

**REGISTERED NUMBER: 09564631 (England and Wales)**

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018**  
**FOR**  
**FOUNDERS FACTORY LIMITED**



**FOUNDERS FACTORY LIMITED**

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**FOR THE YEAR ENDED 31ST DECEMBER 2018**

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**FOUNDERS FACTORY LIMITED**

**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31ST DECEMBER 2018**

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**DIRECTORS:**

H Lane Fox  
B Hoberman  
A X Hudson  
J Oei  
Ms L Rochet  
D Zhou  
P Ablin  
B M Lockett

**REGISTERED OFFICE:**

Northcliffe House  
Young Street  
London  
W8 5EH

**REGISTERED NUMBER:**

09564631 (England and Wales)

**AUDITORS:**

Grant Thornton UK LLP  
30 Finsbury Sq  
London  
EC2A 1AG

## **FOUNDERS FACTORY LIMITED**

### **STRATEGIC REPORT** **FOR THE YEAR ENDED 31ST DECEMBER 2018**

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The Directors present their strategic report for the year ended 31 December 2017.

Founders Factory Limited (the "Company" or "Founders Factory") is a technology business which is building and scaling start-ups in collaboration with our corporate partners. The Company 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 incubated 12 businesses this year and accelerated over 30. We continue to deliver significant value to the companies that we work with, assisting them with strategy, product, growth and raising investment and securing pilots and commercial agreements with our corporate partners. We now have a portfolio of over 90 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.

During 2018, the Company commenced an expansion program into new sectors and geographies building on the existing six sectors already in operation. In July 2018, we launched Founders Factory Retail, an associate investment in partnership with Marks & Spencer plc.

In October 2018, we launched Founders Factory Africa based in Johannesburg which is planning to build and scale 100 start-ups across the continent over the next five years

#### **REVIEW OF BUSINESS**

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

The Company's total turnover for the year ended 31 December 2018 was £4,659,096 compared to £1,916,005 at 31 December 2017. The Company's comprehensive profit for the year was £6,007,127 compared to £3,145,705 at 31 December 2017.

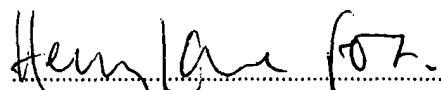
At 31 December 2018, the Company has a portfolio of investments in 92 technology start-up businesses with a combined value of £24,937,384 (2017: £13,621,689).

The Company's net asset position as at 31 December 2018 was £32,072,049 (2017: £19,053,964).

#### **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 Company 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 provides support and guidance to help ensure that each business achieves the optimum outcome and financial return.

#### **ON BEHALF OF THE BOARD:**

  
H Lane Fox - Director

Date: 29-8-19

## **FOUNDERS FACTORY LIMITED**

### **REPORT OF THE DIRECTORS** **FOR THE YEAR ENDED 31ST DECEMBER 2018**

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The directors present their report with the financial statements of the company for the year ended 31st December 2018.

#### **PRINCIPAL ACTIVITY**

The principal activity of the company 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 2018 (2017 - nil).

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

H Lane-Fox  
B Hoberman  
A X Hudson  
L Rochet  
J Oei  
D Zhou

Other changes in directors holding office are as follows:

A P D Brem - resigned 21 September 2018  
J Millett - resigned 17 July 2018  
P Ablin - appointed 4 September 2018  
B M Luckett - appointed 9 October 2018

#### **KEY MANAGEMENT**

Throughout the year the key management were Brent Hoberman (Executive Chairman) and Henry Lane Fox (Chief Executive Officer).

#### **POLITICAL DONATIONS AND EXPENDITURE**

The Company made no political contributions during the year ended 31 December 2018 (2017 - nil).

#### **GOING CONCERN**

The financial position of the company is outlined in this report, including an overview of the Company's progress against its objectives and a summary of the risks and uncertainties that the Company faces and the corresponding mitigations in place to manage them. The Directors believe that the Company is well placed to manage these risks successfully.

The Directors have received commitments for continued funding from their corporate investors. As a result the Company has the ability to continue operating for a least one year from the signing of the Auditors Report in these financial statements. The Directors have therefore adopted a going concern basis of accounting in preparing these financial statements.

#### **SUBSEQUENT EVENTS**

There were no subsequent events after the statement of financial position date.

