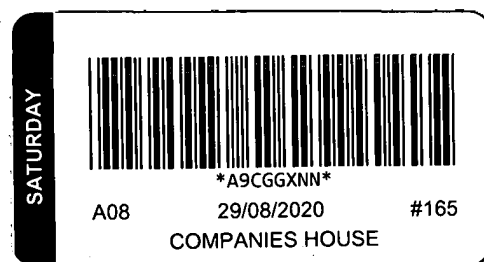


REGISTERED NUMBER: 09564631 (England and Wales)

GROUP STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2019
FOR
FOUNDERS FACTORY LIMITED



FOUNDERS FACTORY LIMITED

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FOR THE YEAR ENDED 31ST DECEMBER 2019

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FOUNDERS FACTORY LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31ST DECEMBER 2019

DIRECTORS:

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

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

GROUP STRATEGIC REPORT **FOR THE YEAR ENDED 31ST DECEMBER 2019**

The directors present their strategic report of the company and the group for the year ended 31st December 2019.

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 the Group. We've developed 16 businesses in our studio this year and have accelerated over 30. 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 120 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.

We have continued to expand into new sectors and geographies during the year. In July 2019, we launched FF Homecare & Hygiene Limited, an associate investment in partnership with Reckitt Benckiser plc. In September 2019, we launched Founders Factory Paris SAS in partnership with Aviva France Ventures which is also an associate investment.

In November 2019 we launched a wholly owned subsidiary, Founders Factory America Inc, which in turns owns our shareholding in Founders Factory New York LLC in partnership with Johnson & Johnson Inc. During the year we also launched Founders Factory Bucharest SRL another wholly owned subsidiary which operates as a technology hub to support many of our portfolio businesses.

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 2019 was £5,420,206 compared to £4,659,096 at 31 December 2018. The Group's comprehensive profit for the year was £1,916,801 compared to £6,007,127 at 31 December 2018.

At 31 December 2019, the Group has a portfolio of investments with a combined value of £38,439,091 (2018: £28,437,284). The Group's net asset position as at 31 December 2019 was £43,800,313 (2018: £32,072,049).

FOUNDERS FACTORY LIMITED

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2019

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

31/7/2020
Date:

FOUNDERS FACTORY LIMITED

REPORT OF THE DIRECTORS **FOR THE YEAR ENDED 31ST DECEMBER 2019**

The directors present their report with the financial statements of the company and the group for the year ended 31st December 2019.

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 2019 (2018 - nil).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

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

Other changes in directors holding office are as follows:

P Ablin - resigned 19 September 2019
S Lord - appointed 19 September 2019

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 group made no political contributions during the year ended 31 December 2019 (2018 - nil).

GOING CONCERN

The financial position of the Group is outlined in this report, including an overview of the Group's progress against its objectives and a summary of the risks and uncertainties that the Group faces and the corresponding mitigations in place to manage them.

The Directors believe that the Group is well placed to manage these risks successfully. The Directors have received commitments for continued funding from their corporate investors. Based on the cash balance of £8.7m at the year end, further investment received in 2020 and current and forecast cash burn rate, the Group has sufficient liquidity to continue as a going concern for the foreseeable future. Since 31 December 2019, Founders Factory has received a further £4.2m investment from existing investors. As a result the Group has the ability to continue operating for a least one year from the signing of the financial statements. The Directors have also considered the impact of COVID-19 as part of this going concern assessment. Whilst there are broader risks to the business as a result of a general downturn in the economy as a result of COVID-19, overall there are no specific adverse impacts that effect the going concern of the Group as a result of the pandemic. The Group has a diversified portfolio of investments many of which have performed well in the post balance sheet period. There are sufficient funds both in the bank and committed from investors to enable to company to fund its operations going forward despite the economic uncertainty. 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 31ST DECEMBER 2019**

SUBSEQUENT EVENTS

There have been no significant events affecting the Group since the year end other than the development of the Covid-19 pandemic. As outlined in the Directors report the potential impact on the Group has been considered carefully and the Directors believe that the Group continues to be well placed to manage these risks successfully. The impact of COVID-19 is a non-adjusting event and the full financial impact on the business cannot be quantified at this stage.

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.

FOUNDERS FACTORY LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2019

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.

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

31/7/2020

Date:

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

Opinion

We have audited the non-statutory financial statements (the 'financial statements') of Founders Factory Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019, 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 company 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 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 affairs as at 31st December 2019 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.

