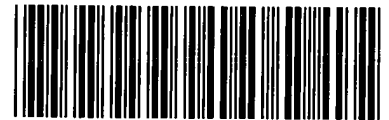


REGISTERED NUMBER: 09564631 (England and Wales)

GROUP STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
FOR
FOUNDERS FACTORY LIMITED

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FOUNDERS FACTORY LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2020

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FOUNDERS FACTORY LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020

DIRECTORS:

H Lane Fox
B Hoberman
A X Hudson
J Oei
L Rochet
D Zhou
B M Lockett
S Lord

REGISTERED OFFICE:

Northcliffe House
Young Street
London
W8 5EH

REGISTERED NUMBER:

09564631 (England and Wales)

AUDITORS:

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

FOUNDERS FACTORY LIMITED

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their strategic report of the company and the group for the year ended 31 December 2020.

Founders Factory Limited (the Group) is a technology business which is building and scaling start-ups in collaboration with our corporate partners. The Group has a unique model that combines a dedicated operating team of digital experts, international corporate investors and technology entrepreneurs.

It has been another successful year for Founders Factory. We've developed 12 businesses in our studio this year and have accelerated over 40. We continue to deliver significant value to the companies that we work with, assisting them with strategy, product, raising investment and securing pilots and commercial agreements with our corporate partners. We now have a portfolio of over 160 businesses many of which are showing encouraging momentum. Looking forward, we continue to expect the portfolio to grow and develop and we have a strong pipeline of new businesses joining the program.

REVIEW OF BUSINESS

The Directors consider that the Group's Key Performance Indicators are its statement of comprehensive income and the performance of its long-term investments in technology start-ups.

The Group's total turnover for the year ended 31 December 2020 was £6,736,867 compared to £5,420,206 at 31 December 2019. The Group's comprehensive profit before tax for the year was £2,501,885 compared to £2,166,341 at 31 December 2019.

At 31 December 2020, the Group has a portfolio of investments with a combined value of £48,313,673 (2019: £38,439,091). The Group's net asset position as at 31 December 2020 was £50,559,006 (2019: £43,800,313).

PRINCIPAL RISKS AND UNCERTAINTIES

The nature of early stage technology start-ups carries with it significant risk, as many of the businesses have unproven products and are operating in new or untapped customer segments. The Group mitigates this risk by having in place a robust governance structure which allows for in-depth review of potential businesses by the senior management team and directors, before any investment is committed. Once a business has joined the program, Founders Factory Limited provides support and guidance to help ensure that each business achieves the optimum outcome and financial return.

There are also significant broader economic risks emerging as a result of both Brexit and Covid-19 that could impact the value of our portfolio and performance of our business going forward. To partially mitigate against these risks we have built a diversified portfolio of businesses which operate across different industries around the world, to try and reduce reliance on any single sector. We also continue to provide support and assistance to our portfolio businesses to help them manage the uncertainty and risks that they are facing. However, the ongoing economic uncertainty and risk of a prolonged global recession could impact future opportunities both for our portfolio businesses but also for the Group being able to retain and attract new corporate partners.

ON BEHALF OF THE BOARD:

Henry Lane Fox

.....
H Lane Fox - Director

16/8/2021

Date:

FOUNDERS FACTORY LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of investing in technology start-ups.

DIVIDENDS

No dividends will be distributed for the year ended 31st December 2020 (2019 - nil).

FUTURE DEVELOPMENTS

In 2021 the Group was closed to new investment and will in future manage its portfolio of investments.

DIRECTORS

The directors set out in the table below have held office during the whole of the period from 1 January 2020 to the date of this report.

H Lane Fox
B Hoberman
A X Hudson
J Oei
L Rochet
D Zhou
B M Lockett
S Lord

KEY MANAGEMENT

All Directors and the Senior Management team who have the authority and responsibility for planning, directing and controlling the activities of the entity are considered to be key management personnel.

POLITICAL DONATIONS AND EXPENDITURE

The group made no political contributions during the year ended 31 December 2020 (2019 - nil).

GOING CONCERN

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate cash resources available to continue for the foreseeable future, based on the Group's forecast and projections which have been prepared for a period of at least 12 months from the date of approval of these financial statements, taking into account reasonably possible changes in trading performance. The investment-term with our six corporate investors ends in late 2021, at which point all our planned portfolio investments will have been made. Thereafter the continued operations of the Group will be focussed solely on managing the current investment portfolio and providing services to our corporate partners. The Directors have also considered the impact of Covid-19 on the Group's portfolio investments as part of this going concern assessment. The Group has a diversified portfolio of investments many of which have performed well in the post balance sheet period. The Directors have therefore adopted a going concern basis of accounting in preparing these financial statements.

FOUNDERS FACTORY LIMITED

REPORT OF THE DIRECTORS **FOR THE YEAR ENDED 31 DECEMBER 2020**

SUBSEQUENT EVENTS

The investment-term with our six corporate investors ends in late 2021, at which point all funding will have been received and all our planned portfolio investments will have been made. Thereafter, the continued operations of the Group will be focussed solely on managing the current portfolio and providing services to our corporate partners. In order to continue working with both our current and new investors, and grow the wider Founders Factory group, a new Group was incorporated after the statement of financial position date (FF Management Ltd, Group number 13243738). The employees of Founders Factory Ltd were transferred to FF Management Ltd during June 2021.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

During the year and up to the date of this report, the Group maintained liability insurance and third-party indemnification provisions for its directors, under which the Group has agreed to indemnify the directors to the extent permitted by law in respect of all liabilities to third parties arising out of, or in connection with, the execution of their powers, duties and responsibilities of the Group.