**FOUNDERS FACTORY LIMITED**

**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2018**

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**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 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

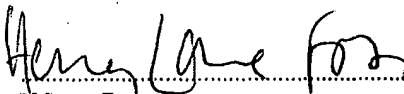
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

The directors confirm that: so far as each director is aware, there is no relevant audit information of which the company'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 company's auditor is aware of that information.

**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:**

  
.....  
H Lane Fox - Director

Date: 29-8-19 .....

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

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### **Opinion**

We have audited the financial statements of Founders Factory Limited (the 'company') for the year ended 31st December 2018, which comprise the statement of financial position, the statement of comprehensive income, the statement of cash flow, the statement of changes in equity 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 company's affairs as at 31st December 2018 and of its 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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

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

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

In the light of the knowledge and understanding of the 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 for the financial statements**

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 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 company or to cease operations, or have no realistic alternative but to do so.

**Auditor's 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**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 auditor's 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.



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

Date: 29-8-19



**FOUNDERS FACTORY LIMITED****STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST DECEMBER 2018**

	Notes	2018 £	2017 £
<b>TURNOVER</b>		4,659,096	1,916,005
Cost of sales		<u>(100,146)</u>	<u>(11,551)</u>
<b>GROSS PROFIT</b>		4,558,950	1,904,454
Administrative expenses		<u>(7,084,981)</u>	<u>(6,289,383)</u>
		(2,526,031)	(4,384,929)
Other operating income		<u>9,177,757</u>	<u>8,247,601</u>
<b>OPERATING PROFIT</b>	4	6,651,726	3,862,672
Income from participating interests		-	15,000
Interest receivable and similar income		<u>34</u>	<u>38</u>
<b>PROFIT BEFORE TAXATION</b>		6,651,760	3,877,710
Tax on profit	5	<u>(644,633)</u>	<u>(732,005)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		6,007,127	3,145,705
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>6,007,127</u>	<u>3,145,705</u>

The notes on pages 12 to 19 form part of these financial statements

**FOUNDERS FACTORY LIMITED (REGISTERED NUMBER: 09564631)**

**STATEMENT OF FINANCIAL POSITION**  
**31ST DECEMBER 2018**

	Notes	2018 £	2017 £
<b>FIXED ASSETS</b>			
Tangible assets	6	192,786	256,557
Investments	7	24,937,384	13,621,689
Investments in associates	7	<u>3,499,900</u>	<u>-</u>
		<u>28,630,070</u>	<u>13,878,246</u>
<b>CURRENT ASSETS</b>			
Debtors	8	1,751,089	178,257
Cash at bank		<u>4,910,039</u>	<u>6,214,485</u>
		6,661,128	6,392,742
<b>CREDITORS</b>			
Amounts falling due within one year	9	<u>(927,713)</u>	<u>(485,019)</u>
<b>NET CURRENT ASSETS</b>		<u>5,733,415</u>	<u>5,907,723</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		34,363,485	19,785,969
<b>PROVISIONS FOR LIABILITIES</b>	10	<u>(2,291,436)</u>	<u>(732,005)</u>
<b>NET ASSETS</b>		<u>32,072,049</u>	<u>19,053,964</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	8	7
Share premium	12	25,212,908	18,201,951
Fair value reserve	12	18,746,752	9,665,295
Retained earnings	12	<u>(11,887,619)</u>	<u>(8,813,289)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>32,072,049</u>	<u>19,053,964</u>

The financial statements were approved by the Board of Directors on 29-8-19 and were signed on its behalf by:

  
H Lane Fox - Director

The notes on pages 12 to 19 form part of these financial statements

**FOUNDERS FACTORY LIMITED****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31ST DECEMBER 2018**

	Called up share capital £	Retained earnings £	Share premium £	Fair value reserve £	Total equity £
Balance at 1st January 2017	5	(3,714,993)	9,099,995	1,421,294	6,806,301
Changes in equity					
Issue of share capital	2	-	9,101,956	-	9,101,958
Total comprehensive income	-	3,056,865	-	-	(5,098,296)
Increase in fair value of investments	-	(8,244,001)	-	8,244,001	-
Balance at 31st December 2017	<u>7</u>	<u>(8,813,289)</u>	<u>18,201,951</u>	<u>9,665,295</u>	<u>19,053,964</u>
Changes in equity					
Issue of share capital	1	-	7,010,957	-	7,010,958
Total comprehensive income	-	6,007,127	-	-	(3,074,330)
Increase in fair value of investments	-	(9,081,457)	-	9,081,457	-
Balance at 31st December 2018	<u>8</u>	<u>(11,887,619)</u>	<u>25,212,908</u>	<u>18,746,752</u>	<u>32,072,049</u>

