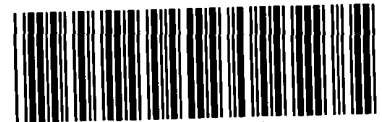


WY

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2017**  
**FOR**  
**FOUNDERS FACTORY LIMITED**

SATURDAY



A24 \*A7BN02BC\* #40  
04/08/2018  
COMPANIES HOUSE

**FOUNDERS FACTORY LIMITED**

**CONTENTS OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2017**

---

	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2</b>
<b>Report of the Directors</b>	<b>3</b>
<b>Report of the Independent Auditors</b>	<b>5</b>
<b>Statement of Comprehensive Income</b>	<b>8</b>
<b>Statement of Financial Position</b>	<b>9</b>
<b>Statement of Changes in Equity</b>	<b>10</b>
<b>Statement of Cash Flows</b>	<b>11</b>
<b>Notes to the Statement of Cash Flows</b>	<b>12</b>
<b>Notes to the Financial Statements</b>	<b>13</b>
<b>Trading and Profit and Loss Account</b>	<b>21</b>

---

**FOUNDERS FACTORY LIMITED**

**COMPANY INFORMATION**

**FOR THE YEAR ENDED 31ST DECEMBER 2017**

---

**DIRECTORS:**

H Lane Fox  
B Hoberman  
A P D Brem  
A X Hudson  
J Millett  
J Oei  
Ms L Rochet  
D Zhou

**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 2017**

---

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 across six industry sectors. The Company has a unique model that combines a dedicated operating team of digital experts, international corporate investors and technology entrepreneurs.

2017 was another successful year for Founders Factory. During the year, there was a strong pipeline of applications for the Founders Factory accelerator program and investments in both our accelerator and incubator businesses are starting to show encouraging momentum.

The Company has raised investment from six corporate investors which gives it the financial resources required to work towards achieving its objectives.

#### **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 2017 was £1,916,005 compared to £269,844 at 31 December 2016. The Company's comprehensive profit for the year was £3,145,705 compared to a £1,726,715 loss at 31 December 2016.

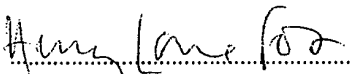
At 31 December 2017, the Company has a portfolio of investments in 48 technology start-up businesses with a combined value of £13,621,689 (2016: £2,633,995).

The Company's net asset position as at 31 December 2017 was £19,053,964 (2016: £6,806,301).

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The nature of investing in 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 investee businesses by the senior management team and directors, before any investment is committed. Once an investment has been made in a start-up, 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: 3/08/17

## **FOUNDERS FACTORY LIMITED**

### **REPORT OF THE DIRECTORS** **FOR THE YEAR ENDED 31ST DECEMBER 2017**

---

The directors present their report with the financial statements of the company for the year ended 31st December 2017.

#### **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 2017.

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

H Lane-Fox  
B Hoberman  
A P D Brem  
A X Hudson  
J Millett  
L Rochet

Other changes in directors holding office are as follows:

M W Schunk - resigned 9 March 2017  
J Oei - appointed 13 March 2017  
D Zhou - appointed 7 April 2017

#### **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 2017 (2016: 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 2017**

---

**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**

Grant Thornton UK LLP were appointed as auditors on 27 February 2017 to fill a casual vacancy in accordance with s485(3) of the Companies Act 2006. They will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

  
H Lane Fox - Director

Date: 03/02/18

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

---

### **Opinion**

We have audited the financial statements of Founders Factory (the 'company') for the year ended 31 December 2017 which comprise the statement of financial position, the statement of comprehensive income, the statement of cash flow, the statement of changes in equity and the 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 31 December 2017 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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2017 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 Auditors' 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. 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.

Who we are reporting to

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.

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.

### **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.

**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 in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and 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, 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.

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 has been prepared in accordance with applicable legal requirements.

**Opinion 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

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**

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.

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

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 Report of the Auditors.

