalf. As a matter of general practice, contracts with such third parties provide for the assignment of relevant intellectual property to Funding Circle or the right to use such intellectual property in its business. Funding Circle's employees and direct contractors are generally contractually required to both transfer relevant intellectual property to Funding Circle (in addition to statutory protections for Funding Circle where available) and maintain confidentiality.

CORPORATE SOCIAL RESPONSIBILITY

Funding Circle's mission is to build a better financial world, igniting opportunities for businesses and Investors by aiming to provide better propositions for both Borrowers and Investors. By improving competition in the market and reducing dependency on bank lending, Funding Circle is helping SMEs to boost their local economies and communities through much-needed job creation. In 2017 alone, loans facilitated through Funding Circle's platform contributed to £3.9 billion of gross value added to GDP and enabled more than 75,000 jobs³⁰. In addition to its overall mission, Funding Circle is committed to contributing to social causes. For example, in the United Kingdom and the United States, Funding Circle launched a Circler-driven volunteer group, 'FC Impact', that continues to devote significant volunteering time for non-profit organisations.

Diversity and inclusion are core values of Funding Circle. Funding Circle recognises the power and value in building a diverse team, where people's skills and personalities complement each other and reflect the customers it is here to help. Funding Circle strongly believes that different perspectives lead to better outcomes and it sees the positive impact of this in its business every day. Funding Circle has a number of Circler-led initiatives that focus on improving diversity and the inclusion of underrepresented groups, celebrating diversity within its team and its customers with various events throughout the year. Among these initiatives is 'women@fc', a mixed-gender group of Circlers in the United Kingdom and the United States that focuses on gender diversity through three pillars: awareness, community and development. In the United States, 'women@fc' founded 'Women in FinTech', a group to help women working in the FinTech sector to expand their professional network and accelerate their career development. In the United Kingdom, Funding Circle UK has signed up to the government's 'Women in Finance Charter' which is a commitment to support the progression of women into senior roles in the financial services sector. Funding Circle's co-founder and UK Managing Director, James Meekings, leads its gender diversity and inclusion programs and initiatives in the United Kingdom, demonstrating Funding Circle's focus and attention on diversity.

As a leading global platform, Funding Circle is committed to operating with the highest degree of transparency, and supporting Borrower and Investor benefits and protection. As such, Funding Circle regularly engages and collaborates with policymakers, industry players and regulators on issues that cross a broad spectrum, including highlighting the underserved funding needs of small businesses globally, advising on the implementing regime for new products (such as the Innovative Finance Individual Savings Account in the United Kingdom), advising on international trade policy and improving the level playing field for non-bank funding alternatives. In many cases, these engagements or initiatives are presented by Funding Circle as information gathering projects to assist policymakers in better understanding the business models, activities, and impact of platform lending businesses on credit markets, as well as policy recommendations for the purposes of optimising borrower and investor protection. For instance, Funding Circle strongly advocated for regulation of the peer-to-peer sector in the United Kingdom, which resulted in certain of its activities falling within the sphere of financial regulation in 2014. In addition, in August 2011 Funding Circle formed (together with two other founding members) a self-regulated platform lending association in the United Kingdom, the Peer-to-Peer Finance Association, and in April 2016, it formed (together with two other founding members) the Marketplace Lending Association in the United States, which are both focused on promoting responsible business practices, developing the role of platform operators for the benefit of investors and small businesses alike and sound public policy; also adopting a platform lending code of conduct (or operating principles) for each association. Funding Circle has also been appointed to governmental and regulatory panels; for example, the FinTech Delivery Panel in the United Kingdom (HM Treasury appointee) and the FinTech Advisory Panel (Conference of State Bank Supervisors' appointee) in the United States. In the United States, Funding Circle co-authored and adopted the *Small Business Borrowers' Bill of Rights*, which identified the fundamental financing rights to protect SMEs from the more abusive practices that some credit providers have employed in the underserved SME lending market, and represented the first cross-sector consensus on responsible SME lending practices in the United States.

³⁰ According to Oxford Economics.

EMPLOYEES

Funding Circle believes that its people are its business, they are what makes the business stronger every day. The exceptional experience Funding Circle aims to deliver to its customers is the product of the smart, talented, hardworking and diverse group of Circlers working at Funding Circle. Funding Circle has developed a strong and engaged culture in each of its offices, which has resulted in high employee satisfaction and engagement. It runs a global, quarterly culture survey across all functions to track employee engagement and satisfaction. All results are reviewed by the people team and the senior management team to continue to drive engagement and execution across all geographies. Based on the global quarterly survey conducted in the second quarter of 2018, 85 per cent. of Circlers would recommend Funding Circle as a great place to work.

As of 30 June 2018, Funding Circle employed 1,055 employees (including contractors) across its geographies, and expects its headcount to continue to increase to support its growth. The following table details the numbers of Funding Circle's employees by function.

Employees by function (including contractors)

	At of 31 December			As of
	2015	2016	2017	30 June 2018
Sales & Marketing	159	169	220	272
Technology	157	164	229	280
Risk	99	149	203	235
Central Functions	65	97	117	150
Operations	41	58	88	118
Total	521	637	857	1,055

The following table details the numbers of Funding Circle's employees by location:

Employees by location (including contractors)

	At of 31 December			As of
	2015	2016	2017	30 June 2018
United Kingdom	257	333	449	565
United States	176	198	261	301
Germany	66	85	105	117
The Netherlands	8	9	32	55
Other	14	12	10	17
Total	521	637	857	1,055

None of Funding Circle's employees is covered by a collective bargaining agreement or represented by a labour organisation. To date, Funding Circle has not experienced a labour-related work stoppage.

Funding Circle operates a defined contribution pension scheme for employees in the United Kingdom. In Germany, Funding Circle pays the statutory employer's contribution into the public pension scheme for each employee, but does not operate any pension schemes. Funding Circle makes no contributions to pension schemes in the United States or the Netherlands.

PROPERTIES

Funding Circle leases its principal properties upon which it operates. Funding Circle’s global headquarters are located in London, United Kingdom and consist of approximately 60,000 square feet of space under lease agreements that expire in 2025. The following table sets forth Funding Circle’s key properties:

<u>Country</u>	<u>Location</u>	<u>Primary Function</u>	<u>Occupancy Type</u>
United Kingdom	London	Global Headquarters	Leased
United Kingdom	Manchester	Office	Serviced managed
United States	San Francisco	Office	Leased
United States	San Francisco	Office	Leased
United States	Portland	Office	Serviced managed
United States	Denver	Office	Leased
Germany	Berlin	Office	Leased
The Netherlands	Amsterdam	Office	Leased

ENVIRONMENT

Funding Circle’s business generally does not have a significant environmental impact. The Directors and the Proposed Director believe that it is in substantial compliance with all applicable environmental and health and safety laws and regulations.

INSURANCE

Funding Circle maintains insurance policies covering a range of risks including those related to physical damage to, and loss of, equipment and property, injury to employees, cyber and business interruption as well as coverage against claims and general liabilities which may arise through the course of normal business operations. Funding Circle engages an insurance broker to advise on the necessary types and levels of coverage, and reviews its coverage with its broker twice a year. Funding Circle renews most of its insurance policies annually. It also maintains various other insurance policies to cover a number of other risks related to its business, such as director and officer cover and employment practices.

PART 8
Directors, Proposed Director, Senior Managers and Corporate Governance

Directors

The following table lists the names, positions and ages of the Directors and the Proposed Director.

Name	Age	Position
Andrew Digby Learoyd	57	Chairman of the Board
Samir Desai CBE	35	Co-founder, Chief Executive Officer
Sean Robert Glithero	45	Chief Financial Officer
Catherine Jane Keers	53	Independent Non-Executive Director
Edward James Wray	50	Independent Non-Executive Director
Hendrik Willem Nelis	54	Non-Executive Director
John Eric Daniels	67	Independent Non-Executive Director
Neil Alexander Rimer	54	Non-Executive Director
Robert King Steel	67	Senior Independent Non-Executive Director
Geeta Gopalan ⁽¹⁾	54	Proposed Independent Non-Executive Director

Note:

(1) Ms Gopalan has agreed to be appointed as a Non-Executive Director with effect from 1 November 2018.

Andrew Digby Learoyd (Chairman)

Mr Learoyd was appointed as a Non-Executive Director in February 2010 and as Chairman in May 2016. Mr Learoyd previously spent 23 years working in investment banking as a research analyst, in corporate finance, equity capital markets and finally as chief operations officer of the Equities Division in Europe of Goldman Sachs. He retired as a managing director of Goldman Sachs in 2006, since then he has been involved as an angel investor, non-executive director and consultant to several start-up businesses. Mr Learoyd serves as a director at Threshold Sports Limited, Educate Schools Services Ltd, Small World Financial Services Group Limited (SWFSG) and Schwanhaeusser Industrie Holding GmbH.

Samir Desai CBE (Co-founder, Chief Executive Officer)

Mr Desai CBE co-founded the Company in 2010 and is the Chief Executive Officer, with responsibility for driving the Group's strategy, and overseeing operations globally. Before that, Mr Desai CBE was an executive at Olivant, a private equity firm that invests in financial services businesses in Europe, the Middle East and Asia. He was also previously a management consultant at the Boston Consulting Group. In 2015, he was awarded a CBE for services to financial services. Mr Desai CBE currently serves as a director and trustee of Neil Desai Foundation, a charitable organisation that aims to promote education and sports amongst the young, help the poor and needy in developing countries and invest in the prevention of cardiac fatalities in the young. He also previously served as a director at Funding Circle SME Income Fund.

Sean Robert Glithero (Chief Financial Officer)

Mr Glithero is the Chief Financial Officer and was appointed as a Director in November 2017. As Chief Financial Officer, Mr Glithero is responsible for all aspects of finance including internal audit, tax, treasury, procurement and investor relations. Prior to joining Funding Circle in 2017, Mr Glithero served as a director and chief financial officer of Auto Trader Group and helped it undertake an initial public offering and join the FTSE 250. Mr Glithero qualified as a chartered accountant with Ernst & Young, working within both the audit and corporate finance departments.

Catherine Jane Keers (Independent Non-Executive Director)

Ms Keers was appointed as a Non-Executive Director in May 2018. Ms Keers currently serves as chair of Ustwo Fampany Limited, an independent digital product, games and venture business, and as non-executive director at The Sage Group plc and TalkTalk Telecom Group plc. She is also an adviser to a number of small businesses, predominately in technology. Previously, Ms Keers held a number of commercial roles, including marketing and business development at Sky TV, Avon and Next, marketing director and customer director at O2, the mobile network, and chairman of Tesco Mobile; O2's joint venture with Tesco. She also held non-executive directorships at The Royal Mail Group, Home Retail Group, LV= and Telefonica O2 Europe.

Edward James Wray (*Independent Non-Executive Director*)

Mr Wray was appointed as a Non-Executive Director in August 2011. Previously, he co-founded Betfair in 1999 and was CEO until 2003, when he moved to Australia to set up the company's joint venture. Mr Wray became chairman of Betfair in 2006 and in 2010 Betfair floated on the London Stock Exchange, valued at £1.4 billion. Prior to setting up Betfair, Mr Wray spent eight years at J.P. Morgan & Co. as a vice president in the debt capital markets and derivatives area. Mr Wray also serves as a director at LMAX Limited, LMAX Broker Limited, Nesta, The London House Exchange Limited, Prodigy Finance Limited, Prodigy Investments Limited, Chamonix Investments Limited, Amelto Capital Limited, YouthNet (now The Mix) and Mental Health Innovation.

Hendrik Willem Nelis (*Non-Executive Director*)

Mr Nelis was appointed as a Non-Executive Director in September 2013. Mr Nelis joined Accel in 2004, where he serves in various senior roles, and invests in both early and late-stage internet and software companies. Before joining Accel, Mr Nelis was at Perry Capital, a large US hedge fund, where he invested in public communications, media and technology companies. Prior to this, he was at Goldman Sachs, where he advised businesses on corporate finance and M&A transactions. Mr Nelis spent the first decade of his career in Silicon Valley, where he founded E-motion, a venture-backed software company. He started his career at Hewlett-Packard, where he held various engineering positions. Mr Nelis was an active member of the World Economic Forum and served on the selection committee of the WEF Technology Pioneers Programme. Mr Nelis also serves as manager, partner and/or director at a number of Accel entities, as a director at CallSign Inc., CartoDB Inc., Celonis SE, Instana Inc., Lola Travel Company Inc., RCW Inc. (t/a M.Gemi) and WorldRemit Ltd, and as a supervisory board member of Gameforge AG. He was also previously a director at Kayak Software Corporation, KDS SA, OnForce Inc. and SRP Groupe, and a supervisory board member at Sprd.net AG.

John Eric Daniels (*Independent Non-Executive Director*)

Mr Daniels was appointed as a Non-Executive Director in September 2016. Mr Daniels currently holds a range of business appointments which include senior adviser to CVC Capital Partners, principal and senior adviser to StormHarbour, and non-executive director of Russell Reynolds Associates. He is also a member of the advisory board of the Smithsonian Tropical Research Institute and trustee of the Smithsonian UK Charitable Trust. He also advises a number of innovative finance and technology companies. Mr Daniels was previously group CEO of the Lloyds Banking Group, the FTSE 100 listed banking group, retiring in 2011. Prior to joining Lloyds in 2001, he spent 25 years with Citigroup in a range of management positions in Panama, Argentina, Chile, the United Kingdom, Europe and the United States. He was also a non-executive director at BT Group plc.

Neil Alexander Rimer (*Non-Executive Director*)

Mr Rimer was appointed as a Non-Executive Director in March 2011. Mr Rimer is a co-founder and partner of Index Ventures SA. Before starting Index Ventures, Mr Rimer spent four years with Montgomery Securities in San Francisco. Mr Rimer is currently a director or observer on various boards of companies based in the United Kingdom, Europe and the United States, including Stack Exchange, Inc., Metromile, Inc., Prodigy Investments Limited, Raisin GmbH, Typeform S.L., and Roblox Corporation, amongst others. He is also a director of Human Rights Watch. He was previously a director of Photobox Holdco Limited, Supercell Oy and The Climate Corporation. Mr Rimer was educated at Stanford (BA) and Harvard (MBA).

Robert King Steel (*Senior Independent Non-Executive Director*)

Mr Steel was appointed as a Non-Executive Director in July 2014. He is currently a partner at and CEO of Perella Weinberg Partners. Prior to joining Perella, Mr Steel was New York City's Deputy Mayor for Economic Development where he was responsible for the Bloomberg Administration's economic development strategy and job-creation efforts. As CEO of Wachovia Corporation in 2008, Mr Steel oversaw the sale of the bank to Wells Fargo & Co. and served on the Wells Fargo board of directors until 2010. Mr Steel also served as the Under Secretary for Domestic Finance of the United States Treasury, vice chairman of Goldman Sachs and a board member of Barclays. He is chairman of the Aspen Institute's Board of Trustees and has served as chairman of Duke's Board of Trustees, Senior Fellow at the Harvard Kennedy School of Government, member of the FDIC Advisory Committee on Economic Inclusion, chairman of The After-School Corporation, and co-founder of SeaChange Capital Partners. Mr Steel also serves as a director at Cadence Bancorp, LLC.

Proposed Director

Geeta Gopalan (*Proposed Independent Non-Executive Director*)

Ms Gopalan has agreed to be appointed as a Non-Executive Director with effect from 1 November 2018. Ms Gopalan has over 25 years of experience of financial services and retail banking, particularly payments and digital innovation. She was a director at Payment Services with HBOS plc and previously managing director, UK Retail Bank and business development head EME at Citigroup. Ms Gopalan was formerly the chair of Monitise Europe. Ms Gopalan is also a non-executive director of Virgin Money Holdings plc, Ultra Electronic Holdings plc, Wizink Bank SA, of which she is chair of the audit and risk committee and a non-executive member and vice chair of the England Committee of the Big Lottery Fund. She is also a proposed non-executive director of CYBG plc and is expected to be appointed as a director upon the completion of CYBG plc's acquisition of Virgin Money Holdings (UK) plc, in which case she will cease to be a director at Virgin Money Holdings plc. Ms Gopalan is a chartered accountant.

Senior Managers

The Company's Senior Managers are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Samir Desai CBE	35	Co-founder, Chief Executive Officer
Sean Robert Glithero	45	Chief Financial Officer

Samir Desai CBE (*Co-founder, Chief Executive Officer*)

Mr Desai CBE's biography is included above. See "*—Directors*".

Sean Robert Glithero (*Chief Financial Officer*)

Mr Glithero's biography is included above. See "*—Directors*".

Corporate governance

UK Corporate Governance Code

The Board is committed to the highest standards of corporate governance. As of the date of this Prospectus and on and following Admission, the Board will comply with the UK Corporate Governance Code (the "Governance Code") published in July 2018 by the Financial Reporting Council, except as set out below. As envisaged by the Governance Code, the Board has established an audit committee, a risk and compliance committee, a nomination committee and a remuneration committee and has also established a separate market disclosure committee. If the need should arise, the Board may set up additional committees as appropriate.

The Governance Code recommends that, in the case of a FTSE 350 company, at least half the board of directors, excluding the chair, should comprise non-executive directors determined by the board to be independent in character and judgment and free from relationships or circumstances which may affect, or could appear to affect, the director's judgment. Notwithstanding the options granted to certain Non-Executive Directors, the Board considers that the Company complies with the requirements of the Governance Code in this respect, as further discussed in "*—Options granted to Non-Executive Directors*".

Audit committee

The audit committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing the Group's annual and half year financial statements and accounting policies, internal and external audits and controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal audit, internal controls, whistleblowing and fraud systems in place within the Group. The audit committee will normally meet not less than four times a year.

The audit committee will be chaired by Geeta Gopalan, subject to her appointment to the Board, and its other members are John Eric Daniels and Edward James Wray. The Governance Code recommends that all members of the audit committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment and that one such member has recent and relevant financial experience. The Board considers that the Company complies with the requirements of the Governance Code in this respect.

Risk and compliance committee

The risk and compliance committee's role is to review and oversee the Group's attitude to and appetite for risk and its future risk strategy, the Group's risk management and compliance systems and compliance with the Group's Enterprise Risk Management Framework, the Group's compliance with legal and regulatory requirements and policies and the effectiveness and appropriateness of the Group's corporate governance framework. The risk and compliance committee will normally meet at least three times a year.

The risk and compliance committee is chaired by John Eric Daniels and its other members are Hendrik Willem Nelis and Geeta Gopalan, subject to her appointment to the Board. The Governance Code does not set out any specific requirements in relation to the risk and compliance committee.

Nomination committee

The nomination committee assists the Board in reviewing the structure, size and composition of the Board. It is also responsible for reviewing succession plans for the Company's directors, including the Chairman and the Chief Executive Officer and other senior executives. The nomination committee will normally meet at least once a year.

The nomination committee is chaired by Andrew Digby Learoyd and its other members are Robert King Steel and Catherine Jane Keers. The Governance Code recommends that a majority of the nomination committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Board considers that the Company complies with the requirements of the Governance Code in this respect.

Remuneration committee

The remuneration committee recommends the Group's policy on executive remuneration, determines the levels of remuneration for the Company's executive directors and the Chairman and other senior executives and prepares an annual remuneration report for approval by the Shareholders at the annual general meeting. The remuneration committee will normally meet at least twice a year.

The remuneration committee is chaired by Catherine Jane Keers and its other members are Edward James Wray and Andrew Digby Learoyd. The Governance Code recommends that all members of the remuneration committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Board considers that the Group complies with the requirements of the Governance Code in this respect.

Market disclosure committee

The Board has established a market disclosure committee in order to ensure timely and accurate disclosure of all information that is required to be so disclosed to the market to meet the legal and regulatory obligations and requirements arising from the listing of the Company's securities on the London Stock Exchange, including the Listing Rules, the Disclosure Guidance and Transparency Rules and the Market Abuse Regulation.

The market disclosure committee will meet at such times as shall be necessary or appropriate, as determined by the chair of the market disclosure committee or, in his or her absence, by any other member of the market disclosure committee. The members of the market disclosure committee are Andrew Digby Learoyd, Samir Desai CBE, Sean Robert Glithero, Jerome Le Luel and Lucy Vernall.

Share dealing code

The Company has adopted, with effect from Admission, two codes of securities dealings in relation to the Shares, which are based on the requirements of the Market Abuse Regulation. One code adopted will apply to persons discharging managerial responsibilities and the other will apply to all employees of the Group.

Options granted to Non-Executive Directors

As set out in paragraph 7 (Directors', Proposed Director's and Senior Managers' interests) of Part 14 (Additional Information), as an early stage private company which did not pay directors' fees, the Company has historically granted options to certain Non-Executive Directors under the share option plan described in paragraph 11 (Employee Share Plans) of Part 14 (Additional Information). The Governance Code provides that circumstances likely to impair, or which could appear to impair, a director's independence include whether a director participates in the company's share option plan. Although the options granted will continue to vest and

be held following Admission, no further options will be granted to Non-Executive Directors under any Company share option plan. The Board does not consider that the grant of options to Directors, or the continued vesting of options already granted, under the existing share option plan impairs the independence of those Directors.

Conflicts of interest

Neil Alexander Rimer, who is a Non-Executive Director of the Group, holds a number of positions at the Index Ventures group, which advises various Index funds, which, immediately following Admission and assuming that the Offer Price is set at the mid-point of the Price Range and no exercise of the Over-allotment Option, are expected to continue to own between 13.1 per cent. and 17.4 per cent. of the issued share capital of the Company. For more information, see paragraph 8 (Significant Shareholders) of Part 14 (Additional Information).

Hendrik Willem Nelis, who is a Non-Executive Director of the Group, holds a number of positions at the Accel group, which, immediately following Admission and assuming that the Offer Price is set at the mid-point of the Price Range and no exercise of the Over-allotment Option, is expected to continue to own beneficially between 6.0 per cent. and 8.0 per cent. of the issued share capital of the Company. For more information, see paragraph 8 (Significant Shareholders) of Part 14 (Additional Information).

Geeta Gopalan, who has agreed to be appointed as a Non-Executive Director with effect from 1 November 2018, is a proposed director of CYBG plc and is expected to be appointed as a director upon the completion of CYBG plc's acquisition of Virgin Money Holdings (UK) plc. CYBG plc's service offering includes SME lending.

Save as set out above in the paragraph above, there are no potential conflicts of interest between any duties owed by the Directors, the Proposed Director or Senior Managers to the Company and their private interests or other duties.

PART 9
Selected Financial Information

The tables below set out the Group's selected financial information for the periods indicated, as reported in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The audited interim consolidated financial information for the Group as of and for the six months ended 30 June 2018 and the unaudited interim consolidated financial information for the Group as of and for the six months ended 30 June 2017 has been extracted without material adjustment from Part 12 (Historical Financial Information). The audited consolidated financial information for the Group as of and for each of the three years ended 31 December 2015, 2016 and 2017 has been extracted without material adjustment from Part 12 (Historical Financial Information).

Consolidated income statement data

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(£ million)				
Revenue	32.0	50.9	94.5	40.9	63.0
Operating expenses	(71.7)	(98.8)	(131.4)	(60.3)	(90.3)
Operating loss	(39.7)	(47.9)	(36.9)	(19.4)	(27.3)
Finance income	0.2	0.7	0.6	0.2	0.3
Loss before taxation	(39.5)	(47.2)	(36.3)	(19.2)	(27.0)
Income tax	(0.1)	0.6	1.0	—	—
Loss for the year / period	(39.6)	(46.6)	(35.3)	(19.2)	(27.0)

Consolidated balance sheet data

	As at 31 December			As at 30 June 2018
	2015	2016	2017	2018
	(£ million)			
Non-current assets				
Goodwill	35.1	41.4	41.3	41.5
Intangible assets	4.2	11.7	16.2	17.9
Property, plant and equipment	4.6	5.1	4.7	5.0
Investments	1.8	1.2	0.3	0.2
	45.7	59.4	62.5	64.6
Current assets				
Investments	4.6	1.3	3.1	5.1
Trade and other receivables	8.6	11.8	13.4	19.5
Cash and cash equivalents	86.3	43.3	88.9	65.2
	99.5	56.4	105.4	89.8
Total assets	145.2	115.8	167.9	154.4
Current liabilities				
Trade and other payables	10.6	10.5	12.0	21.5
Provisions	1.1	0.7	2.1	4.1
	11.7	11.2	14.1	25.6
Non-current liabilities				
Provisions	0.3	0.4	0.4	0.7
Total liabilities	12.0	11.6	14.5	26.3
Equity				
Share capital	0.2	0.2	0.2	0.2
Share premium account	195.9	196.0	278.0	278.2
Foreign exchange reserve	4.3	15.2	13.3	14.1
Share options reserve	2.8	9.5	13.9	15.8
Accumulated losses	(70.0)	(116.7)	(152.0)	(180.2)
Total equity	133.2	104.2	153.4	128.1
Total equity and liabilities	145.2	115.8	167.9	154.4

Consolidated cash flow statement data

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(£ million)				
Loss before taxation	(39.5)	(47.2)	(36.3)	(19.2)	(27.0)
<i>Adjustments for:</i>					
Depreciation of property, plant and equipment	0.8	1.4	1.6	0.8	1.0
Loss on disposal of property, plant and equipment	0.4	—	—	—	—
Amortisation of intangible assets	0.6	2.8	5.2	2.4	3.1
Impairment of intangible assets	—	—	0.5	0.5	—
Movement in credit loss and other provisions	0.5	(0.2)	—	1.1	0.8
Movement in dilapidation provision	—	0.1	—	—	0.2
Interest receivable	(0.2)	(0.6)	(0.6)	(0.3)	(0.3)
Non-cash employee benefits expense – share-based payments and social security costs	2.8	6.7	4.4	2.1	4.7
Tax credit received	—	0.6	1.0	—	—
<i>Changes in working capital:</i>					
Movement in trade and other receivables	(2.2)	(2.7)	(2.9)	(5.3)	(6.0)
Movement in trade and other payables	1.4	(0.9)	4.5	0.7	6.7
Net cash outflow from operating activities	(35.4)	(40.0)	(22.6)	(17.2)	(16.8)
Net cash outflow from investing activities	(10.1)	(6.1)	(12.7)	(3.9)	(7.4)
Net cash inflow from financing activities	95.1	—	81.9	81.9	0.2
Net increase/(decrease) in cash and cash equivalents	49.6	(46.1)	46.6	60.8	(24.0)
Cash and cash equivalents at the beginning of the year / period	35.0	86.3	43.3	43.3	88.9
Effect of foreign exchange rate changes	1.7	3.1	(1.0)	(0.6)	0.3
Cash and cash equivalents at the end of the year / period	86.3	43.3	88.9	103.5	65.2

OTHER FINANCIAL DATA

The Directors and the Proposed Director consider the following metrics to be the non-IFRS financial measures used by the Group to help evaluate growth trends, establish budgets and assess operational performance and efficiencies. The Directors and the Proposed Director believe that these non-IFRS performance measures, in addition to IFRS measures, provide an enhanced understanding of the Group's results and related trends, therefore increasing transparency and clarity into the core results of the business. The Directors and the Proposed Director believe the following metrics are useful in evaluating the Group's operating performance:

- Adjusted EBITDA
- Adjusted EBITDA Margin
- Segment Adjusted EBITDA
- Segment Adjusted EBITDA Margin
- Free Cash Flow
- Free Cash Flow Margin

Each metric is described more fully below. See also “Non-IFRS financial information” and “Key performance indicators”, each in Part 2 (Presentation of Financial and Other Information) and “Key Operating and Financial Metrics” in Part 10 (Operating and Financial Review).

Adjusted EBITDA and Adjusted EBITDA Margin

The Group defines Adjusted EBITDA as profit or loss before depreciation and amortisation, finance income, income tax, share-based payments and associated social security costs, foreign exchange and exceptional items. The Group defines Adjusted EBITDA Margin as the ratio of Adjusted EBITDA to revenue, expressed as a percentage. The Directors and the Proposed Director view Adjusted EBITDA as a useful measure because it is used to analyse the Group's operating profitability, and shows the results of normal, core operations exclusive of non-cash charges, share-base payment charges and items that the Group considers to be non-recurring and

not part of the Group's core day-to-day business. The Directors and the Proposed Director view Adjusted EBITDA Margin as a useful measure because it assists in evaluating the Group's operating performance. The Directors and the Proposed Director believe that Adjusted EBITDA and Adjusted EBITDA Margin should, therefore, be made available to assist securities analysts, investors and other stakeholders in their assessment of the performance of the business of the Group. The following table provides a reconciliation from loss for the year / period to Adjusted EBITDA and Adjusted EBITDA Margin for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(£ million)				
Loss for the year / period	(39.6)	(46.6)	(35.3)	(19.2)	(27.0)
Depreciation and amortisation	1.4	4.2	6.8	3.7	4.1
Finance income	(0.2)	(0.7)	(0.6)	(0.2)	(0.3)
Income tax	0.1	(0.6)	(1.0)	—	—
Share-based payments	2.8	6.7	4.4	2.1	1.9
Social security costs on share-based payments	—	—	—	—	2.8
Foreign exchange	—	(3.9)	0.6	0.4	0.3
Exceptional items	—	—	—	—	1.9
Adjusted EBITDA	(35.5)	(40.9)	(25.1)	(13.2)	(16.3)
Adjusted EBITDA Margin	(111%)	(80%)	(27%)	(32%)	(26%)

Segment Adjusted EBITDA and Segment Adjusted EBITDA Margin

The Group defines Segment Adjusted EBITDA as Adjusted EBITDA excluding product development and corporate costs that are incurred for the benefit of all geographic operating segments. The Directors and the Proposed Director view Segment Adjusted EBITDA as a useful measure because it allows better interpretation of the underlying performance of the business by geography. The Group defines Segment Adjusted EBITDA Margin as the ratio of Segment Adjusted EBITDA to revenue, expressed as a percentage. The following table provides a reconciliation from Adjusted EBITDA to Segment Adjusted EBITDA and Segment Adjusted EBITDA Margin for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(£ million)				
Adjusted EBITDA	(35.5)	(40.9)	(25.1)	(13.2)	(16.3)
Product development	10.1	9.0	13.6	6.7	12.2
Corporate costs	3.3	5.4	7.6	3.5	5.0
Segment Adjusted EBITDA	(22.1)	(26.5)	(3.9)	(3.0)	0.9
<i>United Kingdom</i>	<i>(6.8)</i>	<i>1.7</i>	<i>16.9</i>	<i>9.2</i>	<i>9.8</i>
<i>United States</i>	<i>(14.3)</i>	<i>(19.1)</i>	<i>(10.9)</i>	<i>(7.0)</i>	<i>(5.1)</i>
<i>Developing Markets</i>	<i>(1.0)</i>	<i>(9.1)</i>	<i>(9.9)</i>	<i>(5.2)</i>	<i>(3.8)</i>
Segment Adjusted EBITDA Margin	(69%)	(52%)	(4%)	(7%)	1%
<i>United Kingdom</i>	<i>(29%)</i>	<i>4%</i>	<i>25%</i>	<i>29%</i>	<i>23%</i>
<i>United States</i>	<i>(186%)</i>	<i>(187%)</i>	<i>(49%)</i>	<i>(84%)</i>	<i>(34%)</i>
<i>Developing Markets</i>	<i>(200%)</i>	<i>(650%)</i>	<i>(261%)</i>	<i>(578%)</i>	<i>(73%)</i>

Free Cash Flow and Free Cash Flow Margin

The Group defines Free Cash Flow as the sum of net cash flow from operating activities and net cash flow from investing activities. The Directors and the Proposed Director view Free Cash Flow as a key liquidity measure, as this measure represents the amount of cash required to operate and develop the Group's platform during a particular period. The Group defines Free Cash Flow Margin as the ratio of Free Cash Flow to revenue, expressed as a percentage. The Directors and the Proposed Director view Free Cash Flow Margin as a

key measure of cash conversion efficiency. The following table provides the information used to calculate Free Cash Flow for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			(£ million)	(unaudited)	
Net cash from operating activities	(35.4)	(40.0)	(22.6)	(17.2)	(16.8)
Net cash from investing activities	(10.1)	(6.1)	(12.7)	(3.9)	(7.4)
Free Cash Flow	(45.5)	(46.1)	(35.3)	(21.1)	(24.2)
Free Cash Flow Margin	(142%)	(91%)	(37%)	(52%)	(38%)

PART 10

Operating and Financial Review

This Part 10 (Operating and Financial Review) should be read in conjunction with Part 2 (Presentation of Financial and Other Information), Part 5 (Industry Overview), Part 7 (Business Description) and Part 12 (Historical Financial Information). Prospective equity investors should read the entire document and not just rely on the summary set out below. The financial information considered in this Part 10 (Operating and Financial Review) is extracted from the financial information set out in Part 12 (Historical Financial Information).

The following discussion of the Company's results of operations and financial condition contains forward-looking statements. The Company's actual results could differ materially from those that it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Prospectus, particularly under Part 1 (Risk Factors) and Part 2 (Presentation of Financial and Other Information). In addition, certain industry issues also affect the Company's results of operations and are described in Part 5 (Industry Overview). The Company has not defined by reference to specific periods the terms "medium term" and "long term", which are not intended to be representative of any particular financial year.

OVERVIEW

With a mission of building a better financial world and igniting opportunities for SMEs, Funding Circle has developed a highly efficient and effective platform that enables SMEs to borrow money directly from Investors, creating opportunities for both. Funding Circle's aim is to help SMEs grow by providing them with streamlined access to capital. Its lending platform is centred on serving and building long-term relationships with Borrowers, which translates into high repeat rates as Borrowers seek more financing as they continue to grow. This enables Funding Circle to grow with its Borrowers. For Investors, Funding Circle aims to provide an alternative asset class to the investor community who have suffered from a decade-long trend of poor yields since the global financial crisis.

The efficiency and effectiveness of Funding Circle's platform, as well as its singular SME focus and credit and risk management expertise, have allowed it to achieve consistently high Borrower satisfaction rates, with a Net Promoter Score of 89 in each of the United Kingdom and the United States in the second quarter of 2018 (a "world class" rating), resulting in rising repeat rates and driving increased revenue and margins. In 2017, 32 per cent. of all originations (excluding property loans) generated through Funding Circle's platform were made to repeat Borrowers, and the Directors and the Proposed Director believe that, as Funding Circle continues to grow and facilitate the development of more SMEs, these repeat rates will continue to increase. According to a survey conducted by Oxford Economics in 2018, 85 per cent. of existing Borrowers indicated that they would approach Funding Circle's platform first should their business require external funding in the future.

Funding Circle also benefits from a diverse pool of Investors lending through its platform, including retail Investors, banks, asset management companies, insurance companies, government-backed entities and funds, providing it with diverse and stable funding from a range of Investors, with 45 per cent. of funding since the beginning of 2016 coming from global Investors (i.e. Investors who invest in more than one of Funding Circle's geographies). The 2017 cohort of loans is projected to deliver returns ranging from 4.6 per cent. to 7.6 per cent. per annum³¹ across the different geographies. 85 per cent. of Funding Circle's platform funding in 2017 and H1 2018 came from repeat Investors, demonstrating Investors' satisfaction with Funding Circle's proposition and model.

Funding Circle has rapidly grown in recent years, while benefitting from significantly improving margins on both first loans and repeat loans, driven by operational leverage. Between 2015 and 2017, revenue (excluding property loans) increased by a CAGR of 78 per cent., loan originations (excluding property loans) by a CAGR of 64 per cent. and Loans under Management (excluding property loans) by a CAGR of 64 per cent. In H1 2018, revenue (excluding property loans), Loans under Management (excluding property loans) and loan originations (excluding property loans) grew by 62 per cent., 63 per cent. and 44 per cent., respectively, as compared to the six months ended 30 June 2017 ("H1 2017").

The Directors and the Proposed Director believe that Funding Circle's scale and self-reinforcing business model will drive continual improvement and increased competitive advantage, creating a virtuous circle that will continue to enhance its competitive position and drive market share across its current and future geographies.

³¹ Based on Funding Circle's models as at 30 June 2018.

KEY FACTORS AFFECTING FUNDING CIRCLE’S RESULTS OF OPERATIONS

The results of Funding Circle’s operations have been, and will continue to be, affected by many factors, some of which are beyond Funding Circle’s control. This section sets out certain key factors the Directors and the Proposed Director believe have affected Funding Circle’s results of operations in the period from 1 January 2015 to 30 June 2018 and could affect its results of operations in the future.

Key Factors Affecting Funding Circle’s Revenue and Profitability

Funding Circle charges Borrowers a transaction fee, typically ranging between 1 per cent. and 7 per cent. of the original principal balance of the loan, that is deducted from the loan proceeds paid to the Borrower and recognised as revenue immediately. Funding Circle also receives an annualised loan servicing fee, calculated monthly on each loan (in most instances as a percentage of the outstanding principal balance of a performing loan, as described in more detail in “—*Changing servicing yield*”). Servicing fees are recognised as revenue upon repayment of loan parts by Borrowers with late payment and collection charges to Borrowers recognised as other revenue.

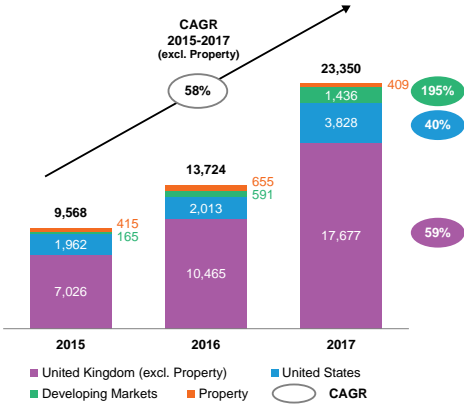
Number and average size of loans originated through Funding Circle’s platform

The transaction fees that Funding Circle generates in any particular period are directly related to the number and average size of loans originated through its platform during that period.

The number of loans originated through the platform in a period represents the sum of originations to new Borrowers and originations to existing Borrowers. New Borrower lending largely depends on Funding Circle’s brand awareness and consideration to borrow amongst its target market, and therefore on the level and effectiveness of marketing spend, both in a particular period and cumulatively. Funding Circle’s ability to attract new Borrowers also depends on the effectiveness of its scoring models. By effectively evaluating Borrowers’ credit profiles and accurately pricing risk, Funding Circle is able to convert more applications into successful loan originations and therefore increase the total number of loans originated through the platform. Once a Borrower has secured its first loan through the platform, the behaviour observed by Funding Circle is that further loans are originated from existing Borrowers, either at the end of the first loan’s term or in addition to that first loan. Accordingly, originations from existing Borrowers are primarily a function of the number of Borrowers participating on Funding Circle’s platform, the level of past originations to Borrowers and Loans under Management.

Through continued enhancement of its scoring models, as well as operational improvements, Funding Circle has during the period under review been able to increase conversion rates. Furthermore, as part of its core strategy, Funding Circle has in recent years invested significantly in marketing initiatives across a number of media channels including direct mail, social, digital, television, radio and partner incentives, with a view to increasing Borrower awareness and consideration (for more detail, see “—*Key Factors Affecting Funding Circle’s Results of Operations—Key Factors Affecting Funding Circle’s Costs—Marketing Spend*”). As a result, Funding Circle has been able to consistently and rapidly increase the number of loans originated through its platform, which grew by a CAGR of 58 per cent. (excluding property loans) between 2015 and 2017, and by 41 per cent. in H1 2018 as compared to H1 2017 (excluding property loans). The following figure sets out the number of loans originated through Funding Circle’s platform during the periods indicated, by operating segment.

Number of loans originated through the platform, by operating segment



The average size of SME loans originated through the platform has during the period under review remained relatively stable on a Group level, at approximately £75,000 in 2015, £78,000 in 2016, £74,000 in 2017 and £71,000 in H1 2018. In the United Kingdom, average loan size (excluding property loans) increased from approximately £59,000 in 2015, to approximately £62,000 in 2016, £65,000 in 2017 and £67,000 in H1 2018. In the United States, average loan size was approximately \$140,000 in 2015, \$140,000 in 2016, \$134,000 in 2017 and \$136,000 in H1 2018. In the Developing Markets, average loan size was approximately €85,000 in 2015, €66,000 in 2016, €61,000 in 2017 and €56,000 in H1 2018.

Coupled with a relatively stable average loan size, the significant increase in the number of loans originated through the platform has resulted in a substantial increase in the value of transaction fees generated by Funding Circle. Funding Circle's transaction revenue grew by a CAGR of 78 per cent. (excluding property loans) between 2015 and 2017 and by 59 per cent. in H1 2018 as compared to H1 2017.

Margins on first loans and repeat loans and mix between the two

A key feature of Funding Circle's performance in the period under review has been its improving margins, both on first loans and repeat loans. In the United Kingdom, first loan margins³² improved to approximately 20 per cent. in 2017 compared to approximately 1 per cent. and negative 37 per cent. in 2016 and 2015, respectively, with repeat loan margins growing from approximately 23 per cent. in 2015 to approximately 40 per cent. and 57 per cent. in 2016 and 2017, respectively. In H1 2018, first loan margins declined to approximately 14 per cent., following planned increased spend on "above-the-line" marketing (such as television and radio), resulting in an increase in Borrower acquisition costs. Repeat loan margins in H1 2018 were approximately 55 per cent. In the United States, first loan margins improved to approximately negative 45 per cent. in 2017 compared to approximately negative 195 per cent. and negative 151 per cent. in 2016 and 2015, respectively, with repeat loan margins growing from approximately negative 51 per cent. in 2015 to approximately negative 82 per cent. in 2016 and positive 4 per cent. in 2017. In H1 2018, first loan margins improved to approximately negative 35 per cent., while repeat loan margins improved to approximately positive 8 per cent, driven by a 39 percentage point decrease in segment costs (net of marketing spend) as a percentage of revenue. In the Developing Markets, first loan margins were approximately negative 696 per cent. and negative 278 per cent. in 2016 and 2017, respectively, while repeat loan margins were approximately negative 227 per cent. and negative 32 per cent, respectively. In H1 2018, first loan margins improved to approximately negative 107 per cent. (approximately negative 685 per cent. in H1 2017), while repeat loan margins improved to approximately negative 48 per cent. (approximately negative 165 per cent. in H1 2017).

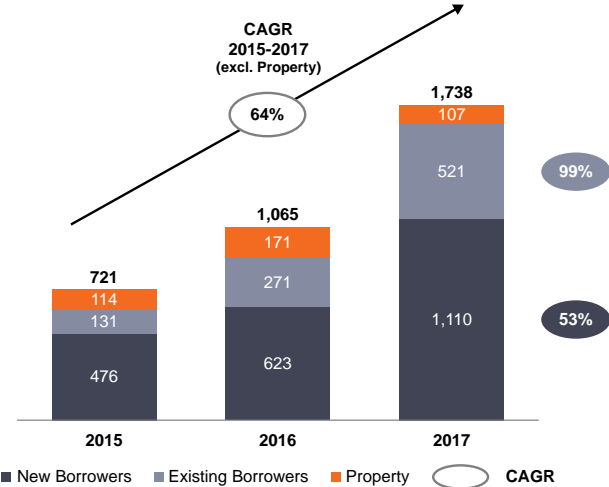
The improvement in margins was driven by two main factors. Over time, Funding Circle has leveraged its expertise to generally reduce the cost of acquiring a Borrower, by accumulating more complete data sets of potential Borrowers, changing and optimising the emphasis placed on each marketing channel and, through improved credit models, converting more applications to originated loans. Furthermore, costs have grown at a slower pace than revenue growth, as a result of increased automation, economies of scale and better absorption of fixed costs. This operational leverage has in the three years ended 31 December 2017 resulted in a decrease in the cost of acquiring, originating and servicing an individual loan, for both first loans and repeat loans. In the future, as seen in the United Kingdom in H1 2018, when more spend is directed to "above-the-line" marketing channels (such as television and radio) to increase Borrower awareness and consideration, the expectation is that the unit cost of acquiring a loan will increase, as these channels are less effective in the short term in attracting Borrowers compared to the current "below-the-line channels", such as direct mail, social and digital. However, as a percentage of revenue, Funding Circle's total cost base is expected to decrease.

Funding Circle attributes most of its marketing spend to acquiring new Borrowers, as the marketing effort required to secure repeat loans from existing Borrowers is much reduced once the business is known to the Borrower, and accordingly Funding Circle achieves significantly higher margins on loans to existing Borrowers than loans to new Borrowers. Funding Circle's value proposition to Borrowers and its continuous investment in its Borrower engagement capabilities have allowed it to consistently increase Borrower repeat rates and, therefore, the percentage of revenue from existing customers. During the period under review, the percentage of revenue from existing customers grew from 33 per cent. in 2015 to 40 per cent. in 2017 and 43 per cent. in

³² Margins are calculated as estimated revenue from an average-size loan, less estimated loan acquisition costs and other segment costs on that loan, as a percentage of estimated revenue from that loan. Estimated revenue represents the sum of estimated Borrower transaction fee plus life-time servicing and other revenue, adjusting for early prepayments and defaults, for an average loan. Estimated loan acquisition costs and other segment costs exclude certain central and other costs. Estimated acquisition costs represent estimated third party marketing costs, including first loan commission paid to partners, for an average loan. For instance, first loan margin in the United Kingdom in 2017 was calculated on the basis of (i) average loan size of £60,000, (ii) estimated revenue of £4,000 from that loan, and (iii) estimated acquisition costs and other segment costs of £1,800 and £1,400, respectively, on that loan.

H1 2018 (all excluding property loans). Moreover, Funding Circle has observed that in the United Kingdom, over time, Borrowers maintain an ongoing balance of financing from Funding Circle’s platform, resulting in strong repeat rates, growth in Loans under Management, and, in turn, an increase in servicing fee income. The following table sets out originations by Borrower type for the periods indicated.

Originations by Borrower type, in £ million



Changing transaction yield

The transaction yield that Funding Circle generates is determined by a combination of factors, some of which are more controllable than others. Funding Circle operates a number of rate cards across the different operating segments and Borrower acquisition channels, which largely determine the transaction fee that it charges to Borrowers. The main categories of this rate card include loan term and risk band, both of which are directly correlated with the transaction fee that Funding Circle charges in that fee percentages increase as loan term and risk bands increase. Transaction yields increased considerably between 2016 and 2017, primarily due to changes in pricing strategy, in particular in the United Kingdom, and the run-off of Funding Circle’s historic property business. As Funding Circle continues to refine its strategies across geographies for both existing and new Borrowers, transaction yields may continue to change, although Funding Circle considers that the rise in rates in recent years was the result of specific initiatives, and does not expect further increases in the near term.

Additionally, the average loan term (excluding property loans) has during the period under review increased from 47 months in 2015 to 50 months in 2017 and 52 months in H1 2018, making it more affordable for Borrowers to increase their borrowing levels, as the cost to the Borrower of the transaction fee is felt over a longer period. This increase in the average loan term has in turn resulted in an increase in average transaction yield. In addition, Funding Circle has from time to time consciously varied the transaction yield percentage on the rate card, in response to market conditions, the competitive environment and borrower price elasticity. In the future, the transaction yield will be dependent on all these variables as well as the relevant size of each of Funding Circle’s operating segment, as each platform across the different geographies offers a different rate card to Borrowers.

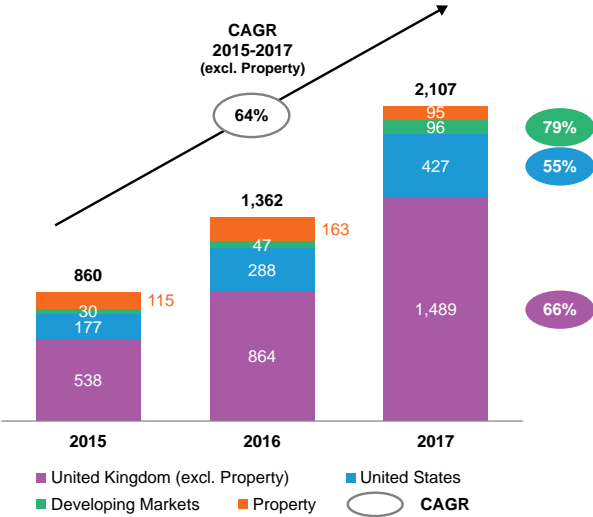
Change in the value of Loans under Management

The amount of Loans under Management at any particular point in time represents the total value of outstanding principal and minimal amounts of late interest. It includes amounts that are overdue but not loans that have defaulted.

As described in this section “—Key Factors Affecting Funding Circle’s Results of Operations—Key Factors Affecting Funding Circle’s Revenue and Profitability”, Funding Circle receives an annualised loan servicing fee, in most instances calculated and received monthly on each loan as a percentage of the outstanding principal balance of the loan. As such, changes in the level of Loans under Management over time impact Funding Circle’s servicing fees, and therefore its revenue. Loans under Management increase pursuant to new loans originated through the platform, both to new and existing Borrowers, and decrease pursuant to scheduled repayments (as all non-property loans are amortising) and early repayments (including refinancing) that Borrowers choose to make, as well as defaults.

Excluding property loans, Loans under Management increased by a CAGR of 64 per cent. between 2015 and 2017, and by 63 per cent. between H1 2017 and H1 2018, contributing to an increase in servicing revenue by a CAGR of 75 per cent. and 59 per cent. (excluding property loans), respectively, during those periods. The following figure sets out the value of Loans under Management during the periods indicated, by operating segment.