FINANCIAL RISK MANAGEMENT

The Group produces monthly management accounts to monitor the performance of the company and enable directors to have improved visibility of performance. The group uses various financial instruments including cash, trade debtors, convertible loans, intercompany loans and trade creditors that arise directly from the Group's operations. The existence of these financial instruments exposes the company to a number of financial risks including liquidity risk, interest rate risk and credit risk, which are managed as described below:

- Liquidity Risk: The Group seeks to manage the liquidity risk by ensuring there is sufficient liquidity to meet foreseeable needs and invest its cash assets safely.
- Interest rate risk: The Group finances its operations through a mixture of investment and cash balances. Cash is managed to maximise interest income while avoiding inherent risk.
- Credit risk: Trade debtors are managed closely to manage credit risk to the Group.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the group and the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors confirm that, so far as each director is aware, there is no relevant audit information of which the group's auditor is unaware; and the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group's auditor is aware of that information.

FOUNDERS FACTORY LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020

AUDITORS

The auditor, Grant Thornton UK LLP, will be proposed for re-appointment in accordance with section 485 of the Companies Act 2006.

ON BEHALF OF THE BOARD:

Henry Lane Fox

.....
H Lane Fox - Director

16/8/2021
Date:

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FOUNDERS FACTORY LIMITED**

Opinion

We have audited the financial statements of Founders Factory Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020, which comprise the consolidated statement of comprehensive income, consolidated balance sheet, company balance sheet, consolidated statement of changes in equity, company statement of changes in equity, consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FOUNDERS FACTORY LIMITED**

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group strategic report, Report of the Directors and Consolidated financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FOUNDERS FACTORY LIMITED**

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks being UK GAAP, the Companies Act 2006 and the relevant UK tax compliance regulations;
- We understood how the group and company is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes;
- We assessed the susceptibility of the group and company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - potential management bias in reaching conclusions relating to going concern;
 - the occurrence of revenue in relation to the investment portfolio;
 - the journal entry process;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free of fraud or error;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation knowledge of the industry in which the client operates
 - understanding of the legal and regulatory requirements specific to the entity/regulated entity including:
 - the provisions of the applicable legislation
 - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules
 - the applicable statutory provisions;
- We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud; and
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the entity's operations, including the nature of its revenue sources and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FOUNDERS FACTORY LIMITED**

- the applicable statutory provisions;
- the entity's control environment, including the policies and procedures implemented to comply with the requirements of relevant laws and regulations, the adequacy of procedures for authorisation of transactions, internal review procedures over the entity's compliance with regulatory requirements and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Nicholas Page (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

16/8/2021

Date:

FOUNDERS FACTORY LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
TURNOVER	3	6,736,867	5,420,206
Cost of sales		-	(820)
GROSS PROFIT		6,736,867	5,419,386
Administrative expenses		(13,541,253)	(18,677,787)
		(6,804,386)	(13,258,401)
Other operating income		9,306,271	15,424,711
OPERATING PROFIT	5	2,501,885	2,166,310
Interest receivable and similar income		-	31
PROFIT BEFORE TAXATION		2,501,885	2,166,341
Tax on profit	6	(1,354,389)	(249,540)
PROFIT FOR THE FINANCIAL YEAR		1,147,496	1,916,801
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,147,496</u>	<u>1,916,801</u>
Profit attributable to: Owners of the parent		<u>1,147,496</u>	<u>1,916,801</u>
Total comprehensive income attributable to: Owners of the parent		<u>1,147,496</u>	<u>1,916,801</u>

The notes on pages 16 to 35 form part of these financial statements

FOUNDERS FACTORY LIMITED (REGISTERED NUMBER: 09564631)**CONSOLIDATED BALANCE SHEET
31 DECEMBER 2020**

	Notes	2020 £	2019 £
FIXED ASSETS			
Tangible assets	8	214,337	312,616
Investments	9		
Interest in associate		12,882,312	10,903,552
Other investments		<u>35,431,361</u>	<u>27,535,539</u>
		<u>48,528,010</u>	<u>38,751,707</u>
CURRENT ASSETS			
Debtors	10	1,042,944	672,546
Cash at bank		<u>7,599,574</u>	<u>8,745,822</u>
		8,642,518	9,418,368
CREDITORS			
Amounts falling due within one year	11	<u>(1,307,865)</u>	<u>(1,287,391)</u>
NET CURRENT ASSETS		<u>7,334,653</u>	<u>8,130,977</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		55,862,663	46,882,684
PROVISIONS FOR LIABILITIES	14	<u>(5,303,657)</u>	<u>(3,082,371)</u>
NET ASSETS		<u><u>50,559,006</u></u>	<u><u>43,800,313</u></u>
CAPITAL AND RESERVES			
Called up share capital	15	10	9
Share premium	16	40,635,566	35,024,370
Fair value reserve	16	22,223,155	23,968,423
Retained earnings	16	<u>(12,299,725)</u>	<u>(15,192,489)</u>
SHAREHOLDERS' FUNDS		<u><u>50,559,006</u></u>	<u><u>43,800,313</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on16/8/2021..... and were signed on its behalf by:

Henry Lane Fox

.....
Director
Henry Lane Fox

The notes on pages 16 to 35 form part of these financial statements

FOUNDERS FACTORY LIMITED (REGISTERED NUMBER: 09564631)**COMPANY BALANCE SHEET**
31 DECEMBER 2020

	Notes	2020 £	2019 £
FIXED ASSETS			
Tangible assets	8	208,734	302,010
Investments	9	<u>48,321,837</u>	<u>38,447,255</u>
		<u>48,530,571</u>	<u>38,749,265</u>
CURRENT ASSETS			
Debtors	10	1,010,190	710,568
Cash at bank		<u>7,591,299</u>	<u>8,737,786</u>
		8,601,489	9,448,354
CREDITORS			
Amounts falling due within one year	11	<u>(1,265,482)</u>	<u>(1,285,852)</u>
NET CURRENT ASSETS			
		<u>7,336,007</u>	<u>8,162,502</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		55,866,578	46,911,767
PROVISIONS FOR LIABILITIES			
	14	<u>(5,303,657)</u>	<u>(3,082,371)</u>
NET ASSETS			
		<u>50,562,921</u>	<u>43,829,396</u>
CAPITAL AND RESERVES			
Called up share capital	15	10	9
Share premium	16	40,635,566	35,024,370
Fair value reserve	16	22,223,155	23,968,423
Retained earnings	16	<u>(12,295,810)</u>	<u>(15,163,406)</u>
SHAREHOLDERS' FUNDS			
		<u>50,562,921</u>	<u>43,829,396</u>
Company's profit for the financial year			
		<u>1,122,328</u>	<u>1,945,884</u>

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on16/8/2021..... and were signed on its behalf by:

Henry Lane Fox

.....
H Lane Fox - Director

The notes on pages 16 to 35 form part of these financial statements

FOUNDERS FACTORY LIMITED**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £	Retained earnings £	Share premium £	Fair value reserve £	Total equity £
Balance at 1 January 2019	8	(11,887,619)	25,212,908	18,746,752	32,072,049
Changes in equity					
Issue of share capital	1	-	9,811,462	-	9,811,463
Total comprehensive income	-	(3,304,870)	-	-	(3,304,870)
Increase in fair value of investments	-	-	-	5,221,671	5,221,671
Balance at 31 December 2019	<u>9</u>	<u>(15,192,489)</u>	<u>35,024,370</u>	<u>23,968,423</u>	<u>43,800,313</u>
Changes in equity					
Issue of share capital	1	-	5,611,196	-	5,611,197
Total comprehensive income	-	1,147,496	-	-	1,147,496
Increase in fair value of investments	-	1,745,268	-	(1,745,268)	-
Balance at 31 December 2020	<u>10</u>	<u>(12,299,725)</u>	<u>40,635,566</u>	<u>22,223,155</u>	<u>50,559,006</u>

The notes on pages 16 to 35 form part of these financial statements

FOUNDERS FACTORY LIMITED**COMPANY STATEMENT OF CHANGES IN EQUITY**
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £	Retained earnings £	Share premium £	Fair value reserve £	Total equity £
Balance at 1 January 2019	8	(11,887,619)	25,212,908	18,746,752	32,072,049
Changes in equity					
Issue of share capital	1	-	9,811,462	-	9,811,463
Total comprehensive income	-	(3,275,787)	-	-	(3,275,787)
Increase in fair value of investments	-	-	-	5,221,671	5,221,671
Balance at 31 December 2019	<u>9</u>	<u>(15,163,406)</u>	<u>35,024,370</u>	<u>23,968,423</u>	<u>43,829,396</u>
Changes in equity					
Issue of share capital	1	-	5,611,196	-	5,611,197
Total comprehensive income	-	1,122,328	-	-	1,122,328
Increase in fair value of investments	-	1,745,268	-	(1,745,268)	-
Balance at 31 December 2020	<u>10</u>	<u>(12,295,810)</u>	<u>40,635,566</u>	<u>22,223,155</u>	<u>50,562,921</u>

The notes on pages 16 to 35 form part of these financial statements

FOUNDERS FACTORY LIMITED**CONSOLIDATED CASH FLOW STATEMENT**
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Cash flows from operating activities			
Cash generated from operations	19	(3,433,858)	(2,588,962)
Tax paid		<u>845,554</u>	<u>1,256,717</u>
Net cash from operating activities		<u>(2,588,304)</u>	<u>(1,332,245)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(43,366)	(228,713)
Purchase of fixed asset investments		(4,548,851)	(4,562,534)
Sale of tangible fixed assets		4,298	4,250
Sale of fixed asset investments		418,778	143,531
Interest received		<u>-</u>	<u>31</u>
Net cash from investing activities		<u>(4,169,141)</u>	<u>(4,643,435)</u>
Cash flows from financing activities			
Share issue		<u>5,611,197</u>	<u>9,811,463</u>
Net cash from financing activities		<u>5,611,197</u>	<u>9,811,463</u>
		<u> </u>	<u> </u>
(Decrease)/increase in cash and cash equivalents		(1,146,248)	3,835,783
Cash and cash equivalents at beginning of year	20	8,745,822	4,910,039
		<u> </u>	<u> </u>
Cash and cash equivalents at end of year	20	<u>7,599,574</u>	<u>8,745,822</u>