**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 a Report of the Auditors 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  
30 Finsbury Sq  
London  
EC2A 1AG

Date: 3 / 8 / 13

**FOUNDERS FACTORY LIMITED****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST DECEMBER 2017**

	Notes	2017 £	2016 £
<b>TURNOVER</b>		1,916,005	269,844
Cost of sales		<u>(11,551)</u>	<u>(30,936)</u>
<b>GROSS PROFIT</b>		1,904,454	238,908
Administrative expenses		<u>(6,289,383)</u>	<u>(3,392,308)</u>
		(4,384,929)	(3,153,400)
Other operating income		<u>8,247,601</u>	<u>1,451,557</u>
<b>OPERATING PROFIT/(LOSS)</b>	4	3,862,672	(1,701,843)
Income from participating interests		15,000	-
Interest receivable and similar income		<u>38</u>	<u>24</u>
		3,877,710	(1,701,819)
Interest payable and similar expenses	5	<u>-</u>	<u>(66)</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		3,877,710	(1,701,885)
Tax on profit/(loss)	6	<u>(732,005)</u>	<u>(24,830)</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		3,145,705	(1,726,715)
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>3,145,705</u>	<u>(1,726,715)</u>

The accounting policies and notes on pages 13 to 20 form part of these financial statements

**FOUNDERS FACTORY LIMITED (REGISTERED NUMBER: 09564631)****STATEMENT OF FINANCIAL POSITION  
31ST DECEMBER 2017**

	Notes	2017 £	2016 £
<b>FIXED ASSETS</b>			
Tangible assets	7	256,557	43,172
Investments	8	<u>13,621,689</u>	<u>2,633,995</u>
		<u>13,878,246</u>	<u>2,677,167</u>
<b>CURRENT ASSETS</b>			
Debtors	9	178,257	274,461
Cash at bank		<u>6,214,485</u>	<u>4,195,248</u>
		6,392,742	4,469,709
<b>CREDITORS</b>			
Amounts falling due within one year	10	<u>(485,019)</u>	<u>(340,575)</u>
<b>NET CURRENT ASSETS</b>		<u>5,907,723</u>	<u>4,129,134</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		19,785,969	6,806,301
<b>PROVISIONS FOR LIABILITIES</b>	11	<u>(732,005)</u>	-
<b>NET ASSETS</b>		<u>19,053,964</u>	<u>6,806,301</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	7	5
Share premium	13	18,201,951	9,099,995
Fair value reserve	13	9,665,295	1,421,294
Retained earnings	13	<u>(8,813,289)</u>	<u>(3,714,993)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>19,053,964</u>	<u>6,806,301</u>

The financial statements were approved by the Board of Directors on 03/08/18 and were signed on its behalf by:

H Lane Fox  
H Lane Fox - Director

The accounting policies and notes on pages 13 to 20 form part of these financial statements

**FOUNDERS FACTORY LIMITED****STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31ST DECEMBER 2017**

	Called up share capital £	Retained earnings £	Share premium £	Fair value reserve £	Total equity £
Balance at 1st January 2016	5	(566,984)	3,500,000	-	2,933,021
Changes in equity					
Issue of share capital	-	-	5,599,995	-	5,599,995
Total comprehensive income	-	(3,148,009)	-	-	(3,148,009)
Increase in fair value of investments	-	-	-	1,421,294	1,421,294
Balance at 31st December 2016	<u>5</u>	<u>(3,714,993)</u>	<u>9,099,995</u>	<u>1,421,294</u>	<u>6,806,301</u>
Changes in equity					
Issue of share capital	2	-	9,101,956	-	9,101,958
Total comprehensive income	-	(5,098,296)	-	-	(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>

The accounting policies and notes on pages 13 to 20 form part of these financial statements

**FOUNDERS FACTORY LIMITED****STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31ST DECEMBER 2017**

		2017 £	2016 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	(3,839,854)	(2,844,057)
Interest paid		-	(66)
Tax paid		<u>20,665</u>	<u>-</u>
Net cash from operating activities		<u>(3,819,189)</u>	<u>(2,844,123)</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(284,592)	(130,161)
Purchase of fixed asset investments		(3,107,823)	(1,077,701)
Sale of tangible fixed assets		4,941	-
Sale of fixed asset investments		108,904	-
Interest received		38	24
Dividends received		<u>15,000</u>	<u>-</u>
Net cash from investing activities		<u>(3,263,532)</u>	<u>(1,207,838)</u>
<b>Cash flows from financing activities</b>			
Amount withdrawn by directors		-	(248)
Share issue		<u>9,101,958</u>	<u>5,599,995</u>
Net cash from financing activities		<u>9,101,958</u>	<u>5,599,747</u>
<b>Increase in cash and cash equivalents</b>		<u>2,019,237</u>	<u>1,547,786</u>
<b>Cash and cash equivalents at beginning of year</b>	2	<u>4,195,248</u>	<u>2,647,462</u>
<b>Cash and cash equivalents at end of year</b>	2	<u><u>6,214,485</u></u>	<u><u>4,195,248</u></u>