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

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.

The impact of macro economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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 group'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.

**REPORT OF THE INDEPENDENT AUDITORS 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 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.

Matters on which we are required to report by exception

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 set out on page 3, 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.

**REPORT OF THE INDEPENDENT AUDITORS 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.

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.

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 Report of the Auditors.

Grant Thornton UK LLP

Nicholas Page (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP
30 Finsbury Sq
London
EC2A 1AG
31/7/2020

Date:

FOUNDERS FACTORY LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Notes	2019 £	2018 £
TURNOVER		5,420,206	4,659,096
Cost of sales		<u>(820)</u>	<u>(100,146)</u>
GROSS PROFIT		5,419,386	4,558,950
Administrative expenses		<u>(18,677,787)</u>	<u>(7,084,981)</u>
		(13,258,401)	(2,526,031)
Other operating income		<u>15,424,711</u>	<u>9,177,757</u>
OPERATING PROFIT	4	2,166,310	6,651,726
Interest receivable and similar income		<u>31</u>	<u>34</u>
PROFIT BEFORE TAXATION		2,166,341	6,651,760
Tax on profit	5	<u>(249,540)</u>	<u>(644,633)</u>
PROFIT FOR THE FINANCIAL YEAR		1,916,801	6,007,127
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,916,801</u>	<u>6,007,127</u>
Profit attributable to: Owners of the parent		<u>1,916,801</u>	<u>6,007,127</u>
Total comprehensive income attributable to: Owners of the parent		<u>1,916,801</u>	<u>6,007,127</u>

The notes on pages 18 to 35 form part of these financial statements

FOUNDERS FACTORY LIMITED (REGISTERED NUMBER: 09564631)**CONSOLIDATED BALANCE SHEET
31ST DECEMBER 2019**

	Notes	2019 £	2018 £
FIXED ASSETS			
Tangible assets	7	312,616	192,786
Investments	8		
Interest in associate		10,903,552	3,499,900
Other investments		<u>27,535,539</u>	<u>24,937,384</u>
		<u>38,751,707</u>	<u>28,630,070</u>
CURRENT ASSETS			
Debtors	9	672,546	1,751,089
Cash at bank		<u>8,745,822</u>	<u>4,910,039</u>
		9,418,368	6,661,128
CREDITORS			
Amounts falling due within one year	10	<u>(1,287,391)</u>	<u>(927,713)</u>
NET CURRENT ASSETS		<u>8,130,977</u>	<u>5,733,415</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		46,882,684	34,363,485
PROVISIONS FOR LIABILITIES	13	<u>(3,082,371)</u>	<u>(2,291,436)</u>
NET ASSETS		<u>43,800,313</u>	<u>32,072,049</u>
CAPITAL AND RESERVES			
Called up share capital	14	9	8
Share premium	15	35,024,370	25,212,908
Fair value reserve	15	23,968,423	18,746,752
Retained earnings	15	<u>(15,192,489)</u>	<u>(11,887,619)</u>
SHAREHOLDERS' FUNDS		<u>43,800,313</u>	<u>32,072,049</u>

The financial statements were approved by the Board of Directors and authorised for issue on 31/7/2020 and were signed on its behalf by:

Henry Lane Fox

Director

The notes on pages 18 to 35 form part of these financial statements

FOUNDERS FACTORY LIMITED (REGISTERED NUMBER: 09564631)**COMPANY BALANCE SHEET
31ST DECEMBER 2019**

	Notes	2019 £	2018 £
FIXED ASSETS			
Tangible assets	7	302,010	192,786
Investments in unlisted companies	8	27,535,539	24,937,384
Investments in associates	8	9,848,343	3,499,900
Investments in subsidiaries	8	1,063,373	-
		<u>38,749,265</u>	<u>28,630,070</u>
CURRENT ASSETS			
Debtors	9	710,568	1,751,089
Cash at bank		<u>8,737,786</u>	<u>4,910,039</u>
		9,448,354	6,661,128
CREDITORS			
Amounts falling due within one year	10	<u>(1,285,852)</u>	<u>(927,713)</u>
NET CURRENT ASSETS		<u>8,162,502</u>	<u>5,733,415</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		46,911,767	34,363,485
PROVISIONS FOR LIABILITIES	13	<u>(3,082,371)</u>	<u>(2,291,436)</u>
NET ASSETS		<u>43,829,396</u>	<u>32,072,049</u>
CAPITAL AND RESERVES			
Called up share capital	14	9	8
Share premium	15	35,024,370	25,212,908
Fair value reserve	15	23,968,423	18,746,752
Retained earnings	15	<u>(15,163,406)</u>	<u>(11,887,619)</u>
SHAREHOLDERS' FUNDS		<u>43,829,396</u>	<u>32,072,049</u>
Company's profit for the financial year		<u>1,945,884</u>	<u>6,007,127</u>