Loans under Management by operating segment, in £ million



Going forward, Funding Circle’s target for Loans under Management (excluding property loans) as at 31 December 2018 is in excess of £3 billion (£2.5 billion as at 30 June 2018, excluding property loans) on an absolute sterling basis. In the medium term, Funding Circle’s ambition is that Loans under Management approach £7 billion on an absolute sterling basis, with approximately 60 per cent. coming from the United Kingdom, 30 per cent. from the United States and the balance from the Developing Markets.

Changing servicing yield

The servicing yield that Funding Circle earns on Loans under Management has remained fairly constant during the period under review (at an annualised rate of 1.0 per cent.). This was a function of the larger operating segments, namely the United Kingdom and the United States, achieving a consistent 1.0 per cent. yield over that period, except for a marginal decrease in the United States in H1 2018, due to rebates. Funding Circle does not charge sales tax, except in Germany, where the yield is recorded net of sales tax. This, together with a pricing model for retail Investors based on a flat charge per period (rather than a model based on the percentage of principle outstanding), resulted in a marginally lower servicing yield in the Developing Markets compared to the average servicing yield of the Group as whole, throughout the period under review.

Servicing yield has limited determining factors or variables and Funding Circle actively seeks to keep the yield at 1.0 per cent. for all Loans under Management. However, market conditions and competitive pressures do contribute to the rate charged, and therefore the servicing yield may vary in the future. In addition, Funding Circle has historically provided limited servicing fee rebates in order to help secure Investor funding, particularly in the early stage of a market’s development. Funding Circle may in the future provide similar rebates or yield enhancement, particularly when entering a new geography.

Evolution of Borrower acquisition channels

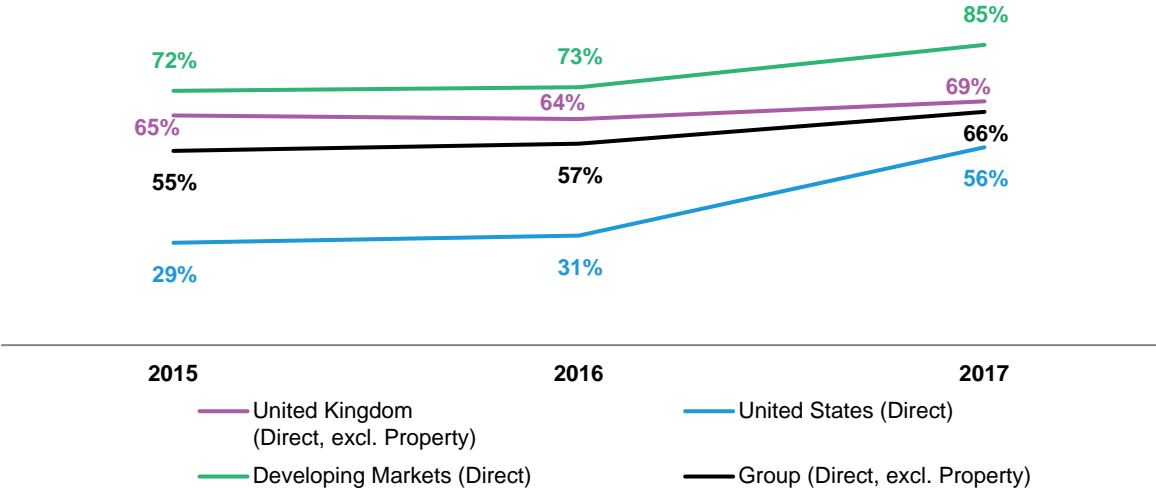
Funding Circle uses direct channels as well as indirect or intermediary channels, such as third-party origination partners, for loan originations. These third-party origination partners are further split between referral partners or brokers and strategic partners, and receive commissions for introducing Borrowers that borrow through Funding Circle’s platform. The amount payable varies between the third-party origination partners and is dependent on the size and term of the loan, as well as the risk band. The commission is not linked to the subsequent performance of the loan and, in most geographies, a repeat commission is paid to the partner in the event a repeat loan is made to the Borrower.

During the three years ended 31 December 2017, the proportion of loans originated through direct channels has been steadily growing, in line with Funding Circle’s overall strategy to reduce reliance on indirect channels and

ensure sufficient borrowing volumes independently of third-party origination partners. In H1 2018, the proportion of direct originations (excluding property loans) further increased to 72 per cent. on a Group level (69 per cent. in H1 2017) as a result of Funding Circle’s decision in late 2017 to reduce the number of third-party referral partners following a systematic review in both the United Kingdom and the United States, the effect of which materialised in early 2018.

The following table sets out total transaction revenue by origination channel for the periods indicated.

Transaction revenue split, by origination channel



While third-party origination partners remain an important route to market, particularly in new geographies, and originations sourced from partners are expected to grow, the Directors and the Proposed Director expect direct originations to continue to increase as a proportion of total originations in its more mature geographies.

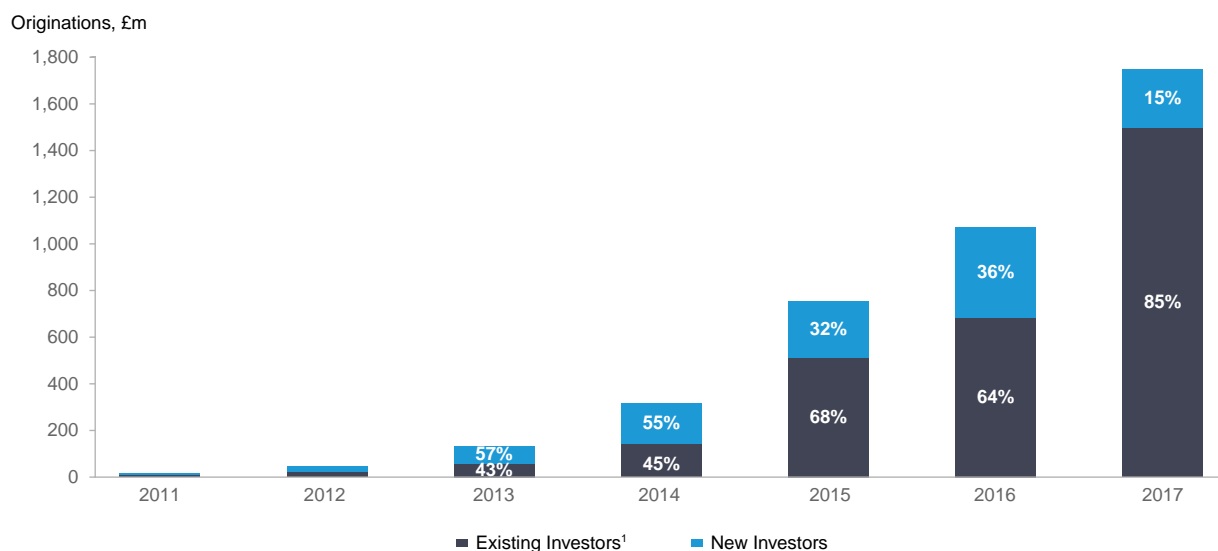
Effectiveness of scoring models and funding relationships

Funding Circle’s ability to attract Borrowers and Investors to its platform largely depends on the effectiveness of its scoring models. Its ability to effectively assess risk and assign a risk band to Borrowers impacts its ability to accurately price loans to Borrowers and, in turn, its ability to offer Investors attractive returns.

Another operational requirement of Funding Circle is to balance the demand for funding from Borrowers with the supply of funding from Investors. This balancing is achieved through managing the timing of Investor funding from new and existing Investors, agreeing minimum and maximum levels of committed investment from Investors, and anticipating repayments from Borrowers that are typically reinvested through the platform. To ensure Investor funding availability throughout economic and business cycles, Funding Circle seeks to establish and facilitate diverse forms of funding, including, but not limited to, substantial volumes of forward commitments, securitisation, investment funds and retail Investor funding channels.

Funding Circle’s value proposition to Investors has allowed it to attract a highly diversified Investor base that includes institutional Investors (including through secured forward-flow agreements), retail Investors, FCIF and supranationals and public bodies, achieve high Investor retention rates as evidenced by the continued growth and high proportion of its existing Investors’ investments through the platform and, in turn, consistently increase Investor funding. The following figure illustrates the growth in Investor funding for the periods indicated.

Originations by Investor type, globally



Note: Originations exclude Spain.

(1) Existing Investors defined as Investors having started lending through the platform in the previous year.

Macroeconomic conditions in the geographies in which Funding Circle operates

The demand for Funding Circle's loan products from Borrowers and Investors is affected by general economic factors and conditions in the United Kingdom, the United States, Germany and the Netherlands. Demand for SME loans typically remains strong in most economic environments. However, general economic factors and conditions, including the general interest rate environment and unemployment rates, may affect Borrowers' demand for Funding Circle's loan products at the prevailing market prices or their ability to comply with their payment obligations in respect of loans, as well as Investors' ability and desire to invest in loans.

Key Factors Affecting Funding Circle's Costs

People costs

Funding Circle's primary operating cost drivers are people costs and marketing expenditure. People costs include salaries, bonuses, social security costs, pension costs and share-based payments of employees plus contractor costs. The following table sets out a breakdown of Funding Circle's people costs during the period under review.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(£ million, unless otherwise indicated)				
Wages and salaries	22.5	41.1	50.6	23.9	32.3
Social security costs on wages and salaries	2.2	3.6	5.3	2.6	3.4
Pension costs	—	—	0.2	0.1	0.2
Share-based payments	2.8	6.7	4.4	2.1	1.9
Social security costs on share-based payments	—	—	—	—	2.8
Employment costs	27.5	51.4	60.5	28.7	40.6
Contractor costs	3.1	1.5	1.9	0.8	2.4
People costs	30.6	52.9	62.4	29.5	43.0
Less capitalised development spend	(3.6)	(9.8)	(10.1)	(4.6)	(4.7)
People costs net of capitalised development spend	27.0	43.1	52.3	24.9	38.3
People costs as a percentage of revenue	96%	104%	66%	72%	68%
<i>Attributable to:</i>					
Segment Adjusted EBITDA ⁽¹⁾	16.2	27.0	33.2	15.7	23.6
Product development ⁽¹⁾	6.2	5.1	8.8	4.3	8.9
Corporate costs ⁽¹⁾	1.8	4.3	5.9	2.8	3.9
Share-based payments	2.8	6.7	4.4	2.1	1.9
People costs net of capitalised development spend	27.0	43.1	52.3	24.9	38.3
Average headcount (including contractors) ⁽¹⁾	365	614	739	679	950
Growth in average headcount (including contractors) ⁽¹⁾	n/a	68%	20%	n/a	40%

Note:

(1) Unaudited.

During the period under review, as a result of Funding Circle's growth and continued investment in its team, people costs have grown. The increase has been broadly in line with the increase in headcount (including contractors). The other main contributing factor is the change in average cost per head, which has been a function of annual salary inflation and the changing mix of headcount. People costs (including capitalised development spend) increased by 73 per cent. in 2016 (with an average headcount increase of 68 per cent.), 18 per cent. in 2017 (with an average headcount increase of 20 per cent.) and 46 per cent. in H1 2018 as compared to H1 2017 (with an average headcount increase of 40 per cent). In H1 2018, Funding Circle incurred £2.8 million in social security costs on share-based payments, as described in more detail in “—Key Factors Affecting Funding Circle's Results of Operations—Key Factors Affecting Funding Circle's Costs—Share-based payments and social security costs on share-based payments”. Headcount increases reflect investments in all Group functions and across all geographies, with the greatest change occurring within the two largest geographies, the United Kingdom and United States. Given the scale and operating leverage that Funding Circle has achieved, however, headcount increases for the Group as a whole and in each of the individual geographies has in each of 2017 and H1 2018 been below the level of revenue growth. The Directors and the Proposed Director expect that growth in both headcount and people costs will, over the medium term, continue to be slower than growth in revenue.

Capitalised development spend

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(unaudited)				
	(£ million, unless otherwise indicated)				
Capitalised development spend	3.6	9.8	10.1	4.6	4.7
Capitalised development spend as a percentage of revenue	11%	19%	11%	11%	7%

Capitalised development spend comprises employee and contractor costs capitalised in the relevant period, and are set-out under the line item “intangible assets” of the statement of financial position. During the period under review, Funding Circle has invested in developing a new single unified money and loan management platform that it intends to implement across all its markets, enabling it to scale quickly and effectively. In accordance with IFRS, the expense of doing so, together with the costs associated with developing other local and global assets have been capitalised. As a percentage of revenue, capitalised development spend was 11 per cent., 19 per cent., 11 per cent. and 7 per cent. in 2015, 2016, 2017 and H1 2018, respectively. Based on the current roadmap, in the medium term capitalised development spend is expected to grow slowly, as product development expenditures are increasingly expended rather than capitalised. The Directors’ and the Proposed Director’s target is to reduce the ratio of capitalised development spend to revenue by nearly half in the medium term.

Marketing spend

As part of its core strategy, Funding Circle has recently invested significantly in marketing spend across a number of media channels, including direct mail, social, digital, television, radio and partner incentives. By attracting more Borrowers and providing them with a superior proposition and service, Funding Circle is able to meet the needs of Investors and, in turn, grow its own revenue. The majority of marketing spend in the period under review was on direct media, which typically drives nearer-term results, with the remainder on brand advertising and partner incentives. The following table sets out a breakdown of Funding Circle’s marketing spend during the period under review.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(unaudited)				
	(£ million, unless otherwise indicated)				
Direct	10.6	13.7	20.2	9.0	12.6
Brand (including television and radio)	3.2	1.7	5.3	0.7	4.6
Partner incentives	6.6	9.4	13.2	6.0	7.5
Marketing Spend	20.4	24.8	38.7	15.7	24.7
Marketing Spend as a percentage of revenue					
United Kingdom	53%	39%	37%	32%	38%
United States	99%	75%	49%	54%	43%
Developing Markets	60%	114%	68%	122%	35%
Total	64%	49%	41%	38%	39%

The Directors and the Proposed Director believe that both the awareness and the consideration levels of Funding Circle’s proposition is significantly below its traditional and incumbent competitors and a key strategy is to increase awareness and consideration once a certain scale has been achieved in a geography. Looking forward, Funding Circle intends to significantly and sustainably increase the level of “above-the-line” and brand marketing in each of its geographies (including television and radio marketing), starting with the United Kingdom and the United States, which, despite the higher initial cost per acquisition compared to direct marketing, the Directors and the Proposed Director believe is necessary to successfully scale the business. The Directors and the Proposed Director accordingly expect marketing spend to remain at approximately 40 per cent. of revenue through the medium term. Marketing spend is expected to decline as a percentage of revenue over the longer term, with a positive Group margin impact.

Partner incentives include commissions payable to Funding Circle’s third-party origination partners, as described in more detail in “—Key Factors Affecting Funding Circle’s Results of Operations—Key Factors Affecting Funding Circle’s Revenue and Profitability”.

Data and technology costs

Funding Circle incurs costs in respect of data acquisition and accumulation, which it uses to continually enhance its credit models and support its credit assessment. It also pays licencing fees to software providers, whose technologies enable Funding Circle to operate a fast-paced and innovative culture. During the period under review, data and technology costs have declined as a percentage of revenue from 11 per cent. in 2015, to 9 per cent. in 2016, 7 per cent. in 2017 and 7 per cent. in H1 2018. This reflects a combination of fixed-cost data arrangements with third-party service providers, insights gained through a number of years of data acquisition and the relationship of software licences to headcount, which has grown slower than revenue.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(£ million, unless otherwise indicated)				
Data and technology costs ⁽¹⁾	3.5	4.4	6.5	3.3	4.4
Data and technology costs as a percentage of revenue ⁽¹⁾	11%	9%	7%	8%	7%

Note:

(1) Unaudited.

Investor incentives

During the period under review, Funding Circle has entered into a small number of bespoke arrangements with a limited number of institutional Investors, with a view to gaining market share in Funding Circle's then less mature geographies. These bespoke agreements typically required Funding Circle to augment returns, albeit to a capped level of cost, or to compensate Investors for loans that defaulted shortly after origination. Incentives to non-retail Investors totalled £1.9 million, £3.2 million and £3.0 million in the years ended 31 December 2015, 2016 and 2017, respectively, and £1.7 million in H1 2018. The majority of the Investor incentive costs in 2015 and 2016 related to agreements with long-standing Investors in the United States, while most of the Investor incentive costs in each of 2017 and H1 2018 were in connection with the Developing Markets.

In early 2017, in the Developing Markets segment, Funding Circle entered into an arrangement with an institutional Investor to guarantee the credit risk on the loan investments made by the Investor. Under the terms of the agreement, Funding Circle is required either to make payments when the underlying Borrower fails to meet its obligation under the loan contract or buy the defaulted loan from the Investor at its carrying value. In return for this financial guarantee, if the portfolio of loans held by the institutional Investor perform above a threshold annual return of 3.8 per cent., Funding Circle is entitled to the excess returns which are recorded as other revenue. Since the commencement of this agreement, the returns generated have exceeded the costs of providing the financial guarantee, and the expectation in the majority of scenarios modelled by Funding Circle is that the income from this arrangement will exceed the Investor incentive cost of buying back defaulted loans, which is treated as an operating expense.

In addition, Funding Circle has in the past provided credit or yield enhancement in the form of cashback to retail Investors, as an incentive to participate on the platform. This cashback cost was greatest in 2015, at £1.3 million, before falling to £0.2 million in 2016 and £0.1 million in 2017, and £0.1 million in H1 2018.

To the extent Funding Circle chooses to expand further in existing geographies or enter into new geographies in the future, it may provide credit or yield enhancement, in the form of cashback or other forms of recourse for certain Investors, to secure sufficient levels of Investor funding and gain market share. The following table sets out other revenue from excess returns and Investor incentive costs for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(unaudited)				
	(£ million, unless otherwise indicated)				
Other revenue from excess returns	—	—	0.3	—	1.1
Investor incentive costs	3.2	3.4	3.1	1.2	1.8

Other operating expenses

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(£ million, unless otherwise indicated)				
Other operating expenses ⁽¹⁾	16.2	22.8	23.4	11.1	14.8
Other operating expenses as a percentage of revenue ⁽¹⁾	51%	45%	25%	27%	24%

Note:

(1) Unaudited.

Funding Circle's other operating expenses include people-related spend on travel, recruitment and training, property expenditure and professional fees. During the period under review, other operating expenses have declined as a percentage of revenue from 51 per cent. in 2015, to 45 per cent. in 2016, 25 per cent. in 2017 and 24 per cent. in H1 2018. As the business continues to grow, other operating expenses are expected to continue to rise, including as a result of increased property costs to accommodate a growing workforce. However, as the business continues to scale, operational efficiencies are expected to result in a decrease of other operating expenses as a percentage of revenue.

Depreciation and amortisation

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(£ million, unless otherwise indicated)				
Depreciation and amortisation	1.4	4.2	6.8	3.7	4.1
Depreciation and amortisation as a percentage of revenue	4%	8%	7%	9%	7%

Depreciation is provided on all tangible fixed assets on a straight-line basis over an expected useful life of between one and five years. During the period under review, Funding Circle has largely shifted away from the purchase of physical computer equipment in favour of subscribing to cloud-based technologies, to assist with the processing of large amounts of data. Accordingly, annual depreciation charges have not tracked revenue growth.

Amortisation is provided on intangible fixed assets, the largest category of which relates to capitalised development costs which have an estimated useful life of between three to eight years. The amount of capitalised development spend has increased in each of the three years ended 31 December 2015, 2016 and 2017, and in H1 2018 (as compared to H1 2017), as Funding Circle developed a common technology platform using internal resources, resulting in an increase in amortisation expenses.

Share-based payments and social security costs on share-based payments

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(£ million, unless otherwise indicated)				
Share-based payments	2.8	6.7	4.4	2.1	1.9
Share-based payments as a percentage of revenue	9%	13%	5%	5%	3%
Social security costs on share-based payments	—	—	—	—	2.8

Share-based awards are a key part of the remuneration strategy of Funding Circle, with all permanent employees eligible for one or more of the five different share and share option schemes in operation as at 30 June 2018. Each of the schemes has broadly the same vesting conditions whereby there is a four year vesting period, with the first 25 per cent. vesting on the first anniversary of the award and the balance of 75 per cent. vesting over the remaining three years on a quarterly basis. A share-based payment charge is determined for each scheme award and charged to the income statement in accordance with the vesting schedule, as adjusted for leavers. Prior to such awards being classified as readily convertible securities as the Company neared Admission, Funding Circle was not required to account for employer's social security costs on the potential exercise by employees of vested options. Therefore, in H1 2018, Funding Circle recorded for the first time a £2.8 million share-based payment charge in respect of future employer's social security costs, and the Directors and the Proposed Director expect the charge to amount to approximately £8 million in 2018.

For all schemes, Admission does not automatically result in an acceleration of vesting. Accordingly, awards made prior to Admission will continue to lead to a share-based payment charge post Admission, as the awards continue to vest. In the future, Funding Circle intends to continue making share-based awards to all permanent employees, with a similar vesting and no-performance criteria structure. Accordingly, as Funding Circle moves from being a privately owned organisation to one with listed shares, the expectation is that the share-based payment charge would, as a percentage of revenue, rise to approximately 7 per cent. in the medium term, and would gradually decrease thereafter. Such rise over the medium term would be driven by an increased number of awards (as Funding Circle continues to grow) as well as a higher per-award charge (as the value of each award becomes more transparent). Additional social security costs on share-based payments would be triggered by Admission, as the value of options that are eligible and likely to be exercised would be higher in a more liquid market.

Foreign exchange gains and losses

During 2016 and 2017, the Company held a large amount of cash and cash equivalents denominated in US dollars. On 23 June 2016, a majority of UK voters voted in favour of the United Kingdom's exit from the European Union in a national referendum, which resulted in a significant decrease in the value of the pound sterling relative to the US dollar in 2016. This gave rise to a significant foreign exchange gain of £3.9 million in 2016. In January 2018, the remaining US dollar balances held at a Group level were transferred to the US business and, as such, the impact of translating non-pound sterling balances is expected to be limited in future periods to reserves movements.

Offer, Admission and related costs

As of 30 June 2018, Funding Circle has incurred £4.6 million of costs in connection with the Offer. These expenses include advisor and other costs, but exclude any fees contingent on the successful completion of the Offer, as well as future costs that may be incurred in order to complete the Offer and Admission. Of the total £4.6 million, £2.7 million has been deferred (as at 30 June 2018) on the statement of financial position and will be charged against share premium when the New Shares are issued, and £1.9 million were recorded in the income statement as an exceptional charge during H1 2018.

Other Factors Affecting Funding Circle's Results

Foreign exchange rates

Funding Circle currently operates across the United Kingdom, the United States, Germany and the Netherlands. The majority of Funding Circle's revenue and costs are denominated in pounds sterling, with the remainder in the local currencies of the countries in which the business operates, namely US dollars or euros. Funding Circle generally seeks to match the currency of its revenue and expenses for its operations in each geography to reduce its exposure to currency fluctuations. In limited circumstances, however, revenues and expenses may be in different currencies. Funding Circle reports its consolidated financial information in pounds sterling and, consequently, the presentation of the consolidated financial information may be materially by movements in foreign exchange rates and, particularly, by the US dollar to pound sterling and the euro to pound sterling rates.

Geographic expansion

In the period under review, Funding Circle expanded through the Zencap Acquisition into three new geographies, which subsequently reduced to two (Germany and the Netherlands) following Funding Circle's withdrawal from the Spanish market. The strategy of Funding Circle is to continue expanding geographically in a disciplined and phased manner, either through acquisitions or organically. Given the nature of the business model (whereby it takes a number of years of operations to develop effective credit models and the relatively high marketing spend required to attract both Borrowers and Investors onto the platform), the expectation is for losses to be incurred locally while the business in a new geography matures.

Effective tax rates

Funding Circle has incurred an aggregate of more than £165 million of tax losses in the geographies in which it operates, and accordingly has not recorded a meaningful historic effective tax rate. Tax credits received in respect of spend in the United Kingdom on qualifying research and development have been £nil, £0.6 million and £1.0 million in the years ended 31 December 2015, 2016 and 2017, respectively. As tax credits are only recognised on receipt, no such credits were recognised in H1 2018. Funding Circle anticipates making tax credit claims in 2018 and in subsequent years, with the size of any such credit expected to decrease over time.

Based on current legislation in effect in each of the geographies in which it operates, Funding Circle expects to be able to utilise in future periods accumulated tax losses against any future taxable profits. The extent to which past tax losses can be used to offset future tax charges remains subject to changing tax legislation.

Finance income

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(unaudited)				
	(£ million)				
Interest on bank deposits	0.1	0.3	0.2	—	0.1
Interest on loan securities	0.1	0.4	0.4	0.2	0.2
Finance income	0.2	0.7	0.6	0.2	0.3

Funding Circle earns finance income on bank deposits and on loan securities on the platform. The rate of return on bank deposits has been relatively low over the period under review, with fluctuations in finance income mainly resulting from the changing levels of cash in hand due to a mix of equity contributions and funding trading losses. Interest on loan securities is earned primarily in the United States, where Funding Circle holds on its balance sheet loans originated through the platform for an initial holding period, typically of two days, before they are acquired by Investors (the so called “loan curing period”). The interest income in respect of these investments therefore represents the yield payable by Borrowers (net of losses) for that short loan curing period.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1 of Section B of Part 12 (Historical Financial Information).

KEY OPERATING AND FINANCIAL METRICS

Funding Circle monitors several key metrics to track the financial and operating performance of its business. These measures are derived from Funding Circle’s internal financial and analytics systems. As some of these measures are not determined in accordance with IFRS, and are thus susceptible to varying calculations, they may not be comparable with other similarly titled measures of performance of other companies. For more information on the definition and calculation of these metrics, including a reconciliation to Funding Circle’s reported historical financial information prepared on an IFRS basis, where relevant, please see “Non-IFRS financial information” and “Key performance indicators”, each in Part 2 (Presentation of Financial and Other Information).

The following key operating and financial metrics are monitored by Funding Circle both at operating segment and Group levels.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(unaudited, unless otherwise indicated)				
	(£ million, unless otherwise indicated)				
Loans under Management	860	1,362	2,107	1,705	2,584
Originations	721	1,065	1,738	797	1,043
Number of loans originated	9,568	13,724	23,350	10,734	14,783
Transaction yield	3.6%	3.7%	4.4%	4.1%	4.8%
Servicing yield	1.0%	1.0%	1.0%	1.0%	1.0%
Marketing spend as a percentage of revenue	64%	49%	41%	38%	39%
Revenue ⁽¹⁾	32.0	50.9	94.5	40.9	63.0
Segment Adjusted EBITDA ⁽¹⁾	(22.1)	(26.5)	(3.9)	(3.0)	0.9
Segment Adjusted EBITDA Margin	(69%)	(52%)	(4%)	(7%)	1%
Adjusted EBITDA ⁽¹⁾	(35.5)	(40.9)	(25.1)	(13.2)	(16.3)
Adjusted EBITDA Margin	(111%)	(80%)	(27%)	(32%)	(26%)
Free Cash Flow	(45.5)	(46.1)	(35.3)	(21.1)	(24.2)

Note:

(1) Audited for the three years ended 31 December 2015, 2016 and 2017 and H1 2018.

COMPARABILITY OF RESULTS

Withdrawal from property lending in the United Kingdom

In April 2017, Funding Circle took the decision to no longer lend to property developers in the United Kingdom, the one market in which it had previously expanded its product set beyond amortising SME loans. The change orientated from the decision to focus on the core product offering which is considered transferable and scalable across multiple geographies using common technology. Over the remainder of 2017 and into 2018, Funding Circle continued to fulfil its outstanding lending obligations.

The Zencap Acquisition

On 19 October 2015, Funding Circle expanded its operations through the Zencap Acquisition into Germany, the Netherlands and Spain (which it subsequently decided to exit in January 2017, following market testing and a recognition of the different dynamics of the Spanish market). Since that date, the results of the Zencap Group (now Funding Circle Continental Europe) have been included in Funding Circle's consolidated results and given the post-acquisition period is less than a full year, the comparability of Funding Circle's results for the years ended 31 December 2016 and 2017, with the results for the year ended 31 December 2015 are impacted.

Seasonality

Funding Circle's business is subject to seasonality. Excluding specific business-led initiatives to stimulate or contract originations, including the level of marketing, Borrower experience improvements or changes to credit risk models, the volume of loans originated through the platform in any particular period tend to correlate to general business activity in that period, with Borrower applications tending to be lower around both national holidays or traditional holiday periods. Historically, this has meant that originations in the first half of the year tend to be less than 50 per cent. of the full year total, with the second quarter generally proportionately the lowest in any given year. Accordingly, second half originations tend to be above 50 per cent. of the full year total with fourth quarter originations typically the greatest in any given year.

CURRENT TRADING AND PROSPECTS

Funding Circle has continued its growth trajectory in line with management expectations since 30 June 2018. As set out in "*Strategy*" in Part 7 (Business Description), management sees significant opportunity in both Funding Circle's existing markets (given its market share is less than 0.5 per cent. across all four geographies taken together, as at 31 December 2017) and also the opportunity to prudently expand into new geographies. This opportunity means that Funding Circle will focus on driving growth over profitability through the medium term, and incur elevated marketing spend through 2020 (as described under "*Key Factors Affecting Funding Circle's Results of Operations—Key Factors Affecting Funding Circle's Costs—Marketing spend*"). At the same time, however, the Directors and the Proposed Director believe that Funding Circle's business model has very attractive margin potential as it reaches scale as a result of its experience of the repeat nature of SME Borrowers and observed characteristics of repeat loan performance, as evidenced by Funding Circle's experience in the United Kingdom, where margins for repeat Borrowers are demonstrably higher than those for new ones.

Funding Circle's business plan sets out certain ambitions in respect of Loans under Management (as described under "*Key Factors Affecting Funding Circle's Results of Operations—Key Factors Affecting Funding Circle's Revenue and Profitability—Change in the value of Loans under Management*"), revenue (excluding that related to property loans), Segment Adjusted EBITDA Margin, and Adjusted EBITDA. These are forward-looking statements, based on assumptions that the Directors and the Proposed Director believe are reasonable, but which may turn out to be incorrect or different than expected, and Funding Circle's ability to achieve them will depend on a number of factors, many of which are outside Funding Circle's control, including significant business and economic uncertainties and risks, including those described in Part 1 (Risk Factors). As a result, Funding Circle's actual results may vary from the ambitions set out in its business plan and those variations may be material.

In revenue terms, excluding property loans, the Directors and the Proposed Director are targeting approximately 50 per cent. year-on-year growth for the year ending 31 December 2018; with revenue growth converging towards origination growth over the course of the second half of 2018 as transaction yields begin to reflect the full-period impact of pricing initiatives and stabilise at this level. In the medium term, the Directors and the Proposed Director are targeting revenue growth in excess of 40 per cent. with higher levels of growth in the United States and the Developing Markets.

In the year ending 31 December 2018, the Directors and the Proposed Director are targeting an aggregate Segment Adjusted EBITDA Margin in the mid-single digits, primarily as a result of the US Segment Adjusted EBITDA Margin approaching break-even in the second half of 2018. In the medium term, Funding Circle's target for aggregate Segment Adjusted EBITDA Margin is approximately 20 per cent., as the US Segment Adjusted EBITDA Margin converges toward that achieved in the United Kingdom, offset by lower margins in the Developing Markets and start-up costs in any new markets.

As a result of the foregoing, in the long term the Directors and the Proposed Director are targeting a sustainable Group Adjusted EBITDA Margin of 35 per cent. or above, reflecting economies of scale and increased automation as Funding Circle expands in different regions and the proportion of repeat loans grows.

RESULTS OF OPERATIONS

Results of operations for the six months ended 30 June 2017 and 2018

The following table presents Funding Circle's results of operations for the six month periods indicated, which has been extracted without material adjustment from the historical financial information set out in Section B of Part 12 (Historical Financial Information).

	Six months ended 30 June		Percentage Change
	2017	2018	2018
	(unaudited)		
	(£ million)		(%)
Revenue	40.9	63.0	54%
Operating expenses	(60.3)	(90.3)	50%
Operating loss	(19.4)	(27.3)	41%
Finance income	0.2	0.3	50%
Loss before taxation	(19.2)	(27.0)	41%
Income tax	—	—	n/a
Loss for the year	(19.2)	(27.0)	41%

Revenue

Revenue increased by £22.1 million, or 54 per cent., to £63.0 million in H1 2018 compared to £40.9 million in H1 2017. This increase was primarily driven by a 38 per cent. increase in the number of loans originated through the platform, a 2 per cent. increase in average loan size (excluding property loans) on a Group level, a 0.4 per cent. increase in transaction yield, and a 49 per cent. growth in servicing revenue, driven by higher levels of Loans under Management.

Revenue by type

The following table sets out Loans under Management, origination volumes, revenue by type, transaction yield and servicing yield for the six month periods indicated.

	Six months ended 30 June		Percentage Change
	2017	2018	2018
	(unaudited)		
	(£ million)		(%)
Loans under Management	1,705	2,584	52%
Originations	797	1,043	31%

	Six months ended 30 June		Percentage Change
	2017	2018	2018
	(unaudited) (£ million)		(%)
Transaction revenue	33.0	50.3	52%
Servicing revenue	7.6	11.3	49%
Other revenue	0.3	1.4	367%
Revenue	40.9	63.0	54%
	(%)		(% pts)
Transaction yield ⁽¹⁾	4.1%	4.8%	0.7% pts
Servicing yield ⁽¹⁾	1.0%	1.0%	0% pts

Note:

(1) Unaudited.

Originations increased by 31 per cent., to £1,043 million in H1 2018 from £797 million in H1 2017. In H1 2018, Funding Circle incurred £24.7 million in marketing spend, representing 39 per cent. of revenue, which Funding Circle believes has helped increase Borrower awareness and engagement with the platform, in turn resulting in a £220 million increase in originations to new Borrowers as compared to H1 2017. Furthermore, originations to existing Borrowers increased from £235 million in H1 2017 to £333 million in H1 2018, primarily due to an increasing base of Loans under Management.

In H1 2018, transaction revenue was £50.3 million (a 52 per cent. increase as compared H1 2017), representing a yield on originations of 4.8 per cent. This increase was higher than the growth in originations over the same period (31 per cent.), as the transaction yield improved from 4.1 per cent. in H1 2017 to 4.8 per cent. in H1 2018, following a series of rate card price increases in all three of Funding Circle's operating segments.

Loans under Management grew by 52 per cent., to £2,584 million in H1 2018 from £1,705 million in H1 2017. This growth was primarily driven by the growth in loan originations (net of scheduled repayments, voluntary prepayments and defaults).

In H1 2018, servicing revenue was £11.3 million (a 49 per cent. increase as compared to H1 2017), representing a yield on average Loans under Management of 1.0 per cent. This increase was in line with the growth in Loans under Management, given that the servicing yield remained constant at 1.0 per cent.

Other revenue increased by 367 per cent., to £1.4 million in H1 2018 from £0.3 million for in H1 2017. As described in “—Key Factors Affecting Funding Circle's Results of Operations—Key Factors Affecting Funding Circle's Costs—Investor Incentives”, in early 2017 Funding Circle agreed a per annum level of return to an institutional Investor in the Developing Markets, with any excess spread to be returned to Funding Circle. In H1 2018, Funding Circle delivered returns above the agreed per annum level, resulting in £1.1 million of other revenue to Funding Circle.

Revenue by customer type—new or existing

The following table presents a breakdown of revenue by customer type for the six month periods indicated.

	Six months ended 30 June		Percentage Change
	2017	2018	2018
	(unaudited) (£ million)		(%)
Revenue from new customers (excluding property loans) ⁽¹⁾	23.0	36.0	57%
Revenue from existing customers (excluding property loans) ⁽¹⁾⁽²⁾	15.7	26.7	70%
Revenue (excluding property loans)	38.7	62.7	62%
Revenue from property loans	2.2	0.3	(86%)
Revenue	40.9	63.0	54%

		(%)	(% pts)
Percentage of revenue from existing customers (excluding property loans) ⁽¹⁾	41%	43%	3% pts
Percentage of loans (by value) made to existing Borrowers (excluding property loans) ⁽¹⁾	33%	32%	(1%) pts

Notes:

(1) Unaudited.

(2) Revenue from existing customers (excluding property loans) represents the sum of (i) transaction fees on repeat loans; and (ii) all servicing fee and other revenue; excluding revenue from property loans.

The percentage of loans (excluding property loans) made to existing Borrowers (by value) remained relatively stable in H1 2018 (at 32 per cent., compared to 33 per cent. H1 2017). The percentage of revenue from existing customers (excluding property loans) increased to 43 per cent. in H1 2018, from 41 per cent. in H1 2017, primarily driven by the growth in servicing revenue on Loans under Management.

Revenue by operating segment

The following table presents a breakdown of revenue and other financial and operating metrics for the six month periods indicated, by operating segment.

	Six months ended 30 June		Percentage Change
	2017	2018	2018
	(unaudited, unless otherwise indicated) (£ million)		(%)
United Kingdom (excluding property loans)	29.5	42.5 ⁽¹⁾	44%
United States	8.3	15.0 ⁽¹⁾	81%
Developing Markets	0.9	5.2 ⁽¹⁾	478%
Property (United Kingdom only)	2.2	0.3 ⁽¹⁾	(86%)
Revenue	40.9	63.0⁽¹⁾	54%
	(%)		(% pts)
United Kingdom (excluding property loans)	4.4%	4.8%	0.4% pts
United States	4.5%	5.0%	0.5% pts
Developing Markets	3.5%	4.4%	0.9% pts
Property (United Kingdom only)	1.9%	n/a	n/a
Transaction yield	4.4%	4.8%	0.4% pts
United Kingdom (excluding property loans)	1.0%	1.0%	0.0% pts
United States	1.0%	0.9%	(0.1%) pts
Developing Markets	0.5%	0.7%	0.3% pts
Servicing yield	1.0%	1.0%	0.0% pts

Note:

(1) Audited.

	Six months ended 30 June		Percentage Change
	2017	2018	2018
	(unaudited) (£ million, unless otherwise indicated)		(%)
United Kingdom (excluding property loans)	1,179	1,832	55%
United States	322	549	70%
Developing Markets	55	153	178%
Property (United Kingdom only)	150	50	(67%)
Loans under Management	1,705	2,584	52%
United Kingdom (excluding property loans)	548	707	29%
United States	151	249	65%
Developing Markets	21	82	290%
Property (United Kingdom only)	77	5	(94%)
Originations	797	1,043	31%
Percentage of originations from existing Borrowers (excluding property loans)	33%	32%	(1%)
United Kingdom (excluding property loans)	8,468	10,558	25%
United States	1,498	2,532	69%
Developing Markets	488	1,668	242%
Property (United Kingdom only)	280	25	(91%)
Number of loans originated	10,734	14,783	38%
Percentage of loans to existing Borrowers (excluding property loans)	28%	28%	0% pts

United Kingdom

Loans under Management (excluding property loans) increased by £654 million, or 55 per cent., to £1,832 million as at 30 June 2018 from £1,179 million as at 30 June 2017, which was primarily driven by new originations over the intervening 12-month period, partially offset by repayments and defaults. The 29 per cent. increase in originations (to £707 million in H1 2018 from £548 million in H1 2017) was primarily due to a 25 per cent. increase in the number of loans originated through the platform, as well as a 3 per cent. increase in average loan size (excluding property loans).

Revenue (excluding that in relation to property loans) increased by 44 per cent., to £42.5 million in H1 2018 from £29.5 million in H1 2017. This increase was primarily driven by the increase in originations (29 per cent.) and the associated transaction fee earned and, to a lesser extent, an increase in average transaction yield (to 4.8 per cent. in H1 2018 from 4.4 per cent. in H1 2017) and a growing level of Loans under Management, on which a 1 per cent. servicing fee was earned.

United States

Loans under Management increased by £227 million, or 70 per cent., to £549 million as at 30 June 2018 from £322 million as at 30 June 2017. The increase was driven by an increase in originations (net of repayments and defaults), as well as differing USD to GBP translation rates. In H1 2018, a total of 2,532 loans were originated, a 69 per cent. increase as compared to H1 2017. This increase, while partially offset by a 2 per cent. decrease in average loan size, resulted in a 65 per cent. increase in originations over these periods, to £249 million in H1 2018 from £151 million in H1 2017.

Revenue increased by 81 per cent., to £15.0 million in H1 2018 from £8.3 million in H1 2017. The increase was primarily driven by growth in originations, as well as an increase in transaction yield (from 4.5 per cent. in H1 2017 to 5.0 per cent. H1 2018) following a series of increases to the transaction fee rate charged to Borrowers. The increase was partially offset by a 9 per cent. decrease in the value of the US dollar relative to the pound sterling between 30 June 2017 and 30 June 2018.

Developing Markets

Loans under Management increased by £98 million, or 178 per cent., to £153 million as at 30 June 2018 from £55 million as at 30 June 2017. The change was driven by an increase in originations (net of repayments and

defaults), with little impact from a changing Euro to pound sterling foreign exchange rate. In H1 2018, a total of 1,668 loans were originated, a 242 per cent. increase as compared to H1 2017. This increase, coupled with a 14 per cent. increase in average loan size, resulted in a near four-fold increase in originations, to £82 million in H1 2018 from £21 million in H1 2017.

Revenue grew over five-fold in H1 2018, to £5.2 million from £0.9 million in H1 2017. The increase was the result of growth in Loans under Management and originations, coupled with an improvement in transaction yield to 4.4 per cent. (from 3.5 per cent. in H1 2017), as rates charged to Borrowers were revised upwards during the second half of 2017. Changing euro to pound sterling foreign exchange rates had little impact.

Property

Following the decision to withdraw from property lending in the United Kingdom (see “—*Comparability of Results*”), originations decreased to £5 million in H1 2018, from £77 million in H1 2017. The impact of the decision to withdraw from property lending, combined with a focus to help Borrowers refinance their loans away from Funding Circle, resulted in a decline in Loans under Management, from £150 million as at 30 June 2017 to £50 million as at 30 June 2018. Based on the current trends and initiatives, the expectation is that property Loans under Management will be £nil or immaterial by the end of 2019.

Operating expenses

The following table presents a breakdown of operating expenses for the six month periods indicated.

	Six months ended 30 June		Percentage Change
	2017	2018	2018
	(unaudited)		
	(£ million)		(%)
People costs net of capitalised development spend ⁽¹⁾	24.9	38.3	54%
Marketing	15.7	24.7	57%
Data and technology costs ⁽²⁾	3.3	4.4	33%
Investor incentives	1.2	1.8	50%
Other ⁽²⁾	11.1	14.8	34%
Depreciation and amortisation	3.7	4.1	11%
Foreign exchange (gain) / loss	0.4	0.3	(25%)
Exceptional items	—	1.9	n/a
Operating expenses	60.3	90.3	50%

Notes:

(1) People costs are stated net of capitalised development spend that is recorded as intangible assets on the balance sheet.

(2) Unaudited.

Adjusted EBITDA and operating loss

	Six months ended 30 June		Change
	2017	2018	2018
	(unaudited)		
	(£ million)		
United Kingdom	9.2	9.8	0.6
United States	(7.0)	(5.1)	1.9
Developing Markets	(5.2)	(3.8)	1.4
Segment Adjusted EBITDA	(3.0)	0.9	3.9
Product development	(6.7)	(12.2)	(5.5)
Corporate costs	(3.5)	(5.0)	(1.5)
Adjusted EBITDA	(13.2)	(16.3)	(3.1)
Depreciation and amortisation	(3.7)	(4.1)	(0.4)
Share-based payments	(2.1)	(1.9)	0.2
Social security costs on share-based payments	—	(2.8)	(2.8)
Foreign exchange gain / (loss)	(0.4)	(0.3)	0.1
Exceptional items	—	(1.9)	(1.9)
Operating loss for the year / period	(19.4)	(27.3)	(7.9)
	(%)		(% pts)
United Kingdom	29%	23%	(6%) pts
United States	(84%)	(34%)	50% pts
Developing Markets	(578%)	(73%)	505% pts
Segment Adjusted EBITDA Margin	(7%)	1%	8% pts
Product development as a percentage of revenue	(16%)	(19%)	(3%) pts
Corporate costs as a percentage of revenue	(9%)	(8%)	1% pts
Adjusted EBITDA Margin	(32%)	(26%)	6% pts

United Kingdom

Segment Adjusted EBITDA grew by £0.6 million, to £9.8 million in H1 2018 from £9.2 million in H1 2017. This increase was primarily driven by a £11.1 million increase in revenue, offset by a £10.5 million increase in segment costs, including a £6.3 million increase in marketing spend that was driven by “above-the-line” marketing aimed at increasing brand awareness.

United States

In H1 2018, the £6.7 million revenue increase translated into an improving Segment Adjusted EBITDA, to negative £5.1 million in H1 2018 from negative £7.0 million in H1 2017. Marketing spend increased by £2.0 million, from £4.5 million in H1 2017 to £6.5 million in H1 2018. However, as a percentage of revenue, marketing spend decreased to 43 per cent. in H1 2018, from 54 per cent. in H1 2017, reflecting the inherent operating leverage in the business.

Developing Markets

Segment Adjusted EBITDA improved to negative £3.8 million in H1 2018, from negative £5.2 million in H1 2017. Revenue over the same period increased by £4.3 million, while segment costs increased by £2.9 million, including a £0.7 million increase in marketing spend.

Product Development

Product development costs (including capitalised development spend recorded as intangible fixed assets on the balance sheet) were £16.9 million in H1 2018 (representing 27 per cent. of revenue), compared to £11.3 million in H1 2017 (representing 28 per cent. of revenue). Net of capitalised development spend, product development spend amounted to £12.2 million in H1 2018, an 82 per cent. increase compared to H1 2017, as a result of a lower percentage of total product development costs being capitalised.

Consistent with the expectation of capitalised development spend recorded as intangible fixed assets on the balance sheet declining as a percentage of revenue, capitalised development spend in H1 2018 was £4.7 million (representing 7 per cent. of revenue) compared to £4.6 million in H1 2017 (representing 11 per cent. of revenue).

Corporate Costs

Corporate costs were £5.0 million in H1 2018, up from £3.5 million in H1 2017, reflecting Funding Circle's continuous investment in building a global business, including the strengthening of its global leadership team and the implementation of common processes, procedures and reporting structures.

Finance income

Finance income increased by £0.1 million, to £0.3 million in H1 2018 from £0.2 million in H1 2017. This increase was primarily due to the growth in loan originations in the United States, where Funding Circle holds loans on its balance sheet for an initial holding period of two days typically, as described in more details in “—Liquidity and Capital Resources—Cash flows—Key factors affecting Funding Circle's operating cash flows”.

Income tax

No income tax was incurred in H1 2018 and H1 2017, as a result of taxable losses in both periods. Similarly, no tax credit in respect of research and development claims in the United Kingdom were received in either period.

Loss for the period

As a result of the above, Funding Circle incurred a loss of £27.0 million in H1 2018, compared to a loss of £19.2 million in H1 2017.

Results of operations for the three years ended 31 December 2015, 2016 and 2017

The following table presents Funding Circle's results of operations for the years indicated, which has been extracted without material adjustment from the historical financial information set out in Section B of Part 12 (Historical Financial Information).

	Year ended 31 December			Percentage Change	
	2015	2016	2017	2016	2017
		(£ million)		(%)	
Revenue	32.0	50.9	94.5	59%	86%
Operating expenses	(71.7)	(98.8)	(131.4)	38%	33%
Operating loss	(39.7)	(47.9)	(36.9)	21%	(23%)
Finance income	0.2	0.7	0.6	250%	(14%)
Loss before taxation	(39.5)	(47.2)	(36.3)	19%	(23%)
Income tax	(0.1)	0.6	1.0	n/a	67%
Loss for the year	(39.6)	(46.6)	(35.3)	18%	(24%)

Revenue

Revenue increased by £43.6 million, or 86 per cent., to £94.5 million in the year ended 31 December 2017 compared to £50.9 million in the year ended 31 December 2016. In 2016, revenue increased by £18.9 million, or 59 per cent., from £32.0 million in the year ended 31 December 2015 to £50.9 million in the year ended 31 December 2016. Growth in revenue during the years under review was driven by an increase in the value of loans originated through the platform, an improvement in transaction yield and growth in servicing revenue driven by a growing level of Loans under Management.

Revenue by type

The following tables set out Loans under Management, origination volumes, revenue by type, transaction yield and servicing yield for the years indicated.

	Year ended 31 December			Percentage Change	
	2015	2016	2017	2016	2017
		(£ million)	(unaudited)	(%)	
Loans under Management	860	1,362	2,107	58%	55%
Originations	721	1,065	1,738	48%	63%
	Year ended 31 December			Percentage Change	
	2015	2016	2017	2016	2017
		(£ million)		(%)	
Transaction revenue	26.0	39.6	76.5	52%	93%
Servicing revenue	5.8	10.9	17.1	88%	57%
Other revenue	0.2	0.4	0.9	100%	125%
Revenue	32.0	50.9	94.5	59%	86%
		(%)		(% pts)	
Transaction yield ⁽¹⁾	3.6%	3.7%	4.4%	0.1% pts	0.7% pts
Servicing yield ⁽¹⁾	1.0%	1.0%	1.0%	0% pts	0% pts

Note:

(1) Unaudited.