The notes on pages 12 to 19 form part of these financial statements

**FOUNDERS FACTORY LIMITED****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31ST DECEMBER 2018**

		2018 £	2017 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	(2,557,334)	(3,839,854)
Tax paid		<u>200,003</u>	<u>20,665</u>
Net cash from operating activities		<u>(2,357,331)</u>	<u>(3,819,189)</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(11,708)	(284,592)
Purchase of fixed asset investments		(5,970,186)	(3,107,823)
Sale of tangible fixed assets		750	4,941
Sale of fixed asset investments		23,038	108,904
Interest received		34	38
Dividends received		<u>-</u>	<u>15,000</u>
Net cash from investing activities		<u>(5,958,072)</u>	<u>(3,263,532)</u>
<b>Cash flows from financing activities</b>			
Share issue		<u>7,010,957</u>	<u>9,101,958</u>
Net cash from financing activities		<u>7,010,957</u>	<u>9,101,958</u>
<b>(Decrease)/increase in cash and cash equivalents</b>		<u>(1,304,446)</u>	<u>2,019,237</u>
Cash and cash equivalents at beginning of year	2	<u>6,214,485</u>	<u>4,195,248</u>
Cash and cash equivalents at end of year	2	<u>4,910,039</u>	<u>6,214,485</u>

The notes on pages 12 to 19 form part of these financial statements

**FOUNDERS FACTORY LIMITED****NOTES TO THE STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31ST DECEMBER 2018****1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2018	2017
	£	£
Profit before taxation	6,651,760	3,877,710
Depreciation charges	74,487	67,779
Loss on disposal of fixed assets	7,204	19,583
Impairment of fixed asset investments	240,608	234,130
Fair value adjustment of investments	(9,116,016)	(8,244,001)
Finance income	(34)	(15,038)
	(2,141,991)	(4,059,837)
(Increase)/decrease in trade and other debtors	(858,037)	75,539
Increase in trade and other creditors	442,694	144,444
<b>Cash generated from operations</b>	<b>(2,557,334)</b>	<b>(3,839,854)</b>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

**Year ended 31st December 2018**

	31/12/18	1/1/18
	£	£
Cash and cash equivalents	<u>4,910,039</u>	<u>6,214,485</u>

**Year ended 31st December 2017**

	31/12/17	1/1/17
	£	£
Cash and cash equivalents	<u>6,214,485</u>	<u>4,195,248</u>

The notes on pages 12 to 19 form part of these financial statements

## **FOUNDERS FACTORY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31ST DECEMBER 2018**

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#### **1. STATUTORY INFORMATION**

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

##### **Revenue recognition**

Turnover is measured at the transaction price, net of discounts and value added taxes. Turnover includes revenue earned from the rendering of services.

For equity investments, the total value of the accelerator program is included in the cash investment made by Founders Factory. No income from services in kind is generated in relation to equity investments.

For Convertible Loan investments revenue is charged for accelerator services provided, as set out in the contract with each startup.

There are two elements of revenue that are incurred from accelerator services: a flat "Accelerator Fee" and a variable "Performance Fee" which is dependent on Founders Factory delivering agreed objectives to the startup. The revenue from the Accelerator Fee is recognized in one of two ways, depending on what has been agreed in a specific contract:

1. On a straight-line basis over the 6 month accelerator program as the accelerator services are performed by an indeterminate number of acts over the duration of the program
2. At the point at which a startup business successfully progresses from the accelerator program and raises third party investment.

The revenue from the Performance Fee is recognized at the point when it has been agreed between both Founders Factory and the startup that the agreed objectives have been met. This is when it is probable that the economic benefits associated with the transaction will flow to Founders Factory.

##### **Tangible fixed assets**

Tangible assets are measured at cost less accumulated depreciation and any accumulated depreciation impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their expected useful lives, using the straight-line method. The rates applicable are:

Plant and machinery	- 20% at cost
Fixtures and fittings	- 20% at cost
Computer equipment	- 33% at cost

##### **Investments in associates**

Investments in associates are stated at fair value.

## **FOUNDERS FACTORY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - continued** **FOR THE YEAR ENDED 31ST DECEMBER 2018**

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#### **2. ACCOUNTING POLICIES - continued**

##### **Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the 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 statement of financial position date.