The financial statements were approved by the Board of Directors and authorised for issue on 31/7/2020 and were signed on its behalf by:

Henry Lane Fox

H Lane Fox - Director

The notes on pages 18 to 35 form part of these financial statements

FOUNDERS FACTORY LIMITED**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Called up share capital £	Retained earnings £	Share premium £	Fair value reserve £	Total equity £
Balance at 1st January 2018	7	(8,813,289)	18,201,951	9,665,295	19,053,964
Changes in equity					
Issue of share capital	1	-	7,010,957	-	7,010,958
Total comprehensive income	-	6,007,127	-	-	6,007,127
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>
Changes in equity					
Issue of share capital	1	-	9,811,462	-	9,811,463
Total comprehensive income	-	1,916,801	-	-	(3,304,870)
Increase in fair value of investments	-	(5,221,671)	-	5,221,671	-
Balance at 31st 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>

The notes on pages 18 to 35 form part of these financial statements

FOUNDERS FACTORY LIMITED**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2019**

	Called up share capital £	Retained earnings £	Share premium £	Fair value reserve £	Total equity £
Balance at 1st January 2018	7	(8,813,289)	18,201,951	9,665,295	19,053,964
Changes in equity					
Issue of share capital	1	-	7,010,957	-	7,010,958
Total comprehensive income	-	6,007,127	-	-	6,007,127
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>
Changes in equity					
Issue of share capital	1	-	9,811,462	-	9,811,463
Total comprehensive income	-	1,945,884	-	-	1,945,884
Increase in fair value of investments	-	(5,221,671)	-	5,221,671	-
Balance at 31st 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>

The notes on pages 18 to 35 form part of these financial statements

FOUNDERS FACTORY LIMITED**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2019**

	Notes	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	1	(2,588,962)	(2,557,334)
Tax received		<u>1,256,717</u>	<u>200,003</u>
Net cash from operating activities		<u>(1,332,245)</u>	<u>(2,357,331)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(228,713)	(11,708)
Purchase of fixed asset investments		(4,562,534)	(5,970,186)
Sale of tangible fixed assets		4,250	750
Sale of fixed asset investments		143,531	23,038
Interest received		<u>31</u>	<u>34</u>
Net cash from investing activities		<u>(4,643,435)</u>	<u>(5,958,072)</u>
Cash flows from financing activities			
Share issue		<u>9,811,463</u>	<u>7,010,957</u>
Net cash from financing activities		<u>9,811,463</u>	<u>7,010,957</u>
Increase/(decrease) in cash and cash equivalents		<u>3,835,783</u>	<u>(1,304,446)</u>
Cash and cash equivalents at beginning of year	2	<u>4,910,039</u>	<u>6,214,485</u>
Cash and cash equivalents at end of year	2	<u><u>8,745,822</u></u>	<u><u>4,910,039</u></u>

The notes on pages 18 to 35 form part of these financial statements

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2019****1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2019 £	2018 £
Profit before taxation	2,166,341	6,651,760
Depreciation charges	108,883	74,487
(Profit)/loss on disposal of fixed assets	(95,396)	7,204
Impairment of fixed asset investments	9,521,856	240,608
Fair value adjustment of investments	(15,013,514)	(9,116,016)
Finance income	(31)	(34)
	(3,311,861)	(2,141,991)
Decrease/(increase) in trade and other debtors	363,748	(858,037)
Increase in trade and other creditors	359,151	442,694
Cash generated from operations	(2,588,962)	(2,557,334)

2. 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 31st December 2019

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

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>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1/1/19 £	Cash flow £	At 31/12/19 £
Net cash			
Cash at bank	<u>4,910,039</u>	<u>3,835,783</u>	<u>8,745,822</u>
	<u>4,910,039</u>	<u>3,835,783</u>	<u>8,745,822</u>
Total	<u>4,910,039</u>	<u>3,835,783</u>	<u>8,745,822</u>

The notes on pages 18 to 35 form part of these financial statements

FOUNDERS FACTORY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31ST DECEMBER 2019**

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 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.