The notes on pages 16 to 35 form part of these financial statements

FOUNDERS FACTORY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. **STATUTORY INFORMATION**

Founders Factory Limited is a private company, limited by shares, incorporated and registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

2. **ACCOUNTING POLICIES**

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

The financial statements are presented in Sterling (£) which is the functional currency of the entity.

FOUNDERS FACTORY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

2. **ACCOUNTING POLICIES - continued**

Basis of consolidation

The group consolidates the accounts of Founders Factory Limited and its subsidiaries from 1 January 2020 to 31 December 2020 using the acquisition method of accounting.

The group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the group, adjustments are made to those subsidiary financial statements to apply the group's accounting policies when preparing the consolidated financial statements.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the group holds a long-term interest and where the group has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of associates are accounted for using the fair value method of accounting.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

Where control of a subsidiary is achieved in stages, the initial acquisition that gave the group control is accounted for as a business combination. Thereafter where the group increases its controlling interest in the subsidiary the transaction is treated as a transaction between equity holders. Any difference between the fair value of the consideration paid and the carrying amount of the non-controlling interest acquired is recognised directly in equity. No changes are made to the carrying value of assets, liabilities or provisions for contingent liabilities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the group's interest in the entity.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

FOUNDERS FACTORY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES - continued

Significant judgements and estimates

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future period where the revision affects both current and future periods.

Key sources of estimation and uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities are as follows:

a) Useful lives and residual values of property, plant and equipment

Depreciation is provided to write down the cost of property, plant and equipment to their estimated residual values over their estimated useful lives as set out below. The selection of residual values and useful lives gives rise to estimation uncertainty. The useful lives of property, plant and equipment are reviewed by management annually.

b) Provision for irrecoverable trade debtors

At each balance sheet date, management undertake a review of outstanding trade debtors balances and estimate the balance that should either be impaired or provided against. The calculation is based on the financial position of the customers, the historical speed of payment compared to approved credit terms and the status/progress of any ongoing communications with them.

c) Impairment of investments

At the end of each quarter, management undertake a review of the portfolio of investments held by the Group and estimate which investments should be impaired or provided against. The calculation is based on the financial position and performance of the investment and the market conditions in the sector in which the investment is operating.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover is measured at the transaction price, net of discounts and value added taxes.

Turnover includes revenue earned from the rendering of services and partnership income.

For both convertible loan and equity investments revenue is charged for accelerator services provided, as set out in the contract with each startup.

Generally, revenue in relation to accelerator services is recognised at the point at which a startup business successfully progresses from the accelerator program and raises third party investment. At this point, it is probable that the economic benefits associated with the provision of accelerator services will flow to the Group. Given the early-stage and high-risk nature of startups, up until this point there remains significant uncertainty that any benefit would flow to the Group from the services provided. One of the primary objectives of the accelerator program is to assist startup businesses with raising third party funding. This is the most significant stage of the accelerator program, so recognition of revenue is postponed until such time that this act is executed.

For income from commercial partnerships, revenue is recognized equally across each month over the life of the contract.

FOUNDERS FACTORY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

2. **ACCOUNTING POLICIES - continued**

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Improvements to property	- Over the term of the lease
Plant and machinery	- 20% on cost
Fixtures and fittings	- 20% on cost
Computer equipment	- 33% on cost

Financial instruments

The company has elected to apply the provisions of section 11 'Basic Financial Instruments' and section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial Instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statement, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

FOUNDERS FACTORY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

2. **ACCOUNTING POLICIES - continued**

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimate future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risk and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the asset of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

FOUNDERS FACTORY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES – continued

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

FOUNDERS FACTORY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES - continued

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period to which they relate.

Fixed asset investments

Fixed asset investments in associates and subsidiaries are accounted for at fair value.

Founders Factory holds two types of fixed asset investments: Equity investments and convertible loans. The convertible loans are non-redeemable, unsecured loans that incur no interest. When a business raises investment, the convertible loan will automatically convert to equity. The loans cannot be settled in cash. In the event that the company is not successful in raising funds, the loan will convert into such number of shares at a price per share calculated based in the company's current valuation.