The accounting policies and notes on pages 13 to 20 form part of these financial statements

**FOUNDERS FACTORY LIMITED****NOTES TO THE STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31ST DECEMBER 2017****1. RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2017	2016
	£	£
Profit/(loss) before taxation	3,877,710	(1,701,885)
Depreciation charges	67,779	13,580
Loss on disposal of fixed assets	19,583	91,989
Impairment of fixed asset investments	234,130	150,000
Fair value adjustment of fa investments	(8,244,001)	(1,421,294)
Finance costs	-	66
Finance income	(15,038)	(24)
	(4,059,837)	(2,867,568)
Decrease/(increase) in trade and other debtors	75,539	(220,356)
Increase in trade and other creditors	144,444	243,867
<b>Cash generated from operations</b>	<b>(3,839,854)</b>	<b>(2,844,057)</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 2017**

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

**Year ended 31st December 2016**

	31/12/16	1/1/16
	£	£
Cash and cash equivalents	<u>4,195,248</u>	<u>2,647,462</u>

The accounting policies and notes on pages 13 to 20 form part of these financial statements

## **FOUNDERS FACTORY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31ST DECEMBER 2017**

---

#### **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.

Founders Factory Limited was incorporated on 28 April 2015.

#### **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.

##### **Turnover**

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 start-up.

Revenue in relation to accelerator services is recognised at the point at which a start-up 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 start-ups, 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 start-up 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 criteria has been met.

##### **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

##### **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.

## **FOUNDERS FACTORY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - continued** **FOR THE YEAR ENDED 31ST DECEMBER 2017**

---

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

##### **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.

##### **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

**FOUNDERS FACTORY LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31ST DECEMBER 2017****2. ACCOUNTING POLICIES - continued****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**

	2017	2016
	£	£
Wages and salaries	3,649,819	1,978,477
Social security costs	440,801	242,751
Other pension costs	11,844	-
	<u>4,102,464</u>	<u>2,221,228</u>

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

	2017	2016
Operations	<u>53</u>	<u>24</u>

	2017	2016
	£	£
Directors' remuneration	<u>482,335</u>	<u>615,381</u>

Information regarding the highest paid director is as follows:

	2017	2016
	£	£
Emoluments etc	<u>247,500</u>	<u>301,898</u>

**4. OPERATING PROFIT/(LOSS)**

The operating profit (2016 - operating loss) is stated after charging:

	2017	2016
	£	£
Depreciation - owned assets	67,779	13,580
Loss on disposal of fixed assets	19,583	91,989
Auditors' remuneration	16,037	10,000
Taxation compliance services	-	3,000
Foreign exchange differences	<u>1,248</u>	<u>224</u>

**5. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2017	2016
	£	£
Other interest payable	<u>-</u>	<u>66</u>

**FOUNDERS FACTORY LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31ST DECEMBER 2017****6. TAXATION****Analysis of the tax charge**

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

	2017 £	2016 £
Current tax:		
Prior year tax	-	24,830
Deferred tax	<u>732,005</u>	<u>-</u>
Tax on profit/(loss)	<u>732,005</u>	<u>24,830</u>

UK corporation tax has been charged at 19.25% (2016 - 20%).

**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:

	2017 £	2016 £
Profit/(loss) before tax	<u>3,877,710</u>	<u>(1,701,885)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19.250% (2016 - 20%)	746,459	(340,377)
Effects of:		
Expenses not deductible for tax purposes	11,493	78,536
Income not taxable for tax purposes	(3,179)	-
Capital allowances in excess of depreciation	-	(23,316)
Utilisation of tax losses	(24,116)	-
Adjustments to tax charge in respect of previous periods	-	24,830
Losses carried forward against future profits	-	569,416
development deduction		
expenditure surrendered for		
Increase in fair value of fixed asset investments	-	(284,259)
Difference in tax rates	<u>1,348</u>	<u>-</u>
Total tax charge	<u>732,005</u>	<u>24,830</u>

Deferred tax liabilities are calculated on timing differences within valuations of fixed assets investments and on accelerated capital allowances - these are calculated as £1,571,270 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 £839,625 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.