These financial statements are the first to be consolidated by the company.

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

Basis of consolidation

The group consolidates the accounts of Founders Factory Limited and its subsidiaries from 1 January 2019 to 31 December 2019 using the acquisition method of accounting.

In accordance with S.408 of the Companies Act 2006 the company is exempt from publishing its individual profit and loss account.

The group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings together with the group's share of the results of associates made up to 31 December.

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 equity 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.

FOUNDERS FACTORY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019

2. ACCOUNTING POLICIES - continued

Basis of consolidation

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.

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.

FOUNDERS FACTORY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019

2. ACCOUNTING POLICIES - continued

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 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.

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 Founders Factory. Given the early-stage and high-risk nature of startups, up until this point there remains significant uncertainty that any benefit would flow to Founders Factory 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 31ST DECEMBER 2019

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

Tangible fixed assets are initially recorded at cost, and subsequently stated at cost or valuation less accumulated depreciation and any impairment losses.

Investments in associates

Investments in associates and subsidiaries are stated at fair value.

The valuation of each associate is reviewed quarterly taking into account the trading performance, funding, product, team and market positioning. Associates are 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 associates that have stopped trading or have a low probability of success: nil
- For investments in associates where third-party fundraising has been raised within the past 18 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.

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 31ST DECEMBER 2019**

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, bank loans, 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.

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.

FOUNDERS FACTORY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019

2. ACCOUNTING POLICIES - continued

Other financial liabilities

Derivatives, include interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in financial costs or financial income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

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.

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.

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
FOR THE YEAR ENDED 31ST DECEMBER 2019**2. ACCOUNTING POLICIES - continued****Fixed asset investments**

Financial assets with an indefinite useful life are not subject to amortisation, but are tested for impairment at least annually or 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 asset's 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.

Going concern

The Directors believe that the Group is well placed to manage these risks successfully. The Directors have received commitments for continued funding from their corporate investors. Based on the cash balance of £8.7m at the year end, further investment received in 2020 and current and forecast cash burn rate, the Group has sufficient liquidity to continue as a going concern for the foreseeable future. Since 31 December 2019, Founders Factory has received a further £4.2m investment from existing investors. As a result the Group has the ability to continue operating for a least one year from the signing of the financial statements. The Directors have also considered the impact of COVID-19 as part of this going concern assessment. Whilst there are broader risks to the business as a result of a general downturn in the economy as a result of COVID-19, overall there are no specific adverse impacts that effect the going concern of the Group as a result of the pandemic. The Group has a diversified portfolio of investments many of which have performed well in the post balance sheet period. There are sufficient funds both in the bank and committed from investors to enable to company to fund its operations going forward despite the economic uncertainty. 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 31ST DECEMBER 2019****3. EMPLOYEES AND DIRECTORS**

	2019 £	2018 £
Wages and salaries	4,691,707	3,772,983
Social security costs	580,756	464,052
Other pension costs	100,489	56,311
	<u>5,372,952</u>	<u>4,293,346</u>

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

	2019	2018
Operations	<u>67</u>	<u>51</u>

The average number of employees by undertakings that were proportionately consolidated during the year was 67 (2018 - NIL).

	2019 £	2018 £
Directors' remuneration	452,000	440,000
Directors' pension contributions to money purchase schemes	<u>16,272</u>	<u>7,700</u>

Information regarding the highest paid director is as follows:

	2019 £	2018 £
Emoluments etc	252,000	240,000
Pension contributions to money purchase schemes	<u>9,072</u>	<u>4,200</u>

4. OPERATING PROFIT

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

	2019 £	2018 £
Depreciation - owned assets	108,883	74,487
(Profit)/loss on disposal of fixed assets	(95,396)	7,204
Auditors' remuneration	26,000	18,300
Taxation advisory services	60,549	30,000
Foreign exchange differences	213,836	(29,546)
Impairment of fixed asset investments	9,521,856	240,608
Lease payments	<u>648,120</u>	<u>806,616</u>

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
FOR THE YEAR ENDED 31ST DECEMBER 2019**5. TAXATION****Analysis of the tax charge**

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

	2019 £	2018 £
Current tax:		
UK corporation tax	(541,395)	(914,798)
Deferred tax	<u>790,935</u>	<u>1,559,431</u>
Tax on profit	<u>249,540</u>	<u>644,633</u>

UK corporation tax has been charged at 19%.