The valuation of each fixed asset investments is reviewed quarterly taking into account the trading performance, funding, product, team and market positioning. Investments will be tested for impairment or revaluation whenever events or changes in circumstances indicate that their carrying amount should either be impaired or revalued. Any upwards revaluation in the fair value will be recognised through the statement of comprehensive income within other operating income. Any downwards revaluation will be recognised as an impairment expense through administrative expenses. Our valuation metrics for investments are outlined below:

- For investments in companies that have stopped operations: nil
- For investments in companies with a low probability of sale for at least the carrying amount: nil
- For investments in companies where third-party fundraising has been raised within the past 12 months then the valuation on the investment is based on a mark-to-market as per the valuation used in the latest equity investment round.
- For investments in companies within the first 18 months of being invested in by Founders Factory where no third party has yet been raised: at cash investment cost.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the has group adequate cash resources available to continue for the foreseeable future, based on the group's forecast and projections which have been prepared for a period of at least 12 months from the date of approval of these financial statements, taking into account reasonably possible changes in trading performance. The investment-term with our six corporate investors ends in late 2021, at which point all our planned portfolio investments will have been made. Thereafter the continued operations of the group will be focussed solely on managing the current investment portfolio and providing services to our corporate partners. The directors have also considered the impact of Covid-19 on the group's portfolio investments as part of this going concern assessment. The group has a diversified portfolio of investments many of which have performed well in the post balance sheet period. The directors have therefore adopted a going concern basis of accounting in preparing these financial statements.

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020****3. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the group.

An analysis of turnover by class of business is given below:

	2020	2019
	£	£
Accelerator income	2,064,697	2,171,050
Partnership income	4,662,371	3,219,529
Other income	<u>9,799</u>	<u>29,627</u>
	<u><u>6,736,867</u></u>	<u><u>5,420,206</u></u>

An analysis of turnover by geographical market is given below:

	2020	2019
	£	£
United Kingdom	5,543,443	3,745,771
Europe	709,941	563,131
United States of America	333,483	953,804
Asia	150,000	37,500
Rest of world	<u>-</u>	<u>120,000</u>
	<u><u>6,736,867</u></u>	<u><u>5,420,206</u></u>

4. EMPLOYEES AND DIRECTORS

	2020	2019
	£	£
Wages and salaries	5,074,294	4,691,707
Social security costs	588,624	580,756
Other pension costs	<u>129,668</u>	<u>100,489</u>
	<u><u>5,792,586</u></u>	<u><u>5,372,952</u></u>

The average number of employees during the year was as follows:

	2020	2019
Operations	<u>79</u>	<u>67</u>

	2020	2019
	£	£
Directors' remuneration	464,600	452,000
Directors' pension contributions to money purchase schemes	<u>13,932</u>	<u>16,272</u>

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
FOR THE YEAR ENDED 31 DECEMBER 2020**4. EMPLOYEES AND DIRECTORS - continued**

Information regarding the highest paid director is as follows:

	2020	2019
	£	£
Emoluments etc	264,600	252,000
Pension contributions to money purchase schemes	<u>7,932</u>	<u>9,072</u>

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2020	2019
	£	£
Depreciation - owned assets	138,001	108,883
Profit on disposal of fixed assets	(82,711)	(95,396)
Auditors' remuneration	35,000	26,000
Taxation advisory services	30,000	60,549
Foreign exchange differences	65,322	213,836
Impairment of fixed asset investments	3,502,418	9,521,856
Lease payments	<u>438,495</u>	<u>648,120</u>

6. TAXATION**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	2020	2019
	£	£
Current tax:		
UK corporation tax	(844,892)	(541,395)
Deferred tax	<u>2,199,281</u>	<u>790,935</u>
Tax on profit	<u>1,354,389</u>	<u>249,540</u>

UK corporation tax has been charged at 19% (2019 - 19%).

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020****6. TAXATION - continued****Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £	2019 £
Profit before tax	<u>2,501,885</u>	<u>2,166,341</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	475,358	411,605
Effects of:		
Expenses not deductible for tax purposes	18,541	42,079
Income not taxable for tax purposes	(15,715)	18,125
Adjustments to tax charge in respect of previous periods	(31,594)	9,908
Difference in foreign tax charge	-	1,175
Surrender of tax losses for R&D tax credits	483,380	308,834
Impact of change in tax rates on deferred tax	1,272,878	-
R&D Tax credits received	<u>(848,459)</u>	<u>(542,186)</u>
Total tax charge	<u>1,354,389</u>	<u>249,540</u>

Deferred tax liabilities are calculated on timing differences within valuations of fixed assets investments and on accelerated capital allowances - these are calculated as £7,452,235 at the balance sheet date.

Deferred tax assets are calculated on tax losses carried forward where there is a reasonable assumption that can be utilised - these are calculated as £2,148,578 at the balance sheet date. The accounts only reflect the deferred tax asset up to the value of the total deferred tax liability.

Deferred tax liabilities and assets have been calculated at a tax rate of 25% recognising the change in the main UK corporation tax rate from 1st April 2022.

7. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements.