**FOUNDERS FACTORY LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31ST DECEMBER 2017****7. TANGIBLE FIXED ASSETS**

	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
<b>COST</b>					
At 1st January 2017	-	3,760	13,300	39,863	56,923
Additions	209,918	24,102	4,626	45,946	284,592
Disposals	-	-	-	(6,927)	(6,927)
At 31st December 2017	<u>209,918</u>	<u>27,862</u>	<u>17,926</u>	<u>78,882</u>	<u>334,588</u>
<b>DEPRECIATION</b>					
At 1st January 2017	-	538	3,571	9,642	13,751
Charge for year	38,167	2,924	3,222	23,466	67,779
Eliminated on disposal	-	-	-	(3,499)	(3,499)
At 31st December 2017	<u>38,167</u>	<u>3,462</u>	<u>6,793</u>	<u>29,609</u>	<u>78,031</u>
<b>NET BOOK VALUE</b>					
At 31st December 2017	<u>171,751</u>	<u>24,400</u>	<u>11,133</u>	<u>49,273</u>	<u>256,557</u>
At 31st December 2016	<u>-</u>	<u>3,222</u>	<u>9,729</u>	<u>30,221</u>	<u>43,172</u>

**8. FIXED ASSET INVESTMENTS**

	Unlisted investments £
<b>COST OR VALUATION</b>	
At 1st January 2017	2,633,995
Additions	3,107,823
Disposals	(130,000)
Revaluations	9,065,400
Impairments	(1,064,202)
Exchange differences	<u>8,673</u>
At 31st December 2017	<u>13,621,689</u>
<b>NET BOOK VALUE</b>	
At 31st December 2017	<u>13,621,689</u>
At 31st December 2016	<u>2,633,995</u>

Cost or valuation at 31st December 2017 is represented by:

	Unlisted investments £
Valuation in 2016	1,421,294
Valuation in 2017	8,244,001
Cost	<u>3,956,394</u>
	13,621,689

**FOUNDERS FACTORY LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31ST DECEMBER 2017****8. FIXED ASSET INVESTMENTS - continued**

In 2017 the net book value included £301,874 relating to fixed asset investments held as convertible loan stock.

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

	2017	2016
	£	£
Trade debtors	79,498	71,197
Other debtors	89,519	47,700
Tax	-	20,665
VAT	-	68,502
Accruals	-	1,800
Prepayments	9,240	64,597
	<u>178,257</u>	<u>274,461</u>

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017	2016
	£	£
Trade creditors	44,238	154,475
Social security and other taxes	137,484	93,268
VAT	5,327	-
Other creditors	5,543	25,609
Credit card to be paid	17,149	-
Deferred income	16,667	-
Accrued expenses	258,611	67,223
	<u>485,019</u>	<u>340,575</u>

**11. PROVISIONS FOR LIABILITIES**

	2017	2016
	£	£
Deferred tax		
Accelerated capital allowances	29,370	8,634
Tax losses carried forward	(839,265)	(262,893)
Other timing differences	1,541,900	254,259
	<u>732,005</u>	<u>-</u>

	Deferred tax
	£
Provided during year	<u>732,005</u>
Balance at 31st December 2017	<u>732,005</u>

**FOUNDERS FACTORY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31ST DECEMBER 2017**

---

**12. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:		Nominal value:	2017	2016
Number:	Class:		£	£
26,822	A Ordinary	£0.0001	3	3
13	E Shares	£0.1000	1	1
13,000	Preferred	£0.0001	<u>3</u>	<u>1</u>
			<u>7</u>	<u>5</u>

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

129 A Ordinary shares of £0.0001 each

13,000 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. During the year a total of 7,317 options were granted at the valuation price of between £42 and £49. This takes the total options granted in the scheme to 12,967. Of these, 144 options have vested and 2,498 options have lapsed. Therefore the net options allocated is 10,469. In total there are 13,193 options available in the pool.