Research and Development tax credits are recognised when receipt is assured.

##### **Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position 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 statement of financial position 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.

##### **Pension costs and other post-retirement benefits**

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

## **FOUNDERS FACTORY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - continued** **FOR THE YEAR ENDED 31ST DECEMBER 2018**

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#### **2. ACCOUNTING POLICIES - continued**

##### **Fixed asset investments**

Investments are stated at fair value.

Financial assets with an indefinite useful life are not subject to amortisation, but are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised for the amount by which an assets carrying amount exceeds its recoverable amount.

Founders Factory holds two types of Financial assets: 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 financial asset 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 revaluation in the fair value will be recognised through the statement of comprehensive income within other operating income. 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.

#### **3. EMPLOYEES AND DIRECTORS**

	2018	2017
	£	£
Wages and salaries	3,772,983	3,649,819
Social security costs	464,052	440,801
Other pension costs	56,311	11,844
	<u>4,293,346</u>	<u>4,102,464</u>

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

	2018	2017
Operations	<u>51</u>	<u>53</u>



**FOUNDERS FACTORY LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31ST DECEMBER 2018****3. EMPLOYEES AND DIRECTORS - continued**

	2018	2017
	£	£
Directors' remuneration	440,000	482,335
Directors' pension contributions to money purchase schemes	<u>7,700</u>	<u>-</u>

Information regarding the highest paid director is as follows:

	2018	2017
	£	£
Emoluments etc	240,000	247,500
Pension contributions to money purchase schemes	<u>4,200</u>	<u>-</u>

**4. OPERATING PROFIT**

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

	2018	2017
	£	£
Depreciation - owned assets	74,487	67,779
Loss on disposal of fixed assets	7,204	19,583
Auditors' remuneration	18,300	16,037
Taxation advisory services	30,000	-
Foreign exchange differences	(29,546)	1,248
Impairment of fixed asset investments	<u>240,608</u>	<u>-</u>

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

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

	2018	2017
	£	£
Current tax:		
UK corporation tax	(914,798)	-
Deferred tax	<u>1,559,431</u>	<u>732,005</u>
Tax on profit	<u>644,633</u>	<u>732,005</u>

UK corporation tax has been charged at 19% (2017 - 19.25%).

**FOUNDERS FACTORY LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31ST DECEMBER 2018****5. TAXATION - continued****Reconciliation of total tax charge included in profit and loss**

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

	2018 £	2017 £
Profit before tax	<u>6,651,760</u>	<u>3,877,710</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.250%)	1,263,834	746,459
Effects of:		
Expenses not deductible for tax purposes	16,346	11,493
Income not taxable for tax purposes	-	(3,179)
Utilisation of tax losses	-	(24,116)
Surrender of tax losses for R&D tax credits	288,900	-
Difference in tax rates	(9,650)	1,348
R&D Tax credits received	<u>(914,797)</u>	<u>-</u>
Total tax charge	<u>644,633</u>	<u>732,005</u>

Deferred tax liabilities are calculated on timing differences within valuations of fixed assets investments and on accelerated capital allowances - these are calculated as £3,498,837 at the statement of financial position 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 £1,207,401 at the statement of the financial position date. The accounts only reflect the deferred tax asset up to the value of the total deferred tax liability.

**6. TANGIBLE FIXED ASSETS**

	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
<b>COST</b>					
At 1st January 2018	209,918	27,862	17,926	78,882	334,588
Additions	-	500	1,672	9,536	11,708
Disposals	-	-	-	(1,488)	(1,488)
At 31st December 2018	<u>209,918</u>	<u>28,362</u>	<u>19,598</u>	<u>86,930</u>	<u>344,808</u>
<b>DEPRECIATION</b>					
At 1st January 2018	38,167	3,462	6,793	29,609	78,031
Charge for year	38,168	5,671	3,669	26,979	74,487
Eliminated on disposal	-	-	-	(496)	(496)
At 31st December 2018	<u>76,335</u>	<u>9,133</u>	<u>10,462</u>	<u>56,092</u>	<u>152,022</u>
<b>NET BOOK VALUE</b>					
At 31st December 2018	<u>133,583</u>	<u>19,229</u>	<u>9,136</u>	<u>30,838</u>	<u>192,786</u>
At 31st December 2017	<u>171,751</u>	<u>24,400</u>	<u>11,133</u>	<u>49,273</u>	<u>256,557</u>