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020****8. TANGIBLE FIXED ASSETS****Group**

	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1 January 2020	369,918	30,008	29,270	137,260	566,456
Additions	25,670	1,925	4,156	11,615	43,366
Disposals	-	(6,803)	-	(4,709)	(11,512)
At 31 December 2020	<u>395,588</u>	<u>25,130</u>	<u>33,426</u>	<u>144,166</u>	<u>598,310</u>
DEPRECIATION					
At 1 January 2020	143,975	15,019	14,704	80,142	253,840
Charge for year	93,361	9,496	5,773	29,371	138,001
Eliminated on disposal	-	(4,657)	-	(3,211)	(7,868)
At 31 December 2020	<u>237,336</u>	<u>19,858</u>	<u>20,477</u>	<u>106,302</u>	<u>383,973</u>
NET BOOK VALUE					
At 31 December 2020	<u>158,252</u>	<u>5,272</u>	<u>12,949</u>	<u>37,864</u>	<u>214,337</u>
At 31 December 2019	<u>225,943</u>	<u>14,989</u>	<u>14,566</u>	<u>57,118</u>	<u>312,616</u>

Company

	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1 January 2020	369,918	30,008	29,270	125,307	554,503
Additions	25,670	1,925	4,156	11,615	43,366
Disposals	-	(6,803)	-	(3,211)	(10,014)
At 31 December 2020	<u>395,588</u>	<u>25,130</u>	<u>33,426</u>	<u>133,711</u>	<u>587,855</u>
DEPRECIATION					
At 1 January 2020	143,975	15,019	14,704	78,795	252,493
Charge for year	93,361	9,496	5,773	25,866	134,496
Eliminated on disposal	-	(4,657)	-	(3,211)	(7,868)
At 31 December 2020	<u>237,336</u>	<u>19,858</u>	<u>20,477</u>	<u>101,450</u>	<u>379,121</u>
NET BOOK VALUE					
At 31 December 2020	<u>158,252</u>	<u>5,272</u>	<u>12,949</u>	<u>32,261</u>	<u>208,734</u>
At 31 December 2019	<u>225,943</u>	<u>14,989</u>	<u>14,566</u>	<u>46,512</u>	<u>302,010</u>

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020****9. FIXED ASSET INVESTMENTS****Group**

	Interest in associate £	Unlisted investments £	Totals £
COST OR VALUATION			
At 1 January 2020	10,903,552	27,535,539	38,439,091
Additions	-	4,548,851	4,548,851
Disposals	-	(336,721)	(336,721)
Revaluations	2,994,203	6,231,039	9,225,242
Impairments	(1,015,443)	(2,486,975)	(3,502,418)
Exchange differences	-	(60,372)	(60,372)
At 31 December 2020	<u>12,882,312</u>	<u>35,431,361</u>	<u>48,313,673</u>
NET BOOK VALUE			
At 31 December 2020	<u>12,882,312</u>	<u>35,431,361</u>	<u>48,313,673</u>
At 31 December 2019	<u>10,903,552</u>	<u>27,535,539</u>	<u>38,439,091</u>

Cost or valuation at 31 December 2020 is represented by:

	Interest in associate £	Unlisted investments £	Totals £
Valuation in 2016	-	1,421,294	1,421,294
Valuation in 2017	-	8,244,001	8,244,001
Valuation in 2018	3,499,900	5,345,509	8,845,409
Valuation in 2019	7,403,652	(1,945,930)	5,457,722
Valuation in 2020	1,978,760	3,683,692	5,662,452
Cost	-	18,682,795	18,682,795
	<u>12,882,312</u>	<u>35,431,361</u>	<u>48,313,673</u>

In 2020 the net book value included £4,419,998 relating to fixed asset investments held as convertible loan stock (2019 - £2,421,818).

Impairment losses are recorded through administrative expenses in the income statement.

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020****9. FIXED ASSET INVESTMENTS - continued**

Company	Shares in group undertakings £	Interest in associate £	Unlisted investments £	Totals £
COST OR VALUATION				
At 1 January 2020	1,063,373	9,848,343	27,535,539	38,447,255
Additions	-	-	4,548,851	4,548,851
Disposals	-	-	(336,721)	(336,721)
Revaluations	994,103	2,000,100	6,231,039	9,225,242
Impairments	-	(1,015,443)	(2,486,975)	(3,502,418)
Exchange differences	-	-	(60,372)	(60,372)
At 31 December 2020	<u>2,057,476</u>	<u>10,833,000</u>	<u>35,431,361</u>	<u>48,321,837</u>
NET BOOK VALUE				
At 31 December 2020	<u>2,057,476</u>	<u>10,833,000</u>	<u>35,431,361</u>	<u>48,321,837</u>
At 31 December 2019	<u>1,063,373</u>	<u>9,848,343</u>	<u>27,535,539</u>	<u>38,447,255</u>

Cost or valuation at 31 December 2020 is represented by:

	Shares in group undertakings £	Interest in associate £	Unlisted investments £	Totals £
Valuation in 2016	-	-	1,421,294	1,421,294
Valuation in 2017	-	-	8,244,001	8,244,001
Valuation in 2018	-	3,499,900	5,345,509	8,845,409
Valuation in 2019	1,055,209	6,348,443	(1,945,930)	5,457,722
Valuation in 2020	994,103	984,657	3,683,692	5,662,452
Cost	<u>8,164</u>	<u>-</u>	<u>18,682,795</u>	<u>18,690,959</u>
	<u>2,057,476</u>	<u>10,833,000</u>	<u>35,431,361</u>	<u>48,321,837</u>

In 2020 the net book value included £4,439,998 relating to fixed asset investments held as convertible loan stock (2019 - £2,421,818).

Impairment losses are recorded through administrative expenses in the income statement.