Originations increased by 63 per cent. to £1,738 million in the year ended 31 December 2017, compared to £1,065 million in the year ended 31 December 2016. Originations in the year ended 31 December 2016 increased by 48 per cent. to £1,065 million, compared to £721 million for the year ended 31 December 2015. Growth in originations during the three-year period ending 31 December 2017 was primarily driven by improved Borrower and Investor awareness resulting from increased marketing activity, as well as the continual enhancement of operational processes that improved conversion of applications to funded loans.

For the year ended 31 December 2017, transaction revenue was £76.5 million, representing a yield on originations of 4.4 per cent. Transaction revenue grew 93 per cent. in the year ended 31 December 2017 compared to the year ended 31 December 2016. This growth was higher than the growth in originations over the same period (63 per cent.) as the transaction yield improved from 3.7 per cent. to 4.4 per cent., driven by an increase in the transaction yield in all three operating segments due to a combination of rate card price increases and an increase in average loan term. For the year ended 31 December 2016, transaction revenue was £39.6 million, representing a yield on originations of 3.7 per cent. The 52 per cent. growth in transaction revenue in the year ended 31 December 2016 compared to the year ended 31 December 2015 was higher than the growth in originations over the same period (48 per cent.) as transaction yield improved slightly from 3.6 per cent. to 3.7 per cent. following a period of limited change to the underlying risk models and rate cards.

Loans under Management grew 55 per cent. to £2,107 million in the year ended 31 December 2017, after growing 58 per cent. to £1,362 million in the year ended 31 December 2016, from £860 million in the year ended 31 December 2015. The growth in each year was primarily driven by the growth in originations net of scheduled repayments, voluntary prepayments and defaults.

For the year ended 31 December 2017, servicing revenue was £17.1 million, representing a yield on average Loans under Management of 1.0 per cent. The 57 per cent. growth in servicing revenue in 2017 was in line with growth in Loans under Management, given that the servicing yield remained constant at 1.0 per cent. For the year ended 31 December 2016, servicing revenue was £10.9 million, representing a yield of 1.0 per cent. The 88 per cent. growth in servicing revenue in 2016 was primarily due to the growth in Loans under Management. The servicing yield remained constant at 1.0 per cent.

Other revenue increased by 125 per cent. to £0.9 million for the year ended 31 December 2017, compared to £0.4 million for the year ended 31 December 2016, reflecting the overall rate of growth of the business. Similarly, other revenue for the year ended 31 December 2016 increased by 100 per cent. to £0.9 million, compared to £0.2 million for the year ended 31 December 2015.

Revenue by customer type—new or existing

The following table presents a breakdown of revenue by customer type for the years indicated.

	Year ended 31 December			Percentage Change	
	2015	2016	2017	2016	2017
	(£ million)			(%)	
Revenue from new customers (excluding property loans) ⁽¹⁾	19.4	27.6	54.8	42%	99%
Revenue from existing customers (excluding property loans) ⁽¹⁾⁽²⁾	9.6	18.7	36.6	95%	96%
Revenue (excluding property loans)	29.0	46.3	91.4	60%	97%
Revenue from property loans	3.0	4.6	3.1	53%	(33%)
Revenue	32.0	50.9	94.5	59%	86%
		(%)		(% pts)	
Percentage of revenue from existing customers (excluding property loans) ⁽¹⁾	33%	40%	40%	7% pts	0% pts
Percentage of loans (by value) made to existing Borrowers (excluding property loans) ⁽¹⁾	22%	30%	32%	8% pts	2% pts

Notes:

(1) Unaudited.

(2) Revenue from existing customers (excluding property loans) represents the sum of (i) transaction fees on repeat loans; and (ii) all servicing fee and other revenue; excluding revenue from property loans.

Over the period under review, the percentage of loans (excluding property loans) made to existing Borrowers (by value) has increased from 22 per cent. in the year ended 31 December 2015 to 30 per cent. in the year ended 31 December 2016 and 32 per cent. in the year ended 31 December 2017. This growth was primarily driven by an increase in the number of Borrowers participating on the platform, as well as Funding Circle's increasing focus on driving growth in repeat rates. Analysis of Borrower behaviour has shown that, on average, the number of loans a Borrower obtains increases in line with the number of months passed since the origination of its first loan.

As a proportion of total revenue (excluding that related to property loans), the percentage of revenue from existing customers (excluding property loans) has increased from 33 per cent. in the year ended 31 December 2015 to 40 per cent. in each of the years ended 31 December 2016 and 2017. The increase mainly reflects the growth in originations from existing customers.

Revenue by operating segment

The following table presents a breakdown of revenue and other financial and operating metrics for the years indicated, by operating segment.

	Year ended 31 December			Percentage Change	
	2015	2016	2017	2016	2017
	(unaudited, unless otherwise indicated)			2016	
	(£ million)			2017	
				(%)	
United Kingdom (excluding property loans) ⁽¹⁾	20.8	34.7	65.3	67%	88%
United States ⁽¹⁾	7.7	10.2	22.3	32%	119%
Developing Markets ⁽¹⁾	0.5	1.4	3.8	180%	171%
Property (United Kingdom only) ⁽¹⁾	3.0	4.6	3.1	53%	(33%)
Revenue⁽¹⁾	32.0	50.9	94.5	59%	86%
				(%)	(% pts)
United Kingdom (excluding property loans)	4.0%	4.2%	4.6%	0.2% pts	0.4% pts
United States	3.7%	3.7%	4.7%	0.0% pts	1.0% pts
Developing Markets	4.4%	3.8%	4.0%	(0.6%) pts	0.2% pts
Property (United Kingdom only)	2.1%	1.9%	1.6%	(0.2%) pts	(0.3%) pts
Transaction yield	3.6%	3.7%	4.4%	0.1% pts	0.7% pts
United Kingdom (excluding property loans)	1.0%	1.0%	1.0%	0.0% pts	0.0% pts
United States	1.0%	1.0%	1.0%	0.0% pts	0.0% pts
Developing Markets	0.7%	0.2%	0.6%	(0.5%) pts	0.4% pts
Servicing yield	1.0%	1.0%	1.0%	0.0% pts	0.0% pts

Note:

(1) Audited.

	Year ended 31 December			Percentage Change	
	2015	2016	2017	2016	2017
	(unaudited)			2016	
	(£ million, unless otherwise indicated)			2017	
				(%)	
United Kingdom (excluding property loans)	538	864	1,489	61%	72%
United States	177	288	427	63%	48%
Developing Markets	30	47	96	57%	104%
Property (United Kingdom only)	115	163	95	42%	(42%)
Loans under Management	860	1,362	2,107	58%	55%
United Kingdom (excluding property loans)	417	652	1,157	56%	77%
United States	180	211	396	17%	88%
Developing Markets	10	31	78	210%	152%
Property (United Kingdom only)	114	171	107	50%	(37%)
Originations	721	1,065	1,738	48%	63%
Percentage of originations from existing Borrowers (excluding property loans)	22%	30%	32%	40%	5%
United Kingdom (excluding property loans)	7,026	10,465	17,677	49%	69%
United States	1,962	2,013	3,828	3%	90%
Developing Markets	165	591	1,436	258%	143%
Property (United Kingdom only)	415	655	409	58%	(38%)
Number of loans originated	9,568	13,724	23,350	43%	70%
Percentage of loans to existing Borrowers (excluding property loans)	20%	25%	28%	5% pts	3% pts

United Kingdom

In the year ended 31 December 2017, Loans under Management increased by £625 million, or 72 per cent., to £1,489 million from £864 million in the year ended 31 December 2016, driven by new originations of £1,157 million in 2017, partially offset by repayments and defaults. In the year ended 31 December 2016, Loans under Management increased by £326 million, or 61 per cent., from £538 million in the year ended 31 December 2015, driven by new originations of £652 million in 2016, partially offset by repayments and defaults. The increase in originations in each of 2016 and 2017 was driven by an increase in the number of loans originated through the platform, as well as an increase in average loan size. The acceleration of growth in the number of loans originated through the UK platform to 69 per cent. (excluding property loans) in the year ended 31 December 2017, as compared to 49 per cent. (excluding property loans) in the year ended 31 December 2016, was mainly the result of a 63 per cent. increase in marketing spend in 2017 and better conversion of loan applications to funded loans. Combined with a 5 per cent. increase in average loan size (excluding property loans) in each of 2016 and 2017, originations increased by 77 per cent. in the year ended 31 December 2017 and by 56 per cent. in the year ended 31 December 2016.

Revenue (excluding that in relation to property loans) for the year ended 31 December 2017 increased 88 per cent. to £65.3 million, from £34.7 million in the year ended 31 December 2016. This increase was primarily driven by the increase in originations and the associated transaction fee earned and, to a lesser extent, an increase in average transaction yield (to 4.6 per cent. in the year ended 31 December 2017 from 4.2 per cent. in the year ended 31 December 2016) and a growing level of Loans under Management, on which a 1 per cent. servicing fee was earned. Revenue (excluding that in relation to property loans) for the year ended 31 December 2016 increased 67 per cent. from £20.8 million in the year ended 31 December 2015. The main drivers of this increase were an improvement in the transaction yield, higher originations and a growing level of Loans under Management.

United States

In the year ended 31 December 2017, Loans under Management increased by £139 million, or 48 per cent., to £427 million from £288 million in the year ended 31 December 2016. The increase was driven by new originations of £396 million in 2017, as well as the impact of translating results from US dollars to pounds sterling at different rates at each balance sheet date, partially offset by repayments and defaults. In the year ended 31 December 2016, Loans under Management increased by £111 million, or 63 per cent., from £177 million in the year ended 31 December 2015. The increase was driven by new originations of £211 million of loans, as well as the impact of changing foreign exchange rates, partially offset by repayments and defaults.

In the year ended 31 December 2016, Funding Circle tightened its credit models and reduced the number of third-party origination partners in the United States (see “—Key Factors Affecting Funding Circle’s Results of Operations—Key Factors Affecting Funding Circle’s Revenue and Profitability—Evolution of Borrower acquisition channels”). As a result, in the year ended 31 December 2016, the number of loans originated only grew by 3 per cent. to 2,013, from 1,962 in the year ended 31 December 2015. In the year ended 31 December 2017, a total of 3,828 loans were originated, a rise of 90 per cent. as compared to 2016, following proactive targeting of existing Borrowers. Average loan size rose 14 per cent. in the year ended 31 December 2016, reflecting increasing sophistication of credit models that enabled scoring of larger loans. Average loan size stabilised in the year ended 31 December 2017.

Revenue for the year ended 31 December 2017 increased 119 per cent. to £22.3 million, from £10.2 million in the year ended 31 December 2016. The increase was driven by a growth of 88 per cent. in originations and an increase in transaction yield (from 3.7 per cent. in 2016 to 4.7 per cent. in 2017) following a series of increases to the transaction fee rate charged to Borrowers. Revenue for the year ended 31 December 2016 increased 32 per cent. from £7.7 million in the year ended 31 December 2015, primarily driven by a 17 per cent. growth in originations, with the growth in Loans under Management resulting in an additional servicing revenue of £1.3 million. Revenue and originations as presented in pounds sterling also benefited from a 12 per cent. and 3 per cent. depreciation in the value of the pound sterling relative to the US dollar in the years ended 31 December 2016 and 2017, respectively.

Developing Markets

In the year ended 31 December 2017, Loans under Management increased by £49 million, or 104 per cent., to £96 million from £47 million in the year ended 31 December 2016. The increase was driven by new originations of £78 million (partially offset by repayments and defaults) in addition to the impact of translating

results from euro to pounds sterling at different rates at each balance sheet date. In the year ended 31 December 2016, Loans under Management increased by £17 million, or 57 per cent., from £30 million in the year ended 31 December 2015. The increase was driven by new originations of £31 million (partially offset by repayments and defaults) in addition to the impact of changing foreign exchange rates.

In the year ended 31 December 2017, the number of loans originated grew by 143 per cent. to 1,436 from 591 the year before. In the year ended 31 December 2016, the number of loans originated increased by 258 per cent. from 165 in the year ended 31 December 2015, as Funding Circle only acquired the Zencap Group in October 2015 (see “—*Comparability of Results*”). Average loan size fell 13 per cent. in the year ended 31 December 2016 as the business underwent post-acquisition operational changes to bring it into line with Funding Circle’s practices, before growing 4 per cent. in the year ended 31 December 2017.

Revenue for the year ended 31 December 2017 increased 171 per cent. to £3.8 million from £1.4 million in the year ended 31 December 2016, which was primarily driven by a growth in originations of 152 per cent., an increase in servicing fees and an increase in transaction yield (from 3.8 per cent. in 2016 to 4.0 per cent. in 2017). Revenue for the year ended 31 December 2016 increased 180 per cent. to £1.4 million from £0.5 million in the year ended 31 December 2015, reflecting the first full year of ownership of the Zencap Group (now Funding Circle Continental Europe). See “—*Comparability of Results*”. Revenue as presented in pounds sterling also benefited from a 12 per cent. and 6 per cent. fall in the average pounds sterling to euro exchange rate in the years ended 31 December 2016 and 2017, respectively.

Property

In the year ended 31 December 2017, as a result of the decision to withdraw from property lending in the United Kingdom (see “—*Comparability of Results*”), originations declined by 37 per cent. to £107 million, from £171 million in the year ended 31 December 2016. The impact of the decision to withdraw from property lending, combined with a focus to help Borrowers refinance their loans away from Funding Circle, resulted in a decline of 42 per cent. in Loans under Management, from £163 million as at 31 December 2016 to £95 million as at 31 December 2017. Based on the current trends and initiatives, the expectation is that property Loans under Management will be nil or immaterial by the end of 2019.

In the year ended 31 December 2016, Loans under Management rose to £163 million, from £115 million in the year ended 31 December 2015. This increase was primarily driven by new originations of £171 million, partially offset by repayments and defaults of £123 million.

Operating expenses

The following table presents a breakdown of operating expenses for the years indicated.

	Year ended 31 December			Percentage Change	
	2015	2016	2017	2016	2017
	(£ million)			(%)	
People costs net of capitalised development spend ⁽¹⁾ . . .	27.0	43.1	52.3	60%	21%
Marketing	20.4	24.8	38.7	22%	56%
Data and technology costs ⁽²⁾	3.5	4.4	6.5	26%	48%
Investor incentives	3.2	3.4	3.1	6%	(9%)
Other ⁽²⁾	16.2	22.8	23.4	41%	3%
Depreciation and amortisation	1.4	4.2	6.8	200%	62%
Foreign exchange (gain) / loss	—	(3.9)	0.6	n/a	(115%)
Operating expenses	71.7	98.8	131.4	38%	33%

Notes:

(1) People costs are stated net of capitalised development spend that is recorded as intangible assets on the balance sheet.

(2) Unaudited.

Adjusted EBITDA and operating loss

	Year ended 31 December			Change	
	2015	2016	2017	2016	2017
		(£ million)		(%)	
United Kingdom	(6.8)	1.7	16.9	8.5	15.2
United States	(14.3)	(19.1)	(10.9)	(4.8)	8.2
Developing Markets	(1.0)	(9.1)	(9.9)	(8.1)	(0.8)
Segment Adjusted EBITDA	(22.1)	(26.5)	(3.9)	(4.4)	22.6
Product development	(10.1)	(9.0)	(13.6)	1.1	(4.6)
Corporate costs	(3.3)	(5.4)	(7.6)	(2.1)	(2.2)
Adjusted EBITDA	(35.5)	(40.9)	(25.1)	(5.4)	15.8
Depreciation and amortisation	(1.4)	(4.2)	(6.8)	(2.8)	(2.6)
Share-based payments	(2.8)	(6.7)	(4.4)	(3.9)	2.3
Foreign exchange gain / (loss)	—	3.9	(0.6)	3.9	(4.5)
Operating loss for the year / period	(39.7)	(47.9)	(36.9)	(8.2)	11.0
		(%)		(% pts)	
United Kingdom	(29%)	4%	25%	33% pts	21% pts
United States	(186%)	(187%)	(49%)	(1% pts)	138% pts
Developing Markets	(200%)	(650%)	(261%)	(450% pts)	(389% pts)
Segment Adjusted EBITDA Margin	(69%)	(52%)	(4%)	17% pts	48% pts
Product development as a percentage of revenue	(32%)	(18%)	(14%)	14% pts	4% pts
Corporate costs as a percentage of revenue	(10%)	(11%)	(8%)	(1% pts)	3% pts
Adjusted EBITDA Margin	(111%)	(80%)	(27%)	31% pts	53% pts

United Kingdom

Segment Adjusted EBITDA grew to positive £16.9 million in the year ended 31 December 2017. The ‘United Kingdom’ segment recorded its first positive Segment Adjusted EBITDA of £1.7 million in the year ended 31 December 2016, as compared to a negative Segment Adjusted EBITDA of £6.8 million in the year ended 31 December 2015. The growth in both years was the result of a slower growth in Funding Circle’s cost base as compared to its revenue growth. This, in turn, was primarily due to a decrease in the cost of acquiring, originating and servicing an individual loan, for both first loans and repeat loans, driven by operational leverage. Marketing spend rose from £12.5 million in the year ended 31 December 2015 to £15.5 million in the year ended 31 December 2016 and £25.2 million in the year ended 31 December 2017, reflecting Funding Circle’s strategy to significantly invest in marketing with a view to increasing brand awareness. Nonetheless, as a percentage of revenue, marketing spend fell from 53 per cent. to 37 per cent. over the same period.

United States

Segment Adjusted EBITDA improved to negative £10.9 million in the year ended 31 December 2017 compared to negative £19.1 million in the year ended 31 December 2016. This was due to a revenue increase of £12.1 million over the year, as compared to an increase in costs of £3.9 million only (and which was primarily driven by a £3.2 million increase in marketing spend). Segment Adjusted EBITDA decreased by £4.8 million in the year ended 31 December 2016, from negative £14.3 million in the year ended 31 December 2015 as revenue grew £2.5 million, but costs rose £7.3 million. Marketing costs declined in local currency but, when translated into pound sterling, remained relatively constant year on year. As a percentage of revenue, marketing costs declined in both local currency and pounds sterling. People costs associated with originating loans grew in line with revenue growth, with average headcount (including contractors) increasing 40 per cent. primarily due to significant investments in support functions to provide the infrastructure and foundation for future growth.

Developing Markets

Segment Adjusted EBITDA decreased to negative £9.9 million in the year ended 31 December 2017, compared to negative £9.1 million in the year ended 31 December 2016. Revenue over that period increased by £2.4 million while segment costs increased by £3.2 million, which included a £1.0 million increase in marketing spend. People costs and other overheads remained relatively constant, with the remainder of the cost increase in 2017 mainly relating to a £1.8 million increase in Investor incentives. In the year ended 31 December 2016, Segment Adjusted EBITDA decreased by £8.1 million, from negative £1.0 million in the year ended 31 December 2015 to negative £9.1 million in the year ended 31 December 2016, with the primary reason being that 2016 was the first full year of ownership of the Zencap Group (now Funding Circle Continental Europe). See “—Comparability of Results”.

Product Development

Product development costs (including capitalised development spend recorded as intangible fixed assets on the balance sheet) were £23.7 million in the year ended 31 December 2017 (representing 25 per cent. of revenue) compared to £18.8 million in the year ended 31 December 2016 (representing 37 per cent. of revenue). Net of capitalised development spend, product development spend amounted to £13.6 million in the year ended 31 December 2017, a 51 per cent. increase compared to 2016. The increase in spend was the result of greater investment in all aspects of the product and technology parts of Funding Circle. Average product development headcount (including contractors) rose over the period by 11 per cent., with the majority of the hires engaged in operational aspects of technology. Spend on third-party services increased from £2.7 million in the year ended 31 December 2016 to £3.4 million in the year ended 31 December 2017, which was driven by the purchase of additional licences and software to support a 20 per cent. growth in average Group headcount (including contractors) and a near doubling of loans originated. Capitalised development spend remained fairly constant at £10.1 million in the year ended 31 December 2017, compared to £9.8 million the year before.

In the year ended 31 December 2016, product development costs (including capitalised development spend recorded as intangible fixed assets on the balance sheet) were £18.8 million (representing 37 per cent. of revenue), a £5.1 million increase as compared to £13.7 million in the year ended 31 December 2015 (representing 43 per cent. of revenue). Net of capitalised development spend, product development costs amounted to £9.0 million in the year ended 31 December 2016, compared to £10.1 million in the year ended 31 December 2015. Spend on third-party services increased by £1.1 million in 2016, but outsourced consultancy expenses declined by £1.2 million as a greater proportion of work was undertaken by Funding Circle’s employees. Capitalised development spend increased to £9.8 million in the year ended 31 December 2016, from £3.6 million the year ended 31 December 2015, as Funding Circle’s development in 2015 was mainly engaged in maintaining its legacy platforms prior to the commencement in 2016 of the project to build a new single unified money and loan management platform.

Corporate Costs

Corporate costs in the year ended 31 December 2017 were £7.6 million, up from £5.4 million in the year ended 31 December 2016 and £3.3 million in the year ended 31 December 2015. This increase reflects Funding Circle’s continuous investment in building a global business, including the strengthening of its global leadership team and the implementation of common processes, procedures and reporting structures. The Directors and the Proposed Director expect corporate costs, together with product development costs (net of capitalised development spend), to be in the mid-teens as a percentage of revenue in the medium term.

Finance income

Finance income decreased by £0.1 million to £0.6 million in the year ended 31 December 2016 from £0.7 million in the year ended 31 December 2015. Finance income increased by £0.5 million to £0.7 million in the year ended 31 December 2016 from £0.2 million in the year ended 31 December 2015. This increase was primarily due to a higher level of average cash balances on deposit, as well as the growth in loan originations in the United States where Funding Circle holds loans on its balance sheet for an initial holding period of two days typically, as described in more details in “—Liquidity and Capital Resources—Cash flows—Key factors affecting Funding Circle’s operating cash flows”.

Income tax

Funding Circle realised an income tax credit of £1.0 million and £0.6 million in the years ended 31 December 2017 and 2016, respectively, compared to an income tax charge of £0.1 million in the year ended 31 December 2015. In both 2016 and 2017, the income tax credit related to cash received in respect of research and development claims in the United Kingdom.

Loss for the year

As a result of the above, loss for the year was £39.6 million, £46.6 million and £35.3 million in the years ended 31 December 2015, 2016 and 2017, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Funding Circle's primary sources of liquidity are the cash flows generated from its operations, as well as equity contributions. The primary use of this liquidity is to fund Funding Circle's operations. As at the date of this Prospectus, Funding Circle had no financial indebtedness other than trade and other payables in the ordinary course of business.

Cash flows

Key factors affecting Funding Circle's operating cash flows

Loan Curing in the United States

In the United States, for regulatory reasons, Funding Circle holds on its balance sheet loans originated through the platform for an initial holding period, typically of two days, before they are acquired by Investors. Funding Circle uses its own cash resources to fund the loans and as such incurs an initial cash outflow before receiving funds from Investors. The level of net cash outflow reported in the cash flow statement under the heading "Investment in loan securities" (included within "Net cash outflow from investing activities" below) is a function of the loans made immediately prior to the end of the reporting period which are subsequently purchased after the period end. The Directors and the Proposed Director expect the net cash outflow to increase in line with the growth of originations in the United States, subject to normal day-to-day operational variations and the timing of the period end.

Cash flows for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018

The following table presents a summary of Funding Circle's cash flows for the periods indicated, which has been extracted without material adjustment from the historical financial information set out in Section B of Part 12 (Historical Financial Information).

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	(£ million)			(unaudited)	
Loss before taxation	(39.5)	(47.2)	(36.3)	(19.2)	(27.0)
<i>Adjustments for:</i>					
Depreciation of property, plant and equipment	0.8	1.4	1.6	0.8	1.0
Loss on disposal of property, plant and equipment	0.4	—	—	—	—
Amortisation of intangible assets	0.6	2.8	5.2	2.4	3.1
Impairment of intangible assets	—	—	0.5	0.5	—
Movement in credit loss and other provisions	0.5	(0.2)	—	1.1	0.8
Movement in dilapidation provision	—	0.1	—	—	0.2
Interest receivable	(0.2)	(0.6)	(0.6)	(0.3)	(0.3)
Non-cash employee benefits expense—share-based payments and social security costs	2.8	6.7	4.4	2.1	4.7
Tax credit received	—	0.6	1.0	—	—
<i>Changes in working capital:</i>					
Movement in trade and other receivables	(2.2)	(2.7)	(2.9)	(5.3)	(6.0)
Movement in trade and other payables	1.4	(0.9)	4.5	0.7	6.7
Net cash outflow from operating activities	(35.4)	(40.0)	(22.6)	(17.2)	(16.8)
Net cash outflow from investing activities	(10.1)	(6.1)	(12.7)	(3.9)	(7.4)
Net cash inflow from financing activities	95.1	—	81.9	81.9	0.2
Net increase/(decrease) in cash and cash equivalents	49.6	(46.1)	46.6	60.8	(24.0)
Cash and cash equivalents at the beginning of the year / period	35.0	86.3	43.3	43.3	88.9
Effect of foreign exchange rate changes	1.7	3.1	(1.0)	(0.6)	0.3
Cash and cash equivalents at the end of the year / period	86.3	43.3	88.9	103.5	65.2

Net cash outflow from operating activities

Net cash outflow from operating activities decreased by £0.4 million, to £16.8 million in H1 2018, from £17.2 million in H1 2017. This decrease was primarily due to an increase in non-cash items as at 30 June 2018 as compared to 30 June 2017 (including depreciation and amortisation, and costs of share-based payments), together with movements in working capital, which offset the £7.9 million increase in operating loss.

Net cash outflow from operating activities decreased by £17.4 million, to £22.6 million in the year ended 31 December 2017 from £40.0 million in the year ended 31 December 2016. This decrease was primarily due to a lower loss before taxation in 2017 (of £36.3 million, as compared to £47.2 million in 2016), combined with a £5.2 million improvement in changes in working capital. In the year ended 31 December 2017, Funding Circle benefited from a longer rent-free period in its United Kingdom property, which represented £1.8 million of the working capital improvement. A further £1.6 million related to Investor incentives that were incurred but not paid in cash in 2017.

Net cash outflow from operating activities increased by £4.6 million, to £40.0 million in the year ended 31 December 2016 from £35.4 million in the year ended 31 December 2015. This increase was primarily due to a higher loss before taxation in 2016 (of £47.2 million, as compared to £39.5 million in 2015) combined with a £2.8 million increase in working capital outflow, partially offset by an increase in non-cash charges in respect of depreciation and amortisation and share-based payments.

Net cash outflow from investing activities

Net cash outflow from investing activities increased by £3.5 million, to £7.4 million in H1 2018 from £3.9 million in H1 2017. This increase was primarily due to a £2.6 million change in net cash flows in respect of loan securities, from a £0.9 million inflow in H1 2017 to a £1.7 million outflow in H1 2018, in addition to

£1.0 million greater spend on purchases of tangible fixed assets following leasehold property expansions in both the United Kingdom and United States.

Net cash outflow from investing activities increased by £6.6 million, to £12.7 million in the year ended 31 December 2017 from £6.1 million in the year ended 31 December 2016. This increase was primarily due to a £5.9 million change in net cash flows in respect of loan securities, from a £4.6 million inflow in 2016 to a £1.3 million outflow in 2017.

Net cash outflow from investing activities decreased by £4.0 million, to £6.1 million in the year ended 31 December 2016 from £10.1 million in the year ended 31 December 2015. This decrease was primarily due to a £7.5 million change in net cash flows in respect of loan securities, from a £2.9 million outflow in 2015 to a £4.6 million inflow in 2016.

Net cash inflow from financing activities

In H1 2017 and the year ended 31 December 2017, Funding Circle had a net cash inflow from financing activities of £81.9 million, which substantially related to the proceeds, net of expenses, from the issuance of Shares in connection with the Series F equity raise.

In the year ended 31 December 2016 and H1 2018, cash flows from financing activities were negligible.

In the year ended 31 December 2015, Funding Circle had a net cash inflow from financing activities of £95.1 million, which related to the proceeds, net of expenses, from the issuance of Shares in connection with the Series E equity raise.

Commitments and contingent liabilities

Commitments

Funding Circle's commitments relate to its property leases. The following table presents a summary of Funding Circle's commitments as at 30 June 2018.

	<u>Less than one year</u>	<u>One to five years</u>	<u>More than five years</u>	<u>Total</u>
	(£ million)			
Property lease commitments	5.2	16.3	4.9	26.4
Total	<u>5.2</u>	<u>16.3</u>	<u>4.9</u>	<u>26.4</u>

Contingent liabilities

Funding Circle had no material contingent liabilities as at 30 June 2018.

Capital expenditure

The following table presents a breakdown of Funding Circle's capital expenditure for the periods indicated.

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2017</u>	<u>2018</u>
	(£ million)			(unaudited)	
Intangible assets—internally generated development costs	3.6	9.8	10.1	4.5	4.8
Intangible assets—other	0.1	0.1	0.4	0.2	0.1
Purchase of property, plant and equipment	4.5	1.8	1.2	0.6	1.3
Total	<u>8.2</u>	<u>11.7</u>	<u>11.7</u>	<u>5.3</u>	<u>6.2</u>

During the period under review, Funding Circle has been capitalising development spend on its new single unified money and loan management platform. The areas of major investment have focused on a new platform ledger system that is centred around ensuring that loans, repayments, prepayments, charges and secondary market transactions are recorded efficiently and in accordance with both regulation and bilateral Investor agreements. Spend has also been capitalised in respect of technology investment incurred to assist the development of architecture required for data analysis and credit risk modelling.

Expenditure on property, plant and equipment relates to the purchase of physical computer equipment, property fit out costs and leasehold improvements. The amount of spend over the three-year period ending 31 December

2017, and in both H1 2017 and H1 2018, reflects the timing of spend on properties. In the year ended 31 December 2015, Funding Circle spent £3.8 million on leasehold improvements, furniture and fixtures, compared to £1.4 million in the year ended 31 December 2016 and £0.4 million in the year ended 31 December 2017. Funding Circle spent £0.6 million and £1.3 million in H1 2017 and H1 2018, respectively, on property, plant and equipment. Funding Circle has also gradually shifted away from ownership of physical assets in data centres towards a cloud-based strategy for data storage, resulting in a decrease in capital expenditure on technology equipment.

Off-balance sheet arrangements

For a description of Funding Circle's off-balance sheet arrangements, see Note 24 of Section B of Part 12 (Historical Financial Information).

DIVIDEND POLICY

The Company currently intends to retain any future earnings to finance the operation and expansion of its business, and the Company does not expect to declare or pay any dividends for the foreseeable future. The Company may revise its dividend policy from time to time.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

For a description of Funding Circle's management of credit, liquidity, market and foreign exchange risks, see "*Financial risk factors*" in Note 2 of Section B of Part 12 (Historical Financial Information).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

For a description of Funding Circle's critical accounting judgements and key sources of estimation uncertainty, see Note 1 of Section B of Part 12 (Historical Financial Information).

PART 11
Capitalisation and Indebtedness

Capitalisation and indebtedness

The capitalisation and indebtedness information has been extracted without material adjustment from the Group's financial information included in Part 12 (Historical Financial Information) as at 30 June 2018.

	<u>30 June 2018</u> (£ million)
Total current debt	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	—
Total non-current debt (excluding current portion of long-term debt)	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	—
Shareholder's equity	
Share capital	0.2
Share premium account	278.2
Other reserves ⁽¹⁾	29.9
Total	308.3

Note:

(1) Other reserves include foreign exchange reserve and share option reserve.

The Company's capitalisation in the table above does not take into account the Reorganisation described in Paragraph 4 of Part 14 (Additional Information).

The following table sets out the Group's net indebtedness as at 30 June 2018.

	<u>30 June 2018</u> (£ million)
Cash	65.2
Cash equivalent	—
Trading securities	—
Liquidity	65.2
Current financial receivable⁽¹⁾	—
Current bank debt	—
Current position of non-current debt	—
Other financial debt	—
Current financial debt	—
Net current financial liquidity	65.2
Non-current bank loans	—
Bond issued	—
Other non-current loans	—
Non-current financial indebtedness	—
Net financial liquidity	65.2

Note:

(1) The Group's current financial assets include an investment in loan securities under cure period of £5.1 million as at 30 June 2018, which is not presented in the indebtedness statement. The investment in loan securities under cure period relates to committed loans to Borrowers in the United States, where Funding Circle USA holds on its balance sheet loans originated through the platform for an initial holding period, typically of two days, before they are acquired by Investors. The indebtedness statement also excludes non-current investments in loan securities of £0.2 million as at 30 June 2018, which relate to certain business loans resulting from a commercial arrangement with institutional Investors.

The Group has no indirect and contingent indebtedness.

PART 12
Historical Financial Information



Section A—Accountants’ report on the Historical Financial Information

The Directors and the Proposed Director
Funding Circle Holdings Limited (to be re-registered as Funding Circle Holdings plc)
71 Queen Victoria Street
London
EC4V 4AY
United Kingdom

Merrill Lynch International
2 King Edward Street
London
EC1A 1HQ
United Kingdom

19 September 2018

Dear Sirs

Funding Circle Holdings Limited

We report on the financial information for the three years ended 31 December 2017 and six months ended 30 June 2018 set out in section B of Part 12 below (the “**Financial Information Table**”). The Financial Information Table has been prepared for inclusion in the prospectus dated 19 September 2018 (the “**Prospectus**”) of Funding Circle Holdings Limited (the “**Company**”) on the basis of the accounting policies set out in note 1 to the Financial Information Table. This report is required by item 20.1 of Annex I to the PD Regulation and is given for the purpose of complying with that item and for no other purpose.

We have not audited or reviewed the financial information for the six months ended 30 June 2017 which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

Responsibilities

The Directors and the Proposed Director of the Company are responsible for preparing the Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Financial Information Table gives a true and fair view, for the purposes of the Prospectus and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

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Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Financial Information Table gives, for the purposes of the Prospectus dated 19 September 2018, a true and fair view of the state of affairs of the Company as at the dates stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

Section B—Historical Financial Information

Consolidated statement of comprehensive income

	Note	Year ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017 (Unaudited)	2018
		£m	£m	£m	£m	£m
Revenue	4	32.0	50.9	94.5	40.9	63.0
Operating expenses	5	(71.7)	(98.8)	(131.4)	(60.3)	(90.3)
Operating loss		(39.7)	(47.9)	(36.9)	(19.4)	(27.3)
Finance income	8	0.2	0.7	0.6	0.2	0.3
Loss before taxation		(39.5)	(47.2)	(36.3)	(19.2)	(27.0)
Income tax	9	(0.1)	0.6	1.0	—	—
Loss for the year / period		(39.6)	(46.6)	(35.3)	(19.2)	(27.0)
Other comprehensive (loss)/income: Items that may be reclassified subsequently to profit and loss:						
Exchange differences on translation of foreign operations	20	2.7	10.9	(1.9)	(1.0)	0.8
Total comprehensive loss for the year / period		(36.9)	(35.7)	(37.2)	(20.2)	(26.2)
Total comprehensive loss attributable to:						
Equity holders of the parent		(36.9)	(35.7)	(37.2)	(20.2)	(26.2)
The items of comprehensive income or expenses noted above are stated net of tax related effects (all periods: £nil).						
Earnings per share						
Basic loss per share	10	(17.4p)	(15.6p)	(14.8p)	(8.1p)	(10.3p)
Diluted loss per share	10	(16.0p)	(14.0p)	(13.2p)	(7.3p)	(8.8p)
Adjusted profit measures						
Adjusted EBITDA	4	(35.5)	(40.9)	(25.1)	(13.2)	(16.3)

All amounts relate to continuing activities.

Consolidated balance sheet

	Note	As at 31 December			As at
		2015	2016	2017	30 June
		£m	£m	£m	2018
					£m
Non-current assets					
Goodwill	11	35.1	41.4	41.3	41.5
Intangible assets	12	4.2	11.7	16.2	17.9
Property, plant and equipment	13	4.6	5.1	4.7	5.0
Investments	14	1.8	1.2	0.3	0.2
		<u>45.7</u>	<u>59.4</u>	<u>62.5</u>	<u>64.6</u>
Current assets					
Investments	14	4.6	1.3	3.1	5.1
Trade and other receivables	15	8.6	11.8	13.4	19.5
Cash and cash equivalents	23	86.3	43.3	88.9	65.2
		<u>99.5</u>	<u>56.4</u>	<u>105.4</u>	<u>89.8</u>
Total assets		<u>145.2</u>	<u>115.8</u>	<u>167.9</u>	<u>154.4</u>
Current liabilities					
Trade and other payables	16	10.6	10.5	12.0	21.5
Provisions	17	1.1	0.7	2.1	4.1
		<u>11.7</u>	<u>11.2</u>	<u>14.1</u>	<u>25.6</u>
Non-current liabilities					
Provisions	17	0.3	0.4	0.4	0.7
Total liabilities		<u>12.0</u>	<u>11.6</u>	<u>14.5</u>	<u>26.3</u>
Equity					
Share capital	18	0.2	0.2	0.2	0.2
Share premium account	19	195.9	196.0	278.0	278.2
Foreign exchange reserve	20	4.3	15.2	13.3	14.1
Share options reserve	22	2.8	9.5	13.9	15.8
Accumulated losses	21	(70.0)	(116.7)	(152.0)	(180.2)
Total equity		<u>133.2</u>	<u>104.2</u>	<u>153.4</u>	<u>128.1</u>
Total equity and liabilities		<u>145.2</u>	<u>115.8</u>	<u>167.9</u>	<u>154.4</u>

Consolidated statement of changes in equity

	Note	Share capital £m	Share premium account £m	Foreign exchange reserve £m	Share options reserve £m	Accumulated losses £m	Total equity £m
Balance at 1 January 2015		0.2	75.5	1.6	—	(30.4)	46.9
Loss for the year	21	—	—	—	—	(39.6)	(39.6)
Other comprehensive income	20	—	—	2.7	—	—	2.7
Issue of share capital		—	95.0	—	—	—	95.0
Issue of ordinary shares as consideration for a business combination		—	19.9	—	—	—	19.9
Shares to be issued as consideration for a business combination		—	5.5	—	—	—	5.5
Employee share schemes—value of employee services	22	—	—	—	2.8	—	2.8
Balance at 31 December 2015		0.2	195.9	4.3	2.8	(70.0)	133.2
Loss for the year	21	—	—	—	—	(46.6)	(46.6)
Other comprehensive income	20	—	—	10.9	—	—	10.9
Issue of share capital	18, 19	—	0.1	—	—	—	0.1
Buyback of ordinary shares	21	—	—	—	—	(0.1)	(0.1)
Employee share schemes—value of employee services	22	—	—	—	6.7	—	6.7
Balance at 31 December 2016		0.2	196.0	15.2	9.5	(116.7)	104.2
Balance at 31 December 2016		0.2	196.0	15.2	9.5	(116.7)	104.2
Loss for the year	21	—	—	—	—	(35.3)	(35.3)
Other comprehensive loss	20	—	—	(1.9)	—	—	(1.9)
Issue of share capital	18, 19	—	82.0	—	—	—	82.0
Employee share schemes—value of employee services	22	—	—	—	4.4	—	4.4
Balance at 31 December 2017		0.2	278.0	13.3	13.9	(152.0)	153.4
IFRS 9 expected credit loss restatement	17	—	—	—	—	(1.2)	(1.2)
Balance at 1 January 2018		0.2	278.0	13.3	13.9	(153.2)	152.2
Loss for the period	21	—	—	—	—	(27.0)	(27.0)
Other comprehensive income	20	—	—	0.8	—	—	0.8
Issue of share capital	18, 19	—	0.2	—	—	—	0.2
Employee share schemes—value of employee services	22	—	—	—	1.9	—	1.9
Balance at 30 June 2018		0.2	278.2	14.1	15.8	(180.2)	128.1

Consolidated statement of cash flows

	Note	Year ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
		£m	£m	£m	(Unaudited) £m	£m
Net cash outflow from operating activities	23	(35.4)	(40.0)	(22.6)	(17.2)	(16.8)
Investing activities						
Purchase and investment in intangible assets	12	(3.6)	(9.6)	(10.7)	(4.7)	(4.7)
Purchase of tangible fixed assets	13	(4.3)	(1.7)	(1.3)	(0.3)	(1.3)
Investment in loan securities	14	(2.9)	4.6	(1.3)	0.9	(1.7)
Acquisition of subsidiary	10	0.5	—	—	—	—
Interest received		0.2	0.6	0.6	0.2	0.3
Net cash outflow from investing activities		<u>(10.1)</u>	<u>(6.1)</u>	<u>(12.7)</u>	<u>(3.9)</u>	<u>(7.4)</u>
Financing activities						
Proceeds on issue of shares	19	99.0	0.1	82.0	82.0	0.2
Preferred share issue costs		(3.9)	—	(0.1)	(0.1)	—
Buyback of ordinary shares	21	—	(0.1)	—	—	—
Net cash inflow from financing activities		<u>95.1</u>	<u>—</u>	<u>81.9</u>	<u>81.9</u>	<u>0.2</u>
Net (decrease)/increase in cash and cash equivalents		<u>49.6</u>	<u>(46.1)</u>	<u>46.6</u>	<u>60.8</u>	<u>(24.0)</u>
Cash and cash equivalents at the beginning of the year/period		35.0	86.3	43.3	43.3	88.9
Effect of foreign exchange rate changes		1.7	3.1	(1.0)	(0.6)	0.3
Cash and cash equivalents at the end of the year/period		<u><u>86.3</u></u>	<u><u>43.3</u></u>	<u><u>88.9</u></u>	<u><u>103.5</u></u>	<u><u>65.2</u></u>

Notes forming part of the consolidated historical financial information

1. Accounting policies

General information

Funding Circle Holdings Limited (the “Company”) is a company incorporated on 13 January 2010 in the United Kingdom under the Companies Act 2006. The Company is a holding company and the principal activity of its subsidiary undertakings is the provision of online lending platforms whereby investors can lend money to small and medium sized businesses in the UK, USA, Germany and Netherlands.

The historical financial information includes the results of the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The historical financial information presented herein is for the six months ended 30 June 2018 and 30 June 2017 (unaudited), and the years ended 31 December 2015, 31 December 2016 and 31 December 2017.

The principal accounting policies applied in the preparation of the historical financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Going concern

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

The Group has prepared detailed cash flow forecasts for the next 18 months. The directors have made enquiries with management and considered budgets and cash flow forecasts for the Group and have, at the time of approving this historical financial information, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Basis of preparation

The Group presents its historical financial information in conformity with United Kingdom laws and regulations.

The historical financial information has been prepared in accordance with the requirements of the Prospectus Directive, the Listing Rules and in accordance with International Financial Reporting Standards (“IFRS”) and IFRS Interpretations Committee (“IFRS IC”) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The historical financial information has been prepared on the historical cost basis except for certain financial instruments that are carried at fair value. The preparation of historical financial information in conformity with IFRS requires the use of certain critical 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 historical financial information in the year the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in note 3.

Changes in accounting policy and disclosures

The Group has adopted the following new and amended IFRSs from 1 January 2018 prospectively in the consolidated historical financial information. There has not been a material impact to the Group when adopting these new and amended IFRSs:

<u>STANDARD / INTERPRETATION</u>	<u>CONTENT</u>	<u>APPLICABLE FOR FINANCIAL YEARS BEGINNING ON/AFTER</u>
IFRS 9	Financial instruments: Classification and measurement.	1 January 2018
IFRS 15	Revenue from contracts with customers.	1 January 2018

IFRS 9 Financial instruments

The Group adopted IFRS 9 Financial Instruments as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in the accounting policies and certain disclosures in the historical

financial information. The Group did not early adopt any of IFRS 9 in previous periods and as permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures.

There have been no adjustments to the carrying value of financial assets and liabilities at the date of transition that have been recognised in the opening retained earnings, save the credit loss provision relating to financial guarantee contracts:

	<u>Performing:</u> <u>12-month ECL</u> <u>£m</u>	<u>Underperforming:</u> <u>Lifetime ECL</u> <u>£m</u>	<u>Non-performing:</u> <u>Lifetime ECL</u> <u>£m</u>	<u>Total</u> <u>£m</u>
Closing credit loss provision as at 31st December 2017	0.4	0.3	0.6	1.3
Amounts restated through opening retained earnings	<u>1.2</u>	<u>—</u>	<u>—</u>	<u>1.2</u>
Opening credit loss provision as at 1st January 2018	<u><u>1.6</u></u>	<u><u>0.3</u></u>	<u><u>0.6</u></u>	<u><u>2.5</u></u>

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group.

(a) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

<u>1 January 2018</u>	<u>IAS 39</u>		<u>IFRS 9</u>	
	<u>Measurement category</u> <u>£m</u>	<u>Carrying amount</u> <u>£m</u>	<u>Measurement category</u> <u>£m</u>	<u>Carrying amount</u> <u>£m</u>
Financial assets				
Investment in loan securities under cure period	Fair value through profit and loss (FVTPL)	3.1	FVTPL	3.1
Investment in loan securities	Amortised cost (loans and receivables)	0.3	Amortised cost	0.3
Trade and other receivables	Amortised cost (loans and receivables)	13.4	Amortised cost	13.4
Cash and cash equivalents	Amortised cost (loans and receivables)	88.9	Amortised cost	88.9
	<u>Measurement category</u> <u>£m</u>	<u>Carrying amount</u> <u>£m</u>	<u>Measurement category</u> <u>£m</u>	<u>Carrying amount</u> <u>£m</u>
Financial liabilities				
Trade and other payables	Amortised cost	12.0	Amortised cost	12.0
Provisions	Amortised cost	2.5	Amortised cost	3.9

(b) Categorisation of financial instruments

As shown in the table above, investment in loan securities, trade and other receivables and cash and cash equivalents were shown under IAS 39 as 'loans and receivables'. Under IFRS 9 these are now categorised as 'amortised cost'.

The categorisation of all financial liabilities recognised on the balance sheet has remained the same between IAS 39 and IFRS 9.

The amounts expected to be recovered or settled for assets and liabilities in the historical financial information are due no more than 12 months after the reporting period unless specifically stated.

(c) Impairment

The credit loss provision relating to financial guarantee contracts is impacted by the expected credit loss model. An opening balance adjustment has been made to retained earnings under IFRS 9 (refer to note 17).

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers was issued in 2014 and was endorsed by the EU in 2016. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue.

IFRS 15 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, introducing the new concept of “distinct”;
- 3) determining the transaction price;
- 4) allocating the transaction price to the performance obligations in the contracts, on a relative stand-alone selling price basis; and
- 5) recognise revenue when (or as) the entity satisfies its performance obligation.

IFRS 15 also introduces new guidance on, amongst other areas, combining contracts, discounts, variable consideration and contract modifications. It requires that certain costs incurred in obtaining and fulfilling customer contracts be deferred on the balance sheet and amortised over the period an entity expects to benefit from the customer relationship.

Management has conducted a detailed analysis of the impact of IFRS 15 on the Group which has shown that the recognition of revenue will be consistent with the transfer of risks and rewards to the customer under IAS 18. We have concluded following this assessment that the implementation of IFRS 15 has not resulted in any impact to revenue in the Group’s consolidated historical financial information. Both transaction fees and servicing fees are recognised when the Group satisfies the respective performance obligations which remains consistent with the treatment of these revenue streams prior to IFRS 15 (refer to revenue recognition policy).

The following standards and interpretations were issued by the IASB and IFRS IC but have not been adopted either because they were not endorsed by the EU at 30 June 2018 or they are not yet mandatory and the Group has not chosen to early adopt.

<u>STANDARD / INTERPRETATION</u>	<u>CONTENT</u>	<u>APPLICABLE FOR FINANCIAL YEARS BEGINNING ON/AFTER</u>
IFRS 16	Leases	1 January 2019

IFRS 16 replaces IAS 17 Leases and will primarily change lease accounting, with lessor accounting under IFRS 16 expected to be similar to lessor accounting under IAS 17. Lessee accounting under IFRS 16 will be similar in many respects to IAS 17 accounting for finance leases, but is expected to be substantively different to existing accounting for operating leases.

Where a contract meets IFRS 16’s definition of a lease and the Group acts as a lessee, lease agreements will give rise to the recognition of a non-current asset representing the right to use the leased item, and a loan obligation for future lease payables on the Group’s balance sheet.

Lease costs will be recognised in the form of depreciation of the right-of-use asset and interest on the lease liability, which may impact the phasing of operating profit and profit before tax, compared to existing cost profiles and presentation in the income statement, and will also impact the classification of associated cash flows.

The impact of IFRS 16—Leases will require the Group to record its current property leases and qualifying technology contracts on the balance sheet giving rise to a right to use asset and a corresponding lease obligation. The leases impacted are currently treated as operating expenses. The change in recognition is expected to increase depreciation charges and lead to a reduction in lease costs in the income statement and give rise to an increased EBITDA. Future commitments under current operating leases are outlined in note 24 which gives some indication of the impact on the Group going forward, however, as IFRS 16 is effective for the first time for the financial year commencing 1 January 2019, a full assessment of the standard has not yet been made and therefore the standard could have a material impact on the future results of the Group.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company 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.

The historical financial information presents 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 statement of financial position, 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 rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

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.

Functional and presentation currency

The historical financial information is presented in GBP Sterling, which is the Group's functional currency.

All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling 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, if any, 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 closing rate.

Segment reporting

Operating segments are reported in the manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Global Leadership Team that make 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 Performance review section of this report.

Transfer prices 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 and costs associated with acquisitions and disposals; major restructuring programmes; significant goodwill or other assets impairments; other particularly significant or unusual items, such as transaction related costs.