**FOUNDERS FACTORY LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31ST DECEMBER 2017****13. RESERVES**

	Retained earnings £	Share premium £	Fair value reserve £	Totals £
At 1st January 2017	(3,714,993)	9,099,995	1,421,294	6,806,296
Profit for the year	3,145,705			3,145,705
Cash share issue	-	9,101,956	-	9,101,956
Transfer to fair value reserve	(8,244,001)	-	-	(8,244,001)
Increase in fair value of investments	-	-	8,244,001	8,244,001
At 31st December 2017	<u>(8,813,289)</u>	<u>18,201,951</u>	<u>9,665,295</u>	<u>19,053,957</u>

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.

**14. RELATED PARTY DISCLOSURES**

During the year Founders Factory Limited rented office space from Founders Forum LLP at market rates and on an arms-length basis. Founders Forum is a Limited Liability Partnership, of which both Henry Lane Fox and Brent Hoberman are members. The total rent and services charged by Founders Forum LLP to Founders Factory Limited during the year was £127,060. Founders Factory recharged £16,634 for services paid on behalf of Founders Forum.

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

**FOUNDERS FACTORY LIMITED****TRADING AND PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 2017**

	2017		2016	
	£	£	£	£
<b>Turnover</b>				
Fees	1,895,949		269,150	
Recharged expenses	<u>20,056</u>		<u>694</u>	
		1,916,005		269,844
<b>Cost of sales</b>				
Rechargeable costs	9,551		1,711	
Other direct costs	<u>2,000</u>		<u>29,225</u>	
		<u>11,551</u>		<u>30,936</u>
<b>GROSS PROFIT</b>		1,904,454		238,908
<b>Other income</b>				
Rents received	3,600		30,263	
Increase in fair value of investment	8,244,001		1,421,294	
Other participating interests	15,000		-	
Deposit account interest	<u>38</u>		<u>24</u>	
		<u>8,262,639</u>		<u>1,451,581</u>
		10,167,093		1,690,489
<b>Expenditure</b>				
Other establishment costs	51,060		25,764	
Rent	758,299		420,746	
Insurance	3,040		2,712	
Repairs to property	-		981	
Directors' salaries	482,335		615,381	
Directors' social security	-		81,450	
Wages	3,167,484		1,363,096	
Social security	440,801		161,301	
Other staff costs	23,903		19,088	
Telephone	22,994		6,319	
Print, post and stationery	13,531		4,909	
Meeting expenses	-		33	
Travelling & subsistence	128,475		37,879	
Healthcare	18,236		10,359	
Courier	-		100	
Recruitment costs	43,694		4,865	
Cleaning	10,411		-	
Computer costs	143,817		36,545	
Sundry expenses	(1)		454	
Professional subscriptions	1,177		423	
Bad debt	31,283		-	
Accountancy	53,241		20,930	
Consultancy fees	205,199		87,251	
Legal fees allowable	10,233		160,919	
Legal fees disallowable	18,266		7,314	
Conference & events	72,764		13,082	
Start-up support	-		19,700	
Carried forward	5,700,242	10,167,093	3,101,601	1,690,489

This page does not form part of the statutory financial statements

**FOUNDERS FACTORY LIMITED****TRADING AND PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 2017**

	2017		2016	
	£	£	£	£
Brought forward	5,700,242	10,167,093	3,101,601	1,690,489
Impairment of FA Investment	234,130		150,000	
Accelerator operating costs	119,879		-	
Apprentice levy	2,952		-	
Branding	62,066		-	
Auditors' remuneration	16,037		10,000	
Auditors' remuneration for non audit work	-		3,000	
Foreign exchange (gain)/loss	1,248		224	
Pensions	11,844		-	
Public relations	6,279		-	
Entertainment	20,344		8,140	
Gifts	1,009		1,784	
Website	3,190		5,769	
Marketing	18,902		4,383	
Depreciation of tangible fixed assets	67,779		13,580	
Profit/loss on sale of tangible fixed assets	(1,513)		91,989	
Profit/loss on sale of fixed asset investments	21,096		-	
		6,285,484		3,390,470
		3,881,609		(1,699,981)
<b>Finance costs</b>				
Bank charges	3,899		1,838	
Other interest payable	-		66	
		3,899		1,904
<b>NET PROFIT/(LOSS)</b>		<u>3,877,710</u>		<u>(1,701,885)</u>

This page does not form part of the statutory financial statements