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020****9. FIXED ASSET INVESTMENTS - continued**

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiaries**Founders Factory Retail Limited**

Registered office: Northcliffe House, Young Street, London, UK

Nature of business: Technology Investment

	%		
Class of shares:	holding		
Ordinary	25.00		
		2020	2019
		£	£
Aggregate capital and reserves		3,099,787	2,493,316
Loss for the year		<u>(1,893,530)</u>	<u>(2,506,684)</u>

Founders Factory Africa Pty Limited

Registered office: 4 Chaplin Road, Illovo, Gauteng, 2196, South Africa

Nature of business: Technology Investment

	%		
Class of shares:	holding		
Ordinary	25.00		
		2020	2019
		£	£
Aggregate capital and reserves		2,775,085	3,548,198
Loss for the year		<u>(2,382,409)</u>	<u>(481,462)</u>

FF Homecare & Hygiene Limited

Registered office: Northcliffe House, Young Street, London, UK

Nature of business: Technology Investment

	%		
Class of shares:	holding		
Ordinary	25.00		
		2020	2019
		£	£
Aggregate capital and reserves		2,683,265	1,244,537
Loss for the year		<u>(561,297)</u>	<u>(755,474)</u>

Founders Factory Paris SAS

Registered office: 8 Rue Saint-Augustin, Paris 75002, France

Nature of business: Technology Investment

	%		
Class of shares:	holding		
Ordinary	25.00		
		2020	2019
		£	£
Loss for the year		<u>-</u>	<u>(205,457)</u>

Founders Factory Paris SAS had been put into liquidation on 14 October 2020.

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
FOR THE YEAR ENDED 31 DECEMBER 2020**9. FIXED ASSET INVESTMENTS - continued**

Subsidiaries

All of the subsidiaries below have been included in these consolidated group accounts.

Subsidiary	Registered Office	Share Class	Percentage holding
Founders Factory Bucharest SRL	Str Nicolae Iorga, nr 5, birou nr 9, etaj 2, Bucuresti, Romania	Ordinary	100%
Founders Factory America Inc	135 Crossways Park Dr LL-03, Woodbury, NY 11797, USA	Ordinary	100%

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade debtors	720,586	232,181	611,453	159,520
Other debtors	122,290	271,896	198,669	382,579
Accruals	36,641	-	36,641	-
Prepayments	<u>163,427</u>	<u>168,469</u>	<u>163,427</u>	<u>168,469</u>
	<u>1,042,944</u>	<u>672,546</u>	<u>1,010,190</u>	<u>710,568</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade creditors	151,582	60,759	133,902	59,747
Tax	1,189	527	-	-
Social security and other taxes	187,098	198,919	180,078	198,919
VAT	446,849	63,429	446,849	63,429
Other creditors	39,768	524,412	23,274	524,412
Credit card to be paid	3,268	11,093	3,268	11,093
Deferred income	187,686	78,616	187,686	78,616
Accrued expenses	<u>290,425</u>	<u>349,636</u>	<u>290,425</u>	<u>349,636</u>
	<u>1,307,865</u>	<u>1,287,391</u>	<u>1,265,482</u>	<u>1,285,852</u>

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020****12. LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

Group and company

	Non-cancellable operating leases	
	2020	2019
	£	£
Within one year	663,396	663,396
Between one and five years	<u>386,981</u>	<u>1,050,377</u>
	<u>1,050,377</u>	<u>1,713,773</u>

13. FINANCIAL INSTRUMENTS**Group**

	2020	2019
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>879,517</u>	<u>504,077</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>1,120,179</u>	<u>1,208,775</u>

14. PROVISIONS FOR LIABILITIES

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Deferred tax				
Accelerated capital allowances	44,515	50,275	44,515	50,275
Tax losses carried forward	(2,148,578)	(1,521,904)	(2,148,578)	(1,521,904)
Other timing differences	<u>7,407,720</u>	<u>4,554,000</u>	<u>7,407,720</u>	<u>4,554,000</u>
	<u>5,303,657</u>	<u>3,082,371</u>	<u>5,303,657</u>	<u>3,082,371</u>

FOUNDERS FACTORY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

14. **PROVISIONS FOR LIABILITIES - continued**

Group and company

	Deferred tax £
Balance at 1 January 2020	3,082,371
Provided during year	2,199,281
Prior year adjustment	<u>22,005</u>
Balance at 31 December 2020	<u><u>5,303,657</u></u>

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
FOR THE YEAR ENDED 31 DECEMBER 2020**15. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value	2020 £	2019 £
291,910	A Ordinary	£0.00001	3	-
13	E	£0.0001	1	1
580,000	Preferred	£0.00001	6	-
45,930	Deferred	£0.00001	-	-
66,173	B1 Ordinary	£0.00001	-	-
28,977	A Ordinary	£0.0001	-	3
50,000	Preferred	£0.0001	-	5
4,593	Deferred	£0.0001	-	-
			<u>10</u>	<u>9</u>

The existing share capital in the company was split by a factor of 10 in January 2020 with exception of the E shares. The disclosure table above shows the number of shares pre and post-split and the respective nominal values. Therefore the 28,977 A Ordinary shares, 50,000 Preferred shares and 4,593 Deferred shares are the pre-split share capital amounts in the prior year and do not form part of the total number of shares allotted as at 31 December 2020.