Revenue recognition

Revenue represents fees receivable from lenders and borrowers for the arranging of finance and servicing that finance.

Revenue earned for the arrangement of finance is classified as transaction fees and is recognised immediately once loans are fully funded on the marketplace, after the loans are accepted by the borrowers. Such fees are automatically deducted from the amount borrowed and recognised at that point as the Group has the right to consideration.

Revenue earned from servicing of finance is classified as servicing fees. It comprises an annualised fee representing a percentage of outstanding principal and is recognised on a monthly basis upon repayment of loan parts by borrowers. Due to the conditions of the trade, there are no partially completed contracts at the balance sheet date and no advance payments from customers.

Revenue comprises the fair value of the consideration received or receivable in the ordinary course of the Group's activities. Revenue recorded in the historical financial information is generated in the UK, the USA, Germany, the Netherlands and Spain and sourced from financing transactions. All fees are calculated based on the above revenue recognition policy.

Interest Receivable

Interest receivable is recognised on an accrual basis within 'Finance income' in the statement of comprehensive income.

Expenses

Expenses are recognised as an expense in the statement of comprehensive income in the period in which they are incurred (on an accruals basis).

Leases

Leases are classified as operating leases where the lessor retains substantially all the risks and benefits of ownership of the asset.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

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, profitability, sales growth targets 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 estimates 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. 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 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 employees services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase in to 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 United Kingdom. A defined contribution scheme is a pension plan 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 income statement in the year to which they relate. The Group has no further payment obligations once the contributions have been paid.

In Germany, the Group pays the statutory employer's contribution into the public pension scheme for each employee, but does not operate any pension schemes. The Group makes no contributions to pension schemes in the United States or the Netherlands.

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 year end date.

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 historical financial information. 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 affect neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially 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.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Dividends

Dividends are recognised when they become legally payable, in accordance with the Companies Act 2006.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets with finite useful lives are amortised to profit or loss 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.

Computer Software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design 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 software product so that it will be available of use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

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.

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 3–5 years. Items that are amortised over the longer period relate to the development of the Group’s global technology platform.

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 does 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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment

loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets

The Group determines the classification of its financial assets at initial recognition. From 1 January 2018 the requirements of IFRS 9 for classification and subsequent measurement have been 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 if they are held within a business model 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.
- Financial assets that do not meet the criteria to be amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. In addition, the Group may, at initial recognition, designate a financial asset as measured at fair value through profit or loss 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.

Except for certain investments in loan securities under cure period 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.

However under certain circumstances the Group does hold investments in loan securities. The two types of investment in loan securities held are as follows:

Investment in loan securities under cure period

In the US, investors commit to providing loans to Funding Circle Marketplace LLC (the originator of the borrower loans) in advance of the physical transfer of monies. Funding Circle USA Inc initially funds these committed loans to the borrowers and recovers the monies from the investors after the two to three day period. Funding Circle USA Inc retains the credit risk during this short period.

Investments in loan securities under cure period have been classified as financial assets at fair value through profit or loss under IAS 39 and under IFRS 9.

The above classification is mainly because all such loans are acquired principally for selling in the short term. They are initially recognised at fair value on the statement of financial position with the subsequent measurement at fair value with all gains and losses being recognised in profit or loss.

Investment in other loan securities

The Group holds investment in certain business loans as a result of a commercial arrangement with institutional investors in the marketplace (see note 14). These investments in other loan securities are classified as loans and receivables (from 1 January 2018: amortised cost) and are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment.

Other financial assets

Financial assets recognised in the statement of financial position as trade and other receivables are classified as loans and receivables (from 1 January 2018: amortised cost). They are recognised at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents are also classified as loans and receivables (from 1 January 2018: amortised cost). Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. The carrying amount of these assets approximates their fair value.

Impairment of financial assets

For periods before 31 December 2017 the Group applied the impairment requirements of IAS 39.

Under the requirements of IAS 39 the Group assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the Statement of Comprehensive Income.

The Group reviews its investments in loan securities to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgement as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified within an individual loan in that portfolio.

This evidence may include observable data indicating that there is an adverse change in the payment status of borrowers, or national or economic conditions that correlate with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling in future cash flows. The methodology and assumptions used for estimating both the amount and timings of future cash flows are reviewed regularly to reduce any variances between loss estimates and actual loss experience.

From 1 January 2018 the Group applied the impairment requirements of IFRS 9. The IFRS 9 impairment model introduces 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 (that is, expected losses arising from the risk of default in the next 12 months) are recognised and interest revenue 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 ECL (that is, expected losses arising from the risk of default over the life of the financial instrument) are recognised, and interest revenue is still calculated on the gross carrying amount of the asset.
- 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 ECL are also recognised, but interest revenue is calculated on the net carrying amount (that is, net of the ECL allowance).

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its assets carried at amortised cost and FVOCI and recognises a loss allowance for such losses at each reporting date. The measurement of ECL 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 assets 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.

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.

Financial guarantee contracts

Financial guarantee 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. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is 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. Under IFRS 9, applicable from 1 January 2018, the expected credit loss model is being used to measure and recognise the financial liability (as further detailed in note 17).

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.

Preferred share capital

Preferred share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

Preferred share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

2. 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
- market risk (including currency risk, interest rate risk and other price risk)
- foreign exchange risk

Principal financial instruments

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

- Investments
- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

Categorisation of financial assets and financial liabilities

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

<u>31 December 2015</u>	Assets at fair value through profit and loss	Loans and receivables	Total
	£m	£m	£m
Assets per statement of financial position			
Investments	4.6	1.8	6.4
Trade and other receivables	—	8.6	8.6
Cash and cash equivalents	—	86.3	86.3
	<u>4.6</u>	<u>96.7</u>	<u>101.3</u>
	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
	£m	£m	£m
Liabilities per statement of financial position			
Trade and other payables	—	(10.6)	(10.6)
Provisions	—	(1.4)	(1.4)
	<u>—</u>	<u>(12.0)</u>	<u>(12.0)</u>
	Assets at fair value through profit and loss	Loans and receivables	Total
	£m	£m	£m
31 December 2016			
Assets per statement of financial position			
Investments	1.3	1.2	2.5
Trade and other receivables	—	11.8	11.8
Cash and cash equivalents	—	43.3	43.3
	<u>1.3</u>	<u>56.3</u>	<u>57.6</u>

	Liabilities at fair value through profit and loss £m	Other financial liabilities at amortised cost £m	Total £m
Liabilities per statement of financial position			
Trade and other payables	—	(10.5)	(10.5)
Provisions	—	(1.1)	(1.1)
	—	(11.6)	(11.6)
	—	(11.6)	(11.6)

<u>31 December 2017</u>	Assets at fair value through profit and loss £m	Loans and receivables £m	Total £m
Assets per statement of financial position			
Investments	3.1	0.3	3.4
Trade and other receivables	—	13.4	13.4
Cash and cash equivalents	—	88.9	88.9
	3.1	102.6	105.7
	3.1	102.6	105.7

	Liabilities at fair value through profit and loss £m	Other financial liabilities at amortised cost £m	Total £m
Liabilities per statement of financial position			
Trade and other payables	—	(12.0)	(12.0)
Provisions	—	(2.5)	(2.5)
	—	(14.5)	(14.5)
	—	(14.5)	(14.5)

<u>30 June 2018</u>	Assets at fair value through profit and loss £m	Amortised cost £m	Total £m
Assets per statement of financial position			
Investments	5.1	0.2	5.3
Trade and other receivables	—	19.5	19.5
Cash and cash equivalents	—	65.2	65.2
	5.1	84.9	90.0
	5.1	84.9	90.0

	Liabilities at fair value through profit and loss £m	Other financial liabilities at amortised cost £m	Total £m
Liabilities per statement of financial position			
Trade and other payables	—	(21.5)	(21.5)
Provisions	—	(4.8)	(4.8)
	—	(26.3)	(26.3)
	—	(26.3)	(26.3)

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, investments in loan securities (excluding those held under cure period) and trade and other payables. Due to their short-term nature, the carrying value of each of the above financial instruments approximates their fair value.

Financial instruments measured at fair value

IFRS 13 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement.

Disclosure of fair value measurements by level is according to the following fair value measurement hierarchy:

The fair value hierarchy has the following levels:

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

The fair value of financial instruments that are not traded in an active market (for example, investments in loan securities) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The investments categorised as level 2 all relate to investments in loan securities under cure period. These are typically held 2-3 days before being transferred to independent investors at the principal amount.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

<u>31 December 2015</u>	Fair value measurement using			Total £m
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1) £m	(Level 2) £m	(Level 3) £m	
Financial assets				
<i>Investments</i>				
Investment in loan securities	—	4.6	—	4.6
	—	4.6	—	4.6

<u>31 December 2016</u>	Fair value measurement using			Total £m
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1) £m	(Level 2) £m	(Level 3) £m	
Financial assets				
<i>Investments</i>				
Investment in loan securities	—	1.3	—	1.3
	—	1.3	—	1.3

<u>31 December 2017</u>	Fair value measurement using			Total £m
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1) £m	(Level 2) £m	(Level 3) £m	
Financial assets				
<i>Investments</i>				
Investment in loan securities	—	3.1	—	3.1
	—	3.1	—	3.1

<u>30 June 2018</u>	Fair value measurement using			Total £m
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1) £m	(Level 2) £m	(Level 3) £m	
Financial assets				
<i>Investments</i>				
Investment in loan securities	—	5.1	—	5.1
	—	5.1	—	5.1

Financial instruments measured at fair value

Loan investments held under cure period were originated during the last week of December 2017. As a result fair value is assumed to be equal to the outstanding principal amount.

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:-

	<u>31 December 2015</u>	<u>31 December 2016</u>	<u>31 December 2017</u>	<u>30 June 2018</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
<i>Non-Current</i>				
Investments in loan securities	1.8	1.2	0.3	0.2
<i>Current</i>				
Investments in loan securities	4.6	1.3	3.1	5.1
<i>Trade and other receivables</i>				
—Trade receivables	0.5	0.9	1.7	1.3
—Other receivables	7.0	8.6	7.1	9.8
—Prepayments and accrued income	1.1	2.3	4.6	8.4
Cash and cash equivalents	<u>86.3</u>	<u>43.3</u>	<u>88.9</u>	<u>65.2</u>

Investments in loan securities in current assets are held on average for 2 days before the physical transfer of monies from investors. The risk of financial loss is deemed minimal.

Trade receivables represents invoiced amount in respect of servicing fee due from institutional investors. The risk of financial loss deemed minimal because the counterparties are well established financial institutions.

Ongoing credit evaluation is performed on the financial condition of other receivable and, where appropriate, a provision for impairment is recorded in the historical financial information.

Other receivables includes amounts receivable in respect of credit impaired debts acquired by the Group. The carrying amount of these loans are stated net of impairment charges, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Liquidity risk

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

The Group's liquidity position is monitored and reviewed on an ongoing basis by the directors.

The amounts disclosed in the following tables are the contractual undiscounted cash flows.

The maturity analysis of financial instruments is as follows:

<u>At 31 December 2015</u>	<u>Less than 3 months</u> £m	<u>Between 3 months and 1 year</u> £m	<u>Between 1 and 5 years</u> £m	<u>Over 5 years</u> £m
Financial assets				
Investments in loan securities	4.6	—	1.8	—
Trade and other receivables	4.5	4.1	—	—
Cash and cash equivalents	86.3	—	—	—
	<u>95.4</u>	<u>4.1</u>	<u>1.8</u>	<u>—</u>
Financial liabilities				
Trade and other payables	(4.9)	(5.6)	—	—
Provisions	—	(1.1)	—	(0.3)
	<u>(4.9)</u>	<u>(6.7)</u>	<u>—</u>	<u>(0.3)</u>
<u>At 31 December 2016</u>	<u>Less than 3 months</u> £m	<u>Between 3 months and 1 year</u> £m	<u>Between 1 and 5 years</u> £m	<u>Over 5 years</u> £m
Financial assets				
Investments in loan securities	1.3	—	1.2	—
Trade and other receivables	5.1	6.1	0.6	—
Cash and cash equivalents	43.3	—	—	—
	<u>49.7</u>	<u>6.1</u>	<u>1.8</u>	<u>—</u>
Financial liabilities				
Trade and other payables	(4.5)	(6.0)	—	—
Provisions	—	(0.7)	—	(0.4)
	<u>(4.5)</u>	<u>(6.7)</u>	<u>—</u>	<u>(0.4)</u>
<u>At 31 December 2017</u>	<u>Less than 3 months</u> £m	<u>Between 3 months and 1 year</u> £m	<u>Between 1 and 5 years</u> £m	<u>Over 5 years</u> £m
Financial assets				
Investments in loan securities	3.1	—	0.3	—
Trade and other receivables	3.2	9.0	1.2	—
Cash and cash equivalents	88.9	—	—	—
	<u>95.2</u>	<u>9.0</u>	<u>1.5</u>	<u>—</u>
Financial liabilities				
Trade and other payables	(3.0)	(9.0)	—	—
Provisions	—	(2.1)	—	(0.4)
	<u>(3.0)</u>	<u>(11.1)</u>	<u>—</u>	<u>(0.4)</u>
<u>At 30 June 2018</u>	<u>Less than 3 months</u> £m	<u>Between 3 months and 1 year</u> £m	<u>Between 1 and 5 years</u> £m	<u>Over 5 years</u> £m
Financial assets				
Investments in loan securities	5.1	—	0.2	—
Trade and other receivables	7.7	10.5	1.2	—
Cash and cash equivalents	65.2	—	—	—
	<u>78.0</u>	<u>10.5</u>	<u>1.4</u>	<u>—</u>
Financial liabilities				
Trade and other payables	(4.8)	(16.7)	—	—
Provisions	—	(4.1)	—	(0.7)
	<u>(4.8)</u>	<u>(20.8)</u>	<u>—</u>	<u>(0.7)</u>

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 position in interest bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

a. Price risk

The Group is not exposed to price risk with respect to financial instruments as it does not hold any marketable securities.

b. Cash flow and fair value interest rate risk

The Group is not exposed to interest rate risk in relation to financial liabilities because it does not have any external borrowings.

Non-trading interest rate risk

The Group's interest risk on financial assets is limited to interest receivable on loan note investments and cash and cash deposit balances.

At 31 December	Less than 3 months				Between 3 months and 1 year				Between 1 and 5 years			
	2015	2016	2017	June 2018	2015	2016	2017	June 2018	2015	2016	2017	June 2018
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fixed rate:												
Investments in loan securities	4.6	1.3	3.1	5.1	—	—	—	—	1.8	1.2	0.3	0.2
Floating rate:												
Cash and cash equivalents	86.3	43.3	88.9	65.2	—	—	—	—	—	—	—	—
	<u>90.9</u>	<u>44.6</u>	<u>92.0</u>	<u>70.3</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1.8</u>	<u>1.2</u>	<u>0.3</u>	<u>0.2</u>

There are no financial assets which are held for a period over 5 years.

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

Interest on loan note investments is fixed until the maturity of the investment. The level of future interest rate receivable would be similar to that received in the year and is considered immaterial to the Group's overall performance for the year.

Interest rate risk sensitivity analysis – non trading interest (floating rate)

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

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 liquidity, cash flow or interest rate risk and therefore no sensitivity analysis for those risks has been disclosed.

d. Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the UK pound 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 revenue is generated and expenses are incurred.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

The Group is primarily exposed to the US dollar and Euro currencies.

The following table details the Group's sensitivity to a 5% depreciation and 5% appreciation in pound sterling against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis excludes quasi-equity loans to foreign operations within the Group.

At 31 December	Appreciation in pound sterling				Depreciation in pound sterling			
	2015	2016	2017	June 2018	2015	2016	2017	June 2018
	£m	£m	£m	£m	£m	£m	£m	£m
US Dollars	(1.2)	(0.5)	(0.4)	—	1.2	0.5	0.4	—
Euros	—	—	—	—	—	—	—	—

The Group's income statement sensitivity to fluctuations in foreign currencies is related to the US dollar amount holdings in the Parent Company. There was no impact to equity.

Capital management

The Group considers its capital to comprise of its equity share capital, share premium, foreign exchange reserve, share options reserve and capital redemption reserve, less its accumulated losses. 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 shareholder 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 to confirm that the Group has adequate resources to meet its working capital requirements.

3. Critical accounting judgements and key sources 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.

The following are the key estimates that the directors have made in the process of applying the Group's accounting policies and have the most significant effect on the amounts recognised in the historical financial information. There are no further critical accounting judgements.

Estimated impairment of assets

The Group tests annually whether goodwill has suffered any impairment. All other assets are tested for impairment where there are indicators of impairment.

The recoverable amount of cash generating units have been determined based on value in use calculations. The use of this method requires the estimate of future cash flows expected to arise from the continuing operation of the cash generating unit and the choice of a suitable discount rate in order to calculate the present value. Actual outcomes could vary significantly from these estimates. The estimates used are shown in note 11.

Fair value of options granted to employees

The Group uses a combination of the Black-Scholes model and Binomial model in determining the fair value of options granted to employees under the Group's various share schemes. The determination of the fair value of

options requires a number of assumptions. The alteration of these assumptions may impact charges to the income statement over the vesting period of the award. Details of the assumptions used are shown in note 22.

4. Segmental Information

The IFRS 8 Operating segments requires the Group to determine its operating segments based on information which is provided internally. Based on the internal reporting information and management structures within the Group, it has been determined that there are three geographic operating segments supported by two centralised cost segments. Reporting on this basis is reviewed by the Global Leadership Team ('GLT') which is the chief operating decision-maker ('CODM'). The GLT is made up of the Executive Directors and Key Management and is responsible for the strategic decision-making of the Group.

The five reportable segments consist of the three geographic segments: United Kingdom, United States and Developing Markets; plus the two centralised cost segments: global product development and corporate costs. The Developing Markets segment includes the Group's less mature marketplaces in Germany and The Netherlands.

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

Exceptional items include transaction related costs.

Capital expenditure is predominantly managed centrally and depreciation and amortisation are not allocated to individual segments for decision making and accordingly has not been allocated to segments.

	31 December 2015	31 December 2016	31 December 2017	Six months ended	
				30 June 2017	30 June 2018
	£m	£m	£m	(Unaudited) £m	£m
Revenue from continuing operations					
United Kingdom	23.8	39.3	68.4	31.7	42.8
United States of America	7.7	10.2	22.3	8.3	15.0
Developing Markets	0.5	1.4	3.8	0.9	5.2
Total revenue	32.0	50.9	94.5	40.9	63.0

During 2017 Management took the decision to cease originating loans to Property developers. This activity only took place in the United Kingdom and to aid interpretation of revenue trends the following analysis is provided:

	31 December 2015	31 December 2016	31 December 2017	Six months ended	
				30 June 2017	30 June 2018
	£m	£m	£m	(Unaudited) £m	£m
Supplementary analysis:					
Other business loans	20.8	34.7	65.3	29.5	42.5
Property loans	3.0	4.6	3.1	2.2	0.3
United Kingdom revenue	23.8	39.3	68.4	31.7	42.8

Segment Adjusted EBITDA and Operating loss	31 December 2015	31 December 2016	31 December 2017	Six months ended	
				30 June 2017	30 June 2018
	£m	£m	£m	(Unaudited) £m	£m
United Kingdom	(6.8)	1.7	16.9	9.2	9.8
United States	(14.3)	(19.1)	(10.9)	(7.0)	(5.1)
Developing Markets	(1.0)	(9.1)	(9.9)	(5.2)	(3.8)
Segment Adjusted EBITDA	(22.1)	(26.5)	(3.9)	(3.0)	0.9
Product development	(10.1)	(9.0)	(13.6)	(6.7)	(12.2)
Corporate costs	(3.3)	(5.4)	(7.6)	(3.5)	(5.0)
Adjusted EBITDA	(35.5)	(40.9)	(25.1)	(13.2)	(16.3)
Depreciation & amortisation	(1.4)	(4.2)	(6.8)	(3.7)	(4.1)
Share-based payments	(2.8)	(6.7)	(4.4)	(2.1)	(1.9)
Social security costs on share-based payments	—	—	—	—	(2.8)
Foreign exchange	—	3.9	(0.6)	(0.4)	(0.3)
Exceptional items	—	—	—	—	(1.9)
Operating loss	(39.7)	(47.9)	(36.9)	(19.4)	(27.3)

Revenue by type

In addition to the segmental reporting of revenue, the table below sets out revenue by its type:

	31 December 2015	31 December 2016	31 December 2017	Six months ended	
				30 June 2017	30 June 2018
	£m	£m	£m	(Unaudited) £m	£m
Transaction Revenue	26.0	39.6	76.5	33.0	50.3
Servicing Revenue	5.8	10.9	17.1	7.6	11.3
Other Revenue	0.2	0.4	0.9	0.3	1.4
Total revenue	32.0	50.9	94.5	40.9	63.0

5. Operating expenses

	31 December 2015	30 December 2016	31 December 2017	Six months ended	
				30 June 2017	30 June 2018
	£m	£m	£m	(Unaudited) £m	£m
Depreciation	0.8	1.4	1.6	0.8	1.0
Amortisation	0.6	2.8	5.2	2.4	3.1
Impairment of assets	—	—	0.5	0.5	—
Loss on disposal of property, plant and equipment	0.4	—	—	—	—
Rental income and other recharges	—	(0.5)	(1.2)	(0.6)	(0.4)
<i>Operating lease rentals</i>					
—Other assets	—	0.1	0.1	—	—
—Land and buildings	2.8	4.7	4.8	2.4	2.5
Employment costs (including directors' emoluments)	23.9	41.6	50.4	24.1	35.9
Marketing costs (excluding employment costs)	20.4	24.8	38.7	15.7	24.7
Other expenses	22.8	23.9	31.3	14.4	23.5
Total operating expenses	71.7	98.8	131.4	60.3	90.3
Foreign exchange loss/(gain)	—	(3.9)	0.6	0.4	0.3
Exceptional items	—	—	—	—	1.9
Total operating expenses after foreign exchange and exceptional items	71.7	102.7	130.8	59.9	88.1

During 2016 and 2017, Funding Circle Holdings Limited held a large amount of operational cash and cash equivalents denominated in US dollars. During this period the EU referendum took place and the UK voted to leave the EU. This resulted in a particularly high degree of volatility in exchange rates between the UK and the US and gave rise to a material gain of £3.9m in 2016.

In January 2018, the surplus US cash was injected into the US business for operational purposes and therefore any future foreign exchange movements on this will now be reported within the foreign exchange reserves.

Exceptional items relate to advisor costs associated with the transaction related costs.

Auditors' remuneration

	31 December 2015	31 December 2016	31 December 2017	Six months ended	
				30 June 2017	30 June 2018
	£m	£m	£m	(Unaudited) £m	£m
Audit Fees					
—Fees payable to the Company's auditors for the audit of the parent Company and consolidated financial statements	0.1	0.1	0.1	—	0.1
—Fees payable to the Company's auditor for the statutory audit of the accounts of subsidiaries of the Company	0.2	0.2	0.3	0.2	0.2
Total audit fees	0.3	0.3	0.4	0.2	0.3
Audit related fees					
—Other audit-related assurance services . . .	0.1	0.1	0.1	0.1	0.1
Total audit-related fees	0.1	0.1	0.1	0.1	0.1
Non-audit fees					
—Tax compliance services	—	—	0.1	—	—
—Other services	—	—	—	—	1.6
Total non-audit fees	—	—	0.1	—	1.6

Other services relate to the reporting accountant fees.

6. Remuneration of key management personnel

	31 December 2015	31 December 2016	31 December 2017	Six months ended	
				30 June 2017	30 June 2018
	£m	£m	£m	(Unaudited) £m	£m
Wages and salaries	0.4	0.2	0.3	0.2	0.3
Share-based payments	1.5	2.3	1.1	0.5	0.6
Social security costs on share-based payments	—	—	—	—	0.2
	1.9	2.5	1.4	0.7	1.1
Highest paid	0.2	0.2	0.2	0.1	0.2

The directors of the Company are also the key management personnel of the Group. The aggregate emoluments for the highest paid director inclusive of employers' national insurance contributions was £228,230 (2016: £180,989).

7. Employees

The average monthly number of employees, including directors, during the year were:

	2015	2016	2017	Six months ended	
				30 June 2017	30 June 2018
	Number	Number	Number	(Unaudited) Number	Number
Product & technology	101	171	185	176	224
Operations, support and administrative	256	430	534	495	679
	357	601	719	671	903

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

	31 December 2015	31 December 2016	31 December 2017	Six months ended	
				30 June 2017	30 June 2018
	£m	£m	£m	(Unaudited) £m	£m
Wages and salaries	22.5	41.1	50.6	23.9	32.3
Social security costs	2.2	3.6	5.3	2.6	6.2
Pension costs	—	—	0.2	0.1	0.2
Share based payments	2.8	6.7	4.4	2.1	1.9
	<u>27.5</u>	<u>51.4</u>	<u>60.5</u>	<u>28.7</u>	<u>40.6</u>
Less: Capitalised development costs	(3.6)	(9.8)	(10.1)	(4.6)	(4.7)
	<u>23.9</u>	<u>41.6</u>	<u>50.4</u>	<u>24.1</u>	<u>35.9</u>

8. Finance income

	31 December 2015	31 December 2016	31 December 2017	Six months ended	
				30 June 2017	30 June 2018
	£m	£m	£m	(Unaudited) £m	£m
Interest on bank deposits	0.1	0.3	0.2	—	0.1
Interest on loan securities	0.1	0.4	0.4	0.2	0.2
	<u>0.2</u>	<u>0.7</u>	<u>0.6</u>	<u>0.2</u>	<u>0.3</u>

9. Income tax

The Group is subject to all taxes applicable to a commercial company in its countries of operation. The UK business profits of the Company are subject to UK income tax at the standard corporation tax rate of 19% (2017: 19.25%; 2016: 20%; 2015: 20.25%).

	31 December 2015	31 December 2016	31 December 2017	Six months ended	
				30 June 2017	30 June 2018
	£m	£m	£m	(Unaudited) £m	£m
Current tax					
Foreign tax suffered	0.1	—	—	—	—
Research and development tax credit	—	(0.6)	(1.0)	—	—
Total current tax	<u>0.1</u>	<u>(0.6)</u>	<u>(1.0)</u>	<u>—</u>	<u>—</u>
Tax per income statement	<u>0.1</u>	<u>(0.6)</u>	<u>(1.0)</u>	<u>—</u>	<u>—</u>

Factors affecting the tax charge for the year:

	31 December 2015	31 December 2016	31 December 2017	Six months ended	
				30 June 2017	30 June 2018
	£	£	£	(Unaudited) £	£
Loss before taxation	(39.5)	(47.2)	(36.3)	(19.2)	(27.0)
Taxation on loss at 19% (2017: 19.25%; 2016: 20%; 2015: 20.25%)	(8.0)	(9.4)	(7.0)	(3.7)	(5.1)
<i>Effects of:</i>					
Research and development tax credit	—	(0.6)	(1.0)	—	—
Non-deductible expenses	0.9	1.4	0.2	0.1	0.9
Goodwill on consolidation	(0.2)	(2.3)	—	—	—
Temporary differences not recognised	7.4	10.4	6.8	3.6	4.2
Deduction for share options	—	(0.1)	—	—	—
Tax (credit)/charge for the year	<u>0.1</u>	<u>(0.6)</u>	<u>(1.0)</u>	<u>—</u>	<u>—</u>

The Group has unrelieved tax losses in excess of £165m that are available for offset against future taxable profits. The Group has not recognised a deferred tax asset in respect of these losses as in the opinion of the directors there is not sufficient visibility of suitable taxable profits being generated to utilise these losses.

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, the tax rates in those locations, changes in tax legislation and the use of brought forward tax losses. The calculation of the Group's total tax charge involves a degree of estimation and judgement with respect to the recognition of any deferred tax asset.

10. Loss per share

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

Diluted loss per share amounts are calculated by dividing the loss attributable to ordinary equity holders of the parent (after adjusting for share options) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	31 December 2015	31 December 2016	31 December 2017	Six months ended	
				30 June 2017	30 June 2018
	£m	£m	£m	(Unaudited) £m	£m
Loss attributable to owners of the parent . . .	(36.9)	(35.7)	(37.2)	(20.2)	(26.2)
Total	(36.9)	(35.7)	(37.2)	(20.2)	(26.2)
Weighted average number of ordinary shares in issue (million)	212.3	229.6	251.9	249.3	255.6
Effects of dilution from:					
Share options	18.7	25.4	29.1	27.1	40.7
Weighted average number of ordinary shares for diluted earnings per share (million) . .	231.0	255.0	281.0	276.4	296.4
Basic loss per share	(17.4p)	(15.6p)	(14.8p)	(8.1p)	(10.3p)
Diluted loss per share	(16.0p)	(14.0p)	(13.2p)	(7.3p)	(8.8p)

11. Goodwill

	Total £m
Cost and carrying amount	
At 1 January 2015	9.5
Acquisition of a subsidiary	24.2
Exchange differences	1.4
At 31 December 2015	35.1
At 1 January 2016	35.1
Exchange differences	6.3
At 31 December 2016	41.4
At 1 January 2017	41.4
Exchange differences	(0.1)
At 31 December 2017	41.3
At 1 January 2018	41.3
Exchange differences	0.2
At 30 June 2018	41.5

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (“CGUs”) that are expected to benefit from that business combination. At the balance sheet date, the Company has two CGUs being Funding Circle USA (“FCUSA”) and its subsidiaries and Funding Circle Continental Europe (“FCCE”) and its subsidiaries to which goodwill is attached. The goodwill associated with each CGU is shown below.

	31 December 2015	31 December 2016	31 December 2017	30 June 2018
	£m	£m	£m	£m
Funding Circle USA, Inc.	10.0	12.1	11.0	11.3
Funding Circle CE GmbH	25.1	29.3	30.3	30.2
Total goodwill	35.1	41.4	41.3	41.5

The Group performed its annual impairment test on the goodwill that was recognised on the acquisition of FCUSA and FCCE. The impairment test involved comparing the carrying value of the assets held for use to their recoverable amount. The recoverable amount represents the higher of the entity’s fair value net of selling costs and its value in use.

The impairment was assessed under both the fair value net of selling costs and value in use calculations. The fair value review took into consideration the Group valuation for the Series F funding round in January 2017 and the estimated market capitalisations of comparable companies, based on calibrated revenue multiples.

The Group prepares a formal five year management plan for its operations, which is used in the value in use calculations. Due to the early stage business and developing nature of peer-2-peer lending markets, the five year plan data was extended for an additional five year period under the target operating model.

The cash flow projections are based on the following key assumptions:

- Revenue growth at a compound annual growth rate of 63% (2016: 83%) and 76% (2016: 117%) for FCUSA and FCCE respectively;
- Pre-tax discount rate of 13.2% (2016: 13.0%) and 15.6% (2016: 14.0%) for FCUSA and FCCE respectively. The discount rate has been determined using the CAPM formula for each geography;
- Revenues beyond the five-year period are extrapolated using an estimated growth rate of 2.5% (2016: 2.5%).

The above assumptions are based on historical trends and future market expectations.

Due to the proximity of the acquisition of the Zencap Group and no indication of impairment, the Group only included FCUSA in the annual impairment review for 2015. The Group took into consideration the Group valuation for the Series E funding round in April 2015 and the estimated market capitalisation of FCUSA based on the calibrated revenue multiples of comparable companies.

The review did not identify any impairment to the goodwill due to adequate headroom of expected recoverable amount over carrying amount. There are no CGUs for which management considers a reasonable possible change in a key assumption would give rise to an impairment. However, as the FCCE CGU is less established the Group did consider further sensitivity analysis for this CGU.

The Group conducted a sensitivity analysis on FCCE CGU by reducing the forecast EBITDA by 50% in each year from 2021 and reducing the terminal margin by 10%. The identified value in use would still remain above the carrying value of FCCE CGU.

Acquisition of subsidiary

On 19 October 2015, the Group acquired 100% of the issued share capital of Zencap Global S.A.R.L (Zencap Group). The Zencap Group operated a marketplace for lending to small and medium sized businesses in Germany, Spain and the Netherlands with operating headquarters based in Berlin. The principal reason for this acquisition was to gain access to the Continental Europe market.

The consideration for this acquisition was settled through the issue of Ordinary Shares in the Company.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	<u>Fair value</u>
	<u>£m</u>
Financial assets	2.0
Tangible fixed assets	0.1
Intangible assets	1.1
Financial liabilities	<u>(2.0)</u>
Total identifiable assets	1.2
Goodwill	<u>24.2</u>
Total	25.4
Net inflow of cash—investing	0.5

The consideration agreed for Funding Circle Continental Europe (formerly Zencap Group) was 7,348,300 shares. 5,769,450 Ordinary Shares of £0.001 were issued on the acquisition date. A further 1,578,850 Ordinary Shares will be issued on the date falling eighteen months after the acquisition date. These have been recognised in equity as “Shares to be issued”. The valuation of these shares was based on the implied value of the Group from the then most relevant funding round. The intangible assets related to the Zencap trademark, its technology platform and customer relationships. The financial assets related to investments in loan securities, cash, deposits in escrow and prepayments. The financial liabilities related to trade and other creditors.

The goodwill arising on the Zencap Group acquisition is not deductible for tax purposes.

Acquisition-related costs of £0.3m that were not directly attributable to the issue of shares are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

The revenue included in the consolidated statement of comprehensive income for the year ended 31 December 2015 contributed by the Zencap Group since 19 October 2015 was £0.5m. Zencap Group also generated a loss before tax of £1.4m over the same period.

If Zencap Group had been consolidated from 1 January 2015, the revenue would have been £1.4m and losses before tax would have been £5.6m.

12. Intangible assets

	Capitalised development costs <u>£m</u>	Computer software <u>£m</u>	Other intangibles <u>£m</u>	Total <u>£m</u>
Cost				
At 1 January 2015	0.1	0.1	—	0.2
Acquisition of subsidiary	—	—	1.1	1.1
Exchange differences	—	—	—	—
Additions	3.6	—	0.1	3.7
Disposals	—	—	(0.1)	(0.1)
At 31 December 2015	3.7	0.1	1.1	4.9
Exchange differences	0.3	—	0.2	0.5
Additions	9.8	0.1	—	9.9
At 31 December 2016	13.8	0.2	1.3	15.3
Exchange differences	(0.4)	—	—	(0.4)
Additions	10.1	0.4	—	10.5
Impairment	(0.5)	—	—	(0.5)
At 31 December 2017	23.0	0.6	1.3	24.9
Exchange differences	0.2	—	—	0.2
Additions	4.8	0.1	—	4.9
Disposals	—	—	—	—
At 30 June 2018	28.0	0.7	1.3	30.0
Accumulated Amortisation				
At 1 January 2015	0.1	0.1	—	0.2
Charge for the year	0.4	—	0.2	0.6
Disposals	—	—	(0.1)	(0.1)
At 31 December 2015	0.5	0.1	0.1	0.7
Exchange differences	0.1	—	—	0.1
Charge for the year	2.2	0.1	0.5	2.8
At 31 December 2016	2.8	0.2	0.6	3.6
Exchange differences	(0.1)	—	—	(0.1)
Charge for the year	4.6	0.1	0.5	5.2
At 31 December 2017	7.3	0.3	1.1	8.7
Exchange differences	0.1	—	—	0.1
Charge for the year	3.1	0.2	—	3.3
At 30 June 2018	10.5	0.5	1.1	12.1
Carrying amount				
At 30 June 2018	17.5	0.2	0.2	17.9
At 31 December 2017	15.7	0.3	0.2	16.2
At 31 December 2016	11.0	—	0.7	11.7
At 31 December 2015	3.2	—	1.0	4.2

13. Property, plant and equipment

	Leasehold improvements	Computer equipment	Furniture and fixtures	Total
	£m	£m	£m	£m
Cost				
At 1 January 2015	0.6	0.7	0.3	1.6
Acquisition of subsidiary	—	0.1	—	0.1
Exchange differences	—	—	—	—
Additions	3.1	0.7	0.7	4.5
Disposals	(0.6)	—	—	(0.6)
At 31 December 2015	3.1	1.5	1.0	5.6
Exchange differences	0.1	0.1	—	0.2
Additions	0.9	0.4	0.5	1.8
At 31 December 2016	4.1	2.0	1.5	7.6
Exchange differences	—	—	—	—
Reclassifications	—	0.1	(0.1)	—
Additions	0.2	0.8	0.2	1.2
At 31 December 2017	4.3	2.9	1.6	8.8
Exchange differences	—	—	—	—
Additions	0.4	0.8	0.1	1.3
Disposals	—	—	—	—
At 30 June 2018	4.7	3.7	1.7	10.1
Accumulated depreciation				
At 1 January 2015	0.2	0.3	—	0.5
Acquisition of subsidiary	—	—	—	—
Exchange differences	—	—	—	—
Charge for the year	0.2	0.4	0.2	0.8
Disposals	(0.3)	—	—	(0.3)
At 31 December 2015	0.1	0.7	0.2	1.0
Exchange differences	—	0.1	—	0.1
Charge for the year	0.4	0.5	0.5	1.4
At 31 December 2016	0.5	1.3	0.7	2.5
Exchange differences	—	—	—	—
Charge for the year	0.5	0.7	0.4	1.6
At 31 December 2017	1.0	2.0	1.1	4.1
Exchange differences	—	—	—	—
Charge for the year	0.3	0.5	0.2	1.0
Disposals	—	—	—	—
At 30 June 2018	1.3	2.5	1.3	5.1
Carrying amount				
At 30 June 2018	3.4	1.2	0.4	5.0
At 31 December 2017	3.3	0.9	0.5	4.7
At 31 December 2016	3.6	0.7	0.8	5.1
At 31 December 2015	3.0	0.8	0.8	4.6

The Group does not have any fixed assets under finance lease.

14. Investments

	31 December 2015	31 December 2016	31 December 2017	30 June 2018
	£m	£m	£m	£m
Investment in loan securities under cure period	4.6	1.3	3.1	5.1
Investment in loan securities	1.8	1.2	0.3	0.2
	<u>6.4</u>	<u>2.5</u>	<u>3.4</u>	<u>5.3</u>

15. Trade and other receivables

	31 December 2015	31 December 2016	31 December 2017	30 June 2018
	£m	£m	£m	£m
Trade receivables	0.5	0.9	1.7	1.3
Other receivables	7.0	8.6	7.1	9.8
Prepayments and accrued income	1.1	2.3	4.6	8.4
	<u>8.6</u>	<u>11.8</u>	<u>13.4</u>	<u>19.5</u>

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

No trade receivables were overdue or impaired.

16. Trade and other payables

	31 December 2015	31 December 2016	31 December 2017	30 June 2018
	£m	£m	£m	£m
Trade payables	2.2	1.6	2.4	3.4
Taxes and social security costs	0.9	2.2	0.2	3.0
Other creditors	2.0	1.0	0.6	0.9
Accruals	5.0	5.2	8.3	13.7
Preferred dividends payable	0.5	0.5	0.5	0.5
	<u>10.6</u>	<u>10.5</u>	<u>12.0</u>	<u>21.5</u>

Preferred dividends payable represents the total aggregate maximum amount payable on Series A preferred shares.

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

17. Provisions

	Dilapidation	Credit loss provision	Other Provisions	Total
	£m	£m	£m	£m
At 1 January 2015	0.1	—	0.1	0.2
<i>Charged / (credited) to income statement:</i>				
Reverse on the discharge of operating lease	(0.1)	—	—	(0.1)
Provision relating to new premises	0.3	—	—	0.3
Additional provision	—	0.4	0.6	1.0
At 31 December 2015	0.3	0.4	0.7	1.4
<i>Charged / (credited) to income statement:</i>				
Provision relating to new floor of premises	0.1	—	—	0.1
Additional provision	—	—	—	—
Released to the income statement	—	(0.3)	(0.1)	(0.4)
At 31 December 2016	0.4	0.1	0.6	1.1
<i>Charged / (credited) to income statement:</i>				
Additional provision	—	2.4	0.2	2.6
Amounts utilised	—	(1.2)	—	(1.2)
At 31 December 2017	0.4	1.3	0.8	2.5
<i>Charged / (credited) to retained earnings:</i>				
IFRS 9 opening balance restatement	—	1.2	—	1.2
<i>Charged / (credited) to income statement:</i>				
Expected credit loss charge	—	1.4	—	1.4
Additional provision	—	—	1.0	1.0
Amounts utilised	—	(1.0)	(0.6)	(1.6)
Provision relating to new floor of premises	0.3	—	—	0.3
Unused amounts reversed	—	—	—	—
At 30 June 2018	0.7	2.9	1.2	4.8

	As at 31 December			As at 30 June 2018
	2015	2016	2017	2018
	£m	£m	£m	£m
Current	1.1	0.7	2.1	4.1
Non-Current	0.3	0.4	0.4	0.7
	1.4	1.1	2.5	4.8

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 reverse in 2025.

Credit loss provision

In early 2017, in the Developing Markets segment, Funding Circle entered into an arrangement with an institutional investor to guarantee the credit risk on the loan investments made by the institutional investor. Under the terms of the agreements, the Group is required either to make payments when the underlying borrower fails to meet its obligation under the loan contract or buy the defaulted loan from the investor at its carrying value. In return for this financial guarantee, if the portfolio of loans held by the institutional investor perform above a threshold annual return of 3.8%, the Group is entitled to the excess returns which are recorded as other revenue. Since the commencement of this agreement, the returns generated have exceeded the costs of providing the financial guarantee and the expectation is that in the majority of scenarios modelled by Funding Circle is that the income from this arrangement, will exceed the investor incentive cost of buying back defaulted loans, which is treated as an operating expense.

Under IAS 37, a credit loss provision was recognised to cover the credit risk the Group is exposed to under such financial guarantees, measured using the incurred loss model at the best estimate of expenditure required to settle any financial obligation.

Under IFRS 9, which the Group adopted from 1 January 2018, the credit loss provision is measured and recognised in accordance with the expected credit loss (ECL) model. This has resulted in an opening balance restatement, as well as a higher profit and loss charge for H1 2018 than would have occurred under IAS 37.

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

The Group defines a default, classified within non-performing, as a loan investment with any outstanding amounts exceeding a 90 day due date. Under the financial guarantee contracts, this is the point at which there is an obligation for the Group to make a payment under the contract or buy back the loan. If the loan is bought back by the Group, at the point of buyback, the financial asset associated with the purchase meets the definition of purchased or originated credit impaired (POCI), this element of the reserve is therefore based on lifetime ECLs.

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

	Performing: 12-month ECL	Underperforming: Lifetime ECL	Non-performing: Lifetime ECL	Total
	£m	£m	£m	£m
Opening credit loss provisions at 1st January 2018	1.6	0.3	0.6	2.5
Provision against new loans originated	0.8	0.1	—	0.9
Provision against loans transferred from performing	—	0.1	1.0	1.1
Amounts utilised	—	—	(1.0)	(1.0)
Loans repaid	(0.2)	—	—	(0.2)
Change in PD	(0.5)	0.1	—	(0.4)
Closing credit loss provisions as at 30 th June 2018	1.7	0.6	0.6	2.9

As at 1 January 2018	Expected credit loss rate (%)	Basis for recognition of expected credit loss provision	Credit loss provision (£m)
Performing	4	12 month ECL	1.6
Underperforming	59	Lifetime ECL	0.3
Non-performing	100	Lifetime ECL	0.6
		Total	2.5

As at 30 June 2018	Expected credit loss rate (%)	Basis for recognition of expected credit loss provision	Credit loss provision (£m)
Performing	3	12 month ECL	1.7
Underperforming	67	Lifetime ECL	0.6
Non-performing	100	Lifetime ECL	0.6
		Total	2.9

The percentages applied above are based on the Group's past experience as well as forward looking information, namely: macro-economic forecasts such as changes in interest rates, GDP and inflation; delinquencies; and loss trends.

The items that the model is most sensitive to are delinquencies and loss trends.

18. Share capital

	31 December 2015	31 December 2015	31 December 2016	31 December 2016	31 December 2017	31 December 2017	30 June 2018	30 June 2018
	Number	£	Number	£	Number	£	Number	£
<i>Called up, allotted and fully paid</i>								
Ordinary shares of £0.001	79,351,495	79,351	80,111,105	80,111	83,186,146	83,186	85,015,692	85,016
A Ordinary shares of £0.00001	1,606,500	16	1,439,625	14	1,439,625	14	1,439,625	14
B Ordinary shares of £0.00001	650,000	7	650,000	7	650,000	7	650,000	7
C Ordinary shares of £0.00001	3,473,500	35	5,857,600	59	5,857,600	59	5,829,475	58
D Ordinary shares of £0.00001	500,000	5	1,068,850	10	1,068,850	10	1,068,850	10
E Ordinary shares of £0.00001	—	—	—	—	6,063,840	61	6,063,840	61
Series A preferred shares of £0.001	27,392,200	27,392	27,392,200	27,392	27,392,200	27,392	27,392,200	27,392
Series B preferred shares of £0.001	31,492,900	31,493	31,492,900	31,493	31,492,900	31,493	31,492,900	31,493
Series C preferred shares of £0.001	32,520,500	32,521	32,520,500	32,521	32,520,500	32,521	32,520,500	32,521
Series D preferred shares of £0.001	25,595,700	25,596	25,595,700	25,596	25,595,700	25,596	25,595,700	25,596
Series E preferred shares of £0.001	31,432,400	31,432	31,432,400	31,432	31,432,400	31,432	31,432,400	31,432
Series F preferred shares of £0.001	—	—	—	—	23,672,990	23,672	23,672,990	23,673
Deferred shares of £0.00001	49,500	1	2,664,461	27	2,664,461	27	2,692,586	27
<i>Shares to be issued</i>								
Ordinary shares of £0.001	1,578,850	1,579	1,578,850	1,579	—	—	—	—
	<u>235,643,545</u>	<u>229,428</u>	<u>241,804,191</u>	<u>230,241</u>	<u>273,037,212</u>	<u>255,470</u>	<u>274,866,758</u>	<u>257,300</u>

During the six month period to 30 June 2018, the Company issued a total of 1,829,546 Ordinary shares of £0.001 ranking pari passu with ordinary shares in issue on the exercise of employee share options, giving rise to total share premium of £189,016. During the same period, 28,125 C Ordinary shares were re-designated as Deferred shares.

During 2017, the Company issued a total of 1,496,191 Ordinary shares of £0.001 ranking pari passu with ordinary shares in issue (2016: 1,221,173; 2015: 2,760,745) on the exercise of employee share options, giving rise to total share premium of £195,133 (2016: £59,748; 2015: £254,678).

During 2017, the Company issued the remaining 1,578,850 Ordinary Shares that were previously withheld under the terms of the acquisition transaction of the Zencap group in 2015. A total share premium £5,445,454 was recognised on the issue of those shares.

In addition, 6,063,840 E Ordinary shares were issued following awards of shares under the Company's employee share plan. These issues have given rise to a total share premium of £41,189.

During 2017, the Company issued 23,672,990 non-redeemable and convertible Series F preferred shares of £0.001 at a price of £3.46 per share. A total share premium of £81,884,872 was received and a total share issue costs of £113,260 were incurred on the issue of Series F preferred shares. Series F preferred shareholders are not entitled to any non-discretionary dividends.

During 2016, 4,763,436 C Ordinary shares and 637,600 D Ordinary shares were issued following awards of shares under the Company's employee share plan. These issues have given rise to a total share premium of £8,920 on the D Ordinary shares.

During the same period, 166,875 A Ordinary shares (2015: 49,500), 2,379,336 C Ordinary shares and 68,750 D Ordinary shares were re-designated as Deferred shares. In addition, the Company repurchased 461,563 of its own Ordinary shares of £0.001 for £82,836.

In August 2015 the issued share capital of the Company was sub-divided creating A, B, C and D Ordinary Shares of £0.00001, Series A, B, C, D and E preferred shares of £0.001 and deferred shares of £0.00001.

During 2015, the Company issued 285,749 non-redeemable and convertible Series E preferred shares of £0.1 at a price of £345.36 per share (which were subsequently subdivided as referred to above).

During the same period, the Company also re-designated 14,485 Ordinary shares, 11,791 Series A preferred shares, 1,270 Series B preferred shares and 1,029 Series C preferred shares into Series E preferred shares following the transfer of such shares from existing shareholders to one of the holders of Series E preferred shares (which were subsequently sub-divided as referred to above).

A total share premium of £98,657,700 was received on the issue of new Series E preferred shares. Total share issue costs of £3,888,895 were incurred on the issue of Series E preferred shares. Series E preferred shareholders are not entitled to any non-discretionary dividends.

The A Ordinary, B Ordinary, C Ordinary, D Ordinary, E Ordinary and Deferred shares do not confer a right to vote. The Ordinary shares and all classes of preference shares confer the right to one vote per share.