**FOUNDERS FACTORY LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31ST DECEMBER 2018****7. FIXED ASSET INVESTMENTS**

	Interest in associates £	Unlisted investments £	Totals £
<b>COST OR VALUATION</b>			
At 1st January 2018	-	13,621,689	13,621,689
Additions	-	5,970,186	5,970,186
Disposals	-	(30,000)	(30,000)
Revaluations	3,499,900	5,581,557	9,081,457
Impairments	-	(240,608)	(240,608)
Exchange differences	-	34,560	34,560
At 31st December 2018	<u>3,499,900</u>	<u>24,937,384</u>	<u>28,437,284</u>
<b>NET BOOK VALUE</b>			
At 31st December 2018	<u>3,499,900</u>	<u>24,937,384</u>	<u>28,437,284</u>
At 31st December 2017	<u>-</u>	<u>13,621,689</u>	<u>13,621,689</u>

Cost or valuation at 31st December 2018 is represented by:

	Interest in associates £	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
Cost	-	9,926,580	9,926,580
	<u>3,499,900</u>	<u>24,937,384</u>	<u>28,437,284</u>

In 2018 the net book value included £1,595,413 relating to fixed asset investments held as convertible loan stock (2017 - £301,874).

**8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018 £	2017 £
Trade debtors	473,493	79,498
Other debtors	460,187	89,519
Tax	714,795	-
Prepayments	<u>102,614</u>	<u>9,240</u>
	<u>1,751,089</u>	<u>178,257</u>

**FOUNDERS FACTORY LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31ST DECEMBER 2018****9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018	2017
	£	£
Trade creditors	72,582	44,238
Social security and other taxes	129,354	137,484
VAT	137,264	5,327
Other creditors	211,342	5,543
Credit card to be paid	32,500	17,149
Deferred income	50,000	16,667
Accrued expenses	<u>294,671</u>	<u>258,611</u>
	<u>927,713</u>	<u>485,019</u>

**10. PROVISIONS FOR LIABILITIES**

	2018	2017
	£	£
Deferred tax		
Accelerated capital allowances	27,154	29,370
Tax losses carried forward	(1,207,401)	(839,265)
Other timing differences	<u>3,471,683</u>	<u>1,541,900</u>
	<u>2,291,436</u>	<u>732,005</u>

	Deferred tax
	£
Balance at 1st January 2018	732,005
Provided during year	<u>1,559,431</u>
Balance at 31st December 2018	<u>2,291,436</u>

**11. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			2018	2017
Number:	Class:	Nominal value:	£	£
28,775	A Ordinary	£0.0001	3	3
13	E Shares	£0.1000	1	1
36,000	Preferred	£0.0001	<u>4</u>	<u>3</u>
			<u>8</u>	<u>7</u>

## **FOUNDERS FACTORY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - continued** **FOR THE YEAR ENDED 31ST DECEMBER 2018**

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#### **11. CALLED UP SHARE CAPITAL - continued**

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

1,824 A Ordinary shares of £0.0001 each were allotted as fully paid at prices between par and £49 per share during this year.

10,000 Preferred shares of £0.0001 each were allotted as fully paid at a premium of £700 per share 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.

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

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

Founders Factory operates an EMI Option Scheme for employees which closed to new employees on 31 December 2018. During the year a total of 1,600 options were granted at the valuation price of between £49 and £178. This takes the total options granted in the scheme to 14,567.

Of these, 1,984 options have vested and 2,723 options have lapsed. Therefore the net options allocated is 11,844. In total there are 13,193 options available in the pool.

#### **12. 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 on other financial instruments held under the fair value model, which are transferred to the fair value reserve.

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

#### **13. RELATED PARTY DISCLOSURES**

During the year Founders Factory Limited received recharged services from Founders Forum LLP. Founders Forum is a Limited Liability Partnership, of which both Henry Lane Fox and Brent Hoberman are members. The total recharged services charged by Founders Forum LLP to Founders Factory Limited during the year was £9,294. Founders Factory recharged £20,950 for services paid on behalf of Founders Forum.

During the year the company provided support services to Founders Factory Retail Limited to the value of £720,000. Founders Factory Retail Limited has similar key management personnel.

During the year the company provided support services to Founders Factory Africa Pty Limited to the value of £3,600. Founders Factory Africa Pty Limited is an associated company.

During the year, a total of key management personnel compensation of £447,700 (2017 - £482,335) 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.