

Founders Factory Limited

Annual Report and Financial Statements

Year Ended

31 December 2021

Company Number 09564631

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Founders Factory Limited

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Founders Factory Limited

Company Information

| | |
|-----------------------------|---|
| Directors | H L Fox B S Hoberman A X Hudson J Oei L Rochet D Zhou B M Lockett S Lord |
| Registered number | 09564631 |
| Registered office | Northcliffe House Young Street London W8 5EH |
| Independent auditors | Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG |

Founders Factory Limited

Group Strategic Report For the Year Ended 31 December 2021

The Directors present their Group Strategic Report for the year ended 31 December 2021.

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.

Business review

The Directors consider that the Group's Key Performance Indicators to be turnover and the performance of its long-term investments in technology start-ups.

During the year the active investment period ended. In order to continue working with both our current and new investors, and grow the wider Founders Factory group, a new Company was incorporated (FF Management Limited, Group number 13243738). The employees of Founders Factory Limited were transferred to FF Management Limited during June 2021. As a result, Founders Factory Limited began incurring cost of sales, through a service fee payable to FF Management Limited.

The Group's total turnover for the year ended 31 December 2021 was £6,521,089 (2020 - £6,736,867). The Group's comprehensive profit before tax for the year was £35,598,417 (2020 - £2,501,885).

At 31 December 2021, the Group has a portfolio of investments with a combined value of £89,211,879 (2020 - £48,313,673). The Group's net asset position as at 31 December 2021 was £78,692,643 (2020 - £50,559,006).

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

This report was approved by the board and signed on its behalf by:

Henry Lane Fox

H L Fox
Director

Date: 1/6/2022

Founders Factory Limited

Directors' Report For the Year Ended 31 December 2021

The Directors present their report and the financial statements for the year ended 31 December 2021.

Principal activity

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

Directors

The Directors who served during the year were:

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

Directors' responsibilities statement

The Directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Founders Factory Limited

Directors' Report (continued) For the Year Ended 31 December 2021

Going concern

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

Future developments

Founders Factory Limited's active investment-term ended in late 2021. Thereafter the continued operations of the Company will be focussed solely on managing the current investment portfolio and providing services to our corporate partners.

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 Group and enable Directors to have improved visibility of performance. The Group use 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 Group 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.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Founders Factory Limited

Directors' Report (continued) For the Year Ended 31 December 2021

Auditors

The auditors, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:

Henry Lane Fox

H L Fox
Director

Date: 1/6/2022

Founders Factory Limited

Independent Auditor's report to the members of Founders Factory Limited

Opinion

We have audited the financial statements of Founders Factory Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021, which comprise the consolidated statement of comprehensive income, consolidated balance sheet, company balance sheet, consolidated statement of changes in equity, company statement of changes in equity, consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Founders Factory Limited

Independent Auditor's report to the members of Founders Factory Limited (continued)

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.

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors

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

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

Founders Factory Limited

Independent Auditor's report to the members of Founders Factory Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks being UK GAAP, the Companies Act 2006 and the relevant UK tax compliance regulations;
- We understood how the group and company is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes;
- We assessed the susceptibility of the group and company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - potential management bias in reaching conclusions relating to going concern;
 - the occurrence of revenue in relation to the investment portfolio;
 - the journal entry process;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation knowledge of the industry in which the client operates
 - understanding of the legal and regulatory requirements specific to the entity/regulated entity including:
 - ◆ the provisions of the applicable legislation
 - ◆ the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules
 - ◆ the applicable statutory provisions;

Founders Factory Limited

Independent Auditor's report to the members of Founders Factory Limited (continued)

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

- We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud; and
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the entity's operations, including the nature of its revenue sources and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - the applicable statutory provisions;
 - the entity's control environment.

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.

Grant Thornton UK LLP

Nicholas Page (Senior Statutory Auditor)
For and on behalf of Grant Thornton UK LLP, Statutory Auditor
London
United Kingdom

Date: 1/6/2022

Founders Factory Limited

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2021

| | Note | 2021 £ | 2020 £ |
|--|------|-------------------|------------------|
| Turnover | 4 | 6,521,089 | 6,736,867 |
| Cost of sales | | (5,047,241) | - |
| Gross profit | | 1,473,848 | 6,736,867 |
| Administrative expenses | | (6,831,011) | (13,541,253) |
| Other operating income | 5 | 40,955,018 | 9,306,271 |
| Operating profit | 6 | 35,597,855 | 2,501,885 |
| Interest receivable and similar income | 10 | 562 | - |
| Profit before taxation | | 35,598,417 | 2,501,885 |
| Tax on profit | 11 | (8,879,191) | (1,354,389) |
| Profit for the financial year | | 26,719,226 | 1,147,496 |

There was no other comprehensive income for 2021 (2020: £Nil).

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

Founders Factory Limited
Registered number:09564631

Consolidated Balance Sheet
As at 31 December 2021

| | Note | 2021 £ | 2021 £ | 2020 £ | 2020 £ |
|--|------|------------------|-------------------|------------------|-------------------|
| Fixed assets | | | | | |
| Tangible assets | 12 | | 76,323 | | 214,337 |
| Investments | 13 | | 89,211,879 | | 48,313,673 |
| | | | <u>89,288,202</u> | | <u>48,528,010</u> |
| Current assets | | | | | |
| Debtors: amounts falling due within one year | 14 | 952,772 | | 1,042,944 | |
| Cash at bank and in hand | | 4,837,270 | | 7,599,574 | |
| | | <u>5,790,042</u> | | <u>8,642,518</u> | |
| Creditors: amounts falling due within one year | 15 | (1,532,588) | | (1,307,865) | |
| Net current assets | | | <u>4,257,454</u> | | <u>7,334,653</u> |
| Total assets less current liabilities | | | <u>93,545,656</u> | | <u>55,862,663</u> |
| Provisions for liabilities | | | | | |
| Deferred taxation | 16 | | (14,853,013) | | (5,303,657) |
| Net assets | | | <u>78,692,643</u> | | <u>50,559,006</u> |
| Capital and reserves | | | | | |
| Called up share capital | 17 | | 13 | | 10 |
| Share premium account | 18 | | 42,049,974 | | 40,635,566 |
| Fair value reserve | 18 | | 60,843,810 | | 22,223,155 |
| Profit and loss account | 18 | | (24,201,154) | | (12,299,725) |
| Shareholders' funds | | | <u>78,692,643</u> | | <u>50,559,006</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Henry Lane Fox