19. Share premium account

	31 December 2015	31 December 2016	31 December 2017	30 June 2018
	£m	£m	£m	£m
Balance at 1 January	75.5	195.9	196.0	278.0
Premium arising on issue of B ordinary shares	—	—	—	—
Premium arising on issue of D ordinary shares	—	—	—	—
Premium arising on issue of E Ordinary Shares	—	—	—	—
Premium arising on issue of Series E preferred shares	98.7	—	—	—
Transaction costs—Series E preferred share issue	(3.9)	—	—	—
Premium arising on issue of Series F preferred shares	—	—	81.9	—
Transaction costs—Series F preferred share issue	—	—	(0.1)	—
Exercise of options—proceeds received	0.3	0.1	0.2	0.2
Acquisition of subsidiary	19.9	—	—	—
Premium expected on the ordinary shares to be issued	5.4	—	—	—
Total	<u>195.9</u>	<u>196.0</u>	<u>278.0</u>	<u>278.2</u>

20. Foreign exchange reserve

	£m
Balance at 1 January 2015	1.6
Exchange difference on translating the net assets of foreign operations	2.7
Balance at 31 December 2015	4.3
Exchange difference on translating the net assets of foreign operations	10.9
Balance as at 31 December 2016	15.2
Exchange difference on translating the net assets of foreign operations	(1.9)
Balance as at 31 December 2017	13.3
Exchange difference on translating the net assets of foreign operations	0.8
Balance as at 30 June 2018	<u>14.1</u>

Exchange differences relating to the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the Company's functional currency, being pound sterling, are recognised directly in translation reserves.

21. Accumulated losses

	£m
Balance at 1 January 2015	(30.4)
Loss for the year	(39.6)
Balance at 31 December 2015	(70.0)
Loss for the year	(46.6)
<i>Items of other comprehensive income recognised directly in accumulated losses</i>	
Buyback of ordinary shares	(0.1)
Balance as at 31 December 2016	(116.7)
Loss for the year	(35.3)
Balance at 31 December 2017	(152.0)
Adjustment on adoption of IFRS 9 at 1 January 2018	(1.2)
Loss for the period	(27.0)
Balance at 30 June 2018	<u>(180.2)</u>

22. 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 as follows:

EMI Options

Prior to June 2014, the Company issued options to subsidiary undertakings' employees under the EMI Options scheme. Since then, the Company is not eligible to issue under the scheme.

Unapproved Options

The Company has an unapproved option scheme for all employees of the Group. In accordance with standard vesting terms, the full award will vest 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. Options are forfeited if the employee leaves the Group before the options vest.

US Options Scheme 2

Options granted under the 'US Option Scheme 2' are unapproved options granted to US employees. 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.

There are also some outstanding options originally granted to US employees under the Endurance Lending Network share option scheme (the Group acquired Endurance Lending Network in 2013). Although these options are over ordinary shares in the Company, the terms of the original scheme apply and so these options are subject to different vesting provisions from the Company's standard vesting provisions.

ESS Shares with 'shadow' Unapproved Options

To subscribe for the ESS Shares, employees have to give up certain employment rights. ESS shares are an up-front award of A or C ordinary shares with a nominal value of £0.00001 per share where the ability to receive dividends and a capital return from the shares is conditional on the achievement of a performance target (namely, the growth of the enterprise value of the business beyond a hurdle). According to the terms and conditions, the performance target differs depending on the underlying share.

If this performance target is met, the participants will profit from the whole of the value of the business, not just the growth from the date of the award, on the same basis as the ordinary shares.

The ESS Shares also have a right of redemption – the employee has the option to redeem those shares for a fixed cash amount in the first three months post grant date. Note that the cash amount received depends on the number of ESS Shares granted.

The ESS Shares are each issued in conjunction with a 'shadow' Unapproved Option. The Unapproved Option can be exercised if the relevant enterprise value hurdle is not met upon an exit event. Both the ESS Shares and the 'shadow' Unapproved Options vest according to the Company's standard vesting terms, as discussed in the description of Unapproved Options above.

Growth Shares with 'shadow' Unapproved Options

Growth Shares are an up-front award of B or D or E ordinary shares with a nominal value of £0.00001 per share where the ability to receive dividends and a capital return from the shares is conditional on the achievement of a performance target (namely, the growth of the enterprise value of the business beyond a hurdle). According to the terms and conditions, the performance target differs depending on the underlying share.

If this performance target is met, the participants will profit from the whole of the value of the business, not just the growth from the date of the award, on the same basis as the ordinary shares.

The Growth Shares are each issued in conjunction with a 'shadow' Unapproved Option. The Unapproved Option can be exercised if the applicable enterprise value hurdle is not met upon an exit event. Both the Growth Shares and the 'shadow' Unapproved Options vest according to the Company's standard vesting terms, as discussed in the description of Unapproved Options above.

Included in operating expenses of the Group is a charge for share based payments of £1.9m that arises from transactions accounted for as equity-settled share based payment transactions.

Details of movements in the share schemes during the year are as follows:

	EMI Options		Unapproved Options		ESS Shares		Growth Shares		US Options Scheme ⁽²⁾		Total	
	Number and WAEP ⁽¹⁾		Number and WAEP		Number and WAEP		Number and WAEP		Number and WAEP		Number and WAEP	
	Number	£	Number	£	Number	£	Number	£	Number	£	Number	£
Outstanding at 1 January 2015	5,368,000	0.027	1,349,900	0.055	566,000	0.177	—	—	3,573,200	0.110	10,857,100	0.066
Granted during the year	—	—	1,393,213	0.290	4,563,500	0.284	1,150,000	0.238	4,044,100	0.212	11,150,813	0.254
Granted on business combination	—	—	3,897,679	0.022	—	—	—	—	—	—	3,897,679	0.022
Exercised during the year	(915,500)	0.027	—	—	—	—	—	—	(1,845,245)	0.127	(2,760,745)	0.094
Forfeited during the year	(84,550)	0.027	(18,875)	0.221	(49,500)	0.177	—	—	(269,194)	0.106	(422,119)	0.104
Outstanding at 31 December 2015	4,367,950	0.027	6,621,917	0.085	5,080,000	0.273	1,150,000	0.238	5,502,861	0.179	22,722,728	0.147
Outstanding at 1 January 2016	4,367,950	0.027	6,621,917	0.085	5,080,000	0.273	1,150,000	0.238	5,502,861	0.179	22,722,728	0.147
Granted during the year	—	—	3,115,402	0.390	4,763,436	0.390	637,600	0.496	1,625,875	0.496	10,142,313	0.414
Exercised during the year	(609,015)	0.027	(356,317)	0.029	—	—	—	—	(255,841)	0.131	(1,221,173)	0.050
Forfeited during the year	(110,398)	0.027	(2,407,493)	0.091	(2,546,211)	0.317	(68,750)	0.317	(977,444)	0.313	(6,110,296)	0.222
Outstanding at 31 December 2016	3,648,537	0.027	6,973,509	0.222	7,297,225	0.334	1,718,850	0.330	5,895,451	0.247	25,533,572	0.239
Outstanding at 1 January 2017	3,648,537	0.027	6,973,509	0.222	7,297,225	0.334	1,718,850	0.330	5,895,451	0.247	25,533,572	0.239
Granted during the year	—	—	2,489,508	0.404	—	—	6,063,840	0.400	2,013,993	0.400	10,567,341	0.401
Exercised during the year	(399,411)	0.027	(122,112)	0.300	—	—	—	—	(974,668)	0.296	(1,496,191)	0.224
Forfeited during the year	(9,376)	0.027	(527,634)	0.381	—	—	—	—	(551,756)	0.506	(1,088,766)	0.441
Outstanding at 31 December 2017	3,239,750	0.027	8,813,271	0.262	7,297,225	0.334	7,782,690	0.385	6,383,020	0.265	33,515,956	0.284
Outstanding at 1 January 2018	3,239,750	0.027	8,813,271	0.262	7,297,225	0.334	7,782,690	0.385	6,383,020	0.265	33,515,956	0.284
Granted during the period	—	—	4,523,282	0.362	—	—	—	—	1,263,242	0.857	5,786,524	0.470
Exercised during the period	(1,377,043)	0.027	(332,095)	0.353	—	—	—	—	(120,408)	0.889	(1,829,546)	0.143
Forfeited during the period	(3,007)	0.027	(511,182)	0.387	(28,125)	0.390	—	—	(409,070)	0.522	(951,384)	0.444
Outstanding at 30 June 2018	1,859,700	0.027	12,493,276	0.291	7,269,100	0.334	7,782,690	0.385	7,116,784	0.348	36,521,550	0.317

(1) Weighted average exercise price

The following table summarises information about the share awards outstanding at 31 December 2015, 2016, 2017 and 30 June 2018:

	EMI Options		Unapproved Options		ESS Shares		Growth Shares		US Options Scheme		Total	
	Number and WARCL		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
31 December 2015												
£0.001–£0.008	—	—	820,079	9.8	—	—	—	—	—	—	820,079	9.8
£0.0272	4,367,950	4.6	4,177,500	8.7	—	—	—	—	230,964	4.8	8,776,414	6.6
£0.0272–£0.2785	—	—	504,125	9.0	1,606,500	9.0	650,000	9.0	4,373,497	8.3	7,134,122	8.6
£0.2785–£0.3172	—	—	1,120,213	9.7	3,473,500	9.7	500,000	9.7	898,400	9.6	5,992,113	9.7
	4,367,950	4.6	6,621,917	9.1	5,080,000	9.5	1,150,000	9.3	5,502,861	8.4	22,722,728	8.1
31 December 2016												
Range of exercise prices												
£0.001–£0.008	—	—	684,594	8.8	—	—	—	—	—	—	684,594	8.8
£0.008–£0.043	3,648,537	6.1	2,025,500	7.3	—	—	—	—	143,813	6.4	5,817,850	6.5
£0.043–£0.279	—	—	466,342	8.0	1,439,625	7.8	650,000	8.0	3,732,175	7.9	6,288,142	7.9
£0.279–£0.390	—	—	3,797,073	9.2	5,857,600	8.8	1,068,850	9.0	2,019,463	9.2	12,742,986	9.0
	3,648,537	6.1	6,973,509	8.5	7,297,225	8.6	1,718,850	8.6	5,895,451	8.3	25,533,572	8.2

	EMI Options		Unapproved Options		ESS Shares		Growth Shares		US Options Scheme		Total	
	Number and WARCL		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
31 December 2017												
£0–£0.008	—	—	672,336	7.8	7,297,225	7.7	—	—	—	—	7,969,561	7.7
£0.008–£0.093	3,239,750	5.0	2,025,500	6.3	—	—	2,568,850	8.4	247,528	6.0	8,081,628	6.4
£0.093–£0.279	—	—	438,185	7.0	—	—	5,213,840	9.6	2,719,890	7.1	8,371,915	8.7
£0.279–£0.610	—	—	5,677,250	8.8	—	—	—	—	3,415,602	9.0	9,092,852	8.9
	3,239,750	5.0	8,813,271	8.0	7,297,225	7.7	7,782,690	9.2	6,383,020	8.1	33,515,956	7.9
30 June 2018												
Range of exercise prices												
£0–£0.008	—	—	3,234,221	9.4	7,269,100	7.2	—	—	—	—	10,503,321	7.9
£0.008–£0.096	1,859,700	4.8	2,025,500	5.8	—	—	2,568,850	7.9	228,330	5.6	6,682,380	6.3
£0.096–£0.279	—	—	384,841	6.5	—	—	5,213,840	9.1	2,678,484	6.6	8,277,165	8.2
£0.279–£1.750	—	—	6,848,714	8.7	—	—	—	—	4,209,970	8.9	11,058,684	8.8
	1,859,700	4.8	12,493,276	8.3	7,269,100	7.2	7,782,690	8.7	7,116,784	7.9	36,521,550	7.9

(2) Weighted average remaining contractual life

Unapproved Options Scheme

The weighted average fair values of options granted under the Unapproved Options Scheme and the US Option Scheme were range between £0.23 and £0.25 (2016: £0.06 for Unapproved Option and £0.05 for US Option) per option respectively. These values were determined using the Black-Scholes valuation model. The significant inputs into the model are as follows:

Unapproved options scheme	31 December 2015	31 December 2016	31 December 2017	30 June 2018
Share price (various times during the year)	£0.162, £0.317 and £0.390	£0.390	£0.520 and £0.550	£0.73, £1.42 and £1.80
Exercise price at/(between)	£0.176 and £0.317	£0.390	£0.400	£0.44 and £1.75
Expected life	4 years	4 years	4 years	4 years
Expected volatility	40%	40%	45%	48%
Risk-free interest rate (between)	0.30% and 1.40%	0.01% and 0.76%	0.28% and 0.68%	0.93% and 1.02%
Dividend yield	Nil	Nil	Nil	Nil
Forward exchange rate—US Options (between)	0.6327 and 0.6661	0.6810 and 0.7836	0.746 and 0.751	—

ESS Shares and Growth Shares with ‘shadow’ Unapproved Options

The weighted average fair values of equity-settled options granted under the ESS Shares and Growth Shares with ‘shadow’ Unapproved Options were £nil and £0.23 (2016: £1.78 and £1.97) per option respectively. These values were determined using the Monte Carlo simulation model. The significant inputs into the model are as follows:

ESS and growth	31 December 2015	31 December 2016	31 December 2017	30 June 2018
Exercise price at/(between)	£0.176 and £0.317	£0.390	£0.400	£0.44 and £1.75
Expected life	2 years	1 year	1 year	4 year
Expected volatility	40%	40%	45%	48%
Risk-free interest rate (between)	0.30% and 1.40%	0.01% and 0.76%	0.38% and 0.62%	0.93% and 1.02%
Dividend yield	Nil	Nil	Nil	Nil

In addition to the above, the Group also considered the enterprise values relevant at the grant dates including an assumption around a future liquidity event of the Company.

Due to the Company being an unlisted entity, the expected volatility has been determined by calculating the historical volatility of the share returns of a group of listed entities and use it as a proxy for the expected volatility of the Company’s share returns as at grant date.

Expected life was based on the contractual life of the options and adjusted, based on management’s best estimate, for the effects of exercise restrictions and behavioural considerations.

23. Notes to the consolidated statement of cash flows

Cash outflow from operations

	31 December 2015	31 December 2016	31 December 2017	30 June 2017 (unaudited)	30 June 2018
	£m	£m	£m	£m	£m
Loss before taxation	(39.5)	(47.2)	(36.3)	(19.2)	(27.0)
<i>Adjustments for:</i>					
Depreciation of property, plant and equipment	0.8	1.4	1.6	0.8	1.0
Loss on disposal of property, plant and equipment	0.4	—	—	—	—
Amortisation of intangible assets	0.6	2.8	5.2	2.4	3.1
Impairment of intangible assets	—	—	0.5	0.5	—
Movement in credit loss and other provisions	0.5	(0.2)	—	1.1	0.8
Movement in dilapidation provision . . .	—	0.1	—	—	0.2
Interest receivable	(0.2)	(0.6)	(0.6)	(0.3)	(0.3)
Non-cash employee benefits expense – share based payments and social security costs	2.8	6.7	4.4	2.1	4.7
Tax credit received	—	0.6	1.0	—	—
<i>Changes in working capital:</i>					
Movement in trade and other receivables	(2.2)	(2.7)	(2.9)	(5.3)	(6.0)
Movement in trade and other payables	1.4	(0.9)	4.5	0.7	6.7
Net cash outflow from operating activities	<u>(35.4)</u>	<u>(40.0)</u>	<u>(22.6)</u>	<u>(17.2)</u>	<u>(16.8)</u>

Cash and cash equivalents

	31 December 2015	31 December 2016	31 December 2017	30 June 2017 (unaudited)	30 June 2018
	£m	£m	£m	£m	£m
Cash and bank balances	<u>86.3</u>	<u>43.3</u>	<u>88.9</u>	<u>103.5</u>	<u>65.2</u>

The cash and cash equivalents balance is made up fully of cash and bank deposits. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents includes restricted cash of £0.3m.

Analysis of changes in net funds

	1 January 2015	Cash flow	Exchange movements	31 December 2015
	£m	£m	£m	£m
Cash and bank balances	35.0	49.6	1.7	86.3
Total net funds	<u>35.0</u>	<u>49.6</u>	<u>1.7</u>	<u>86.3</u>
	1 January 2016	Cash flow	Exchange movements	31 December 2016
	£m	£m	£m	£m
Cash and bank balances	86.3	(46.1)	3.1	43.3
Total net funds	<u>86.3</u>	<u>(46.1)</u>	<u>3.1</u>	<u>43.3</u>

	<u>1 January 2017</u>	<u>Cash flow</u>	<u>Exchange movements</u>	<u>31 December 2017</u>
	£m	£m	£m	£m
Cash and bank balances	43.3	46.6	(1.0)	88.9
Total net funds	<u>43.3</u>	<u>46.6</u>	<u>(1.0)</u>	<u>88.9</u>
	<u>1 January 2018</u>	<u>Cash flow</u>	<u>Exchange movements</u>	<u>30 June 2018</u>
	£m	£m	£m	£m
Cash and bank balances	88.9	(24.0)	0.3	65.2
Total net funds	<u>88.9</u>	<u>(24.0)</u>	<u>0.3</u>	<u>65.2</u>

24. Operating lease arrangements

	<u>31 December 2015</u>	<u>31 December 2016</u>	<u>31 December 2017</u>	<u>30 June 2018</u>
	£m	£m	£m	£m
Lease payments under operating leases recognised as an expense in the year/period	2.8	4.8	4.9	2.5
Balance at year end / period end	<u>2.8</u>	<u>4.8</u>	<u>4.9</u>	<u>2.5</u>

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<u>31 December 2015</u>	<u>31 December 2016</u>	<u>31 December 2017</u>	<u>30 June 2018</u>
	£m	£m	£m	£m
Within one year	4.1	4.4	5.0	5.2
In the second to fifth year inclusive	16.4	16.2	16.6	16.3
After five years	13.5	9.1	6.3	4.9
Total at year end / period end	<u>34.0</u>	<u>29.7</u>	<u>27.9</u>	<u>26.4</u>

Operating lease payments represent rentals payable by the Group for its office properties and plant and machinery rental.

25. Dividends per share

No dividends were declared or paid during the current financial period or the previous financial years.

26. 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.

The Group identifies Funding Circle SME Income Fund Limited ("FCIF") as a related party by way of common directorship for Samir Desai. The transaction amounts incurred for the periods covered in the historical financial information and amounts receivable from FCIF are disclosed below:

<u>Receivable as at 31 December</u>	<u>31 December 2015</u>	<u>31 December 2016</u>	<u>31 December 2017</u>	<u>30 June 2018</u>
	£m	£m	£m	£m
Servicing fee	—	0.2	0.1	—
Income during the year ended 31 December/ period ended 30 June				
Servicing fee	—	1.1	1.3	—
Corporate services fee	—	0.1	0.2	—
Reimbursement of expenses	—	—	0.2	—
Total at year end / period end	<u>—</u>	<u>1.2</u>	<u>1.7</u>	<u>—</u>

Samir Desai resigned as a director of FCIF on 18 May 2017 and therefore from H1 2018, FCIF will cease to be classified as a related party of the Group.

27. Ultimate controlling party

In the opinion of the directors, the Group does not have a single ultimate controlling party.

28. Contingent liabilities

There are currently no contingent liabilities expected to have a material adverse financial impact on the Group's historical financial information or net assets.

29. Investment in Subsidiaries

The group had the following subsidiaries, all of which have been included in the consolidated historical financial information. The proportion of the voting rights in subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

<u>Subsidiary Undertakings</u>	<u>Place of incorporation</u>	<u>Proportion of ownership interest</u>	<u>Registered office address</u>
Funding Circle Ltd	UK	100%	71 Queen Victoria Street, London EC4V 4AY
Funding Circle Asset Finance Limited	UK	100%	71 Queen Victoria Street, London EC4V 4AY
Funding Circle Trustee Limited	UK	100%	71 Queen Victoria Street, London EC4V 4AY
Funding Circle Property Finance Limited	UK	100%	71 Queen Victoria Street, London EC4V 4AY
Funding Circle Global Partners Limited	UK	100%	71 Queen Victoria Street, London EC4V 4AY
Made To Do More Limited	UK	100%	71 Queen Victoria Street, London EC4V 4AY
Funding Circle USA, Inc.	USA	100%	747 Front Street, Floor 4, San Francisco, CA 94111
Funding Circle Notes Program, LLC	USA	100%	747 Front Street, Floor 4, San Francisco, CA 94111
Funding Circle Marketplace, LLC	USA	100%	747 Front Street, Floor 4, San Francisco, CA 94111
FC Partners, LLC	USA	100%	747 Front Street, Floor 4, San Francisco, CA 94111
Funding Circle Securities, LLC	USA	100%	747 Front Street, Floor 4, San Francisco, CA 94111
Funding Circle Investor Funds, LLC	USA	100%	747 Front Street, Floor 4, San Francisco, CA 94111
Funding Circle CE GmbH	Germany	100%	Bergmannstraße 72, 10961 Berlin, Germany
Funding Circle Deutschland GmbH	Germany	100%	Bergmannstraße 72, 10961 Berlin, Germany
Funding Circle Connect GmbH	Germany	100%	Bergmannstraße 72, 10961 Berlin, Germany
Juwel 182 VV UG	Germany	100%	Johannisstratse 20, 10117 Berlin
Funding Circle Espana S.L.	Spain	100%	Calle Claudio Coello 124, 28006 Madrid, Spain
Funding Circle Nederland B.V.	Netherlands	100%	Gustav Mahlerplein 64b, ITO Toren, 1082 MA Amsterdam, Netherlands

Interest in other entities:

Stichting Derdengelden Funding Circle is not a direct or indirect subsidiary of FCHL but is an independent special purpose foundation which is required in the Netherlands to safeguard borrower and investor funds.

The principal activity of the Group’s most significant subsidiary undertakings are set out below. These are considered significant in the context of Group’s business, results and financial position.

<u>Subsidiary Undertakings</u>	<u>Principal Activity</u>
Funding Circle Ltd	Acts as facilitator and performs intermediary services in respect of all loans made through the Funding Circle platform in the UK
Funding Circle USA, Inc.	The US operating subsidiary of Funding Circle. Acts as the administrator of the Funding Circle platform in the US
Funding Circle Marketplace, LLC	Acts as originator and servicer of all loans made through the Funding Circle platform in the US. Funding Circle 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) on an arms’ length basis. Funding Circle Marketplace LLC initially holds loans for a 2-3 days cure period before selling the loan onto the investor or affiliate
Funding Circle Notes 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 Funding Circle 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 IAS 39 / IFRS 9
Funding Circle CE GmbH	The Continental Europe operating subsidiary of Funding Circle. Facilitates development, marketing and provision of internet services to affiliated companies of FCCE Group (formerly Zencap group) (E-Commerce concerning different goods)
Funding Circle Deutschland GmbH	Operates the Funding Circle platform in Germany and services loans
Funding Circle Netherlands B.V.	Operates the Funding Circle platform in The Netherlands and services loans

PART 13

Details of the Offer

Background

Through the issue of New Shares pursuant to the Offer, the Company expects to raise a fixed amount of gross proceeds of £300 million. Assuming that the Offer Price is set at the mid-point of the Price Range, that the number of Existing Shares sold is set at the top of the Existing Share Offer Size Range and no exercise of the Over-allotment Option, the Selling Shareholders would raise approximately £306.9 million, before taking into account expenses associated with the Offer. The Company will not receive any of the proceeds from the sale of the Existing Shares (if any), all of which will be paid to the Selling Shareholders.

The Offer is being made by way of:

- an Institutional Offer by the Company and the Selling Shareholders to certain institutional equity investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S and in the United States, to QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act; and
- an Intermediaries Offer by the Company and the Selling Shareholders to Intermediaries for onward distribution to retail equity investors in the United Kingdom, the Channel Islands and the Isle of Man.

Certain restrictions that apply to the distribution of this Prospectus and the Shares being issued and sold under the Offer in jurisdictions outside the United Kingdom are described below.

When admitted to trading, the Shares will be registered with ISIN number GB00BG0TPX62 and SEDOL (“Stock Exchange Daily Official List”) number BG0TPX6 and trade under the symbol “FCH”.

Following Admission, and dependant on the Offer Price, it is expected that between 28.6 per cent. and 50.0 per cent. of the Company’s issued ordinary share capital will be held in public hands (within the meaning of paragraph 6.14 of the Listing Rules) (assuming that the Over-allotment Option is not exercised) and between 28.6 per cent. and 52.1 per cent. if the Over-allotment Option is exercised in full.

The Company and the Underwriters are not bound to proceed with the Offer. Completion of the Offer will be subject, inter alia, to the determination of the Offer Price and the Offer Size and each of the Company’s and the Underwriters’ decisions to proceed with the Offer. It will also be subject to the satisfaction of conditions contained in the Underwriting Agreement including Admission occurring and to the Underwriting Agreement not having been terminated. The Offer cannot be terminated once unconditional dealings in the Shares have commenced. Further details of the Underwriting Agreement are set out in paragraph 13.1 (Underwriting Agreement) of Part 14 (Additional Information).

The rights attaching to the Shares issued or sold pursuant to the Offer, including any Shares sold pursuant to the Over-allotment Option, will be uniform in all respects, including the right to vote and the right to receive all dividends and other distributions declared, made or paid in respect of the Company’s share capital after Admission. The Shares will, immediately on and from Admission, be freely transferable under the Articles.

Reasons for the Offer and use of proceeds

The Directors and the Proposed Director believe that this is an appropriate time to bring the Group to the public market, reflecting the robust foundations established for future growth. The Directors and the Proposed Director believe that the Offer will:

- increase the Group’s profile and brand awareness;
- demonstrate the maturity, transparency and governance of the business to Borrowers, Investors and employees;
- assist in recruiting, retaining and incentivising key management and employees;
- provide a stable base of long term Shareholders and give the Group access to a wider range of capital-raising options; and
- provide future liquidity to Shareholders.

The Company expects to raise a fixed amount of gross proceeds of £300 million from the subscription of New Shares in the Offer before estimated underwriting commissions, fees and expenses incurred in connection with the Offer of approximately £17.8 million. As a result, the Company expects to receive a fixed amount of net proceeds of approximately £282 million from the Offer. The Company will issue a sufficient number of Shares

to raise the net proceeds, taking into consideration the minimum and maximum number of New Shares available under the Offer.

The Company intends to use the net proceeds from the issue of the New Shares to enhance its balance sheet position. The Directors and the Proposed Director believe this is important for the following reasons:

- to further engender trust in the Group's business with Investors, Borrowers and regulators;
- to support the Group in pursuing growth over profitability in the medium term; and
- to provide strategic flexibility and create the ability to take advantage of opportunities either in current markets or new geographies.

Assuming that the Offer Price is set at the mid-point of the Price Range, that the number of Existing Shares sold is set at the top of the Existing Share Offer Size Range and no exercise of the Over-allotment Option, the Selling Shareholders would raise approximately £306.9 million, before taking into account expenses associated with the Offer. Assuming that the Offer Price is set at the mid-point of the Price Range, that the number of Existing Shares sold is set at the top of the Existing Share Offer Size Range and no exercise of the Over-allotment Option, the aggregate underwriting commissions and amounts in respect of stamp duty or SDRT payable by the Selling Shareholders in connection with the Offer would be approximately £10.7 million.

The sale of Existing Shares will provide the Selling Shareholders with an opportunity for a partial realisation of their shareholding in the Company.

Offer Size, Offer Price, Bookbuilding and Allocations

This section should be read in conjunction with the section entitled Part 4 (Expected Timetable of Principal Events and Offer Statistics).

The Offer comprises an offer of which:

- between 56,603,774 and 71,428,571 are New Shares being offered for subscription by the Company; and
- up to 64,610,845 are Existing Shares which may be offered for sale by the Eligible Selling Shareholders.

It is currently expected that the New Share Offer Size and the Existing Share Offer Size will be set within the New Share Offer Size Range and the Existing Share Offer Size Range, respectively. However, the number of New Shares to be issued may fall outside the New Share Offer Size Range and/or the number of Existing Shares to be sold may fall outside the Existing Share Offer Size Range. See "*Withdrawal rights*" below for the steps the Company will take should the New Share Offer Size be set above or below the New Share Offer Size Range and/or the Existing Share Offer Size be set above the Existing Share Offer Size Range. The actual number of New Shares to be issued by the Company and Existing Shares to be sold by the Selling Shareholders in the Offer will only be determined at the time the Offer Price is determined and could be higher or lower than those ranges. In addition, further Shares representing 10 per cent. of the Offer Size will be made available by the Over-allotment Shareholders pursuant to the Over-allotment Option described below.

All Shares issued or sold pursuant to the Offer will be issued or sold at the Offer Price. It is currently expected that the Offer Price will be in the price range of 420 pence to 530 pence per Share but the Offer Price may be set within, above or below that Price Range. See "*Withdrawal rights*" below for the steps the Company will take should the Offer Price be set above the Price Range or the Price Range is revised higher.

A number of factors will be considered in determining the Offer Price, the Share Offer Size and the basis of allocation, including the level and nature of demand for the Shares during the bookbuilding process, the level of demand in the Intermediaries Offer and prevailing market conditions. Accordingly, the Offer Price will not necessarily be the highest price at which all of the Shares subject to the Offer could be issued or sold. The Offer Price will be determined by the Company after consultation with the Joint Global Co-ordinators.

Applications for Shares are expected to be sought by the Intermediaries in the Intermediaries Offer on the basis that the number of Shares which may be allocated will vary depending on the Offer Price. Applications will then be aggregated and submitted by each Intermediary on behalf of its clients and this demand will be taken into account by the Company alongside indications of interest in the Institutional Offer in establishing the Offer Price and the Offer Size as described above in respect of the Offer.

In the event that demand for the Shares being offered exceeds the number of Shares made available in the Offer, allocations may be scaled down in any manner determined by the Company, after consultation with the Joint Global Co-ordinators, and applicants may be allocated Shares having an aggregate value which is less than the sum applied for. The final determination as to allocation of such Shares will be made by the Company

after consultation with the Joint Global Co-ordinators (and there is no obligation to allocate such Shares proportionately).

The Offer Price will be determined by the Company, after consultation with the Joint Global Co-ordinators. The New Share Offer Size and the Existing Share Offer Size will be determined by the Company, after consultation with the Joint Global Co-ordinators. The Offer Price, the New Share Offer Size and the Existing Share Offer Size are expected to be announced on 28 September 2018. The Pricing Statement, which will contain the Offer Price, the New Share Offer Size and the Existing Share Offer Size, will be published in printed form and available free of charge at the registered office of the Company until 14 days after Admission. In addition, the Pricing Statement will be published in electronic form and available (subject to certain restrictions) on the Company’s website at <http://corporate.fundingcircle.com/investors/prospectus>. The Company, in consultation with the Joint Global Co-ordinators, reserves the right to increase or decrease the aggregate number of Shares issued and/or sold under the Offer.

If (i) the Offer Price is set above the Price Range or the Price Range is revised higher; and/or (ii) the number of New Shares to be issued by the Company is set above or below the New Share Offer Size Range; and/or (iii) the number of Existing Shares to be sold by the Selling Shareholders is set above the Existing Share Offer Size Range, then the Company will make an announcement via a Regulatory Information Service and prospective equity investors would have a statutory right to withdraw their application for Shares pursuant to section 87Q of FSMA. In such circumstances, the Pricing Statement would not be published until the period for exercising such withdrawal rights has ended and the expected day of publication of the Pricing Statement would be extended. The arrangements for withdrawing offers to subscribe for or purchase Shares would be made clear in the announcement. Full details of the statutory right to withdraw an offer to purchase Shares pursuant to section 87Q of FSMA are set out in “—*Withdrawal rights*” below.

The Selling Shareholders will pursuant to the Deeds of Election agree to pay the stamp duty chargeable on a transfer of Existing Shares and/or SDRT chargeable on agreements to transfer Existing Shares arising in the United Kingdom (currently at a rate of 0.5 per cent.) on the initial sale of Existing Shares under the Offer (if any) and the sale of Existing Shares pursuant to any exercise of the Over-allotment Option. Each equity investor which acquires Existing Shares in the Offer will be deemed to undertake that such equity investor shall not submit any reclaim to HMRC in respect of any stamp duty or SDRT so paid or accounted for by the Selling Shareholders in respect of the Offer (including in respect of Existing Shares sold pursuant to the exercise of the Over-allotment Option).

Cornerstone Investor

The Company on the one hand, and Heartland and the Cornerstone Investor listed in the table below, on the other, have entered into the Cornerstone Investment Agreement, pursuant to which: (i) the Cornerstone Investor has irrevocably agreed to subscribe for or purchase Shares in the Offer, at the Offer Price, such that, immediately following the Offer and Admission, the Cornerstone Investor will hold 10 per cent. of the issued ordinary share capital of the Company, (ii) Heartland has irrevocably agreed to procure that the Cornerstone Investor completes such subscription or purchase, and (iii) the Company has agreed to cause such Shares to be delivered or allotted and issued to the Cornerstone Investor, at the Offer Price. The obligation of the Cornerstone Investor under the Cornerstone Investment Agreement to subscribe for or purchase Shares in the Offer is conditional upon Admission and certain other conditions being satisfied, including that the Offer Price is set within the Price Range, and will terminate automatically if such conditions have not been fulfilled or, in certain circumstances, waived by Heartland, on or before 30 November 2018 (or such other date as may be agreed between the parties thereto). For more information on the Cornerstone Investment Agreement, see “*Material Contracts – Cornerstone Investment Agreement*” in Part 14 (Additional Information).

<u>Name of Cornerstone Investor</u>	<u>Cornerstone Investor Commitment Amount</u>
Aktieselskabet af 2.7.2018 ⁽¹⁾	up to £175,000,000

Note:
 (1) A wholly-owned indirect subsidiary of Heartland.

The Cornerstone Investor will subscribe for or purchase Shares pursuant to, and as part of, the Offer. The Shares to be subscribed for or purchased by the Cornerstone Investor will rank *pari passu* with the Shares issued or sold in the Offer. No special rights have been granted to the Cornerstone Investor as part of its commitment to subscribe for or purchase Shares pursuant to the Cornerstone Investment Agreement.

The Institutional Offer

Under the Institutional Offer, the Shares will be offered to (i) certain institutional investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S and (ii) in the United States to QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Certain restrictions that apply to the distribution of the Prospectus and the offer and sale of the Shares in jurisdictions outside the United Kingdom are described below in “—*Selling restrictions*”.

The latest date for indications of interest in acquiring Shares under the Institutional Offer is set out in Part 4 (Expected Timetable of Principal Events and Offer Statistics) but that time may be extended at the discretion of the Joint Global Co-ordinators (with the agreement of the Company).

Each equity investor in the Institutional Offer will be required to undertake to pay the Offer Price for the Shares sold to such equity investor in such manner as shall be directed by the Underwriters, which is the same price at which all Shares are to be sold in the Offer.

Participants in the Institutional Offer will be notified of the number of Shares that they have been allocated as soon as practicable following pricing and allocation. Each prospective equity investor in the Institutional Offer will be contractually committed to acquire the number of Shares allocated to it at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed that it will not be entitled to exercise any rights to rescind or terminate or, subject to any statutory withdrawal rights, otherwise withdraw from, such commitment.

The Intermediaries Offer

Members of the general public in the United Kingdom, the Channel Islands and the Isle of Man may be eligible to apply for Shares through the Intermediaries, by following their relevant application procedures, by no later than 27 September 2018. Underlying Applicants are responsible for ensuring that they do not make more than one application under the Intermediaries Offer (whether on their own behalf or through other means, including, but without limitation, through a trust or pension plan).

The Intermediaries Offer is being made to retail equity investors in the United Kingdom, the Channel Islands and the Isle of Man only. Individuals who are aged 18 or over, companies and other bodies corporate, partnerships, trusts, associations and other unincorporated organisations are permitted to apply to subscribe for or purchase Shares in the Intermediaries Offer. Individuals aged 16 or 17 may apply to purchase Shares in the Intermediaries Offer through an Intermediary only if those Shares are to be held in a Junior Individual Savings Account.

No Shares allocated under the Intermediaries Offer will be registered in the name of any person whose registered address is outside the United Kingdom, the Channel Islands and the Isle of Man except in certain limited circumstances and with the consent of the Joint Global Co-ordinators. Applications under the Intermediaries Offer must be by reference to the total monetary amount the applicant wishes to invest and not by reference to a number of Shares or the Offer Price.

An application for Shares in the Intermediaries Offer means that the applicant agrees to acquire the Shares at the Offer Price. Each applicant must comply with the appropriate money laundering checks required by the relevant Intermediary. Where an application is not accepted or there are insufficient Shares available to satisfy an application in full, the relevant Intermediary will be obliged to refund the applicant as required and all such refunds will be in accordance with the terms provided by the Intermediary to the applicant. The Company, the Selling Shareholders and the Underwriters accept no responsibility with respect to the obligation of the Intermediaries to refund monies in such circumstances.

Intermediaries may charge retail equity investors a fee for buying or holding the allocated Shares for them (including any fees relating to the opening of an individual savings account or a self-invested personal pension for that purpose) provided that the Intermediary has disclosed the fees and terms and conditions of providing those services to the retail equity investor prior to the underlying application being made.

Each Intermediary has agreed, or will on appointment agree, to the Intermediaries Terms and Conditions (further details of which are set out at paragraph 25.1 (Intermediaries Terms and Conditions) of Part 14 (Additional Information) which regulate, inter alia, the conduct of the Intermediaries Offer on market standard terms and provide for the payment of commission to any Intermediary that elects to receive commission from the Company or the Selling Shareholders.

In making an application, each Intermediary will also be required to represent and warrant, among other things, that they are not located in the United States and are not acting on behalf of anyone located in the United States. Under the Intermediaries Offer, the Shares will be offered outside the United States only in offshore transactions as defined in, and in reliance on, Regulation S.

The Intermediaries may prepare certain materials for distribution or may otherwise provide formation or advice to retail equity investors in the United Kingdom, the Channel Islands and the Isle of Man, subject to the terms of the Intermediaries Terms and Conditions. Any such materials, information or advice are solely the responsibility of the Intermediaries and will not be reviewed or approved by any of the Underwriters, the Selling Shareholders or the Company. Any liability relating to such documents will be for the Intermediaries only. **If an Intermediary makes an offer to a retail equity investor pursuant to the Intermediaries Offer, that Intermediary shall provide to such retail equity investor at the time the offer is made (i) a copy of the Prospectus or a hyperlink from which the Prospectus may be obtained and (ii) the terms and conditions of the relevant offer made by the Intermediary to the retail equity investor.**

Any Intermediary that uses this Prospectus must state on its website that it uses this document in accordance with the Company's consent and the conditions attached thereto.

Each Intermediary will be informed by the Receiving Agent, after consultation with the Joint Global Co-ordinators, by approximately 7:00 a.m. on 28 September 2018 by fax or email of the aggregate number of Shares allocated in aggregate to their underlying clients (or to the Intermediaries themselves) and the total amount payable in respect thereof. The allocation of Shares between the Institutional Offer and the Intermediaries Offer will be determined by the Company after having consulted with the Joint Global Co-ordinators (on behalf of the Underwriters). The allocation policy for the Intermediaries Offer will be determined by the Company after having consulted with the Joint Global Co-ordinators. Each Intermediary will be required to apply the allocation policy to each of its underlying applications from retail equity investors.

Pursuant to the Intermediaries Terms and Conditions, the Intermediaries have undertaken to make payment of the consideration for the Shares allocated, at the Offer Price, to the Receiving Agent, in accordance with details to be communicated on or after the time of allocation, by means of CREST against the delivery of the Shares at the time and/or date set out in Part 4 (Expected Timetable of Principal Events and Offer Statistics) or at such other time and/or date after the day of publication of the Offer Price as may be agreed by the Company, after consultation with the Joint Global Co-ordinators, and notified to the Intermediaries.

The publication of this Prospectus and/or any supplementary prospectus and any other actions of the Company, the Selling Shareholders, the Underwriters, the Intermediaries or other persons in connection with the Offer should not be taken as any representation or assurance by any such person as to the basis on which the number of Shares to be offered under the Intermediaries Offer or allocations within the Intermediaries Offer will be determined, and all liabilities for any such action or statement are hereby disclaimed by the Company, the Selling Shareholders and the Underwriters.

Each equity investor who applies for Shares in the Intermediaries Offer through an Intermediary shall, by submitting an application to such Intermediary, be deemed to acknowledge and agree that such equity investor is not relying on any information or representation other than as is contained in the Prospectus, the Pricing Statement or any supplementary prospectus.

ISAs

The Shares will be "qualifying investments" for the stocks and shares component of an ISA, and the Directors and, if appointed as a Director, the Proposed Director, will use their reasonable endeavours to manage the affairs of the Company so as to enable this status to be maintained. Save where an account manager is acquiring Shares using available funds in an existing ISA, an investment in Shares by means of an ISA is subject to the usual annual subscription limits applicable to new investments into an ISA.

Sums received by a Shareholder on a disposal of Shares will not count towards the Shareholder's annual limit but a disposal of Shares held in an ISA will not serve to make available again any part of the annual subscription limit that has already been used by the Shareholder in that tax year. Individuals wishing to invest in Shares through an ISA should contact their professional advisors regarding their eligibility.

Over-allotment and stabilisation

In connection with the Offer, Goldman Sachs International, as Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Shares or effect other

stabilising transactions with a view to supporting the market price of the Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings in the Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilising transactions conducted in relation to the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Shares up to a maximum of 13,603,941 Shares, being 10 per cent. of the total number of Shares comprised in the Offer. For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over-allotments and/or from sales of Shares effected by it during the stabilising period, the Corporate Nominee (acting as nominee for and on behalf of the Over-allotment Shareholders) will have granted to the Stabilising Manager the Over-allotment Option, pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Shares at the Offer Price, which represents up to an additional 13,603,941 Shares, being 10 per cent. of the total number of Shares comprised in the Offer. The Over-allotment Option will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional dealings in the Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Shares, including for all dividends and other distributions declared, made or paid on the Shares, will be purchased on the same terms and conditions as the Shares being issued or sold in the Offer and will form a single class for all purposes with the other Shares.

For a discussion of certain stock lending arrangements entered into in connection with the Over-allotment Option, see paragraph 13.5 (Stock lending agreement) of Part 14 (Additional Information).

Listing, dealing and settlement arrangements

The Offer is subject to the satisfaction of certain conditions contained in the Underwriting Agreement, including Admission occurring and becoming effective by 8.00 a.m. (London time) on 3 October 2018 or such later date and time as may be determined in accordance with such agreement, and to the Underwriting Agreement not having been terminated. Further details of the Underwriting Agreement are set out in paragraph 13.1 (Underwriting Agreement) of Part 14 (Additional Information).

Application will be made to the FCA for all the Shares to be listed on the Official List and application will be made to the London Stock Exchange for all the Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.

In addition, at Admission, a block listing application will be made to the FCA in respect of 11,953,368 Shares which may be issued in connection with the exercise of vested options in the six month period following Admission. Subject to the lock-up arrangements described in more detail in paragraphs 13.3 (*Eligible Individual Selling Shareholders lock-up arrangements*) and 13.4 (*Corporate Selling Shareholders and Cornerstone Investor lock-up arrangements*) of Part 14 (Additional Information), which apply to the Directors and the Eligible Individual Selling Shareholders, Shares which are issued in connection with the exercise of vested options may be sold from and including the date of Admission. The 11,953,368 Shares which are the subject of the block listing application above may be issued following exercises which may be made on or following Admission in connection with the following share option plans and other arrangements:

- (a) 11,674,415 Shares may be issued to Directors, employees, former employees and current and former directors of the Group in connection with the exercise of vested options over Shares granted under the terms of the EMI Scheme (which is described in more detail in paragraph 11 (Employee Share Plans) of Part 14 (Additional Information));
- (b) 33,300 Shares may be issued to contractors engaged by the Group in connection with the exercise of vested options over Shares granted under the terms of the Endurance Lending Network Share Option Scheme (following the acquisition by the Group of Endurance Lending Network in 2013);

- (c) 212,104 Shares may be issued to certain current and former contractors and advisors of the Group in connection with the exercise of vested options over Shares granted pursuant to the terms of option agreements in place with each such contractor and advisor; and
- (d) 33,549 Shares may be issued to certain sellers in the Zencap Acquisition under replacement option agreements entered into as part of the Zencap Acquisition.

It is expected that dealings in the Shares will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. (London time) on 28 September 2018. The expected date for settlement of such dealings will be 3 October 2018. All dealings between the commencement of conditional dealings and the commencement of unconditional dealings will be on a “when issued basis”. If the Offer does not become unconditional in all respects, any such dealings will be of no effect and any such dealings will be at the risk of the parties concerned.

It is expected that Admission will become effective and that dealings in the Shares will commence on an unconditional basis on the London Stock Exchange at 8.00 a.m. (London time) on 3 October 2018. It is intended that the issue of Shares allocated to equity investors who wish to hold Shares in uncertificated form will take place through CREST on Admission. Temporary documents of title will not be issued. Dealings in advance of crediting of the relevant CREST stock account will be at the risk of the person concerned.

In connection with the Offer, each of the Underwriters and any of their respective affiliates may take up a portion of the Shares in the Offer as a principal position and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to the Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue, offer, subscription, acquisition, dealing or placing by the Underwriters and any of their affiliates acting in such capacity. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with equity investors in connection with which such Banks (or their affiliates) may from time to time acquire, hold or dispose of Shares. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

CREST

CREST is a paperless settlement system allowing securities to be transferred from one person’s CREST account to another’s without the need to use share certificates or written instruments of transfer. With effect from Admission, the Articles will permit the holding of Shares in the CREST system.

Application has been made for the Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Shares following Admission may take place within the CREST system if any shareholder so wishes. CREST is a voluntary system and holders of Shares who wish to receive and retain share certificates will be able to do so.

Underwriting arrangements

The Underwriters have entered into commitments under the Underwriting Agreement pursuant to which they have agreed, subject to certain conditions, to procure subscribers for the New Shares to be issued by the Company and to procure purchasers for the Existing Shares to be sold (if any) by the Selling Shareholders in the Offer, or, failing which, themselves to subscribe for or purchase such Shares, as the case may be, at the Offer Price. The Underwriting Agreement contains provisions entitling the Underwriters to terminate the Offer (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Offer and these arrangements will lapse and any moneys received in respect of the Offer will be returned to applicants without interest. The Underwriting Agreement provides for the Underwriters to be paid commission in respect of the New Shares issued, the Existing Shares sold and any Over-allotment Shares sold following exercise of the Over-allotment Option. Any commissions received by the Underwriters may be retained, and any Shares acquired by them may be retained or dealt in, by them, for their own benefit.

The Company and the Underwriters expressly reserve the right to determine, at any time prior to Admission, not to proceed with the Offer. If such right is exercised, the Offer will lapse and any monies received in respect of the Offer will be returned to equity investors without interest.

Further details of the terms of the Underwriting Agreement are set out in paragraph 13.1 (Underwriting Agreement) of Part 14 (Additional Information). Certain selling and transfer restrictions are set out below.

Lock-up arrangements

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Co-ordinators, issue, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Pursuant to the Underwriting Agreement and related arrangements, the Directors (and certain of their immediate family members) have agreed that, subject to certain exceptions, during the period of 365 days from the date of Admission, they will not, without the prior written consent of the Joint Global Co-ordinators, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Pursuant to the Individual Deeds of Election, all Eligible Employee Selling Shareholders will agree that, subject to certain exceptions, during the period of 365 days from the date of Admission they will not, without the prior written consent of the Joint Global Co-ordinators, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

All other Eligible Individual Selling Shareholders will be requested, pursuant to the Individual Deeds of Election, to agree that, subject to certain exceptions, during the period of 180 days from the date of Admission they will not, without the prior written consent of the Joint Global Co-ordinators, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

All of the Eligible Individual Selling Shareholders will be permitted to transfer Shares to charitable organisations by way of gift during their respective lock-up periods, provided that (with the exception of charitable transfers of (i) up to 7,225 Shares by Andrew Digby Learoyd and members of his family; and (ii) up to 35,715 Shares by James Meekings and members of his family) those charitable organisations will be subject to the same restrictions as outlined above.

Pursuant to lock-up deeds entered into with the Company and the Joint Global Co-ordinators, all Eligible Corporate Selling Shareholders have agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission they will not, without the prior written consent of the Joint Global Co-ordinators, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

The Cornerstone Investor has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Bookrunners, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares it has subscribed for or purchased under the Cornerstone Investment Agreement (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Further details of these arrangements are set out in paragraph 13 (Underwriting arrangements) of Part 14 (Additional Information).

Withdrawal rights

In the event that the Company is required to publish a supplementary prospectus, applicants who have applied to subscribe for or purchase Shares in the Offer will have at least two Business Days following the publication of the supplementary prospectus within which to withdraw their offer to acquire Shares in the Offer.

In addition, in the event that (i) the Offer Price is set above the Price Range or the Price Range is revised higher; and/or (ii) the number of new Shares to be issued by the Company is set above or below the New Share Offer Size Range; and/or (iii) the number of Existing Shares to be sold by the Selling Shareholders is set above the Existing Share Offer Size Range then applicants who have applied to subscribe for or purchase Shares in the Offer would have a statutory right to withdraw their offer to subscribe for or purchase Shares in the Offer in its entirety pursuant to section 87Q of FSMA before the end of a period of two Business Days commencing on the first Business Day after the date on which an announcement of this is published via a Regulatory Information Service announcement for each later date as may be specified in that announcement. In those

circumstances, the Pricing Statement would not be issued until this deadline for exercising such statutory withdrawal rights has ended. The arrangements for withdrawing offers to subscribe for or purchase Shares would be made clear in the announcement.