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:

	2019 £	2018 £
Profit before tax	<u>2,166,341</u>	<u>6,651,760</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	411,605	1,263,834
Effects of:		
Expenses not deductible for tax purposes	42,079	16,346
Income not taxable for tax purposes	18,125	-
Adjustments to tax charge in respect of previous periods	9,908	-
Difference in foreign tax charge	1,175	-
Surrender of tax losses for R&D tax credits	308,834	288,900
Difference in tax rates	-	(9,650)
R&D Tax credits received	<u>(542,186)</u>	<u>(914,797)</u>
Total tax charge	<u>249,540</u>	<u>644,633</u>

Deferred tax liabilities are calculated on timing differences within valuations of fixed assets investments and on accelerated capital allowances - these are calculated as £4,604,275 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 £1,499,899 at the balance sheet date. The accounts only reflect the deferred tax asset up to the value of the total deferred tax liability.

6. 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 31ST DECEMBER 2019**7. TANGIBLE FIXED ASSETS**

Group	Improvements to property £	Plant and machinery £	Fixtures and fittings. £	Computer equipment £	Totals £
COST					
At 1st January 2019	209,918	28,362	19,598	86,930	344,808
Additions	160,000	1,646	9,672	57,395	228,713
Disposals	-	-	-	(7,065)	(7,065)
At 31st December 2019	<u>369,918</u>	<u>30,008</u>	<u>29,270</u>	<u>137,260</u>	<u>566,456</u>
DEPRECIATION					
At 1st January 2019	76,335	9,133	10,462	56,092	152,022
Charge for year	67,640	5,886	4,242	31,115	108,883
Eliminated on disposal	-	-	-	(7,065)	(7,065)
At 31st December 2019	<u>143,975</u>	<u>15,019</u>	<u>14,704</u>	<u>80,142</u>	<u>253,840</u>
NET BOOK VALUE					
At 31st December 2019	<u>225,943</u>	<u>14,989</u>	<u>14,566</u>	<u>57,118</u>	<u>312,616</u>
At 31st December 2018	<u>133,583</u>	<u>19,229</u>	<u>9,136</u>	<u>30,838</u>	<u>192,786</u>
Company					
	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1st January 2019	209,918	28,362	19,598	86,930	344,808
Additions	160,000	1,646	9,672	45,442	216,760
Disposals	-	-	-	(7,065)	(7,065)
At 31st December 2019	<u>369,918</u>	<u>30,008</u>	<u>29,270</u>	<u>125,307</u>	<u>554,503</u>
DEPRECIATION					
At 1st January 2019	76,335	9,133	10,462	56,092	152,022
Charge for year	67,640	5,886	4,242	29,768	107,536
Eliminated on disposal	-	-	-	(7,065)	(7,065)
At 31st December 2019	<u>143,975</u>	<u>15,019</u>	<u>14,704</u>	<u>78,795</u>	<u>252,493</u>
NET BOOK VALUE					
At 31st December 2019	<u>225,943</u>	<u>14,989</u>	<u>14,566</u>	<u>46,512</u>	<u>302,010</u>
At 31st December 2018	<u>133,583</u>	<u>19,229</u>	<u>9,136</u>	<u>30,838</u>	<u>192,786</u>

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019****8. FIXED ASSET INVESTMENTS****Group**

	Interest in associates £	Unlisted investments £	Totals £
COST OR VALUATION			
At 1st January 2019	3,499,900	24,937,384	28,437,284
Additions	-	4,562,534	4,562,534
Disposals	-	(52,385)	(52,385)
Revaluations	7,403,652	7,770,196	15,173,848
Impairments	-	(9,521,856)	(9,521,856)
Exchange differences	-	(160,334)	(160,334)
At 31st December 2019	<u>10,903,552</u>	<u>27,535,539</u>	<u>38,439,091</u>
NET BOOK VALUE			
At 31st December 2019	<u>10,903,552</u>	<u>27,535,539</u>	<u>38,439,091</u>
At 31st December 2018	<u>3,499,900</u>	<u>24,937,384</u>	<u>28,437,284</u>

Cost or valuation at 31st December 2019 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
Valuation in 2019	7,403,652	(1,945,930)	5,457,722
Cost	-	14,470,665	14,470,665
	<u>10,903,552</u>	<u>27,535,539</u>	<u>38,439,091</u>

In 2019 the net book value included £2,421,818 relating to fixed asset investments held as convertible loan stock (2018 - £1,595,413).