The following shares were allotted and fully paid for cash during the year:

2,140 A Ordinary shares of £0.00001 each were allotted as fully paid at prices between £4.20 and £17.813 per share during this year.

80,000 Preferred shares of £0.00001 each were allotted as fully paid at a premium of £70 per share during the year.

66,173 B1 Ordinary shares of £0.00001 each were allotted as fully paid at par during the year.

Called-up share capital - represents the nominal value of shares that have been issued.

A Shares are standard ordinary shares with full voting rights.

B1 Shares are non-voting shares with discretionary participation rights, right to assets only occur once the company has a value of £110m.

E Shares are standard shares with enhanced voting rights which ensure certain shareholders retain 5% of the voting rights.

The Preference Share class entitle the shareholder to 1.2x priority return on dividends and/or a 1.2x liquidation preference.

Deferred shares entitle the shareholder to receive £1 for the entire class of shares.

Founders Factory operated an EMI Option Scheme for employees which closed to new employees on 31 December 2018. No new options were granted through this, or any other scheme, during the year ended 31 December 2020. A total of 14,567 options have been granted in the scheme through to 31 December 2020. At 1 January 2020 11,380 net options were allocated, during the year a further 2,760 options lapsed leaving 8,620 net options allocated at 31 December 2020. Of these 2,140 options were exercised.

FOUNDERS FACTORY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

16. RESERVES

Share premium account - includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Retained earnings - includes all current and prior period retained profits and losses excluding cumulative unrealised valuation movements after deferred tax on other financial instruments held under the fair value model.

Fair value reserve - represents the post deferred tax cumulative unrealised valuation movement on other financial instruments held under the fair value model, which is transferred from retained earnings.

17. PENSION COMMITMENTS

Pension commitments in the balance sheet at year end is £23,274 (2019: £23,463).

18. RELATED PARTY DISCLOSURES

During the year, the company received recharged services from a company. This company is a limited liability partnership, of which both Henry Lane Fox and Brent Hoberman are members. The total recharged services charged to the company during the year was £303,663 (2019: £483,370). The recharged services were for rent for their old offices. The lease is going to be transferred to the company, but we are waiting on the completion from the lawyers.

During the year, the company provided support services to Founders Factory Retail Ltd, an associated company, to the value of £2,207,061 (2019: £2,160,000). At the balance there was £375 owed to the company, no interest is collectible.

During the year, the company provided support services to Founders Factory Africa Pty Ltd, an associated company, to the value of £53,000 (2019: £28,800). On 31 December £709 (2019: £2,519) was owing from the associated company. No interest is charged on this amount.

The company during the year received £1,550,000 (2019: £750,000) from FF Homecare and Hygiene Ltd, an associated company, for payment in relation to acceleration and incubation services provided by the company. No amounts were outstanding at the balance sheet date.

The company received an annual fee of \$245,833 (2019: \$250,000) from Founders Factory New York LLC, an associated company, for payment in relation to strategic and business development services provided by the company.

The company received support services provided by Strike 2 Unlimited, a company controlled by Brent Hoberman, to the value of £40,524 (2019: £25,523). At the balance sheet date £130 was outstanding.

During the year, a total of key management personnel compensation of £478,538 (2019 - £468,272) was paid.

All Directors and the Senior Management team who have the authority and responsibility for planning, directing and controlling the activities of the entity are considered to be key management personnel.

19. ULTIMATE CONTROLLING PARTY

In the opinion of the directors there is no single overall controlling party.

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
FOR THE YEAR ENDED 31 DECEMBER 2020**20. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2020	2019
	£	£
Profit before taxation	2,501,885	2,166,341
Depreciation charges	138,001	108,883
Profit on disposal of fixed assets	(82,711)	(95,396)
Impairment of fixed asset investments	3,502,418	9,521,856
Fair value adjustment of investments	(9,225,242)	(15,013,514)
Exchange rate difference unrealised	82,377	-
Finance income	-	(31)
	<u>(3,083,272)</u>	<u>(3,311,861)</u>
(Increase)/decrease in trade and other debtors	(370,398)	363,748
Increase in trade and other creditors	<u>19,812</u>	<u>359,151</u>
Cash generated from operations	<u>(3,433,858)</u>	<u>(2,588,962)</u>

21. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2020

	31/12/20	1/1/20
	£	£
Cash and cash equivalents	<u>7,599,574</u>	<u>8,745,822</u>

Year ended 31 December 2019

	31/12/19	1/1/19
	£	£
Cash and cash equivalents	<u>8,745,822</u>	<u>4,910,039</u>

22. ANALYSIS OF CHANGES IN NET FUNDS

	At 1/1/20	Cash flow	At 31/12/20
	£	£	£
Net cash			
Cash at bank	<u>8,745,822</u>	<u>(1,146,248)</u>	<u>7,599,574</u>
	<u>8,745,822</u>	<u>(1,146,248)</u>	<u>7,599,574</u>
Total	<u>8,745,822</u>	<u>(1,146,248)</u>	<u>7,599,574</u>