If the application is not withdrawn within the stipulated period, any offer to apply for Shares in the Offer will remain valid and binding. Institutional equity investors wishing to exercise a statutory right to withdraw their offer to subscribe for or purchase Shares in the Offer must do so by lodging a written notice of withdrawal by hand (during normal business hours only) at the office of either Joint Global Co-ordinator at its address set out in Part 3 (Directors, Proposed Director, Secretary, Registered and Head Office and Advisers) so as to be received no later than two Business Days after the date on which the supplementary prospectus is published or the date on which an announcement is made (as described above). Notice of withdrawal given by any other means or which is deposited with or received after the expiry of such period will not constitute a valid withdrawal. Applicants who have applied for Shares via the Intermediaries who wish to withdraw an application following publication of a supplementary prospectus or an announcement is made (as described above) should contact the Intermediary through whom they applied for details of how to withdraw an application.

Selling restrictions

The distribution of this Prospectus and the offer of Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Shares, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Shares may be distributed or published in or from any country or jurisdiction except in circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer of Shares contained in this Prospectus. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for or purchase any of the Shares to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

European Economic Area

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a “Relevant Member State”) no Shares have been offered or will be offered pursuant to the Offer to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Co-ordinators for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State.

For the purposes of this provision, the expression an “offer to the public” in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an equity investor to decide to purchase any Shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state. The expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto), and includes any relevant implementing measure in each Relevant Member State.

In the case of any Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Shares acquired by it in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Joint Global Co-ordinators has been obtained to each such proposed offer or resale. The Company, the Selling Shareholders, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Underwriters of such fact in writing may, with the prior consent of the Joint Global Co-ordinators, be permitted to acquire Shares in the Offer.

United States

The Shares have not been and will not be registered under the US Securities Act or under any applicable securities laws or regulations of any state of the United States and, subject to certain exceptions, may not be offered or sold within the United States except to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S.

In addition, until 40 days after the commencement of the Offer of the Shares an offer or sale of Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the US Securities Act.

The Underwriting Agreement provides that the Underwriters may directly or through their respective United States broker-dealer affiliates arrange for the offer and resale of Shares within the United States only to QIBs in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the US Securities Act.

Each acquirer of Shares within the United States, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that:

- (a) it is (a) a QIB within the meaning of Rule 144A, (b) acquiring the Shares for its own account or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein, (c) acquiring the Shares for investment purposes, and not with a view to further distribution of such Shares, and (d) aware, and each beneficial owner of the Shares has been advised, that the sale of the Shares to it is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.
- (b) it understands that the Shares are being offered and sold in the United States only in a transaction not involving any public offering within the meaning of the US Securities Act and that the Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (a) to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (c) pursuant to an exemption from registration under the US Securities Act provided by Rule 144 thereunder (if available) or (d) pursuant to an effective registration statement under the US Securities Act, in each case in accordance with any applicable securities laws of any state of the United States. It further (a) understands that the Shares may not be deposited into any unrestricted depository receipt facility in respect of the Shares established or maintained by a depository bank, (b) acknowledges that the Shares (whether in physical certificated form or in uncertificated form held in CREST) are “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the Shares and (c) understands that the Company may not recognise any offer, sale, resale, pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions.

(c) it understands that the Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “US SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE US SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE US SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE US SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE US SECURITIES ACT FOR REALES OF THE ORDINARY SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS; and

(d) it represents that if, in the future, it offers, resells, pledges or otherwise transfers such Shares while they remain “restricted securities” within the meaning of Rule 144, it shall notify such subsequent transferee of the restrictions set out above.

The Company, the Underwriters and their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Australia

This Prospectus (a) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia (“Corporations Act”); (b) does not purport to include the information required of a prospectus under Part 6D.2 of the Corporations Act or a product disclosure statement under Part 7.9 of the Corporations Act; has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission (“ASIC”), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (c) may not be provided in Australia other than to select equity investors (Exempt Investors) who are able to demonstrate that they (i) fall within one or more of the categories of equity investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act and (ii) are “wholesale clients” for the purpose of section 761G of the Corporations Act.

The Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Shares may be distributed, received or published in Australia, except where disclosure to equity investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Shares, each purchaser or subscriber of Shares represents and warrants to the Company, the Selling Shareholders, the Underwriters and their affiliates that such purchaser or subscriber is an Exempt Investor.

As any offer of Shares under this Prospectus, any supplement or the accompanying prospectus or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to equity investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Shares each purchaser or subscriber of Shares undertakes to the Company, the Selling Shareholders, the Underwriters that such purchaser or subscriber will not, for a period of 12 months from the date of issue or purchase of the Shares, offer, transfer, assign or otherwise alienate those Shares to equity

investors in Australia except in circumstances where disclosure to equity investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

Canada

The Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Japan

The Shares have not been, and will not be, registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 as amended, the "FIEL") and disclosure under the FIEL has not been, and will not be, made with respect to the Shares. Neither the Shares nor any interest therein may be offered, sold, resold, or otherwise transferred, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and all other applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities. As used in this paragraph, a resident of Japan is any person that is resident in Japan, including any corporation or other entity organised under the laws of Japan.

Hong Kong

This Prospectus has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the Companies Ordinance), nor has it been authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorize or register this Prospectus or to permit the distribution of this Prospectus or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than: (i) to "professional investors" (as defined in the SFO or any rules made under that ordinance); or (ii) in other circumstances that do not result in this Prospectus being a "prospectus" (as defined in the Companies Ordinance) or that do not constitute an offer to the public within the meaning of that ordinance.

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance).

No person allotted Shares may sell, or offer to sell, such shares in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such shares.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. Potential equity investors are advised to exercise caution in relation to the offer. Potential equity investors in doubt about any contents of this Prospectus should obtain independent professional advice.

Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This Prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the

Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the Shares or the Offer may be publicly distributed or otherwise made publicly available in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Offer, the Company or the Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Prospectus will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of Shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (“CISA”). The equity investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Shares.

Dubai International Financial Centre (“DIFC”)

This Prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This Prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the Dubai Financial Services Authority. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this Prospectus nor taken steps to verify the information set forth herein and has no responsibility for the Prospectus. The shares to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this Prospectus you should consult an authorized financial adviser. In relation to its use in the DIFC, this Prospectus is strictly private and confidential and is being distributed to a limited number of equity investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Shares may not be offered or sold directly or indirectly to the public in the DIFC.

PART 14
Additional Information

1. Responsibility

1.1 The Company and the Directors and the Proposed Director whose names are set out in Part 3 (Directors, Proposed Director, Secretary, Registered and Head Office and Advisers) accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors, the Proposed Director and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

2. Incorporation

- 2.1 The Company was incorporated and registered in England and Wales on 13 January 2010 as a private company limited by shares under the Act with the name Funding Circle Holdings Limited and with the registered number 07123934.
- 2.2 Prior to Admission, the Company shall be re-registered as a public company limited by shares and renamed Funding Circle Holdings plc. The articles of association of the Company shall be amended to the extent required to give effect to the re-registration.
- 2.3 The Company's registered office and principal place of business is at 71 Queen Victoria Street, London, EC4V 4AY and its telephone number is +44 203 667 2265.
- 2.4 The principal laws and legislation under which the Company operates and the shares have been created are the Act and regulations made thereunder.

3. Share Capital

3.1 A history of the share capital of the Company for the period covered by the historical financial information set out in this Prospectus is set out below:

As at 1 January 2015, being the first date in the period covered by the Company's historical financial information set out in this Prospectus, the Company's share capital comprised:

<u>Class of Shares</u>	<u>Number issued</u>	<u>Amount issued (£)</u>	<u>Fully paid</u>
Ordinary shares	722,698	72,270	Yes
A ordinary shares	5,660	5	Yes
Series A preferred shares	285,713	28,572	Yes
Series B preferred shares	316,199	31,620	Yes
Series C preferred shares	326,234	32,623	Yes
Series D preferred shares	255,957	25,596	Yes

Between 1 January 2015 and 31 December 2015, the issued share capital of the Company was sub-divided creating A, B, C and D ordinary shares of £0.00001, ordinary shares of £0.001, Series A, B, C, D and E preferred shares of £0.001 and deferred shares of £0.00001. During 2015, the Company also issued 8,530,195 ordinary shares of £0.001, 1,090,000 A ordinary shares, 650,000 B ordinary shares, 3,473,500 C ordinary shares, 500,000 D ordinary shares and 28,574,900 Series E preferred shares, re-designated 1,448,500 ordinary shares of £0.001, 1,179,100 Series A preferred shares, 127,000 Series B preferred shares and 102,900 Series C preferred shares into Series E preferred shares, and re-designated 49,500 A ordinary shares as deferred shares. Following this, as at 31 December 2015 the Company's share capital comprised:

<u>Class of Shares</u>	<u>Number issued</u>	<u>Amount issued (£)</u>	<u>Fully paid</u>
Ordinary shares	79,351,495	79,351	Yes
A ordinary shares	1,606,500	16	Yes
B ordinary shares	650,000	7	Yes
C ordinary shares	3,473,500	35	Yes
D ordinary shares	500,000	5	Yes
Series A preferred shares	27,392,200	27,392	Yes
Series B preferred shares	31,492,900	31,493	Yes
Series C preferred shares	32,520,500	32,521	Yes
Series D preferred shares	25,595,700	25,596	Yes
Series E preferred shares	31,432,400	31,432	Yes
Deferred shares	49,500	1	Yes

Between 1 January 2016 and 31 December 2016, the Company issued a total of 1,221,173 ordinary shares of £0.001, 4,763,436 C ordinary shares of £0.00001 and 637,600 D ordinary shares of £0.00001. In addition, during this period 166,875 A ordinary shares of £0.00001, 2,379,336 C ordinary shares of £0.00001 and 68,750 D ordinary shares of £0.00001 were re-designated as deferred shares, and the Company repurchased 461,563 of its own ordinary shares of £0.001. Following this, as at 31 December 2016 the Company's share capital comprised:

<u>Class of Shares</u>	<u>Number issued</u>	<u>Amount issued (£)</u>	<u>Fully paid</u>
Ordinary shares	80,111,105	80,111	Yes
A ordinary shares	1,439,625	14	Yes
B ordinary shares	650,000	7	Yes
C ordinary shares	5,857,600	59	Yes
D ordinary shares	1,068,850	11	Yes
Series A preferred shares	27,392,200	27,392	Yes
Series B preferred shares	31,492,900	31,493	Yes
Series C preferred shares	32,520,500	32,521	Yes
Series D preferred shares	25,595,700	25,596	Yes
Series E preferred shares	31,432,400	31,432	Yes
Deferred shares	2,664,461	27	Yes

Between 1 January 2017 and 31 December 2017, the Company issued shares of various classes, following which the Company's share capital comprised:

<u>Class of Shares</u>	<u>Number issued</u>	<u>Amount issued (£)</u>	<u>Fully paid</u>
Ordinary shares	83,186,146	83,186	Yes
A ordinary shares	1,439,625	14	Yes
B ordinary shares	650,000	7	Yes
C ordinary shares	5,857,600	59	Yes
D ordinary shares	1,068,850	11	Yes
E ordinary shares	6,063,840	61	Yes
Series A preferred shares	27,392,200	27,392	Yes
Series B preferred shares	31,492,900	31,493	Yes
Series C preferred shares	32,520,500	32,521	Yes
Series D preferred shares	25,595,700	25,596	Yes
Series E preferred shares	31,432,400	31,432	Yes
Series F preferred shares	23,672,990	23,673	Yes
Deferred shares	2,664,461	27	Yes

Immediately prior to the Reorganisation described in paragraph 4 (Reorganisation) in this Part 14 (Additional Information), the Company's share capital is expected to comprise:

<u>Class of Shares</u>	<u>Number issued</u>	<u>Amount issued (£)</u>	<u>Fully paid</u>
Ordinary shares	85,936,080	85,936	Yes
A ordinary shares	1,439,625	14	Yes
B ordinary shares	650,000	7	Yes
C ordinary shares	5,829,475	58	Yes
D ordinary shares	1,068,850	11	Yes
E ordinary shares	6,063,840	61	Yes
Series A preferred shares	27,392,200	27,392	Yes
Series B preferred shares	31,492,900	31,493	Yes
Series C preferred shares	32,520,500	32,521	Yes
Series D preferred shares	25,595,700	25,596	Yes
Series E preferred shares	31,432,400	31,432	Yes
Series F preferred shares	23,672,990	23,673	Yes
Deferred shares	2,692,586	27	Yes

3.2 By way of written resolutions of the Company passed on 19 September 2018, in each case subject to and conditional upon Admission becoming effective:

3.2.1 the Company adopted, with effect from Admission, the Articles, a summary of which is included at paragraph 5 (Articles of Association) in this Part 14 (Additional Information);

3.2.2 in substitution for any prior authority conferred upon the Board, the Board was authorised pursuant to section 551 of the Act, without prejudice to the continuing authority of the Board to allot Shares or grant rights to subscribe for any security convertible into Shares pursuant to any offer or agreement by the Company before the expiry of the authority under which such offer or agreement was made:

3.2.2.1 upon Admission, to allot Shares up to an aggregate nominal amount of £71,958 in connection with (i) the Offer; (ii) the issuance of Shares to Catherine Jane Keers as described in paragraph 7 (Directors', Proposed Director's and Senior Managers' interests) of this Part 14 (Additional Information); and (iii) the exercise of the Selling Shareholder Options;

3.2.2.2 following Admission, in addition to the authority contained in paragraph 3.2.2.1 above, to allot Shares and to grant rights to subscribe for or to convert any security into Shares for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company (or, if earlier, at the close of business on the date falling 15 months after the resolution conferring it is passed):

(a) up to an aggregate nominal amount of £115,018 which is equal to approximately one third of the aggregate nominal value of the share capital of the Company on the day following Admission; and

(b) in connection with an offer by way of a rights issue only to holders of Shares in proportion (as nearly as practicable) to their existing holdings and to people who are holders of other equity securities if this is required by the rights of those equity securities, or if the Board consider it necessary, as permitted by the rights of those equity securities, up to an aggregate nominal amount of £230,035 which is equal to approximately two thirds of the aggregate nominal value of the share capital of the Company on the day following Admission (including within such limit any shares or rights issued under (a) above);

3.2.3 in substitution for any prior authority conferred upon the Board (but without prejudice to any allotments made pursuant to the terms of such authority), the Board was authorised for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company (or, if earlier, at the close of business on the date falling 15 months after the resolution conferring it is passed), to allot equity securities (within the meaning of section 560(1) of the Act) for cash, pursuant to section 570 of the Act, as if section 561 of the Act did not apply to such allotment, such power being limited to:

(a) the allotment of Shares up to an aggregate amount of £71,958 in connection with (i) the Offer; (ii) the issuance of Shares to Catherine Jane Keers as described in paragraph 7 (Directors',

Proposed Director's and Senior Managers' interests) of this Part 14 (Additional Information); and (iii) the exercise of the Selling Shareholder Options;

- (b) the allotment of equity securities in connection with an offer of equity securities to holders of Shares in proportion (or as nearly as may be practicable) to their existing holdings and to people who are holders of other equity securities if this is required by the rights of those securities, but in each case subject to such exclusions or other arrangements as the Board deems necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
 - (c) the allotment of equity securities for cash (other than as described at (a) above) up to an aggregate nominal value of five per cent. of the issued share capital of the Company immediately following Admission.
- 3.2.4 in addition to the authority described at 3.2.3 above, the Board was authorised for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company (or, if earlier, at the close of business on the date falling 15 months after the resolution conferring it is passed), to allot equity securities (within the meaning of section 560(1) of the Act) for cash, pursuant to section 570 of the Act, as if section 561 of the Act did not apply to such allotment, such power being:
- (a) limited to the allotment of equity securities for cash up to an aggregate nominal value of five per cent. of the issued share capital of the Company immediately following the Admission; and
 - (b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of the notice in respect of such resolution;
- 3.2.5 the Company will be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of Shares each subject to the following conditions:
- (a) the maximum aggregate number of Shares will represent 10 per cent. of the Company's issued ordinary share capital on the day following Admission;
 - (b) the minimum price (excluding expenses) which may be paid for each Share is £0.001 (being the nominal value of a Share);
 - (c) the maximum price (excluding expenses) which may be paid for each Share is the higher of: (i) 105 per cent. of the average of the middle market quotations for the Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; and (ii) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share as derived from the London Stock Exchange Trading System; and
 - (d) the authority shall expire on the date falling 18 months after the resolution conferring it is passed or, if earlier, at the end of the next annual general meeting of the Company so that the Company may, before the expiry of the authority enter into a contract to purchase Shares which will or may be executed wholly or partly after the expiry of such authority;
- 3.2.6 the Company will be authorised in accordance with the Articles, until the Company's next annual general meeting, to call general meetings on 14 clear days' notice; and
- 3.2.7 the Company and all companies that are its subsidiaries at any time up to the end of the next annual general meeting of the Company, will be authorised, in aggregate, to:
- (a) make political donations to political parties and/or independent election candidates not exceeding £100,000 in total;
 - (b) make political donations to political organisations other than political parties not exceeding £100,000 in total; and
 - (c) incur political expenditure not exceeding £100,000 in total.

For the purposes of this authority the terms “political donation”, “political parties”, “independent election candidates”, “political organisation” and “political expenditure” have the meanings given by sections 363 to 365 of the Act.

The Company notes that it is not its policy to make political donations and that it has no intention of using the authority for that purpose.

- 3.3 Save as disclosed above and in paragraphs 11 (Employee Share Plans) and 13 (Underwriting arrangements) below:
- 3.3.1 no share or loan capital of the Company has, within three years of the date of this Prospectus, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Offer), fully or partly paid, either for cash or for a consideration other than cash, to any person;
 - 3.3.2 no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of any such company; and
 - 3.3.3 no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.
- 3.4 The Company will be subject to the continuing obligations of the FCA with regard to the issue of shares for cash. The provisions of section 561(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees’ share scheme as defined in section 1166 of the Act) apply to the issue of shares in the capital of the Company except to the extent such provisions are disapplied as referred to in paragraphs 3.2.3 and 3.2.4 above.
- 3.5 Immediately following Admission, assuming that the Offer Price is set at the mid-point of the Price Range, the Selling Shareholder Options are exercised and the New Director Shares are issued, the issued share capital of the Company is expected to be £336,781 comprising 336,780,889 Shares of 0.1 pence each (all of which will be fully paid or credited as fully paid).
- 3.6 The Shares are in registered form and, subject to the provisions of the CREST Regulations, the Board may permit the holding of Shares of any class in uncertificated form and title to such Shares may be transferred by means of a relevant system (as defined in the Regulations). Where Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where Shares are held in CREST, the relevant CREST stock account of the registered members will be credited.
- 3.7 The New Shares being issued pursuant to the Offer will be issued at a price of between 420 pence and 530 pence per New Share, representing a premium of between 419.9 pence and 529.9 pence over their nominal value of 0.1 pence each, which price is payable in full on application.

4. Reorganisation

- 4.1 In connection with Admission, the Company has undertaken certain steps as part of a reorganisation of its corporate structure and will undertake certain further steps immediately prior to Admission (the “Reorganisation”).
- 4.2 *Pre-Admission steps under the Reorganisation*
- 4.2.1 On 21 August 2018, the Company along with its Chairman and certain of its institutional and founder shareholders executed a reorganisation deed in order to implement certain reorganisation steps required to occur prior to Admission (the “Reorganisation Deed”).
 - 4.2.2 On 28 August 2018, the Company undertook a capital reduction using the solvency statement procedure to reduce its share premium account, in order to eliminate its current deficit on distributable reserves and create distributable reserves for the future.
 - 4.2.3 Pursuant to the terms of the Reorganisation Deed, prior to Admission, the Company shall re-register as a public company limited by shares and the articles of association of the Company shall be amended to the extent required to give effect to the re-registration and the Company shall be renamed Funding Circle Holdings plc.

4.2.4 Pursuant to the terms of the Reorganisation Deed, immediately prior to Admission the following steps, among others, shall be implemented:

4.2.4.1 in order to align the nominal values of each of the share classes, the Company shall:

- (a) allot and issue out of its reserves, and each Shareholder who holds Growth Shares shall subscribe for, 99 Bonus Shares with a nominal value of £0.00001 for each Growth Share held by that Shareholder, with each Bonus Share allotted and issued being the same class of Share as the underlying Growth Share held by that Shareholder; and
- (b) subsequently consolidate each 100 Growth Shares with a nominal value of £0.00001 into one Growth Share with a nominal value of £0.001;

4.2.4.2 to the extent that any Growth Shares would be unvested at the point of Admission (in accordance with the existing terms governing such Growth Shares), the Company shall procure that all such unvested Growth Shares vest, subject to the holders of those Growth Shares having entered into a Restricted Share Agreement in a form satisfactory to the Company;

4.2.4.3 all of the Growth Shares and Preferred Shares shall automatically convert into Shares on a 1:1 basis in accordance with the articles of association of the Company; and

4.2.4.4 the Company shall redeem all outstanding Deferred Shares in accordance with the articles of association of the Company immediately prior to Admission.

4.3 *Steps upon Admission under the Reorganisation*

4.3.1 Pursuant to the terms of the Reorganisation Deed, the following steps, among others, shall be implemented:

4.3.1.1 the Company shall pay a dividend of £523,755.54 in cash to the holders of the Series A Preferred Shares in accordance with Article 4.2 of the articles of association of the Company immediately prior to Admission; and

4.3.1.2 upon Admission, the Articles, a summary of which is set out in paragraph 5 (Articles of Association) of this Part 14 (Additional Information), will become effective.

5. **Articles of Association**

The articles of association of the Company (the “Articles”), which will take effect from Admission, include provisions to the following effect:

5.1 *Share rights*

Subject to the provisions of the Act, and without prejudice to any rights attached to any existing shares or class of shares: (i) any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine; and (ii) shares may be issued which are to be redeemed or are liable to be redeemed at the option of the Company or the holder and the Board may determine the terms, conditions and manner of redemption of such shares provided that it does so prior to the allotment of those shares.

5.2 *Voting rights*

Subject to any rights or restrictions attached to any shares, on a show of hands every member who is 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 member shall be entitled to vote at any general meeting or at a separate meeting of the holders of any class of shares, either in person or in proxy, in respect of a share unless all moneys presently payable by him or her in respect of that share have been paid.

If at any time the Board is satisfied that any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 793 of the Act and is in default for the prescribed period in supplying to the Company the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the Board may, in its absolute discretion at any time thereafter by notice to such member direct that, in respect of the shares in relation to which the default occurred, the member shall not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll.

5.3 *Dividends and other distributions*

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. Except as otherwise provided by the rights and restrictions attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid, but no amount paid on a share in advance of the date on which a call is payable shall be treated for these purposes as paid on the share.

Subject to the provisions of the Act, the Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution.

If the share capital is divided into different classes, the Board may also pay, at intervals determined by it, any dividend payable at a fixed rate if it appears to the Board that the profits available for distribution justify the payment. If the Board acts in good faith it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

No dividend or other moneys payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.

The Board may, if authorised by an ordinary resolution of the Company, offer any holder of shares the right to elect to receive shares, credited as fully paid, by way of scrip dividend instead of cash in respect of the whole (or some part, to be determined by the Board) of all or any dividend.

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

Except as provided by the rights and restrictions attached to any class of shares, the holders of the Company's shares will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings. A liquidator may, with the sanction of a special resolution and any other sanction required by the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

5.4 *Variation of rights*

Rights attached to any class of shares may be varied or abrogated with the written consent of the holders of three-quarters in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares), or the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class.

5.5 *Lien and forfeiture*

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys payable to the Company (whether presently or not) in respect of that share. The Company may sell, in such manner as the Board determines, any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold.

Subject to the terms of allotment the Board may from time to time make calls on the members in respect of any moneys unpaid on the shares. Each member shall (subject to receiving at least 14 clear days' notice) pay to the Company the amount called on his or her shares. If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the Board may give the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

5.6 *Transfer of shares*

A member may transfer all or any of his or her certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. An instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal.

The Board may, in its absolute discretion, refuse to register the transfer of a certificated share which is not a fully paid share, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register the transfer of a certificated share unless the instrument of transfer:

5.6.1 is lodged, duly stamped (if stampable), at the office or at another place appointed by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

5.6.2 is in respect of one class of share only; and

5.6.3 is in favour of not more than four transferees.

If the Board refuses to register a transfer of a share in certificated form, it shall send the transferee notice of its refusal within two months after the date on which the instrument of transfer was lodged with the Company.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to a share.

Subject to the provisions of the Regulations, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

5.7 *Alteration of share capital*

The Articles do not restrict the Company's ability to increase, consolidate or sub-divide its share capital. Therefore, subject to the Act, the Company may by ordinary resolution increase, consolidate or sub-divide its share capital.

5.8 *Purchase of own shares*

The Articles do not restrict the Company's ability to purchase its own shares. Therefore, subject to the Act and without prejudice to any relevant special rights attached to any class of shares, the Company may purchase any of its own shares of any class in any way and at any price (whether at par or above or below par).

5.9 *General meetings*

The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Act. The Board may call general meetings whenever and at such times and places as it shall determine. The Articles permit the Board to take advantage of section 360A of the Act to hold general meetings by electronic means.

5.10 *Directors*

5.10.1 *Appointment of Directors*

Unless otherwise determined by ordinary resolution, the number of Directors shall be not less than two but shall not be subject to any maximum in number. Directors may be appointed by ordinary resolution of Shareholders or by the Board.

5.10.2 *No share qualification*

A Director shall not be required to hold any shares in the capital of the Company by way of qualification.

5.10.3 *Annual retirement of Directors*

At every annual general meeting all the Directors at the date of notice convening the annual general meeting shall retire from office. A retiring Director shall be eligible for appointment.

5.10.4 *Remuneration of Directors*

The emoluments of any Director holding executive office for his or her services as such shall be determined by the Board, and may be of any description.

The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other provision of the Articles) shall not exceed in aggregate £1,500,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject

thereto, each such Director shall be paid a fee for that service (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board.

In addition to any remuneration to which the Directors are entitled under the Articles, they may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Board or committees of the Board, general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present Director or employee of the Company or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his or her family or any person who is or was dependent on him or her, and may (as well before as after he or she ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase or provision of any such benefit.

5.10.5 Permitted interests of Directors

Subject to the provisions of the Act, and provided that he or she has disclosed to the Board the nature and extent of his or her interest (unless the circumstances referred to in section 177(5) or section 177(6) of the Act apply, in which case no such disclosure is required), a Director notwithstanding his or her office:

- 5.10.5.1 may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested;
- 5.10.5.2 may act by himself or herself or for his or her firm in a professional capacity for the Company (otherwise than as auditor), and he or she or his or her firm shall be entitled to remuneration for professional services as if he or she were not a Director;
- 5.10.5.3 may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is (directly or indirectly) interested as a shareholder or otherwise or with which he or she has such relationship at the request or direction of the Company; and
- 5.10.5.4 shall not, by reason of his or her office, be accountable to the Company for any remuneration or other benefit which he or she derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate the acceptance, entry into or existence of which has been approved by the Board pursuant to article 141 of the Articles (subject, in any case, to any limits or conditions to which such approval was subject) or which he or she is permitted to hold or enter into by virtue of paragraph 5.10.5.1, 5.10.5.2 or 5.10.5.3.

5.10.6 Restrictions on voting

Except as otherwise provided by the Articles, a Director shall not vote on any resolution of the Board or a committee of the Board concerning a matter in which he or she has an interest which can reasonably be regarded as likely to give rise to a conflict with the interests of the Company, unless his or her interest arises only because the resolution concerns one or more of the following matters:

- 5.10.6.1 the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or her or any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;
- 5.10.6.2 the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility (in whole or part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;
- 5.10.6.3 a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he or she is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he or she is to participate;
- 5.10.6.4 a contract, arrangement, transaction or proposal concerning any other body corporate in which he or she or any person connected with him or her is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise, if he or she and any persons

connected with him or her do not to his or her knowledge hold an interest (as that term is used in sections 820 to 825 of the Act) representing 1 per cent. or more of either any class of the equity share capital (excluding any shares of that class held as treasury shares) of such body corporate (or any other body corporate through which his or her interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purpose of the Articles to be likely to give rise to a conflict with the interests of the Company in all circumstances):

5.10.6.5 a contract, arrangement, transaction or proposal for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award him or her any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and

5.10.6.6 a contract, arrangement, transaction or proposal concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any Directors or for persons who include Directors.

5.10.7 *Indemnity of officers*

Subject to the provisions of the Act, but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every Director or other officer of the Company (other than any person (whether an officer or not) engaged by the Company as auditor) shall be indemnified out of the assets of the Company against any liability incurred by him or her for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company, provided that the Articles shall be deemed not to provide for, or entitle any such person to, indemnification to the extent that it would cause the Articles, or any element of them, to be treated as void under the Act.

6. Mandatory bids and compulsory acquisition rules relating to ordinary shares

6.1 Other than as provided by the City Code and Chapter 28 of the Act, there are no rules or provisions relating to mandatory bids and/or squeeze out and sell out rules relating to the Company.

6.2 *Mandatory bid*

6.2.1 The City Code applies to the Company. Under the City Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

6.3 *Squeeze-out*

6.3.1 Under the Act, if an offeror were to make an offer to acquire all of the shares in the Company not already owned by it and were to acquire 90 per cent. of the shares to which such offer related it could then compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a notice to outstanding members telling them that it will compulsorily acquire their shares and then, six weeks later, it would deliver a transfer of the outstanding shares in its favour to the Company which would execute the transfers on behalf of the relevant members, and pay the consideration to the Company which would hold the consideration on trust for outstanding members. The consideration offered to the members whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the original offer unless a member can show that the offer value is unfair.

6.4 *Sell-out*

6.4.1 The Act also gives minority members a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares in the Company and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire

those shares. The offeror would be required to give any member notice of his/her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority members to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on members notifying them of their sell-out rights. If a member exercises his/her rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

7. Directors', Proposed Director's and Senior Managers' interests

7.1 The interests in the share capital of the Company of the Directors, the Proposed Director and Senior Managers (all of whom, unless otherwise stated, are beneficial and include interests of persons connected with a Director, the Proposed Director or a Senior Manager) immediately prior to Admission will be, and immediately following Admission are expected to be:

<u>Director/Proposed Director/Senior Manager</u>	<u>Immediately prior to Admission⁽¹⁾</u>		<u>Immediately following Admission</u>	
	<u>Number of Shares</u>	<u>Percentage of issued share capital</u>	<u>Number of Shares</u>	<u>Percentage of issued share capital⁽²⁾</u>
Andrew Digby Learoyd	2,217,600	0.8%	2,217,600	0.7%
Samir Desai CBE ⁽³⁾	19,272,368	7.1%	19,272,368	5.7%
Sean Robert Glithero ⁽⁴⁾	216,763	0.1%	216,763	0.1%
Catherine Jane Keers	—	—	11,157 ⁽⁵⁾	0.0%
Edward James Wray	2,275,600	0.8%	2,275,600	0.7%
Hendrik Willem Nelis	—	—	—	—
John Eric Daniels	—	—	—	—
Neil Alexander Rimer	—	—	—	—
Robert King Steel	614,754	0.2%	614,754	0.2%
Geeta Gopalan ⁽⁶⁾	—	—	—	—

Notes:

- (1) The interests in Shares as at the date of this Prospectus have been stated on the basis that the Reorganisation steps described in this Part 14 (Additional Information) have been completed in full.
- (2) Assuming the Offer Price is set at the mid-point of the Price Range, the New Director Shares are issued, and that such Director, Proposed Director or Senior Manager does not make any Shares available for sale in the Offer.
- (3) At Admission, Samir Desai CBE will hold an interest in a further 2,237,532 unvested Nominee Shares.
- (4) At Admission, Sean Robert Glithero will hold an interest in a further 650,290 unvested Nominee Shares.
- (5) Catherine Jane Keers has agreed to subscribe for Shares on or about Admission at the Offer Price (the "New Director Shares"), using a fee of £100,000 that she will receive from the Company. This amount will be invested on an after-tax basis in the amount of £53,000 (assuming an effective tax rate of 47 per cent.).
- (6) As described in paragraph 9 (Directors' and Proposed Director's terms of employment) in this Part 14 (Additional Information), subject to Admission and her appointment to the Board on 1 November 2018, Geeta Gopalan is entitled to a one-off fee of £100,000 payable by the Company on or about 1 November 2018, and has agreed to use the after tax amount to purchase Shares in the market at market value as soon as practicable thereafter (and which she has agreed to retain for as long as she is a Director).

7.2 In addition to the interests in Shares of the Directors, the Proposed Director and Senior Managers described above, the following Directors and Senior Managers have (and are expected to have following Admission) interests in options to acquire Shares, as set out below:

<u>Director/Senior Manager</u>	<u>Number of Shares under</u>		<u>Exercise Price</u>	<u>Expiry Date</u>
	<u>Vested options</u>	<u>Unvested options</u>		
Andrew Digby Learoyd	81,250	18,750	£0.3172	17-Jun-2025
Samir Desai CBE	—	2,150,000	£0.0010	12-Jun-2028
Sean Robert Glithero	—	431,850	£0.0010	12-Jun-2028
Edward James Wray	571,400	—	£0.0272	18-Aug-2021
	81,250	18,750	£0.3172	17-Jun-2025
John Eric Daniels	300,000	—	£0.0272	21-Apr-2023
	117,187	70,313	£0.3900	8-Sep-2026
Robert King Steel	250,000	—	\$0.2785	18-Dec-2024
	81,250	18,750	\$0.4718	17-Jun-2025

Notes:

- (1) The interests in options to acquire Shares as at the date of this Prospectus have been stated on the basis that the Reorganisation steps described in this Part 14 (Additional Information) have been completed in full.

- (2) Options set out in the table above were granted pursuant to the employee share plans described in in paragraph 11 (Employee Share Plans) of this Part 14 (Additional Information).
- (3) References in the table above to vested and unvested options relate to the status of such options as at Admission, in accordance with the vesting schedule described in paragraph 11 (Employee Share Plans) of this Part 14 (Additional Information).

8. Significant Shareholders

8.1 In so far as is known to the Directors and the Proposed Director, the following are the interests (within the meaning of Part 22 of the Act) which represent, or will represent, directly or indirectly, 3 per cent. or more of the issued share capital of the Company immediately prior to and immediately following Admission. As at the date of this Prospectus, the Company has not received any binding commitment from any Shareholder to make available any Existing Shares for sale in the Offer.

Shareholders	Immediately prior to Admission ⁽¹⁾		Immediately following Admission ⁽²⁾			
	Number of Shares	Percentage of issued share capital	Assuming No Share Sale Election		Assuming Maximum Share Sale Election	
			Number of Shares	Percentage of issued share capital	Number of Shares	Percentage of issued share capital ⁽³⁾
Index Ventures ⁽⁴⁾⁽⁵⁾	58,618,351	21.5%	58,618,351	17.4%	43,963,764	13.1%
Cornerstone Investor ⁽⁶⁾	—	—	33,625,246	10.0%	33,625,246	10.0%
Accel ⁽⁴⁾⁽⁷⁾	26,906,743	9.9%	26,906,743	8.0%	20,180,058	6.0%
Union Square Ventures ⁽⁸⁾	21,694,388	7.9%	21,694,388	6.5%	16,270,792	4.8%
Samir Desai CBE ⁽⁹⁾	19,272,368	7.1%	19,272,368	5.7%	14,454,276	4.3%
DST Global ⁽⁴⁾⁽¹⁰⁾	16,505,378	6.0%	16,505,378	4.9%	12,379,034	3.7%
James Meekings ⁽¹¹⁾	14,736,075	5.4%	14,736,075	4.4%	11,052,057	3.3%
Andrew Mullinger ⁽¹²⁾	12,285,350	4.5%	12,285,350	3.7%	9,195,784	2.7%
Stone Ridge Asset Management V ⁽⁴⁾⁽¹³⁾	8,313,540	3.0%	8,313,540	2.5%	6,235,155	1.9%

Notes:

- (1) The interests in the share capital as at the date of this Prospectus have been stated on the basis that the Reorganisation has been completed in full.
- (2) Assuming that the Offer Price is set at the mid-point of the Price Range and the New Director Shares are issued.
- (3) Assuming that the Offer Price is set at the mid-point of the Price Range, the Selling Shareholder Options are exercised and the New Director Shares are issued.
- (4) Assuming no exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Corporate Nominee (acting as nominee for and on behalf of the Over-allotment Shareholders) will sell further Shares representing in aggregate 10 per cent. of the Shares in the Offer.
- (5) The Index Ventures group advises various investment funds including those which hold interests in the Company: namely Index Ventures Growth II (Jersey), L.P.; Index Ventures Growth II Parallel Entrepreneur Fund (Jersey), L.P.; Index Ventures V (Jersey), L.P.; Index Ventures V Parallel Entrepreneur Fund (Jersey), L.P. and Yucca (Jersey) SLP (as administrator of the Index Co-Investment Scheme).
- (6) Aktieselskabet af 2.7.2018, a wholly-owned indirect subsidiary of Heartland A/S.
- (7) The Accel investment funds which hold interests in the Company are: Accel London III, L.P.; Accel London Investors 2012 L.P.; Accel London Investors 2016 L.P.; Accel London V, L.P. and Accel London V Strategic Partners L.P.
- (8) The Union Square Ventures entities with interests in the Company are Union Square Ventures 2012 Fund, L.P.; USV Investors 2012 Fund, L.P.; USV Opportunity 2014, L.P. and USV Opportunity Investors 2014, L.P.
- (9) At Admission, Samir Desai CBE will, in addition to his Shares, hold unvested options over 2,150,000 Shares, and an interest in a further 2,257,532 unvested Nominee Shares.
- (10) The DST Global entity with an interest in the Company is DST Global IV, L.P.
- (11) At Admission, James Meekings will hold an interest in a further 178,125 unvested Nominee Shares.
- (12) At Admission, Andrew Mullinger will, in addition to his Shares, hold vested options over 72,916 Shares.
- (13) The Stone Ridge Asset Management entity with interests in the Company is Stone Ridge Trust V, on behalf of its series, the Stone Ridge Alternative Lending Risk Premium Fund.

8.2 Save as disclosed above, in so far as is known to the Directors and the Proposed Director, there is no other person who is or will be immediately following Admission, directly or indirectly, interested in 3 per cent. or more of the issued share capital of the Company, or of any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company. The Directors and the Proposed Director have no knowledge of any arrangements the operation of which may at a

subsequent date result in a change of control of the Company. None of the Company's major shareholders have or will have different voting rights attached to the shares they hold in the Company.

- 8.3 None of the Directors or the Proposed Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were effected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.
- 8.4 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors or the Proposed Director.
- 8.5 The following table sets out the interests of the Eligible Selling Shareholders (all of which, unless otherwise stated, are beneficial or are interests of a person connected with such Eligible Selling Shareholder), prior to the Offer and the maximum number of Shares such Eligible Selling Shareholders are entitled to make available in the Offer. As at the date of this Prospectus, however, the Company has not received any binding commitment from any Shareholder to make available any Existing Shares for sale in the Offer, although the Eligible Selling Shareholders are entitled to make available for sale 25 per cent. of their respective holdings (including, if relevant, following the exercise of vested options over Shares) in the Offer.

Eligible Selling Shareholder	Shares owned prior to the Offer ⁽¹⁾		Maximum number of Shares to be sold in the Offer ⁽²⁾	
	No.	%	No.	%
Index Ventures ⁽³⁾	58,618,351	21.5%	14,654,587	5.4%
Accel ⁽⁴⁾	26,906,743	9.9%	6,726,685	2.5%
Union Square Ventures ⁽⁵⁾	21,694,388	7.9%	5,423,596	2.0%
Samir Desai CBE	19,272,368	7.1%	4,818,092	1.8%
DST Global ⁽⁶⁾	16,505,378	6.0%	4,126,344	1.5%
James Meekings	14,736,075	5.4%	3,684,018	1.3%
Andrew Mullinger	12,285,350	4.5%	3,089,566	1.1%
Stone Ridge Asset Management ⁽⁷⁾	8,313,540	3.0%	2,078,385	0.8%
Other Shareholders ⁽⁸⁾	75,915,047	27.8%	20,009,572	7.3%
Total	254,247,240	93.1%	64,610,845	23.7%

Notes:

- (1) The interests of Shares as at the date of this Prospectus have been stated on the basis that the Reorganisation described in paragraph 4 of this Part 14 (Additional Information) has been completed in full.
- (2) Assuming no exercise of the Over-allotment Option, that the Offer Price is set at the mid-point of the Price Range, the Selling Shareholder Options are exercised and the New Director Shares are issued.
- (3) The Index Ventures group advises various investment funds including those which hold interests in the Company: namely Index Ventures Growth II (Jersey), L.P.; Index Ventures Growth II Parallel Entrepreneur Fund (Jersey), L.P.; Index Ventures V (Jersey), L.P.; Index Ventures V Parallel Entrepreneur Fund (Jersey), L.P. and Yucca (Jersey) SLP (as administrator of the Index Co-Investment Scheme).
- (4) The Accel investment funds which hold interests in the Company are: Accel London III, L.P.; Accel London Investors 2012 L.P.; Accel London Investors 2016 L.P.; Accel London V, L.P. and Accel London V Strategic Partners L.P.
- (5) The Union Square Ventures entities with interests in the Company are Union Square Ventures 2012 Fund, L.P., USV Investors 2012 Fund, L.P., USV Opportunity 2014, L.P. and USV Opportunity Investors 2014, L.P.
- (6) The DST Global entity with an interest in the Company is DST Global IV, L.P.
- (7) The Stone Ridge Asset Management entity with interests in the Company is Stone Ridge Trust V, on behalf of its series, the Stone Ridge Alternative Lending Risk Premium Fund.
- (8) Being those other Shareholders of the Company holding more than 0.25 per cent. of the Company's issued share capital immediately prior to Admission and the Eligible Employee Selling Shareholders.

9. Directors' and Proposed Director's terms of employment

- 9.1 The Directors, the Proposed Director and their functions are set out in Part 8 (Directors, Proposed Director, Senior Managers and Corporate Governance). The business address of each of the Directors is 71 Queen Victoria Street, London EC4V 4AY.

9.2 *Executive Directors*

- 9.2.1 In September 2018, Samir Desai CBE entered into a new service agreement with Funding Circle Ltd (the “Employer”). Sean Robert Glithero entered into his service agreement with the Employer on 4 July 2017 and the terms of this service agreement will not change on Admission.
- 9.2.2 On and from the date of Admission, Samir Desai CBE and Sean Robert Glithero will receive base salaries of £210,000 and £300,000, respectively, per annum. These salary levels are purposefully set at the lower end of market practice for UK companies of a similar size, reflecting the greater emphasis that the Company places on long-term variable pay elements.
- 9.2.3 Sean Robert Glithero receives a contribution to the Funding Circle Ltd defined contribution pension scheme (currently 2 per cent. of base salary per annum). Samir Desai CBE has waived his right to receive pension contributions from the Employer. Executive Directors also receive benefits in kind, including private healthcare for themselves (and, for Samir Desai CBE, for his children as well) and life assurance equal to four times base salary. The Executive Directors are also entitled to reimbursement of all travelling, hotel, entertainment and other expenses incurred in the proper performance of their respective duties. The Executive Directors are entitled to the benefit of certain indemnity arrangements.
- 9.2.4 On and from the date of Admission, the service agreements of Samir Desai CBE and Sean Robert Glithero will be terminable by the Employer or the individual on twelve months’ notice for Samir Desai CBE and six months’ notice for Sean Robert Glithero. The Employer will be entitled to terminate an Executive Director’s employment by payment in lieu of notice, equal to the basic salary that would have been payable. The Employer may in its discretion determine that the payment in lieu will be paid in monthly instalments over the notice period and subject to reduction if the Executive Director receives income from an alternative employment or engagement. The Employer will not exercise its discretion to make a payment in lieu of notice if notice of termination of Samir Desai CBE’s employment is given or received in circumstances where he is determined to be a “good leaver” under the Company’s employee share plans.
- 9.2.5 As at the date of this Prospectus, Executive Directors do not participate in a discretionary annual cash bonus plan.
- 9.2.6 Executive Directors have received share options and Growth Shares under the plans described in paragraph 11 (Employee Share Plans) of this Part 14 (Additional Information) and will be eligible to participate in the LTIP, details of which are also described in paragraph 11 (Employee Share Plans) of this Part 14 (Additional Information).
- 9.2.7 Each of Samir Desai CBE and Sean Robert Glithero will be subject to a confidentiality undertaking without limitation in time. Sean Robert Glithero is subject to non-competition, non-solicitation, non-dealing and non-hiring restrictive covenants for a period of six months after the termination of his employment arrangement. Samir Desai CBE is subject to non-competition, non-solicitation, non-dealing and non-hiring restrictive covenants for a period of 12 months after the termination of his employment arrangement.

9.3 *Non-Executive Directors*

- 9.3.1 In September 2018, Edward James Wray, John Eric Daniels and Andrew Digby Learoyd entered into new letters of appointment with the Company, and Neil Alexander Rimer, Hendrik Willem Nelis and Robert King Steel entered into letters of appointment with the Company. Catherine Jane Keers entered into a letter of appointment with the Company on 1 March 2018.
- 9.3.2 The appointments of each of the Non-Executive Directors are for an initial term of three years from the date of appointment or, if later, the date of the appointment letter referred to above, unless terminated earlier by either party on one month’s notice. The appointment of each Non-Executive Director is also subject to re-election when appropriate by the Company in general meeting.
- 9.3.3 On and from Admission, each Non-Executive Director other than the Chairman shall be entitled to a fee of £55,000 per annum for performing their role as a Non-Executive Director, with the exception of Hendrik Willem Nelis and Neil Alexander Rimer who have waived their entitlement to a fee. Non-Executive Directors who chair a committee of the Board, perform the role of Senior Independent Director or have taken on a number of committee roles are entitled to an additional fee of £10,000 per annum. The Chairman shall be entitled to a fee of £200,000 per annum for performing his role as Chairman. In addition, Catherine Jane Keers is entitled to an additional one-off fee of £100,000 payable

on and subject to Admission and has agreed to use the after tax amount to subscribe for the New Director Shares on or about Admission.

- 9.3.4 Each Non-Executive Director is also entitled to reimbursement of reasonable expenses.
- 9.3.5 The Non-Executive Directors are not entitled to receive any compensation on termination of their appointment and are not entitled to participate further in the Company's share scheme or in any bonus or pension schemes.
- 9.3.6 The Non-Executive Directors are subject to confidentiality undertakings without limitation in time. They are not subject to non-compete restrictive covenants.

9.4 ***Proposed Director***

- 9.4.1 On 14 September 2018, Geeta Gopalan entered into a letter of appointment with the Company, pursuant to which she has agreed to be appointed as a Non-Executive Director with effect from 1 November 2018, on the same terms as the Non-Executive Directors. In addition, subject to Admission and her appointment to the Board on 1 November 2018, Geeta Gopalan is entitled to a one-off fee of £100,000 payable by the Company on or about 1 November 2018, and has agreed to use the after tax amount to purchase Shares in the market at market value as soon as practicable thereafter (and which she has agreed to retain for as long as she is a Director).
- 9.5 Save as set out in paragraphs 9.2 (Executive Directors), 9.3 (Non-Executive Directors) and 9.4 (Proposed Director) above, there are no existing or proposed service agreements or letters of appointment between the Directors and any member of the Group.

9.6 ***Remuneration policy***

- 9.6.1 In compliance with section 439A of the Companies Act 2006, the Company's new Directors' Remuneration Policy will be submitted for Shareholder approval at the Company's annual general meeting to be held in June 2019.
- 9.6.2 In anticipation of Admission, the Company has sought independent, specialist advice in relation to the remuneration principles that it should apply to Directors to ensure these are appropriate for the listed company environment. The Company has therefore established the remuneration principles set out below. The Company's remuneration policy will be designed to provide a remuneration framework that will:
 - 9.6.2.1 attract, motivate and retain executives and senior management to deliver the Company's strategic goals and create long-term shareholder value;
 - 9.6.2.2 incentivise strong financial performance and reward the delivery of the Company's business plan and key strategic goals;
 - 9.6.2.3 adhere to principles of good corporate governance and appropriate risk management; and
 - 9.6.2.4 align employees with the interests of Shareholders and encourage widespread equity ownership across the employee population.
- 9.6.3 Consistent with the Company's pay philosophy, the remuneration committee has agreed the following post-Admission aspects of its remuneration policy for its Executive Directors (further details of which will be provided once the policy is developed):
 - 9.6.3.1 *Base salary.* The base salaries of Samir Desai CBE and Sean Robert Glithero are referred to in paragraph 9.2 (Executive Directors) above. Base salaries are reviewed annually in the context of both Company and individual performance, and pay and conditions of the broader employee population more generally. The first regular salary review for both Executive Directors is scheduled to take place in March 2019.
 - 9.6.3.2 *Pension and benefits.* The Executive Directors are eligible to receive a contribution to the Funding Circle Ltd defined contribution pension scheme, although Samir Desai CBE has waived his right to receive pension contributions. Executive Directors also receive benefits in kind, including private healthcare and life assurance.
 - 9.6.3.3 *Annual bonus.* As at the date of this Prospectus, Executive Directors do not participate in a discretionary annual cash bonus plan. This is reflective of the Company's wish to place greater emphasis on long-term variable pay elements.

9.7 *LTIP.* Details of the LTIP adopted by the Company are summarised in paragraph 11 (Employee Share Plan) of this Part 14 (Additional Information). Awards granted to the Executive Directors will be subject to performance conditions, which will be determined prior to the date of grant and will be aligned to the Company's strategy. The remuneration committee is currently minded to use performance conditions based on total shareholder return and earnings per share, although other financial and/or non-financial measures will also be considered by the remuneration committee as it develops the remuneration policy that will be submitted for Shareholder approval at the Company's annual general meeting to be held in June 2019.