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
FOR THE YEAR ENDED 31ST DECEMBER 2019**8. FIXED ASSET INVESTMENTS - continued**

Company	Shares in group undertakings £	Interest in associates £	Unlisted investments £	Totals £
COST OR VALUATION				
At 1st January 2019	-	3,499,900	24,937,384	28,437,284
Additions	8,164	-	4,562,534	4,570,698
Disposals	-	-	(52,385)	(52,385)
Revaluations	1,055,209	6,348,443	7,770,196	15,173,848
Impairments	-	-	(9,521,856)	(9,521,856)
Exchange differences	-	-	(160,334)	(160,334)
At 31st December 2019	<u>1,063,373</u>	<u>9,848,343</u>	<u>27,535,539</u>	<u>38,447,255</u>
NET BOOK VALUE				
At 31st December 2019	<u>1,063,373</u>	<u>9,848,343</u>	<u>27,535,539</u>	<u>38,447,255</u>
At 31st December 2018	<u>-</u>	<u>3,499,900</u>	<u>24,937,384</u>	<u>28,437,284</u>

Cost or valuation at 31st December 2019 is represented by:

	Shares in group undertakings £	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
Valuation in 2019	1,055,209	6,348,443	(1,945,930)	5,457,722
Cost	<u>8,164</u>	<u>-</u>	<u>14,470,665</u>	<u>14,478,829</u>
	<u>1,063,373</u>	<u>9,848,343</u>	<u>27,535,539</u>	<u>38,447,255</u>

In 2019 the net book value included £2,421,818 relating to fixed asset investments held as convertible loan stock (2018 - £1,595,413).

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

Associates**Founders Factory Retail Limited**

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

Nature of business: Technology Investment

Class of shares:

Ordinary

%
holding
25.00

Loss for the year

2019
£
(626,671)

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
FOR THE YEAR ENDED 31ST DECEMBER 2019**8. FIXED ASSET INVESTMENTS - continued****Founders Factory Africa Pty Limited**

Registered office: 19 Ameshoff St, Johannesburg, 2001, South Africa

Nature of business: Technology Investment

Class of shares:	% holding	2019 £	2018 £
Ordinary	25.00		
Loss for the year		<u>(481,462)</u>	<u>(113,816)</u>

FF Homecare & Hygiene Limited

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

Nature of business: Technology Investment

Class of shares:	% holding	2019 £
Ordinary	25.00	
Loss for the year		<u>(188,868)</u>

Founders Factory Paris SAS

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

Nature of business: Technology Investment

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

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Trade debtors	232,181	473,493	159,520	473,493
Other debtors	271,896	460,187	382,579	460,187
Tax	-	714,795	-	714,795
Prepayments	<u>168,469</u>	<u>102,614</u>	<u>168,469</u>	<u>102,614</u>
	<u>672,546</u>	<u>1,751,089</u>	<u>710,568</u>	<u>1,751,089</u>

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019****10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Trade creditors	60,759	72,582	59,747	72,582
Tax	527	-	-	-
Social security and other taxes	198,919	129,354	198,919	129,354
VAT	63,429	137,264	63,429	137,264
Other creditors	524,412	211,342	524,412	211,342
Credit card to be paid	11,093	32,500	11,093	32,500
Deferred income	78,616	50,000	78,616	50,000
Accrued expenses	349,636	294,671	349,636	294,671
	<u>1,287,391</u>	<u>927,713</u>	<u>1,285,852</u>	<u>927,713</u>

11. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group and Company

	Non-cancellable operating leases	
	2019	2018
	£	£
Within one year	663,396	663,396
Between one and five years	<u>1,050,377</u>	<u>1,713,773</u>
	<u>1,713,773</u>	<u>2,377,169</u>

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
FOR THE YEAR ENDED 31ST DECEMBER 2019**12. FINANCIAL INSTRUMENTS****Group**

	2019 £	2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>504,077</u>	<u>933,680</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>945,900</u>	<u>611,095</u>