9.8 *Directors' and Senior Managers' Remuneration*

Under the terms of their service contracts and letters of appointment, in the year ended 31 December 2017, the aggregate remuneration, pension and benefits to the Directors and Senior Managers who served the Group during 2017, consisting of eight individuals, was £0.3 million.

Under the terms of their service contracts and letters of appointment, in the year ended 31 December 2017, the Directors were remunerated as set out below:

<u>Name</u>	<u>Position</u>	<u>Annual Salary (£000)</u>	<u>Pension and Benefits (£000)</u>	<u>Date of Joining the Board</u>
Andrew Digby				
Learoyd	Chairman of the Board	—	—	25 February 2010
Samir Desai CBE . . .	Co-founder, Chief Executive Officer	202	2	13 January 2010
Sean Robert Glithero	Chief Financial Officer	75	1	28 November 2017
Catherine Jane Keers	Independent Non-Executive Director	n/a	n/a	1 May 2018
Edward James Wray .	Independent Non-Executive Director	—	—	9 August 2011
Hendrik Willem Nelis	Non-Executive Director	—	—	13 September 2013
John Eric Daniels . . .	Independent Non-Executive Director	—	—	9 September 2016
Neil Alexander Rimer	Non-Executive Director	—	—	9 March 2011
Robert King Steel . .	Senior Independent Non-Executive Director	—	—	15 July 2014

In addition, the following Directors had equity incentives awarded pursuant to the plans described in paragraph 11 (Employee Share Plans) of this Part 14 (Additional Information) vest in the year ended 31 December 2017:

<u>Name</u>	<u>Position</u>	<u>Number of share options vested (in '000)</u>	<u>Type of award</u>	<u>Grant date</u>
Andrew Digby Learoyd .	Chairman of the Board	25	Unapproved	18 June 2015
Samir Desai CBE	Co-founder, Chief Executive Officer	833	ESS	1 September 2015
		150	Growth	1 May 2015
Sean Robert Glithero	Chief Financial Officer	—	—	n/a
Catherine Jane Keers	Independent Non-Executive Director	—	—	n/a
Edward James Wray	Independent Non-Executive Director	25	Unapproved	18 June 2015
Hendrik Willem Nelis	Non-Executive Director	—	—	n/a
John Eric Daniels	Independent Non-Executive Director	120	Unapproved	9 September 2016 and 22 April 2013
Neil Alexander Rimer	Non-Executive Director	—	—	n/a
Robert King Steel	Senior Independent Non-Executive Director	88	Unapproved	18 June 2015 and 19 December 2014

Notes:

- (1) Exercise prices range from £nil to £0.39.
- (2) A quarter of each of the above awards vested in each of the calendar quarters during 2017.
- (3) Options expire on 10 years from the date of grant.

Further details in respect of the Director's interests in the share capital of the Company are described in paragraph 7 (Directors', Proposed Director's and Senior Managers' interests) of this Part 14 (Additional Information).

9.9 Except as set out above, there is no arrangement under which any Director, or the Proposed Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Prospectus.

9.10 ***Directors', Proposed Director's and Senior Managers' current and past directorships and partnerships***

Set out below are the directorships and partnerships held by the Directors, the Proposed Director and Senior Managers (other than, where applicable, directorships held in the Company and its subsidiaries and the subsidiaries of the companies listed below), in the five years prior to the date of this Prospectus:

<u>Name</u>	<u>Current directorships / partnerships</u>	<u>Past directorships / partnerships</u>
Andrew Digby Learoyd	Threshold Sports Limited Educate Schools Services Ltd WLG Learning Limited Emerson House LLP ⁽²⁾ Small World Financial Services Group Limited (SWFSG) Schwanhaeusser Industrie Holding GmbH	Healthy Kids Limited On Holiday Group Limited ⁽¹⁾
Samir Desai CBE	Neil Desai Foundation	Funding Circle SME Income Fund
Sean Robert Glithero	—	Auto Trader Group plc ⁽³⁾
Catherine Jane Keers	The Sage Group plc TalkTalk Telecom Group plc Everybody Loves Baxter Limited Ustwo Fampany Limited 19 Gately Road Limited Square Root of Diddly Squat Limited	Home Retail Group The Royal Mail Group LV= Telefonica O2 Europe Radish Solutions Limited
Edward James Wray	LMAX Limited LMAX Broker Limited Nesta The London House Exchange Limited Prodigy Finance Limited Prodigy Investments Limited Chamonix Investments Limited Amelto Capital Limited YouthNet (now the Mix) (Charity) Mental Health Innovation (Charity)	Tradefair Spreads Limited London Multi-Asset Exchange (Holdings) Limited
Hendrik Willem Nelis	Accel London Intermediate (Guernsey) Partnership Accel Partners Management LLP Accel Partners Limited CallSign, Inc. CartoDB, Inc. Celonis SE Gameforge AG ⁽⁵⁾ Instana, Inc. Lola Travel Company, Inc. RCW, Inc. (t/a M.Gemi) WorldRemit Ltd	KDS SA OnForce Inc. Sprd.net AG ⁽⁴⁾ SRP Groupe
John Eric Daniels	Russel Reynolds Associates (RRA) StormHarbour Investments UK LLP ⁽⁶⁾ 10 Ennismore Gardens Freehold Limited 10 Ennismore Gardens Management Limited	Wellesley Group (UK) Limited Energy Works Advisory Ltd Energy Works Investments Plc
Neil Alexander Rimer	auxmoney GmbH Big Health Limited Call9 Inc. Human Rights Watch Index Ventures SA Metromile, Inc. Peat GmbH Prodigy Investments Limited Raisin GmbH Stack Exchange, Inc. Typeform S.L.	Artbinder, Inc. doubleTwist Corporation Housetrip Limited Housetrip SA Index Securities SA Index Securities (International) SA Kaggle, Inc. Lehigh Technologies, Inc. LHE Holdings Limited London House Exchange Limited ⁽⁷⁾ MooPrint Limited Photobox Holdco Limited Supercell Oy The Climate Corporation
Robert King Steel	Perella Weinberg Partners Cadence Bancorp, LLC	—
Geeta Gopalan ⁽⁸⁾	Wizink Bank S.A. Ultra Electronics Holdings plc CYBG plc ⁽⁹⁾ Virgin Money Holdings plc ⁽¹⁰⁾	VocaLink Pilotlight

Notes:

(1) As the investor representative, with the right to observe at all board meetings and committees of the board of On Holiday Group Limited.

- (2) As the representative of WLG Learning Limited, a partner in Emerson House LLP.
- (3) Including a number of its subsidiaries.
- (4) As a member of the supervisory board.
- (5) As a member of the supervisory board.
- (6) As principal and senior adviser.
- (7) Trading as Property Partner.
- (8) Proposed Director.
- (9) Ms Gopalan is a proposed director of CYBG plc, and is expected to be appointed as a director upon the completion of CYBG plc's acquisition of Virgin Money Holdings (UK) plc.
- (10) Ms Gopalan's directorship in Virgin Money Holdings plc is expected to terminate upon the completion of CYBG plc's acquisition of Virgin Money Holdings (UK) plc.

9.11 Within the period of five years preceding the date of this Prospectus, none of the Directors or the Proposed Director:

- (a) has had any convictions in relation to fraudulent offences;
- (b) has been a member of the administrative, management or supervisory bodies or director or senior manager (who is relevant in establishing that a company has the appropriate expertise and experience for management of that company) of any company at the time of any bankruptcy, receivership or liquidation of such company, with the exception of Andrew Digby Learoyd, who was the investor representative with the right to observe at all board meetings and committees of the board of On Holiday Group Limited, whose principal trading subsidiary was placed into administration and On Holiday Group Limited was then put into members voluntary liquidation; or
- (c) has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of affairs of a company.

10. Employee Benefit Trust

- 10.1 The Company has established an offshore employee benefit trust (the "EBT") which is constituted by a trust deed which was entered into between the Company and Zedra Trust Company (Guernsey) Limited. The Company has the power to appoint and remove the trustee.
- 10.2 The EBT can be used to benefit employees and former employees of the Group and certain of their dependants. The trustee has the power to acquire Shares, and to use them for the purposes of equity incentive arrangements established by the Group from time to time. It is intended that the EBT would be funded by way of loans or other contributions from the Group.
- 10.3 At Admission, the trustee of the EBT will hold as nominee unvested Shares, converted from unvested Growth Shares, on behalf of participants, as described in paragraph 4 (Reorganisation) in this Part 14 (Additional Information).
- 10.4 The EBT will not acquire Shares which would cause its holding to exceed 5 per cent. of the Shares in issue (other than as a nominee for a beneficiary), without prior Shareholder approval.

11. Employee Share Plans

New Employee Share Plan

Following Admission, the Company intends to operate a single discretionary share-based long term incentive plan (the "LTIP"). The Board and the Company's Shareholders adopted the LTIP on 19 September 2018, conditional on Admission. The main features of LTIP are set out below. Pre-IPO share incentive arrangements are described at paragraphs 11.19 to 11.23 below.

11.1 *Operation of the LTIP*

The LTIP will be administered by the Board or by any duly authorised committee. Decisions in relation to the participation in the LTIP by the Executive Directors and the global leadership team will always be taken by the

Remuneration Committee. Decisions in relation to participation in the LTIP by other employees will be delegated to an authorised management committee, subject to agreed parameters. Any employee of the Group (including an Executive Director) is eligible to participate at the Board's discretion. LTIP Awards will be granted to Executive Directors in line with the remuneration policy (the "Policy") applicable at the grant date.

11.2 *Form of LTIP Awards*

The Board may grant awards in the form of: a conditional award of Shares (including restricted stock units) at no cost; an option to acquire Shares either for no cost (a nil-cost option), for an exercise price per Share equal to the nominal value of a Share (a nominal-cost option), or for an exercise price equal to the market value of a Share at the grant date (a market value option) (together "LTIP Options"); forfeitable Shares (issued or transferred at grant at no cost, and forfeited to the extent the award does not vest); or equivalent rights to a cash amount related to the value of a number of notional Shares (a cash award), (together "LTIP Awards").

11.3 *Grant of LTIP Awards*

LTIP Awards can only be granted during the 42 days beginning on: the day of Admission; the day on which the Policy is approved by the Company's Shareholders; the announcement by the Company of its results for any period; any day on which the Board determines that exceptional circumstances exist which justify the grant of awards; or any day on which a restriction on the grant of awards is lifted.

11.4 *Performance conditions*

LTIP Awards may be granted subject to performance conditions. The vesting of LTIP Awards granted to Executive Directors will be subject to performance conditions, unless the Policy applicable at the grant date does not require performance conditions to apply to the relevant LTIP Award. The performance conditions will normally be measured over a three year performance period.

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.

11.5 *Vesting and release of LTIP Awards*

LTIP Awards may vest subject to continued service and performance conditions ("Performance Based Vesting"), or subject to continued service only ("Time Based Vesting").

Performance Based Vesting: LTIP Awards subject to continued service and performance conditions will normally have the performance conditions assessed as soon as reasonably practicable after the end of the relevant performance period. The extent to which such an LTIP Award will vest, subject to continued service, will be determined by the Board taking into account the extent to which the performance condition has been satisfied and such other factors as the Board considers relevant, which may include the underlying performance of any Group member or relevant business unit or participant. LTIP Awards will normally vest on the assessment of performance conditions or such later date as the Board determines.

Time Based Vesting: LTIP Awards not subject to performance conditions will vest, subject to continued service, in accordance with a vesting schedule set at grant.

The Board may determine at grant that an LTIP Award is subject to an additional holding period following vesting (a "Holding Period"), which for Executive Directors will normally end no earlier than the fifth anniversary of the grant date.

LTIP Options will be exercisable from the date of vest 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.

11.6 *Settlement*

The Board may, in its discretion, decide to satisfy the release of an LTIP Award (or exercise of an LTIP Option, if relevant) with a cash payment equal to the market value of some or all of the Shares that the participant would have received had the relevant LTIP Award been satisfied with Shares (less in the case of an LTIP Option any exercise price otherwise payable).

11.7 *Dividend equivalents*

The Board may decide that participants will receive an amount (in cash and/or additional Shares) equal to the value of any dividends which would have been paid on Shares subject to an LTIP Award which vest on such terms and over such period (ending no later than the date on which the Award vests or, if there is a holding period applicable to the LTIP Award, is released) as the Board may determine. This amount may assume the reinvestment of dividends and exclude or include special dividends.

Dividend equivalents will not be paid on market value options or (unless the Board determines otherwise) forfeitable Shares.

11.8 *Malus and clawback*

In certain circumstances the Board may at any time prior to the fifth anniversary of the grant date of an LTIP Award reduce the LTIP Award (to zero if appropriate) or impose additional conditions on the LTIP Award to the extent that cash and/or Shares have not yet been delivered in satisfaction of the LTIP Award; or if cash and/or Shares have been delivered in satisfaction of the LTIP Award, require that the participant either return some or all of the Shares acquired pursuant to the LTIP Award or make a cash payment to the Company in respect of the cash or Shares delivered.

The Board will retain the discretion to calculate the amount subject to recovery, including whether or not to claw back such amount gross or net of any tax or social security contributions applicable to the LTIP Award.

The Board may invoke these malus and clawback provisions where, during the period beginning on the grant date (or, where an LTIP Award is subject to a performance condition, at the start of the performance period) and ending on the fifth anniversary of the grant date, there has been: a material misstatement of the audited accounts of a member of the Group; an error in assessing a performance condition applicable to an LTIP Award or in the information or assumptions on which the LTIP Award was granted, vests or is 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.

11.9 *Cessation of employment*

Unvested LTIP Awards:

Ordinarily unvested LTIP Awards will lapse upon a participant ceasing to be employed by or to hold office with the Group (“Group Employment”).

Unless the participant is dismissed as a result of gross misconduct, the Board will have the discretion to allow any unvested LTIP Award to continue until the date when it would have normally have been released if they had not ceased Group Employment. The Board retains discretion, however, to allow the LTIP Award to vest and be released earlier when the participant ceases Group Employment, or some other time.

The extent (if at all) to which an LTIP Award vests in these circumstances will be determined by the Board, taking into account: if the LTIP Award is subject to performance conditions, the satisfaction of the performance conditions applicable to the LTIP Award measured over the original performance period (or to such earlier point, if the LTIP Award is to be released at an earlier date) and such other factors as the Board consider relevant; and unless the Board decides otherwise, the proportion of the performance period (or, in the case of an LTIP Award not subject to performance conditions, the normal vesting period) which has elapsed on cessation of Group Employment.

If a participant dies, unless the Board decides otherwise their LTIP Award will vest (and be released) as soon as reasonably practicable after the date of their death taking into account any applicable performance conditions measured up to that point and, unless the Board decides otherwise, the proportion of the performance period (or, in the case of an LTIP Award not subject to performance conditions, the normal vesting period) which has elapsed.

LTIP Options may normally be exercised to the extent vested for a period of six months after release or twelvemonths after death (or such other period as the Board may determine).

Vested LTIP Awards:

If a participant ceases Group Employment during the Holding Period of a vested LTIP Award, their LTIP Award will normally be released at the end of the Holding Period, unless the Board determines that it should be

released as soon as reasonably practicable after the cessation of Group Employment. However if the participant is dismissed as a result of gross misconduct, the vested LTIP Award will lapse. If a participant dies during the Holding Period, their LTIP Award will be released as soon as reasonably practicable after their death.

Where LTIP Options have already vested and been released on the date of cessation of Group Employment, those LTIP Options may normally be exercised for a period of six months from the date of cessation. If a participant dies, a vested LTIP Option may normally be exercised until the first anniversary of the death.

11.10 *Corporate events*

In the event of a change of control of the Company, LTIP Awards will vest (and be released) early. The proportion of any unvested LTIP Awards which vest will be determined by the Board, taking into account: if the LTIP Award is subject to performance conditions, the extent to which performance conditions have been satisfied at that time and such other factors as the Board considers relevant; and unless the Board determines otherwise, the proportion of the performance period (or, in the case of LTIP Awards not subject to performance conditions, the vesting period) which has elapsed.

LTIP Options will normally be exercisable for one month following the change of control, after which time they will lapse.

Alternatively, the Board may permit LTIP Awards to be exchanged for equivalent awards of shares in a different company (including the acquiring company). If the change of control is an internal reorganisation of the Group (or if the Board so decides), participants may be required to exchange their LTIP Awards.

LTIP Awards may be granted to the global leadership team (excluding the Executive Directors) subject to additional protection terms (in line with those described at paragraph 11.21.4) which would apply in the event of a termination of their employment or engagement in anticipation of, upon or within 12 months following a change of control of the Company, where such termination is deemed to be connected with the change of control.

If other corporate events occur such as a winding-up of the Company, demerger, delisting, special dividend or other event which, in the Board's opinion, may materially affect the current or future value of Shares and the Board determines it would not be appropriate or practical to adjust LTIP Awards, the Board may determine that LTIP Awards will vest (and be released) on the same basis as for a change of control.

11.11 *Variation of capital*

If there is a variation of the share capital of the Company or in the event of a demerger, delisting, special dividend or other event which in the Board's opinion may materially affect the current or future value of Shares, the Board may make such adjustments to the number of Shares subject to LTIP Awards, any exercise price attaching to an LTIP Option and/or any performance condition applicable to LTIP Awards as it considers appropriate.

11.12 *Rights attaching to Shares*

Shares issued and/or transferred under the LTIP will not confer rights on any participant until that participant has received the underlying Shares. Any Shares allotted will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their issue).

11.13 *Overall limits*

The LTIP may operate over new issue Shares, treasury Shares or Shares purchased in the market. The Investment Association recommends limits on the number of shares which a company may commit to issue or re-issue pursuant to its employee share plans in any rolling ten year period. These limits are 10 per cent. of issued share capital in respect of all share plans, and 5 per cent. of issued share capital in respect of executive (discretionary) plans. As awards may be granted under the LTIP to a large proportion of employees, the Company does not consider the LTIP to be an executive (discretionary) plan for the purposes of the Investment Association's Dilution Limits. As such, it is relying upon the Investment Association's 10 per cent. limit and the rules of the LTIP provide that, in any ten year rolling period, the number of Shares which may be issued under the LTIP and any other employee share plan adopted by the Company following Admission may not exceed 10 per cent. of the issued ordinary share capital of the Company from time to time.

Shares transferred out of treasury will count towards these limits for so long as this is required under institutional shareholder guidelines. Shares issued or to be issued pursuant to awards granted before Admission

will not count towards these limits, as described in “Shareholders may experience dilution as a result of the Group’s employee share incentive plans, future acquisitions or otherwise” in Part 1 (Risk Factors). In addition, awards which are relinquished or lapse will be disregarded for the purposes of these limits.

11.14 *Amendments*

The Board may, at any time, amend the provisions of the LTIP except that no amendment to the material disadvantage of the existing rights of participants will be made without the amendment having been approved by the majority of affected participants. The prior approval of Shareholders at a general meeting of the Company must be obtained in the case of any amendment which is made to the advantage of eligible employees and/or participants and relates to the provisions relating to eligibility, individual or overall limits, the basis for determining the entitlement to, and the terms of, awards, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval. There are, however, exceptions to this requirement to obtain Shareholder approval for any minor amendments to benefit the administration of the LTIP, to take account of the provisions of any legislation, or to obtain or maintain favourable tax, exchange control or regulatory treatment for any participant or member of the Group.

11.15 *Non-transferability*

Awards are not transferable other than to the participant’s personal representatives in the event of his or her death.

11.16 *Benefits not pensionable*

Benefits received under the LTIP are not pensionable.

11.17 *Overseas plans*

The Board may, at any time, establish further plans based on the LTIP for overseas territories. Any such plan will be similar to the LTIP but may be modified to take account of local tax, exchange control or securities laws. Any Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation under the LTIP. Schedules to the LTIP have been adopted to enable the grant of Awards to eligible employees who are US tax payers, including those who are California resident.

11.18 *Termination*

No LTIP Awards may be granted after 18 September 2028, being ten years after shareholder approval of the LTIP.

Pre-IPO Employee Share Plans

11.19 *Forms of Award*

The Company operates the following equity incentive arrangements in respect of its Shares, subject to the vesting conditions described at paragraph 11.20 (Vesting of Pre-IPO Awards) below:

11.19.1 awards of Growth Shares (including A and C ordinary shares issued as ESS Shares) made to certain members of the senior management team subject to restrictions and risk of forfeiture, which, on a liquidity event (which includes the admission of all or any of the Shares to a stock exchange), will convert to Shares to the extent vested and provided the pre-new money equity value of the Company (or, on a sale or distribution of capital, the amount available for Shareholders) is equal to or greater than the relevant valuation threshold (“Threshold Value”) specified for the class of Growth Shares in the articles of association of the Company immediately prior to Admission;

11.19.2 the Funding Circle Holdings Limited EMI Option Scheme (the “EMI Scheme”), under which the following have been granted:

11.19.2.1 awards to employees over Shares in the form of share options representing rights to acquire Shares, including options that do not qualify for tax advantages in any jurisdiction (“Unapproved Options”), UK tax advantaged enterprise management incentive options (“EMI Options”), US tax advantaged Incentive Stock Options (“US Options”), and linked share options (granted, in parallel with Growth Share awards, over an equivalent number of Shares and exercisable if the Threshold Value of the linked Growth Shares is not met at

the time of a liquidity event) (together “Pre-IPO Options”) and restricted stock units (“Pre-IPO RSUs”), representing a promise to deliver Shares;

- 11.19.2.2 share options to certain of the Non-Executive Directors representing rights to acquire Shares (“NED Unapproved Options”);

(together, the “Pre-IPO Awards”).

No further awards will be granted under the arrangements described within this paragraph 11.19 following Admission.

The terms on which the various forms of Pre-IPO Award have been granted are summarised below.

11.20 *Vesting of Pre-IPO Awards*

11.20.1 All Pre-IPO Awards are subject to a service-based vesting condition, which is met either on the first or second anniversary of the date of grant (or such other date set at grant) as to 25 per cent. of the Shares under the Pre-IPO Award (depending on the terms set at grant), and as to a further 6.25 per cent. of the Shares under the Pre-IPO Award every three months following such anniversary (“Service Condition”). Growth Shares are vested once the Service Condition is met, but remain subject to the provisions of the Articles.

11.20.2 Pre-IPO Options (including NED Unapproved Options) can be exercised once the Service Condition is met, subject to payment of the exercise price which (unless determined otherwise by the Board at grant) is equal to the fair market value of an Ordinary Share at the grant date of the Option, determined for US Internal Revenue Code section 409A valuation purposes.

11.20.3 Vesting of Pre-IPO RSUs is subject to the Service Condition and an additional vesting condition, which is that a liquidity event has occurred (which includes the admission of all or any of the Shares to a stock exchange). Shares are only delivered to participants once both conditions are met.

11.21 *Leaving employment*

11.21.1 All Pre-IPO Options and Pre-IPO RSUs lapse in the event of dismissal for cause (including gross misconduct) or (as determined at the discretion of the Board) other disciplinary reasons.

11.21.2 Subject to the above, upon cessation of employment (or if earlier the giving or receiving of notice of termination) unvested Pre-IPO Options and Pre-IPO RSUs, and all EMI Options, will lapse unless the Board exercises its discretion to permit exercise on terms it determines.

11.21.3 Similarly, Growth Shares will convert to Deferred Shares if the holder is dismissed for gross misconduct or falls into other prescribed “bad leaver” circumstances described in the in the articles of association of the Company immediately prior to Admission. In other leaver circumstances, unvested Growth Shares will convert to Deferred Shares upon cessation of employment unless the Board exercises its discretion otherwise.

11.21.4 In respect of members of the Company’s global leadership team (which is made up of the Executive Directors and key management), the Company has agreed that additional protection will apply in the event of a termination of their employment or engagement in anticipation of, upon or within 12 months following a change of control of the Company, where such termination is deemed to be connected with the change of control. In those circumstances the relevant individual will be entitled to receive a cash payment or other form of award (the “replacement award”) which vests upon the termination of their employment. The value of the replacement award will be determined by reference to the portion of the participant’s unvested Pre-IPO Awards that would have vested (but for the change of control) over the period of 24 months following the change of control or, if later, the 24 months following their termination. The agreed provisions are subject to the Company’s discretion to determine that a greater number of Shares subject to an Pre-IPO Award should vest upon a change of control.

11.22 *Variation of capital*

In the event of any variation of the capital of the Company, the number of Shares subject to the Pre-IPO Awards and any Option exercise price may be adjusted in such manner as the Board, on a fair and reasonable basis, may deem appropriate.

11.23 *Operation of the pre-IPO employee share plans following Admission*

Participants who hold vested Pre-IPO Options may exercise their Pre-IPO Options following Admission. Unvested Pre-IPO Options will continue to vest according to their current Service Condition schedule.

As part of the Reorganisation, to the extent that any Growth Shares are unvested at the point of Admission (in accordance with the existing terms governing such Growth Shares), the Company shall procure that all such unvested Growth Shares vest, subject to the holders of these Growth Shares having entered into a Restricted Share Agreement. As the Threshold Value referred to in paragraph 11.19.1 will have been achieved, all of the Growth Shares will then automatically convert into Shares on a 1:1 basis in accordance with the articles of association of the Company immediately prior to Admission and the linked share options referred to in paragraph 11.19.2.1 will lapse.

The Restricted Share Agreement will be applicable to the Shares resulting from the conversion of unvested Growth Shares (“Nominee Shares”). The vesting schedule and terms (including risk of forfeiture and restrictions on transfer up until the vest date) applicable to the Nominee Shares will mirror the Service Condition schedule and terms applicable to the Growth Shares immediately prior to Admission. As such there will be no change to the effective vesting schedule of the Nominee Shares as a result of the Reorganisation and Admission.

In summary, the terms of the Restricted Share Agreement are as follows:

- 11.23.1 The trustee of the EBT will hold the Nominee Shares as nominee for the participant, but will have no beneficial interest in the Nominee Shares.
- 11.23.2 The participant is restricted from disposing of the Nominee Shares prior to vesting, and will not be entitled to any dividends in respect of unvested Nominee Shares. The Trustee will waive any right to be paid dividends, and will abstain from voting in relation to, unvested Nominee Shares.
- 11.23.3 The Nominee Shares will be released to the participant in tranches on the release dates set out in the vesting schedule.
- 11.23.4 If a participant ceases employment before the vesting date, any unvested Nominee Shares will be forfeited if the participant is dismissed for gross misconduct or falls into other prescribed “bad leaver” circumstances set out in the Restricted Share Agreement (reflecting those applicable to Growth Shares in the articles of association of the Company immediately prior to Admission). In other leaver circumstances, unvested Nominee Shares will be forfeited upon cessation of employment unless the Board exercises its discretion otherwise.
- 11.23.5 In the event of a change of control of the Company, subject to paragraph 11.23.8 below, any unvested Nominee Shares will be forfeited unless the Board exercises its discretion otherwise. If the change of control is an internal reorganisation of the Group, participants may be required to exchange their Awards.
- 11.23.6 If Nominee Shares are forfeited, the participant will cease to have any beneficial interest in the Nominee Shares and the trustee of the EBT will cease to hold them on the participant’s behalf. Forfeited shares will be held by the trustee on general trust for the beneficiaries of the EBT.
- 11.23.7 In the event of any variation of the capital of the Company, or a demerger or special dividend, the participant will be treated in the same way as any other holder of Shares, except that unless the Board determines otherwise:
 - 11.23.7.1 in the event of a rights issue the participant will be required to sell sufficient rights nil-paid as will enable the participant to acquire with the proceeds of sale the remainder of their rights entitlement; and
 - 11.23.7.2 in the event of receipt of cash (other than dividends in the ordinary course) or securities (other than Shares) on a demerger or other reorganisation of or transaction in shares in the Company, the participant will be required to apply the cash (or proceeds of sale of such securities) net of any taxes and expenses, in the purchase of further Shares,and the participant will hold such Shares acquired as Nominee Shares subject to the terms of the Restricted Share Agreement.
- 11.23.8 To the extent that the Company had agreed with a participant that additional protection terms (as set out at paragraph 11.21.4 above) were applicable to their unvested Growth Shares prior to Admission, these terms will be incorporated into the terms of the participant’s Restricted Share Agreement.

11.24 *Outstanding Pre-IPO Awards and other outstanding options immediately following Admission*

It is anticipated that immediately following Admission, Pre-IPO Awards and other options granted to non-employees will be outstanding over approximately 26,443,393 Shares, of which there will be (i) vested Pre-IPO Options and other vested options in respect of 9,969,552 Shares; and approximately (ii) unvested Pre-IPO Options and other unvested options in respect of approximately 9,935,799 Shares; (iii) unvested Pre-IPO RSUs in respect of approximately 874,545 Shares; and (iv) 5,663,497 unvested Nominee Shares.

All Pre-IPO Awards will vest within five years of Admission.

Vested options held by non-employees

11.25 As at the date of this Prospectus, there are outstanding vested options over 33,300 Shares (included in the totals above in paragraph 11.24), which were originally granted to US contractors under the share option scheme of Endurance Lending Network (the “Endurance Lending Network Share Option Scheme”), which the Group acquired in 2013.

11.26 There are currently outstanding vested options over 212,104 Shares, granted to certain current and former contractors and advisors of the Group pursuant to the terms of option agreements in place with each such contractor and advisor, and outstanding vested options over 33,549 Shares, granted to certain sellers in the Zencap Acquisition under replacement option agreements entered into as part of the Zencap Acquisition (in each case, included in the totals above in paragraph 11.24).

12. Pensions

The Group operates a defined contribution pension scheme for employees in the United Kingdom. In Germany, the Group pays the statutory employer’s contribution into the public pension scheme for each employee, but does not operate any pension schemes. The Group makes no contributions to pension schemes in the United States or the Netherlands.

13. Underwriting arrangements

13.1 Underwriting Agreement

On 19 September 2018, the Company, the Directors, the Corporate Nominee, the Individual Agent and the Underwriters entered into the Underwriting Agreement. The Underwriting Agreement is conditional upon Admission occurring no later than 8:00 am on 3 October 2018 or such later time or date as the Company and the Joint Global Co-ordinators (on behalf of the Underwriters) may agree in writing.

Pursuant to the Underwriting Agreement:

13.1.1 the Company has agreed, subject to the determination of the Offer Price and certain other conditions, to allot and issue, at the Offer Price, the New Shares to be issued in connection with the Offer;

13.1.2 the Corporate Nominee (acting as nominee for and on behalf of the Corporate Selling Shareholders pursuant to the Corporate Deeds of Election) and the Individual Agent (acting as agent for and on behalf of the Individual Selling Shareholders pursuant to the Deeds of Election) have agreed, subject to the determination of the Offer Price and certain other conditions, to sell the Shares in the Offer at the Offer Price;

13.1.3 the Underwriters have severally agreed, subject to the determination of the Offer Price and certain other conditions, to use reasonable endeavours to procure subscribers or, failing which, themselves to subscribe for the New Shares (in such proportions as are set out in the Underwriting Agreement) and to procure purchasers or purchase themselves the Existing Shares pursuant to the Institutional Offer (in such proportions as are set out in the Underwriting Agreement);

13.1.4 Subject to the conditions in the Underwriting Agreement having been satisfied or waived and the Underwriting Agreement not having been terminated in accordance with its terms prior to Admission:

13.1.4.1 each of the Company, the Corporate Nominee (acting as nominee for and on behalf of the Corporate Selling Shareholders) and the Individual Agent (acting as agent for and on behalf of the Individual Selling Shareholders), has agreed that the Underwriters may deduct from the proceeds payable to the Company, the Corporate Selling Shareholders and the Individual Selling Shareholders a commission of 1.5 per cent. on the gross proceeds of the Offer up to £500 million, excluding proceeds resulting from Shares that form part of the Intermediaries Offer but including any proceeds resulting from the issue of Shares to the Cornerstone

Investor and the exercise of the Over-allotment Option, and a commission of 1.0 per cent. on any gross proceeds of the Offer over £500 million, on the same basis; and

- 13.1.4.2 each of the Company, the Corporate Nominee (acting as nominee for and on behalf of the Corporate Selling Shareholders) and the Individual Agent (acting as agent for and on behalf of the Individual Selling Shareholders), has agreed that the Company, or as relevant, the Over-allotment Shareholders, may each in its sole discretion, pay the Underwriters (or any of them) an additional commission of up to 1.5 per cent. on the gross proceeds of the Offer up to £500 million, excluding proceeds resulting from Shares that form part of the Intermediaries Offer but including any proceeds resulting from the issue of Shares to the Cornerstone Investor and the exercise of the Over-allotment Option, and an additional commission of up to 1.0 per cent. on any gross proceeds of the Offer over £500 million, on the same basis;
- 13.1.5 in respect of the Intermediaries Offer, the Company and the Underwriters have agreed that a commission of 0.75 per cent. of the amount equal to the Offer Price multiplied by the number of Shares allocated to and paid for by an Intermediary (the “Intermediary Fee”), together with an amount equal to any value added tax payable thereon, shall be paid to each Intermediary by Equiniti Financial Services Limited (on behalf of the Company) out of the aggregate proceeds to be received by the Company, in connection with the Offer. The aggregate commissions payable to the Underwriters by the Company in connection with the Offer shall be reduced by the aggregate of the Intermediary Fee paid to each Intermediary;
- 13.1.6 the obligations of the Underwriters to use reasonable endeavours to procure subscribers and/or purchasers for or, failing which, themselves to subscribe for or purchase Shares pursuant to the Institutional Offer on the terms of the Underwriting Agreement are subject to certain conditions. These conditions include the absence of any breach of warranty under the Underwriting Agreement and Admission occurring no later than 8.00 a.m. on 3 October 2018 (or such later date as the Company and the Joint Global Co-ordinators may agree). In addition, the Joint Global Co-ordinators have the right to terminate the Underwriting Agreement, exercisable in certain circumstances, prior to Admission;
- 13.1.7 Goldman Sachs International, as Stabilising Manager, has been granted the Over-allotment Option by the Corporate Nominee (acting as nominee for and on behalf of the Over-allotment Shareholders) pursuant to which it may purchase or procure purchasers for up to 13,603,941 Over-allotment Shares at the Offer Price for the purposes of covering short positions arising from over-allocations, if any, in connection with the Offer and/or from sales of Shares, if any, effected during the stabilising period. Except as required by law or regulation, neither the Stabilising Manager, nor any of its agents, intends to disclose the extent of any over-allotments and/or stabilising transactions conducted in relation to the Offer. The number of Over-allotment Shares to be transferred pursuant to the Over-allotment Option, if any, will be determined not later than 13,603,941 2018. Settlement of any purchase of Over-allotment Shares will take place shortly after such determination (or if acquired on Admission, at Admission). If any Over-allotment Shares are acquired pursuant to the Over-allotment Option, the Stabilising Manager will be committed to pay to the Corporate Nominee, or procure that payment is made to them of, an amount equal to the Offer Price multiplied by the number of Over-allotment Shares purchased from the Corporate Nominee (acting as nominee for and on behalf of the Over-allotment Shareholders), less commissions and expenses;
- 13.1.8 the Corporate Nominee (acting as nominee for and on behalf of the Corporate Selling Shareholders and the Over-allotment Shareholders pursuant to the Corporate Deeds of Election), the Individual Agent (acting as agent for and on behalf of the Individual Selling Shareholders pursuant to the Individual Deeds of Election) have agreed on a several basis to pay any stamp duty and/or stamp duty reserve tax arising on the sale to purchasers procured by the Underwriters or, where relevant to the Underwriters as principals, of their Shares, subject to certain exceptions including where stamp duty or stamp duty reserve tax has arisen from the wilful default or delay of the Underwriters;
- 13.1.9 the Company has agreed to pay the costs, charges, fees and expenses of the Offer (together with any related value added tax) other than any costs, charges and fees (and any related value added tax) of the Individual Agent (acting as agent for and on behalf of the Individual Selling Shareholders pursuant to the Individual Deeds of Election) and the Corporate Nominee (acting as nominee for and on behalf of the Corporate Selling Shareholders pursuant to the Corporate Deeds of Election), which the Individual Agent and the Corporate Nominee will be responsible for directly;

- 13.1.10 each of the Company, the Directors, the Individual Agent and the Corporate Nominee have given certain representations, warranties and undertakings, subject to certain limitations, to the Underwriters;
- 13.1.11 the Company has given an indemnity to the Underwriters on customary terms; and
- 13.1.12 the parties to the Underwriting Agreement have given certain covenants to each other, including regarding compliance with laws and regulations affecting the making of the Offer in relevant jurisdictions.

13.2 *Company lock-up arrangements*

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Co-ordinators, issue, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

13.3 *Eligible Individual Selling Shareholders lock-up arrangements*

Pursuant to the Underwriting Agreement and related arrangements, the Directors (and certain of their immediate family members) have agreed that, subject to certain exceptions, during the period of 365 days from the date of Admission, they will not, without the prior written consent of the Joint Global Co-ordinators, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Pursuant to the Individual Deeds of Election, all Eligible Employee Selling Shareholders will agree that, subject to certain exceptions, during the period of 365 days from the date of Admission, they will not, without the prior written consent of the Joint Global Co-ordinators, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

All other Eligible Individual Selling Shareholders will be requested, pursuant to the Individual Deeds of Election, to agree that, subject to certain exceptions, during the period of 180 days from the date of Admission they will not, without the prior written consent of the Joint Global Co-ordinators, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

All of the Eligible Individual Selling Shareholders will be permitted to transfer Shares to charitable organisations by way of gift during their respective lock-up periods, provided that (with the exception of charitable transfers of (i) up to 7,225 Shares by Andrew Digby Learoyd and members of his family; and (ii) up to 35,715 Shares by James Meekings and members of his family) those charitable organisations will be subject to the same restrictions as outlined above.

13.4 *Corporate Selling Shareholders and Cornerstone Investor lock-up arrangements*

Pursuant to lock-up deeds entered into with the Company and the Joint Global Co-ordinators, all Eligible Corporate Selling Shareholders have agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission they will not, without the prior written consent of the Joint Global Co-ordinators, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

The Cornerstone Investor has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Bookrunners, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares it has subscribed for or purchased under the Cornerstone Investment Agreement (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

13.5 *Stock lending agreement*

In connection with settlement and stabilisation, Goldman Sachs International, as Stabilising Manager, has entered into a stock lending agreement with Index Ventures V (Jersey), L.P. Pursuant to this agreement, the

Stabilising Manager will be able to borrow up to a maximum of 13,603,941 Shares, being 10 per cent. of the total number of Shares comprised in the Offer (excluding the Shares subject to the Over-allotment Option) on Admission for the purposes, among other things, of allowing the Stabilising Manager to settle, on Admission, over-allotments, if any, made in connection with the Offer. If the Stabilising Manager borrows any Shares pursuant to the stock lending agreement, it will be required to return equivalent securities to Index Ventures V (Jersey), L.P. by no later than the third business day after the date that is the 30th day after the commencement of conditional dealings of the Shares on the London Stock Exchange.

14. Orderly marketing agreement

On 19 September 2018, each of the Index Funds, the Accel Funds, the DST Global Investor and the USV Funds entered into an orderly marketing agreement, pursuant to which they agreed, for so long as they each own Shares, to put in place procedures to manage future sales of Shares for a period of nine months following Admission. In particular:

- 14.1 each party to the orderly marketing agreement that wishes to sell any of its Shares (other than in certain circumstances, including *de minimis* sales and in the case of accepting or agreeing to accept a third party offer for all of the Shares in the Company) must first notify the other parties to the agreement and allow them the opportunity to participate in such sale on the same terms and on a *pro rata* basis to their respective shareholdings in the Company at the time of the sale; and
- 14.2 following any sale of Shares in accordance with the terms of the orderly marketing agreement, those parties selling Shares (or in the case of larger sales, all parties to the agreement) shall be bound by lock-up arrangements on equivalent terms to those being entered into by such Shareholders in connection with the Offer for a further fixed period, provided that any further lock-up will not continue beyond the term of the agreement.

15. Subsidiaries, investments and principal establishments

15.1 Subsidiaries and subsidiary undertakings

The Company is the holding company of the Group. The principal subsidiaries and subsidiary undertakings of the Company (excluding any companies in liquidation) are as follows:

<u>Name</u>	<u>Country of incorporation and registered office</u>	<u>Class and percentage of ownership interest and voting power</u>	<u>Primary field of activity</u>
Funding Circle Ltd	United Kingdom	100%	Facilitates the raising of finance through the UK platform and performs intermediary services in respect of the loans
Funding Circle Asset Finance Limited . . .	United Kingdom	100%	Holds assets on behalf of Investors where the loan is an asset finance loans
Funding Circle Trustee Limited	United Kingdom	100%	Holds security on Investors’ behalf for all secured loans other than property finance loans. On default, holds the legal interest in loans on trust for Investors
Funding Circle Property Finance Limited .	United Kingdom	100%	Holds security on Investors’ behalf for all property finance loans
Made To Do More Limited	United Kingdom	100%	Holds the intellectual property associated with the Group’s rebranding in 2017
Funding Circle Global Partners Limited . .	United Kingdom	100%	Carries out limited capital markets activities (other than in the United States)
Funding Circle USA, Inc.	United States	100%	A web-based lender for small and medium businesses in the United States
Funding Circle Notes Program, LLC	United States	100%	A “special purpose” bankruptcy remote entity that issues and sells series of borrower payment dependent notes to fractional marketplace Investors and purchases and holds corresponding borrower loans from the originator
FC Marketplace, LLC	United States	100%	Originator of the Borrower loans

<u>Name</u>	<u>Country of incorporation and registered office</u>	<u>Class and percentage of ownership interest and voting power</u>	<u>Primary field of activity</u>
FC Partners, LLC	United States	100%	General Partner of FC Partners LP and Funding Circle Diversified Income Fund, LP
Funding Circle Securities LLC	United States	100%	Registered broker dealer
Funding Circle Investor Funds, LLC	United States	100%	a “special purpose” bankruptcy remote entity that owns a bank account holding investor funds
Funding Circle CE GmbH	Germany	100%	Facilitates development, marketing and provision of internet services to affiliated companies of FCCE Group (formerly Zencap Group) (E-Commerce concerning different goods)
Funding Circle Deutschland GmbH	Germany	100%	Operates the German platform and services loans
Funding Circle Connect GmbH	Germany	100%	Investor facing intermediary for the assignment of receivables
Funding Circle España S.L.	Spain	100%	Operated the Spanish platform and now running down loan book
Funding Circle Nederland B.V.	Netherlands	100%	Operates the Dutch platform and services the loans

15.2 *Interest in other entities*

Stichting Derdengelden Funding Circle is not a direct or indirect subsidiary of the Company but is an independent special purpose foundation which is required in the Netherlands to safeguard Borrower and Investor funds.

15.3 *Principal establishments*

The following are the principal establishments of the Group:

<u>Country</u>	<u>Location</u>	<u>Primary Function</u>	<u>Occupancy Type</u>
United Kingdom	London	Global Headquarters	Leased
United Kingdom	Manchester	Office	Serviced managed
United States	San Francisco	Office	Leased
United States	San Francisco	Office	Leased
United States	Portland	Office	Serviced managed
United States	Denver	Office	Leased
Germany	Berlin	Office	Leased
The Netherlands	Amsterdam	Office	Leased

All the Group’s leases are short term.

16. **Statutory auditors**

The auditors of the Company for the period covered by the historical financial information set out in this Prospectus are PricewaterhouseCoopers LLP, chartered accountants, whose registered address is at 1 Embankment Place, London WC2N 6RH.

17. **Material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group: (a) within the two years immediately preceding the date of this Prospectus which are, or may be, material to the Company or any member of the Group, and (b) at any time and contain provisions under which the Company or any member of the Group has an obligation or

entitlement which is, or may be, material to the Company or any member of the Group as at the date of this Prospectus:

17.1 *Underwriting Agreement*

The Underwriting Agreement described in paragraph 13.1 (Underwriting Agreement) of this Part 14 (Additional Information).

17.2 *Reorganisation Deed*

The Reorganisation Deed described in paragraph 4 (Reorganisation) of this Part 14 (Additional Information).

17.3 *Cornerstone Investment Agreement*

The Company on the one hand, and Heartland and the Cornerstone Investor on the other, have entered into the Cornerstone Investment Agreement pursuant to which, inter alia, the Company has agreed to cause the delivery or allotment of, and the Cornerstone Investor has agreed to subscribe for or purchase, at the Offer Price, the number of Shares equal to its aggregate investor commitment amount, divided by the Offer Price, conditional upon Admission and certain other conditions, including that the Offer Price is set within the Price Range. The Cornerstone Investment Agreement contains standard warranties from the Cornerstone Investor, Heartland and the Company.

18. UK Taxation

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Shares. They are based on current UK law and what is understood to be the current practice of HMRC as at the date of this Prospectus, both of which may change, possibly with retroactive effect. They generally apply only to Shareholders who are resident and, in the case of individuals domiciled or deemed domiciled, for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment (other than in an individual savings account or pension arrangement) and who are the absolute beneficial owner of both the Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

The statements summarise the current position and are intended as a general guide only. Prospective equity investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

(a) *Taxation of dividends*

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder. No tax credit attaches to any dividend paid by the Company.

(i) *UK resident individual Shareholders*

Under current UK tax rules specific rates of tax apply to dividend income. These include a nil rate of tax (the “Nil Rate Amount”) for the first £2,000 of dividend income in any tax year from 6 April 2018 and different rates of tax for dividend income that exceeds the Nil Rate Amount. For these purposes “dividend income” includes UK and non UK source dividends and certain other distributions in respect of shares.

An individual Shareholder who is resident for tax purposes in the United Kingdom and who receives a dividend from the Company will not be liable to UK tax on the dividend to the extent that (taking account of any other dividend income received by the Shareholder in the same tax year) that dividend falls within the Nil Rate Amount.

To the extent that (taking account of any other dividend income received by the Shareholder in the same tax year) the dividend exceeds the Nil Rate Amount and cannot be sheltered by the unused part of any Shareholder’s personal allowance, it will be subject to income tax at 7.5 per cent. to the extent that it falls below the threshold for higher rate income tax. To the extent that (taking account of other dividend income received in the same tax year) it falls above the threshold for higher rate income tax then the dividend will be taxed at 32.5 per cent. to the extent that it is within the higher rate band, or 38.1 per cent. to the extent that it is within the additional rate band. For the purposes of determining which of the taxable bands dividend income

falls into, dividend income is treated as the highest part of a Shareholder's income. In addition, dividends within the Nil Rate Amount which would (if there was no Nil Rate Amount) have fallen within the basic or higher rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

(ii) *UK resident corporate Shareholders*

Shareholders within the charge to UK corporation tax which are "small companies" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will generally not be subject to UK corporation tax on any dividend received provided certain conditions are met (including an anti-avoidance condition).

A UK resident corporate Shareholder (which is not a "small company" for the purposes of the UK taxation of dividends legislation in Part 9A of the Corporation Tax Act 2009) will be liable to UK corporation tax (currently at a rate of 19 per cent reducing to 17 per cent from 1 April 2020) unless the dividend falls within one of the exempt classes set out in Part 9A. Examples of exempt classes (as defined in Chapter 3 of Part 9A of the Corporation Tax Act 2009) include dividends paid on shares that are "ordinary shares" (that is shares that do not carry any present or future preferential right to dividends or to the Company's assets on its winding up) and which are not "redeemable", and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital in respect of which the distribution is made). However, the exemptions are not comprehensive and are subject to anti-avoidance rules.

(iii) *Non-UK resident Shareholders*

A non-UK resident Shareholder will generally not be liable to pay any UK tax on dividends paid by the Company (on the basis that any tax liability is limited to tax which is deemed to have been paid by such a shareholder on a non-repayable basis).

A Shareholder resident outside the UK may also be subject to non-UK taxation on dividend income under local law. Any such Shareholder should consult his or her own tax adviser concerning his or her tax position on dividends received from the Company.

An individual UK Shareholder who has been resident for tax purposes in the UK but who ceases to be so resident or becomes treated as resident outside the UK for the purposes of a double tax treaty ("Treaty non-resident") for a period of five years or less and who receives or becomes entitled to dividends from the Company during that period of temporary non-residence may, if the Company is treated as a close company for UK tax purposes and certain other conditions are met, be liable for income tax on those dividends on his or her return to the UK.

(b) *Taxation of disposals*

A disposal or deemed disposal of Shares by a Shareholder who is resident in the United Kingdom for tax purposes may, depending upon the Shareholder's circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

(i) *UK resident individual Shareholders*

For an individual Shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of Shares may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax. The rate of capital gains tax on disposal of shares is 10 per cent. for individuals who are subject to income tax at the basic rate and 20 per cent. for individuals who are subject to income tax at the higher or additional rates. An individual Shareholder is entitled to realise an annual exempt amount of gains (currently £11,700) for the tax year 6 April 2018 to 5 April 2019 without being liable to UK capital gains tax. The capital gains tax rate on share disposals is 20 per cent. for trustees.

(ii) *UK resident corporate Shareholders*

For a corporate Shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of Shares may give rise to a chargeable gain at the rate of corporation tax applicable to that Shareholder (currently 19 per cent reducing to 17 per cent from 1 April 2020) or an allowable loss for the purposes of UK corporation tax.