Company

	2019 £	2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>542,077</u>	<u>933,680</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>944,888</u>	<u>611,095</u>

13. PROVISIONS FOR LIABILITIES

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Deferred tax				
Accelerated capital allowances	50,275	27,154	50,275	27,154
Tax losses carried forward	(1,521,904)	(1,207,401)	(1,521,904)	(1,207,401)
Other timing differences	<u>4,554,000</u>	<u>3,471,683</u>	<u>4,554,000</u>	<u>3,471,683</u>
	<u>3,082,371</u>	<u>2,291,436</u>	<u>3,082,371</u>	<u>2,291,436</u>

Group and Company

	Deferred tax £
Balance at 1st January 2019	2,291,436
Provided during year	<u>790,935</u>
Balance at 31st December 2019	<u>3,082,371</u>

FOUNDERS FACTORY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**
FOR THE YEAR ENDED 31ST DECEMBER 2019**14. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:		Nominal value:	2019	2018
Number:	Class:		£	£
28,977	A Ordinary	£0.0001	3	3
13	E	£0.10	1	1
50,000	Preferred	£0.0001	5	4
4,593	Deferred	£0.0001	-	-
			<u>9</u>	<u>8</u>

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

202 A Ordinary shares of £0.0001 each were allotted as fully paid at prices between £49 and £112 per share during this year.

14,000 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 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 2019. A total of 14,567 options have been granted in the scheme through to 31 December 2019. In total there are 13,193 options available in the pool.

Of these, 2,270 options have vested and 3,187 options have lapsed. Therefore the net options allocated is 11,380. In total there are 13,193 options available in the pool. The scheme was closed to employees during the year therefore there was no charge made in the accounts.

FOUNDERS FACTORY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019

15. 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.

16. PENSION COMMITMENTS

Pension commitments in the balance sheet at year end is £23,463 (2018: £11,287).

FOUNDERS FACTORY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued **FOR THE YEAR ENDED 31ST DECEMBER 2019**

17. RELATED PARTY DISCLOSURES

During the year the company received recharged services from Founders Forum LLP. Founders Forum LLP 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 the company during the year was £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. The company also paid £160,000 towards their office fit out which the company then took over.

The company recharged £17,635 for technology services and reimbursed travel expenses paid on behalf of Founders Forum LLP. At the balance sheet date £7,253 was owing from Founder Forum LLP.

During the year the company provided support services to Founders Factory Retail Limited to the value of £2,160,000. These amounts were repaid in full and nothing is outstanding. 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 £28,800. Founders Factory Africa Pty Limited is an associated company. Founders Factory Limited advanced Founders Factory Africa Pty Limited up to £420,000 during 2019. This was due to Founders Factory Africa Pty Limited funds being restricted in South Africa whilst exchange control procedures were cleared. These amounts were repaid in full. At the balance sheet date £2,519 was owing from Founders Factory Africa Pty Limited.

During the year the Company received £750,000 from FF Homecare & Hygiene Limited for payment in relation to acceleration and incubation services provided by the Company to FF Homecare & Hygiene Limited. At the balance sheet date the Company held funds of £496,822 on behalf of FF Homecare & Hygiene Limited - these funds were used to defray FF Homecare & Hygiene Limited's expenses. FF Homecare & Hygiene Limited is an associated company.

The company received an annual fee of 300,000 euros from Founders Factory Paris SAS for payment in relation to strategic and business development services provided by the Company to Founders Factory Paris SAS. Founders Factory Paris SAS is an associated company. Prior to launch the company advanced £280,000 pre launch costs. These costs have been repaid in full.

The company received an annual fee of \$250,000 from Founders Factory New York LLC for payment in relation to strategic and business development services provided by the Company to Founders Factory New York LLC. Founders Factory New York LLC is an associated company. Prior to launch the company advanced £110,000 pre launch costs. These costs have been repaid in full.

Founders Factory Bucharest SRL is a 100% wholly owned subsidiary which employs 8 developers who provide services both internally to the company and to our portfolio. Their bank is non-operational. All payments and receipts for Founders Factory Bucharest SRL are made through the company. We operate a loan account for income/expenses for Founders Factory Bucharest SRL via the company. At the balance sheet date Founders Factory Bucharest SRL owed the Company a net balance of £10,190.

During the year, a total of key management personnel compensation of £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.