(iii) *Non-UK resident Shareholders*

Shareholders who are not resident in the United Kingdom will not generally be subject to UK taxation of capital gains on the disposal or deemed disposal of Shares unless they are carrying on a trade, profession or vocation in the United Kingdom through a branch or agency (or, in the case of a corporate Shareholder, a

permanent establishment) in connection with which the Shares are used, held or acquired. Non-UK tax resident Shareholders may be subject to non-UK taxation on any gain under local law.

An individual Shareholder who has been resident for tax purposes in the United Kingdom but who ceases to be so resident or becomes treated as Treaty non-resident for a period of five years or less and who disposes of all or part of his or her Shares during that period may be liable to capital gains tax on his or her return to the UK, subject to any available exemptions or reliefs.

(c) *Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)*

(i) *The Offer*

The stamp duty and SDRT treatment of the subscription or purchase of Shares under the Offer will be as follows:

- (a) The issue of Shares direct to persons acquiring Shares pursuant to the Offer will not generally give rise to stamp duty or SDRT.
- (b) The transfer of, or agreement to transfer, Shares sold by the Selling Shareholders under the Offer will generally give rise to a liability to stamp duty and/or SDRT at a rate of 0.5 per cent. of the Offer Price (in the case of stamp duty, rounded up to the nearest multiple of £5). The Selling Shareholders will pursuant to the Deeds of Election agree to meet such liability.

(ii) *Subsequent transfers*

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Shares. A charge to SDRT will also arise on an unconditional agreement to transfer Shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest) provided that a claim for repayment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee. An exemption from stamp duty is available on an instrument transferring Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

(iii) *Shares transferred through paperless means including CREST*

Paperless transfers of Shares, such as those occurring within CREST, are generally liable to SDRT rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. The charge is generally borne by the purchaser. Under the CREST system, no stamp duty or SDRT will arise on a transfer of Shares into the system unless such a transfer is made for a consideration in money or money’s worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent) will arise.

(iv) *Shares held through Clearance Systems or Depositary Receipt Arrangements*

Special rules apply where Shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts or a person providing a clearance service, under which SDRT or stamp duty may be charged at a rate of 1.5 per cent, with subsequent transfers within the clearance service or transfers of depositary receipts then being free from SDRT or stamp duty. HMRC accept that this charge is in breach of EU law so far as it applies to new issues of shares or transfers that are an integral part of a share issue, and it was confirmed in the Autumn 2017 Budget that the Government intend to continue this approach following Brexit. HMRC’s published view is that the 1.5 per cent. SDRT or stamp duty charge continues to apply to other transfers of shares into a clearance service or depositary receipt arrangement, although this has been disputed. Further litigation indicates that certain transfers of legal title to clearance services in connection with listing, but not integral to a new issue, are also not chargeable. **In view of the continuing uncertainty, specific professional advice should be sought before incurring a 1.5 per cent. stamp duty or stamp duty reserve tax charge in any circumstances.**

The statements in this paragraph (c) apply to any holders of Shares irrespective of their residence, summarise the current position and are intended as a general guide only. Special rules apply to agreements made by, among others, intermediaries, and such rules are not covered by this summary.

(d) Inheritance Tax

The Shares will be assets situated in the United Kingdom for the purposes of UK inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the holder is neither domiciled in the United Kingdom nor deemed to be domiciled in the United Kingdom. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit.

Special rules also apply to close companies and to trustees of settlements who hold Shares, bringing them within the charge to inheritance tax. A charge to inheritance tax may also arise if the Shares are transferred to a trust during lifetime or on death. Shareholders should consult an appropriate tax adviser if they make a gift or transfer at less than market value or intend to hold any Shares through trust arrangements.

19. US Federal Income Taxation

The following discussion is a general summary based on present law of certain US federal income tax considerations relevant to the acquisition, ownership and disposition of Shares. This discussion addresses only US Holders (as defined below) that purchase Shares in the Offer, will hold Shares as capital assets and use the US dollar as their functional currency. This discussion does not address the tax treatment of persons subject to special rules, such as financial institutions, insurance companies, regulated investment companies, real estate investment trusts, dealers, traders in securities that elect to mark-to-market, tax-exempt entities, persons owning directly, indirectly or constructively 10 per cent. or more of the Company's share capital (by vote or value), US expatriates, persons liable for alternative minimum tax, persons holding Shares as part of a hedge, straddle, conversion, constructive sale or other integrated financial transaction or persons holding Shares in connection with a permanent establishment or fixed base outside the United States. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Shares by particular investors (including consequences under the alternative minimum tax), and does not address US federal taxes other than income tax (e.g., estate and gift taxes), US state and local, or non-US tax considerations.

As used in this section, "US Holder" means a beneficial owner of Shares that is, for US federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States or its political subdivisions, (iii) a trust that (a) is subject to the control of one or more US persons and the primary supervision of a US court or (b) has a valid election in effect to be treated as a US person or (iv) an estate the income of which is subject to US federal income tax without regard to its source.

The US federal income tax treatment of a partner in an entity or arrangement treated as a partnership for US federal income tax purposes that holds Shares generally will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for US federal income tax purposes should consult their own tax advisors regarding the specific US federal income tax consequences to them and their partners of the partnership's acquisition, ownership and disposition of Shares.

The Company believes that it was not classified as a passive foreign investment company, or PFIC, for US federal income tax purposes for its most recent taxable year and, based on the composition of Company's current gross assets and income (including the income and assets of the Group) and the manner in which the Company expects the Group to operate its business in future years, the Company believes that it should not be classified as a PFIC for US federal income tax purposes for the Company's current taxable year or in the foreseeable future. In general, a non-US corporation is a PFIC for any taxable year in which, taking into account a pro rata portion of the income and assets of 25 per cent. or more owned subsidiaries, either (i) at least 75 per cent. of its gross income is passive income or (ii) at least 50 per cent. of the average value of its assets is attributable to assets that produce or are held to produce passive income. For this purpose, passive income generally includes, among other things, interest, dividends, rents, royalties and gains from the disposition of investment assets (subject to various exceptions) and property that produces passive income. Based on the manner in which the Group currently operates its business, the Company believes it does not realize sufficient amounts of interest income or other passive income or hold sufficient amounts of loans or other debt instruments or other passive assets that it would be treated as a PFIC under either of these tests. Moreover, the Company's assets include goodwill (as measured by the market price of the Shares), which the Company believes would generally not be expected to be considered a passive asset. Whether the Company is a PFIC is a factual determination made annually, however, and the Company's status could change depending

upon, among other things, changes in the composition and relative value of its gross receipts and assets, including as a result of a change in its business model (which is not anticipated), and as a result of changes in the value of its goodwill, as measured by the market price of the Shares. Thus, there can be no assurance that the Company will not become a PFIC in any future taxable year. The remainder of the discussion herein assumes that the Company will not become a PFIC.

Dividends

Distributions on the Shares will be treated as dividends to the extent paid out of the Company's current or accumulated earnings and profits (as determined under US federal income tax principles). Because the Company does not maintain calculations of its earnings and profits under US federal income tax principles, financial intermediaries through which distributions are paid generally will be required to report distributions to US Holders as dividends. Accordingly, distributions on the Shares generally should be included in a US Holder's gross income as ordinary dividend income from foreign sources upon receipt. Dividends will not be eligible for the dividends-received deduction generally available to US corporations. If the Company qualifies for benefits under the United States-United Kingdom tax treaty (the "Treaty"), dividends on the Shares generally will qualify for the reduced rates applicable to qualified dividend income of certain eligible non-corporate US Holders that satisfy a minimum holding period and other generally applicable requirements. Assuming that Shares are traded in sufficient quantity on the London Stock Exchange, the Company believes it will qualify for benefits under the Treaty.

Dividends paid in a currency other than US dollars (a "non-US currency") will be includable in income in a US dollar amount based on the exchange rate in effect on the date of receipt whether or not the non-US currency is converted into US dollars or otherwise disposed of at that time. If dividends received in a non-US currency are converted into US dollars on the day they are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income. A US Holder's tax basis in the non-US currency will equal the US dollar amount included in income. Any gain or loss realised on a subsequent disposition or conversion of the non-US currency for a different US dollar amount generally will be US source ordinary income or loss.

Sale or other Disposition

A US Holder generally will recognise capital gain or loss on the sale or other disposition of Shares in an amount equal to the difference, if any, between the US Holder's adjusted tax basis in the Shares and the US dollar value of the amount realised from the sale or other disposition.

A US Holder's adjusted tax basis in the Shares generally will be the US dollar value of the purchase price paid in the Offer. Any gain or loss generally will be treated as arising from US sources and will be long-term capital gain or loss if the US Holder's holding period exceeds one year. Deductions for capital losses are subject to limitations. A loss may nonetheless be a long-term capital loss regardless of a US Holder's actual holding period to the extent the US Holder has received qualified dividends eligible for reduced rates of tax prior to a sale or other disposition of its Shares that exceeded 10 per cent. of such US Holder's basis in the Shares.

A US Holder that receives non-US currency on the sale or other disposition of Shares will realise an amount equal to the US dollar value of the non-US currency received at the spot rate on the date of sale or other disposition (or, in the case of cash basis and electing accrual basis US Holders, the settlement date). An accrual basis US Holder that does not elect to determine the amount realised using the spot rate on the settlement date will recognise foreign currency gain or loss equal to the difference between the US dollar value of the amount received based on the spot exchange rates in effect on the date of sale or other disposition and the settlement date. A US Holder will have a tax basis in the non-US currency received equal to the US dollar value of the non-US currency received at the spot rate on the settlement date. Any gain or loss realised on a subsequent disposition or conversion of the non-US currency for a different US dollar amount generally will be US source ordinary income or loss.

Medicare Tax on Net Investment Income

Certain non-corporate US Holders whose income exceeds certain thresholds generally will be subject to a 3.8 per cent. surtax tax on their "net investment income" (which generally includes, among other things, dividends on, and capital gain from the sale or other disposition of, Shares). Non-corporate US Holders should consult their own tax advisors regarding the possible effect of such tax on their ownership and disposition of Shares.

Reporting and Backup Withholding

Dividends on the Shares and proceeds from the sale or other disposition of Shares may be reported to the US Internal Revenue Service (“IRS”) unless the US Holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to reportable payments unless the US Holder makes the required certification, including providing its taxpayer identification number or otherwise establishes a basis for exemption. Any amount withheld may be credited against a US Holder’s US federal income tax liability or refunded to the extent it exceeds the US Holder’s liability, provided the required information is timely furnished to the IRS.

Certain US Holders are required to report information with respect to Shares not held through an account with a US financial institution to the IRS. US Holders who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors about these and any other reporting obligations arising from their investment in Shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE SHARES IN LIGHT OF THE INVESTOR’S OWN CIRCUMSTANCES.

20. Enforcement and civil liabilities under US federal securities laws

The Company is incorporated under English law. Many of the Directors, and the Proposed Director, are citizens of the United Kingdom (or other non-US jurisdictions), and a majority of the Company’s assets are located outside the United States. As a result, it may not be possible for equity investors to effect service of process within the United States upon the Directors and the Proposed Director, or to enforce against them in the US courts judgments obtained in US courts predicated upon the civil liability provisions of the US federal securities laws. There is doubt as to the enforceability in England, in original actions or in actions for enforcement of judgments of the US courts, of civil liabilities predicated upon US federal securities laws.

21. Litigation

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus, which may have, or have had in the recent past, a significant effect on the Company’s and/or the Group’s financial position or profitability.

22. Related party transactions

Save as described in Note 26 of Section B of Part 12 (Historical Financial Information), there are no related party transactions between the Company or members of the Group and related parties.

23. Working capital

The Company is of the opinion that, taking into account the net proceeds receivable by the Company from the subscription for New Shares in the Offer, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

24. No significant change

There has been no significant change in the financial or trading position of the Group since 30 June 2018, the date to which the last audited consolidated information of the Group was prepared.

25. Intermediaries

The Intermediaries authorised at the date of this document to use this document in connection with the Intermediaries Offer are:

<u>Name</u>	<u>Address</u>
AJ Bell Youinvest	4 Exchange Quay, Salford Quays, Manchester, M5 3EE
Albert E Sharp	7 Elm Court, Arden Street, Stratford-upon-Avon, Warwickshire, CV37 6PA
Alliance Trust Savings Limited	PO Box 164, 8 West Marketgait, Dundee DD1 9YP
Barclays Smart Investor	1 Churchill Place, London E14 5HP
Cornhill Capital Limited	4th Floor, 18 St Swithins Lane, London, EC4N 8AD
Hargreaves Lansdown	1 College Square South, Anchor Road, Bristol, BS1 5HL
iDealing.com Limited	Suite 605, 150 Minories, London, EC3N 1LS
IG Group	Cannon Bridge House, 25 Dowgate Hill, London, EC4R 2YA
Interactive Investor	Exchange Court, Duncombe Street, Leeds, LS1 4AX
Killik & Co	46 Grosvenor Street, London, W1K 3HN
Redmayne-Bentley Stockbrokers	9 Bond Court, Leeds LS1 2JZ
Saga Share Direct	Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Selftrade	Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Sharedeal Active	Jarvis Investment Management Ltd, 78 Mount Ephraim, Royal Tunbridge Wells, Kent, TN4 8BS
Shareview	Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
SVS Securities Plc	2nd Floor, 20 Ropemaker Street, London, EC2Y 9AR Oxford House, Oxford Road, Aylesbury, Buckinghamshire, HP21 8SZ
The Share Centre	Buckinghamshire, HP21 8SZ
WH Ireland Limited	WH Ireland Group plc, 24 Martin Lane, London EC4R 0DR
X-O.co.uk	Jarvis Investment Management Ltd, 78 Mount Ephraim, Tunbridge Wells, Kent, TN4 8BS
Shore Capital Stockbrokers Limited	Bond Street House, 14 Clifford Street, London, W1S 4JU
TS Capital	Fountain House, 130 Fenchurch Street, London, EC3M 5DJ

Any new information with respect to financial intermediaries unknown at this time of approval of this Prospectus including in respect of: (i) any intermediary financial institution that is appointed by the Company in connection with the Intermediaries Offer after the date of this document following its agreement to adhere to and be bound by the Intermediaries Terms and Conditions, and (ii) any Intermediary that ceases to participate in the Intermediaries Offer, will be made available on the Company's website at <http://corporate.fundingcircle.com/investors/prospectus>.

25.1 *Intermediaries Terms and Conditions*

The Intermediaries Terms and Conditions regulate the relationship between the Company, the Intermediaries Offer Adviser, the Underwriters and each of the Intermediaries that has been accepted by the Company to act as an Intermediary after making an application for appointment in accordance with the Intermediaries Terms and Conditions.

25.2 *Capacity and liability*

The Intermediaries have agreed that, in connection with the Intermediaries Offer, they will be acting for themselves or as agent for retail equity investors in the United Kingdom, the Channel Islands and the Isle of Man who wish to acquire Shares under the Intermediaries Offer (the "Underlying Applicants"). None of the Company, any of the Selling Shareholders, the Intermediaries Offer Adviser or any of the Underwriters will have any responsibility for any liability, costs or expenses incurred by any Intermediary.

25.3 *Eligibility to be appointed as an Intermediary*

In order to be eligible to be considered by the Company for appointment as an Intermediary, each intermediary must be:

- (a) authorised by the FCA or the Prudential Regulatory Authority in the United Kingdom; or
- (b) authorised by a competent authority in another EEA jurisdiction with the appropriate authorisation to carry on the relevant activities in the United Kingdom; or

- (c) a member firm of the London Stock Exchange conducting business in the Channel Islands or the Isle of Man; or
- (d) in respect of acting as agents for Underlying Applicants in Jersey, authorised by the Jersey Financial Services Commission to carry on the relevant class of investment business in Jersey; or
- (e) a person licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) to carry on restricted activities in respect of category 2 controlled investments under such Law,

and in each case have appropriate permissions, licences, consents and approvals to act as Intermediary in the United Kingdom, Jersey, Guernsey or the Isle of Man, as applicable. Each Intermediary must also:

- (a) be a member of CREST; or
- (b) have arrangements with a clearing firm that is a member of CREST.

25.4 *Application for Shares*

A minimum application amount of £1,000 per Underlying Applicant will apply. There is no maximum limit on the monetary amount that underlying applicants may apply to invest. The Intermediaries have agreed not to make more than one application per Underlying Applicant. Any application made by equity investors through any Intermediary is subject to the terms and conditions agreed with each Intermediary.

Allocations of Shares under the Intermediaries Offer will be at the absolute discretion of the Company, after consultation with the Joint Global Co-ordinators. If there is excess demand for Shares in the Intermediaries Offer, allocations of Shares may be scaled down to an aggregate value which is less than that applied for. Each Intermediary will be required by the Company to apply the basis of allocation to all allocations to Underlying Applicants who have applied through such Intermediary.

25.5 *Effect of Intermediaries Offer Application Form*

By completing and returning the Intermediaries Offer Application Form, the Intermediary will be deemed to have irrevocably agreed to invest or procure the investment in Shares of the aggregate amount stated on the Intermediaries Offer Application Form or such lesser amounts in respect of which such application may be accepted. The Company and the Joint Global Co-ordinators reserve the right to reject, in whole or in part, or to scale down, any application for Shares in the Intermediaries Offer.

25.6 *Commission*

The Intermediaries who have elected to receive it will receive a commission of 0.75 per cent. of the amount equal to the Offer Price multiplied by the aggregate number of New Shares subscribed or Existing Shares sold pursuant to the Intermediaries Offer.

25.7 *Information and communications*

The Intermediaries have agreed to give certain undertakings regarding the use of information provided to them in connection with the Intermediaries Offer (both prior to and following publication of the Prospectus). The Intermediaries have given certain undertakings regarding their role and responsibilities in the Intermediaries Offer and are subject to certain restrictions on their conduct in connection with the Intermediaries Offer, including in relation to their responsibility for information, communications, websites, advertisements and their communications with clients and the press.

25.8 *Representations and warranties*

The Intermediaries have given representations and warranties that are relevant for the Intermediaries Offer, and have agreed to indemnify the Company, the Selling Shareholders, the Intermediaries Offer Adviser and the Underwriters against any loss or claim arising out of any breach by them of the Intermediaries Terms and Conditions or as a result of a breach of any duties or obligations under FSMA or under any rules of the FCA or any applicable laws or as a result of any other act or omission by an Intermediary in connection with the purchase and/or resale of Shares by the Intermediaries or any Underlying Applicant.

26. *Consents*

PricewaterhouseCoopers LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of the report in Section A of Part 12

(Historical Financial Information), in the form and context in which it appears and has authorised the contents of that part of this Prospectus which comprise its report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

A written consent under the Prospectus Rules is different from a consent filed with the SEC under Section 7 of The US Securities Act. As the Shares have not been and will not be registered under The US Securities Act, PricewaterhouseCoopers LLP has not filed and will not be required to file a consent under Section 7 of The US Securities Act.

27. General

- 27.1 The fees and expenses to be borne by the Company in connection with Admission including the Underwriters' commission, the Intermediaries' commission, professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to approximately £17.8 million (including VAT). The Selling Shareholders will pursuant to the Deeds of Election agree to pay their expenses in connection with the sale (if any) of Existing Shares including underwriting commissions of up to approximately £10.7 million (assuming that the Offer Price is set at the mid-point of the Price Range, that the number of Existing Shares sold is set at the top of the Existing Share Offer Size Range and no Over-allotment Shares are acquired pursuant to the Over-allotment Option).
- 27.2 The financial information contained in this Prospectus does not amount to statutory accounts within the meaning of section 434(3) of the Act.
- 27.3 Each New Share is expected to be issued at a premium of between 419.9 pence and 529.9 pence to its nominal value of 0.1 pence.

28. Documents available for inspection

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following the date of this Prospectus at the offices of Freshfields Bruckhaus Deringer LLP at 65 Fleet Street, London EC4Y 1HS:

- (a) the Articles;
- (b) the Reporting Accountant's report on the Historical Financial Information, which is set out in Section A of Part 12 (Historical Financial Information);
- (c) the consent letter referred to in "Consents" in paragraph 26 (*Consents*) of this Part 14 (Additional Information); and
- (d) this Prospectus.

Dated: 19 September 2018

PART 15
Definitions and Glossary

The following definitions apply throughout this Prospectus unless the context requires otherwise:

“Accel Funds”	. . . . .	Accel London III, L.P.; Accel London Investors 2012 L.P.; Accel London Investors 2016 L.P.; Accel London V L.P.; and Accel London V Strategic Partners L.P.
“Accel Over-allotment Funds”	. . . . .	Accel London III, L.P.; and Accel London Investors 2012 L.P.
“Act”	. . . . .	the Companies Act 2006, as amended, modified or re-enacted from time to time
“Adjusted EBITDA”	. . . . .	profit or loss before depreciation and amortisation, finance income, income tax, share-based payments and associated social security costs, foreign exchange and exceptional items
“Adjusted EBITDA Margin”	. . . . .	the ratio of Adjusted EBITDA to revenue, expressed as a percentage
“Admission”	. . . . .	the admission of the Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities
“AFM”	. . . . .	the Dutch Authority for the Financial Markets (<i>Autoriteit Financiële Markten</i>)
“Articles”	. . . . .	the articles of association of the Company to be adopted upon Admission
“ASIC”	. . . . .	the Australian Securities and Investments Commission
“AWS”	. . . . .	Amazon Web Services
“Board”	. . . . .	the board of directors of the Company
“BofA Merrill Lynch”	. . . . .	Merrill Lynch International
“Bonus Shares”	. . . . .	Growth Shares of £0.0001 nominal value each in the capital of the Company, to be allotted and issued in accordance with paragraph 4 (Reorganisation) of Part 14 (Additional Information)
“Borrowers”	. . . . .	actual or prospective borrowers participating on the Group’s platform
“Brexit”	. . . . .	a common reference to the United Kingdom leaving the European Union
“Business Day”	. . . . .	a day (excluding Saturdays, Sundays and public holidays) on which banks are open in London for the transaction of normal banking business
“Call for Input”	. . . . .	as defined in Part 1 (Risk Factors)
“CEO”	. . . . .	chief executive officer
“CFPB”	. . . . .	the Consumer Financial Protection Bureau, created by the Dodd-Frank Act
“Chairman”	. . . . .	the chairman of the Board
“Chief Executive Officer”	. . . . .	the chief executive officer of the Group
“Chief Financial Officer”	. . . . .	the chief financial officer of the Group
“CISA”	. . . . .	Swiss Federal Act on Collective Investment Schemes
“Circlers”	. . . . .	a term used by the Group to refer to its employees
“City Code”	. . . . .	the City Code on Takeovers and Mergers

“Company”	Funding Circle Holdings Limited, to be re-registered as a public company limited by shares and renamed Funding Circle Holdings plc prior to Admission
“Cornerstone Investment Agreement”	the cornerstone investment agreement, as amended, entered into between the Company, Heartland and the Cornerstone Investor, as described in “ <i>Material Contracts – Cornerstone Investment Agreement</i> ” in Part 14 (Additional Information)
“Cornerstone Investor”	Aktieselskabet af 2.7.2018, a wholly-owned indirect subsidiary of Heartland
“Corporate Deeds of Election”	the deeds of election to be entered into by the Eligible Corporate Selling Shareholders that decide to make available Shares for sale in the Offer, pursuant to which, among other things, each such Eligible Corporate Selling Shareholder will irrevocably instruct the Corporate Nominee to sell Existing Shares as nominee for and on behalf of each such Eligible Corporate Selling Shareholder
“Corporate Nominee”	Zedra Trust Company (Guernsey) Limited
“Corporate Selling Shareholder”	a Shareholder which is not an individual and which elects to sell Existing Shares as part of the Offer by executing a Corporate Deed of Election
“Corporations Act”	the Corporations Act 2001 of the Commonwealth of Australia
“CREST”	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK and Ireland Limited is the operator
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“C&R”	collections and recoveries
“DBO”	the California Department of Business Oversight
“Deeds of Election”	the Individual Deeds of Election and the Corporate Deeds of Election
“Deferred Shares”	deferred shares with a nominal value of £0.00001 in the capital of the Company
“Developing Markets”	Germany, the Netherlands and Spain (which the Group subsequently decided to exit in January 2017)
“Disclosure Guidance and Transparency Rules”	the disclosure guidance and transparency rules produced by the FCA and forming part of the handbook of the FCA through which a manager derives its status as an authorised person under the FSMA rules and guidance, as, from time to time, amended
“Directors”	the Executive Directors and the Non-Executive Directors
“DFS”	the New York Department of Financial Services
“DFSA”	the Dutch Financial Supervision Act (<i>Wet op het financieel toezicht</i>)
“DIFC”	the Dubai International Financial Centre
“Dodd-Frank Act”	the Dodd-Frank Wall Street Reform and Consumer Protection Act
“DST Global Investor”	DST Global IV, L.P.
“EBT”	as defined in paragraph 10 (Employee Benefit Trust) of Part 14 (Additional Information)
“ECOA”	the US Equal Credit Opportunity Act
“EEA”	the European Economic Area

“EIB”	the European Investment Bank
“Eligible Corporate Selling Shareholders”	all Eligible Selling Shareholders which are not an individual
“Eligible Employee Selling Shareholders”	members of the Group's global leadership team (other than Directors), who are entitled to make available Shares for sale in the Offer
“Eligible Individual Selling Shareholders”	all Eligible Selling Shareholders who are individuals
“Eligible Selling Shareholders”	the existing Shareholders who are entitled to make available Shares for sale in the Offer, being the Principal Shareholders (excluding the Cornerstone Investor) and certain of their immediate family members; other Shareholders holding more than 0.25 per cent. of the issued share capital of the Company immediately prior to Admission; the Directors (and certain of their immediate family members); and the Eligible Employee Selling Shareholders
“EMI Options”	as defined in paragraph 11.19 (Forms of Award) of Part 14 (Additional Information)
“EMI Scheme”	as defined in paragraph 11.19 (Forms of Award) of Part 14 (Additional Information)
“equity investor”	investor in Shares
“ERMF”	Enterprise Risk Management Framework
“ESS Shares”	A and C ordinary shares, both in the share capital of the Company, acquired under an employee shareholder status agreement for UK tax purposes
“EU”	the European Union
“EU Single Market”	a single market which seeks to guarantee the free movement of goods, capital, services, and labour within the European Union
“Executive Directors”	the executive Directors of the Company
“Existing Share Offer Size”	the number of Existing Shares to be sold in the Offer (excluding the Over-allotment Shares)
“Existing Share Offer Size Range”	up to 64,610,845 Existing Shares
“Existing Shares”	the Shares that will be held by the Eligible Selling Shareholders following the Reorganisation and prior to any sale of Shares pursuant to the Offer
“FCA”	the Financial Conduct Authority
“FCGP”	Funding Circle Global Partners Limited
“FCIF”	Funding Circle SME Income Fund
“FCTL”	Funding Circle Trustee Limited
“FIEL”	the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 as amended)
“Free Cash Flow”	the sum of net cash flow from operating activities and net cash flow from investing activities
“Free Cash Flow Margin”	the ratio of Free Cash Flow to revenue, expressed as a percentage
“Funding Circle Continental Europe”	Funding Circle CE GmbH and its subsidiaries and subsidiary undertakings
“Funding Circle Germany”	Funding Circle Deutschland GmbH

“Funding Circle NL”	Funding Circle Nederland B.V.
“Funding Circle UK”	Funding Circle Ltd
“Funding Circle US”	Funding Circle USA, Inc. and its US subsidiaries and affiliates
“GDPR”	the General Data Protection Regulation (Regulation (EU) 2016/679)
“Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council, as amended from time to time
“Group” or “Funding Circle”	Funding Circle Holdings Limited and its subsidiaries and subsidiary undertakings prior to the Reorganisation and, upon the Reorganisation taking effect, Funding Circle Holdings plc and its subsidiaries and subsidiary undertakings
“Group Employment”	as defined in paragraph 11.9 (Cessation of employment) of Part 14 (Additional Information)
“Growth Shares”	the A ordinary shares, B ordinary shares, C ordinary shares, D ordinary shares and E ordinary shares with a nominal value of £0.00001 each in the share capital of the Company
“Heartland”	Heartland A/S
“HMRC”	HM Revenue and Customs
“Holding Period”	as defined in paragraph 11.5 (Vesting and release of LTIP Awards) of Part 14 (Additional Information)
“H1 2017”	the six month period ended 30 June 2017
“H1 2018”	the six month period ended 30 June 2018
“IFISA”	Innovative Finance Individual Savings Account
“IFRS”	International Financial Reporting Standards, as adopted by the European Union
“Index Funds”	Index Ventures Growth II (Jersey), L.P.; Index Ventures Growth II Parallel Entrepreneur Fund (Jersey), L.P.; Index Ventures V (Jersey), L.P.; Index Ventures V Parallel Entrepreneur Fund (Jersey), L.P.; and Yucca (Jersey) SLP (as administrator of the Index Co-Investment Scheme)
“Individual Agent”	Equiniti Financial Services Limited, acting as agent for and on behalf of each of the Individual Selling Shareholders pursuant to the Individual Deeds of Election
“Individual Deeds of Election”	the deeds of election to be entered into by the Individual Selling Shareholders who decide to make available Shares for sale in the Offer, pursuant to which, among other things, each such Eligible Individual Selling Shareholder will irrevocably instruct the Individual Agent to agree the sale of Existing Shares as agent for and on behalf of each such Eligible Individual Selling Shareholder
“Individual Selling Shareholder”	a Shareholder who is an individual and who elects to sell Existing Shares as part of the Offer by executing an Individual Deed of Election
“Institutional Offer”	the offer of Shares to certain institutional equity investors as described in Part 13 (Details of the Offer)
“Interim Feedback Statement”	as defined in Part 1 (Risk Factors)
“Intermediaries Offer”	the offer of Shares to the Intermediaries as described in Part 13 (Details of the Offer)

“Intermediaries Offer Adviser”	Solid Solutions (Associates) UK Limited
“Intermediaries Offer Application Form”	the form of application for Shares in the Intermediaries Offer used by the Intermediaries
“Intermediaries Terms and Conditions”	the terms and conditions on which each Intermediary has agreed to be appointed by the Company to act as an Intermediary in the Intermediaries Offer and pursuant to which Intermediaries may apply for Shares in the Intermediaries Offer, details of which are set out in paragraph 25 (Intermediaries) of Part 14 (Additional Information)
“Intermediaries”	the entities listed in paragraph 25 (Intermediaries) of Part 14 (Additional Information), together with any other intermediary that is appointed by the Company in connection with the Intermediaries Offer after the date of this Prospectus
“Intermediary Fee”	a commission of 0.75 per cent. of the amount equal to the Offer Price multiplied by the number of Shares allocated to and paid for by an Intermediary
“Investment Advisers Act”	the US Investment Advisers Act of 1940, as amended
“Investment Association’s Dilution Limits”	the limits of 10 per cent. of issued share capital (in respect of all share plans) or 5 per cent. of issued share capital (in respect of executive discretionary plans) on the number of shares which a company may commit to issue or re-issue pursuant to such plans in any rolling ten year period, and the recommendation that the potential issue of new shares should be spread over the life of relevant plans in order to ensure the limit is not breached, in each case as set out in the Investment Association in its Principles of Remuneration dated November 2017
“Investment Company Act”	the US Investment Company Act of 1940, as amended
“Investors”	actual or prospective investors participating on the Group’s platform
“IRS”	the US Internal Revenue Service
“ISA”	Individual Savings Account
“ISIN”	international securities identification number
“Joint Bookrunners”	BofA Merrill Lynch, Goldman Sachs International, Morgan Stanley and Numis Securities Limited
“Joint Global Co-ordinators”	BofA Merrill Lynch, Goldman Sachs International and Morgan Stanley
“Listing Rules”	the listing rules of the FCA made under section 74(4) of the FSMA
“Loans under Management”	the total value of outstanding principal and interest to Borrowers and includes amounts that are overdue but not loans that have defaulted
“London Stock Exchange”	London Stock Exchange plc
“LTIP”	as defined in paragraph 11 (Employee Share Plans) of Part 14 (Additional Information)
“LTIP Awards”	as defined in paragraph 11.2 (Form of LTIP Awards) of Part 14 (Additional Information)
“LTIP Options”	as defined in paragraph 11.2 (Form of LTIP Awards) of Part 14 (Additional Information)
“Market Abuse Regulation”	Regulation (EU) 596/2014

“Member State”	a member state of the European Economic Area
“MiFID II”	the EU Directive 2014/65/EU on markets in financial instruments, as amended
“Morgan Stanley”	Morgan Stanley & Co. International plc
“NED Unapproved Options”	as defined in paragraph 11.19 (Forms of Award) of Part 14 (Additional Information)
“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
“New Director Shares”	as defined in paragraph 7 (Directors’, Proposed Director’s and Senior Managers’ interests) of Part 14 (Additional Information)
“New Share Offer Size”	the number of New Shares to be issued in the Offer
“New Share Offer Size Range”	between 56,603,774 New Shares and 71,428,571 New Shares
“New Shares”	new Shares in the Company to be allotted and issued as part of the Offer
“Nil Rate Amount”	as defined in paragraph 18 (UK Taxation) of Part 14 (Additional Information)
“Nominee Shares”	as defined in paragraph 11 (Employee Share Plans) of Part 14 (Additional Information)
“Non-Executive Directors”	the non-executive Directors of the Company
“OCC”	the Officer of the Comptroller of Currency, which is the principal supervisor of national banks in the United States and part of the Treasury Department
“Offer”	the Institutional Offer and the Intermediaries Offer
“Offer Price”	the price at which each Share is to be issued or sold pursuant to the Offer
“Offer Size”	the aggregate of the New Shares to be issued pursuant to the Offer and the Existing Shares to be sold pursuant to the Offer, to be set out in the Pricing Statement
“Official List”	the Official List of the FCA
“Open Banking”	an initiative led by the UK’s Competition and Markets Authority that is intended to create more competition in the banking industry and to encourage better services and more innovation to improve your banking experience
“Over-allotment Option”	the option granted to the Stabilising Manager by the Corporate Nominee (acting as nominee for and on behalf of the Over-allotment Shareholders) to purchase, or procure purchasers for, up to a maximum of 13,603,941 Shares, being 10 per cent. of the total number of Shares comprised in the Offer, as more particularly described in Part 13 (Details of the Offer)
“Over-allotment Shareholders”	the Index Funds, the Accel Funds, the DST Global Investor and Stone Ridge Trust V, on behalf of its series, the Stone Ridge Alternative Lending Risk Premium Fund (USA incorporated)
“Over-allotment Shares”	the Existing Shares the subject of the Over-allotment Option
“PCAOB”	the Public Company Accounting Oversight Board (United States)
“Performance Based Vesting”	as defined in paragraph 11.5 (Vesting and release of LTIP Awards) of Part 14 (Additional Information)

“PFIC”	a passive foreign investment company for US federal income tax purposes
“platform”	an online lending platform through which borrower loans are originated and allocated to investors, and, with respect to the Group, comprising the different online lending platforms across the Group’s geographies
“PRA”	Prudential Regulation Authority
“Pre-IPO Awards”	as defined in paragraph 11.19 (Forms of Award) of Part 14 (Additional Information)
“Pre-IPO Options”	as defined in paragraph 11.19 (Forms of Award) of Part 14 (Additional Information)
“Pre-IPO RSUs”	as defined in paragraph 11.19 (Forms of Award) of Part 14 (Additional Information)
“Preferred Shares”	the Series A preferred shares, Series B preferred shares, Series C preferred shares, Series D preferred shares, Series E preferred shares and Series F preferred shares, each in the share capital of the Company
“Price Range”	420 pence to 530 pence
“Pricing Statement”	the pricing statement to be published on or about 28 September 2018 by the Company detailing the Offer Price and the number of Shares which are the subject of the Offer
“Principal Shareholders”	the Shareholders who are expected to be, immediately prior to and/or immediately following Admission, directly or indirectly interested in 3 per cent. or more of the share capital of the Company
“Proposed Director”	Geeta Gopalan, who has agreed to be appointed as a Non-Executive Director with effect from 1 November 2018 pursuant to a letter of appointment with the Company dated 14 September 2018
“Prospectus”	the final prospectus approved by the FCA as a prospectus prepared in accordance with the Prospectus Rules
“Prospectus Directive”	Directive 2003/71/EC and amendments thereto, including any relevant implementing measure in each Relevant Member State.
“Prospectus Rules”	the prospectus rules of the FCA made pursuant to section 73A of FSMA, as amended
“PSD2”	the Second Payment Services Directive (<i>Directive 2015/2366/ EU</i>)
“P2P”	peer-to-peer
“P2P Agreements”	“article 36H agreements”, as defined in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544)
“Receiving Agent”	Equiniti Limited
“Registrar”	Equiniti Limited
“Regulatory Information Service”	one of the regulatory information services authorised by the FCA to receive, process and disseminate regulatory information from listed companies
“Relevant Member State”	each Member State of the European Economic Area that has implemented the Prospectus Directive
“Regulations”	The Uncertified Securities Regulations 2001 including any modification or re-enactment of them for the time being in force

“Regulation S”	Regulation S under the US Securities Act
“Reorganisation”	the corporate reorganisation undertaken by the Group in preparation for the Offer as described in paragraph 4 (Reorganisation) in Part 14 (Additional Information)
“Reorganisation Deed”	a reorganisation deed executed on 21 August 2018 by the Company along with its Chairman and certain of its institutional and founder Shareholders in order to implement the Reorganisation
“Restricted Share Agreement”	an agreement to govern the vesting post-Admission of Growth Shares which were unvested immediately prior to Admission, to be entered into by the Company, the trustee of the employee benefit trust (on behalf of the employee benefit trust) and each Shareholder who held such unvested Growth Shares immediately prior to Admission
“Rule 144A”	Rule 144A under the US Securities Act
“SDRT”	stamp duty reserve tax
“SEC”	the US Securities and Exchange Commission
“Section 1071”	Section 1071 of the Dodd-Frank Act
“SEDOL” or “Stock Exchange Daily Official List”	the London Stock Exchange Daily Official List of share identifiers
“Segment Adjusted EBITDA”	Adjusted EBITDA excluding product development and corporate costs that are incurred for the benefit of all geographic operating segments
“Segment Adjusted EBITDA Margin”	the ratio of Segment Adjusted EBITDA to revenue, expressed as a percentage
“Selling Shareholder Options”	vested options over 104,296 Shares held by John Eric Daniels and vested options over 412,981 Shares held by one of the Eligible Employee Selling Shareholders, which are capable of being exercised before Admission
“Selling Shareholders”	all Eligible Selling Shareholders who sell Existing Shares as part of the Offer
“Senior Managers”	those individuals identified as such in Part 8 (Directors, Proposed Director, Senior Managers and Corporate Governance)
“Service Condition”	as defined in paragraph 11.20 (Vesting of Pre-IPO Awards) of Part 14 (Additional Information)
“SFO”	the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong
“Shareholders”	the holders of Shares in the capital of the Company
“Share Offer Size”	the number of Shares to be sold pursuant to the Offer, to be set out in the Pricing Statement
“Share Offer Size Range”	the range within which the Share Offer Size is currently expected to be set, being between 56,603,774 Shares and 136,039,416 Shares
“Shares”	ordinary shares of the Company, having the rights set out in the Articles from time to time
“SIX”	SIX Swiss Exchange
“SME”	small and medium enterprises
“Sponsor”	BofA Merrill Lynch
“Stabilising Manager”	Goldman Sachs International

“third-party origination partners”	as defined in Part 1 (Risk Factors)
“Threshold Value”	as defined in paragraph 11.19 (Forms of Award) of Part 14 (Additional Information)
“Time Based Vesting”	as defined in paragraph 11.5 (Vesting and release of LTIP Awards) of Part 14 (Additional Information)
“Treasury Department”	the US Department of Treasury
“Treaty”	the United States-United Kingdom tax treaty
“Unapproved Options”	as defined in paragraph 11.19 (Forms of Award) of Part 14 (Additional Information)
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Bribery Act”	the UK Bribery Act 2010
“Underwriters”	BofA Merrill Lynch, Goldman Sachs International, Morgan Stanley and Numis Securities Limited
“Underwriters”	BofA Merrill Lynch, Goldman Sachs International, Morgan Stanley and Numis Securities Limited
“Underwriting Agreement”	the underwriting agreement entered into between the Company, the Directors, the Individual Agent, the Corporate Nominee and the Underwriters described in paragraph 13.1 (Underwriting Agreement) of Part 14 (Additional Information)
“United States” or “US”	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
“US Exchange Act”	United States Securities Exchange Act of 1934, as amended
“US GAAS”	auditing standards generally accepted in the United States
“US Holder”	a beneficial owner of Shares that is, for US federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of one or more US persons and the primary supervision of a US court or (iv) an estate the income of which is subject to US federal income tax without regard to its source
“US Options”	as defined in paragraph 11.19 (Forms of Award) of Part 14 (Additional Information)
“US Securities Act”	United States Securities Act of 1933, as amended
“USV Funds”	Union Square Ventures 2012 Fund, L.P., USV Investors 2012 Fund, L.P., USV Opportunity 2014, L.P. and USV Opportunity Investors 2014, L.P.
“Zencap Acquisition”	the Group’s acquisition of the Zencap Group in October 2015
“Zencap Group”	Zencap Global S.A.R.L. (now Funding Circle Continental Europe)

SCHEDULE OF CHANGES

The registration document published by the Company on 3 September 2018 (the “Registration Document”) contained the information required to be included in a Share Registration Document by Annex I of the PD Regulation. The Prospectus, which otherwise contains information extracted without material amendment from the Registration Document (except as set out below), also includes information required to be included in a Share Securities Note, Summary and Prospectus relating to the offer to the public as prescribed by Annexes III, XXII and XXX of the PD Regulation. The Prospectus updates and replaces in whole the Registration Document. Any equity investor participating in the Offer should invest solely on the basis of the Prospectus, together with any supplement thereto and Pricing Statement.

This schedule of changes to the Registration Document (the “Schedule of Changes”) sets out, refers to or highlights material updates to the Registration Document.

Capitalised terms contained in this Schedule of Changes shall have the meanings given to such terms in the Prospectus unless otherwise defined herein.

PURPOSE

The purpose of this Schedule of Changes is to:

- (a) Highlight material changes made in the Prospectus, as compared to the Registration Document;
- (b) Highlight the new disclosure made in the Prospectus to reflect information required to be included in a Securities Note;
- (c) Highlight the new disclosure made in the Prospectus to reflect information required to be included in a Summary; and
- (d) Highlight the new disclosure made in the Prospectus to reflect information required to be included in connection with the Intermediaries Offer.

1. REGISTRATION DOCUMENT CHANGES

- The risk factor entitled “*Risks relating to the Group’s Business, Industry and Markets—Risks relating to the Group’s business—The Group has been incurring net losses and may not achieve or maintain profitability in the future*” on page 7 of the Registration Document has been amended to refer to the net proceeds to the Company of the Offer in assessing the Group’s working capital resources. Please see page 26 of the Prospectus.
- Geeta Gopalan has agreed to be appointed as a Non-Executive Director with effect from 1 November 2018, with her biographical details appearing on page 105 of the Prospectus, and conforming changes were made throughout.
- The information under the heading “Corporate governance” and the description of the committees’ structure on page 78 of the Registration Document have been amended and replaced in their entirety in the Prospectus, to reflect the Company’s expected corporate governance structure following Admission, which reflects the implementation of changes to the Group’s corporate governance arrangements appropriate for a listed company. Please see pages 105 to 107 of the Prospectus.
- The paragraph entitled “Conflicts of interest” on page 78 of the Registration Document has been updated to reflect the interests held in the Company by the Index Ventures group and the Accel group (as two of the Company’s Non-Executive Directors, Neil Alexander Rimer and Hendrik Willem Nelis, hold a variety of positions at Index Ventures group and Accel group, respectively) immediately prior to and immediately following Admission, and an additional paragraph has been added to reflect Geeta Gopalan’s proposed directorship in CYBG plc, whose service offering includes SME lending. Please see page 107 of the Prospectus.
- The paragraph entitled “Share Capital” on page 151 of the Registration Document has been updated in the Prospectus to reflect the Company’s expected share capital structure immediately prior to and immediately following Admission. Please see pages 203 to 207 of the Prospectus.
- A new paragraph entitled “Reorganisation” has been added into the Prospectus, to describe the steps that the Company has undertaken and expects to undertake prior to Admission. Please see pages 207 to 208 of the Prospectus.

- The paragraph entitled “Articles of Association” on page 162 of the Registration Document has been amended and replaced in its entirety in the Prospectus, to reflect the articles of association of the Company that will take effect from Admission. Please see pages 208 to 212 of the Prospectus.
- The paragraph entitled “Shareholders’ Agreement” on page 165 of the Registration Document has been deleted in the Prospectus, as it will be terminated with effect from (and conditional upon) Admission, with the Articles solely governing the relationship of the Shareholders thereafter.
- The paragraph entitled “Directors’ and Senior Managers’ interests” on page 166 of the Registration Document has been updated in the Prospectus to reflect: (i) the expected interests in the share capital of the Company of the Directors, the Proposed Director and Senior Managers immediately prior to and immediately following Admission; and (ii) the interests in options to acquire Shares of the Directors and Senior Managers immediately prior to and immediately following Admission. Please see pages 213 to 214 of the Prospectus.
- The paragraph entitled “Significant Shareholders” on page 167 of the Registration Document has been updated in the Prospectus to reflect the expected interests in the share capital of the Company of the Principal Shareholders immediately prior to and immediately following Admission. Please see pages 214 to 215 of the Prospectus.
- The paragraph entitled “Directors’ terms of employment” on page 167 of the Registration Document has been amended and replaced in its entirety in the Prospectus, to reflect the Directors’ and the Proposed Director’s new terms of employment (where applicable). Please see pages 215 to 220 of the Prospectus.
- A new paragraph entitled “Employee Benefit Trust” has been added into the Prospectus, to describe the employee benefit trust that has been established by the Company, which can be used to benefit employees and former employees of the Group and certain of their dependents. Please see page 220 of the Prospectus.
- The paragraph entitled “Employee share plans” on page 171 of the Registration Document has been updated in the Prospectus, to additionally reflect the newly adopted employee incentive scheme that the Company intends to operate following Admission. Please see pages 220 to 227 of the Prospectus.
- Changes have been made to the paragraph entitled “Material contracts” on page 174 of the Registration Document, including the addition of the following new material contracts: (i) Underwriting Agreement, (ii) Reorganisation Deed, and (iii) Cornerstone Investment Agreement. Please see pages 231 to 232 of the Prospectus.

2. SECURITIES NOTE INFORMATION

- A new section entitled “Risks Relating to the Offer and the Shares” has been added into the Prospectus to describe the risks relating to the Offer and the Shares, including risks relating the liquidity or trading price of the Shares, dilution risks, and risks relating to Shareholders in the United States. Please see pages 47 to 48 of the Prospectus.
- New sections entitled “Expected Timetable of Principal Events and Offer Statistics” and “Details of the Offer” have been added into the Prospectus, describing the means through which the Shares will be offered to the public pursuant to the Offer. Please see pages 57 to 58 and pages 190 to 202 of the Prospectus.
- Heartland, through the Cornerstone Investor (a wholly-owned indirect subsidiary), pursuant to the Cornerstone Investment Agreement has agreed to subscribe for or purchases Shares in the Offer at the Offer Price, in an amount sufficient such that immediately following Admission, the Cornerstone Investor will hold 10 per cent. of the issued share capital of the Company. Please see the paragraph entitled “Cornerstone Investor” on page 192 of the Prospectus, and conforming changes were made throughout.
- A new section entitled “Capitalisation and Indebtedness” has been added into the Prospectus, describing the capitalisation and indebtedness of the Company as at 30 June 2018. Please see page 144 of the Prospectus.
- A new paragraph entitled “Underwriting arrangements” has been added into the Prospectus, describing the arrangements entered into between the Company and the Underwriters, among other parties, pursuant to which the Underwriters agreed to underwrite the Offer. This disclosure also includes terms of the lock-up arrangements that have been entered into or will be entered into ahead of Admission. Please see pages 196 to 197 of the Prospectus.

- A new paragraph entitled “Orderly marketing agreement” has been added into the Prospectus, describing the agreement entered into between the Index Funds, the Accel Funds, the DST Global Investor and the USV Funds, pursuant to which they agreed to put in place procedures to manage future sales of Shares for a period of nine months following Admission. Please see page 230 of the Prospectus.
- New paragraphs entitled “UK Taxation” and “US Federal Income Taxation” have been added into the Prospectus to provide a general guide to certain UK and US tax considerations relevant to the acquisition, ownership and disposition of Shares. Please see pages 232 to 237 of the Prospectus.
- A new paragraph entitled “Working capital” has been added into the Prospectus, confirming the adequacy of the Group’s working capital. Please see page 237 of the Prospectus.

3. SUMMARY INFORMATION

- A new section entitled “Summary” has been added into the Prospectus, to reflect the addition of a Summary as required by Annex XXII of the PD Regulation. Please see pages 6 to 20 of the Prospectus.

4. FINANCIAL INTERMEDIARIES INFORMATION

- New disclosure has been added to the Prospectus in relation to the consent given by the Company for the use of the Prospectus by financial intermediaries in connection with the Intermediaries Offer.
- A new paragraph entitled “Intermediaries” has been added into the Prospectus (please see pages 238 to 239 of the Prospectus) and conforming changes were made throughout the Prospectus, to provide information on the terms and conditions of the Intermediaries Offer.