H L Fox
Director

Date: 1/6/2022

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

Founders Factory Limited
Registered number:09564631

Company Balance Sheet
As at 31 December 2021

| | Note | 2021 £ | 2021 £ | 2020 £ | 2020 £ |
|--|------|--------------|--------------|-------------|--------------|
| Fixed assets | | | | | |
| Tangible assets | 12 | | 73,954 | | 208,734 |
| Investments | 13 | | 89,220,043 | | 48,321,837 |
| | | | 89,293,997 | | 48,530,571 |
| Current assets | | | | | |
| Debtors: amounts falling due within one year | 14 | 996,428 | | 1,010,190 | |
| Cash at bank and in hand | | 4,652,993 | | 7,591,299 | |
| | | 5,649,421 | | 8,601,489 | |
| Creditors: amounts falling due within one year | 15 | (1,490,815) | | (1,265,482) | |
| Net current assets | | | 4,158,606 | | 7,336,007 |
| Total assets less current liabilities | | | 93,452,603 | | 55,866,578 |
| Provisions for liabilities | | | | | |
| Deferred taxation | 16 | (14,853,013) | | (5,303,657) | |
| Net assets | | | 78,599,590 | | 50,562,921 |
| Capital and reserves | | | | | |
| Called up share capital | 17 | | 13 | | 10 |
| Share premium account | 18 | | 42,049,974 | | 40,635,566 |
| Other reserves | 18 | | 60,843,810 | | 22,223,155 |
| Profit and loss account | 18 | | (24,294,207) | | (12,295,810) |
| Shareholders' funds | | | 78,599,590 | | 50,562,921 |

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The Company profit for the financial year was £26,622,258 (2020 - £1,122,328).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

H L Fox *Henry Lane Fox*
Director

Date: 1/6/2022

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

Founders Factory Limited

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2021

| | Called up share capital | Share premium account | Fair value reserve | Profit and loss account | Total equity |
|---|----------------------------|-----------------------------|-----------------------|----------------------------|-------------------|
| | £ | £ | £ | £ | £ |
| At 1 January 2021 | 10 | 40,635,566 | 22,223,155 | (12,299,725) | 50,559,006 |
| Comprehensive income for the year | | | | | |
| Profit for the year | - | - | - | 26,719,226 | 26,719,226 |
| Total comprehensive income for the year | - | - | - | 26,719,226 | 26,719,226 |
| Contributions by and distributions to owners | | | | | |
| Shares issued during the year | 3 | 1,414,408 | - | - | 1,414,411 |
| Increase in fair value investments | - | - | 38,620,655 | (38,620,655) | - |
| Total transactions with owners | 3 | 1,414,408 | 38,620,655 | (38,620,655) | 1,414,411 |
| At 31 December 2021 | 13 | 42,049,974 | 60,843,810 | (24,201,154) | 78,692,643 |

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2020

| | Called up share capital | Share premium account | Fair value reserve | Profit and loss account | Total equity |
|---|----------------------------|-----------------------------|-----------------------|----------------------------|-------------------|
| | £ | £ | £ | £ | £ |
| At 1 January 2020 | 9 | 35,024,370 | 23,968,423 | (15,192,489) | 43,800,313 |
| Comprehensive income for the year | | | | | |
| Profit for the year | - | - | - | 1,147,496 | 1,147,496 |
| Total comprehensive income for the year | - | - | - | 1,147,496 | 1,147,496 |
| Contributions by and distributions to owners | | | | | |
| Shares issued during the year | 1 | 5,611,196 | - | - | 5,611,197 |
| Increase in fair value of investments | - | - | (1,745,268) | 1,745,268 | - |
| At 31 December 2020 | 10 | 40,635,566 | 22,223,155 | (12,299,725) | 50,559,006 |

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

Founders Factory Limited

Company Statement of Changes in Equity For the Year Ended 31 December 2021

| | Called up share capital | Share premium account | Fair value reserve | Profit and loss account | Total equity |
|---|----------------------------|-----------------------------|-----------------------|----------------------------|-------------------|
| | £ | £ | £ | £ | £ |
| At 1 January 2021 | 10 | 40,635,566 | 22,223,155 | (12,295,810) | 50,562,921 |
| Comprehensive income for the year | | | | | |
| Profit for the year | - | - | - | 26,622,258 | 26,622,258 |
| Total comprehensive income for the year | - | - | - | 26,622,258 | 26,622,258 |
| Contributions by and distributions to owners | | | | | |
| Shares issued during the year | 3 | 1,414,408 | - | - | 1,414,411 |
| Increase in fair value investments | - | - | 38,620,655 | (38,620,655) | - |
| Total transactions with owners | 3 | 1,414,408 | 38,620,655 | (38,620,655) | 1,414,411 |
| At 31 December 2021 | 13 | 42,049,974 | 60,843,810 | (24,294,207) | 78,599,590 |

Company Statement of Changes in Equity For the Year Ended 31 December 2020

| | Called up share capital | Share premium account | Fair value reserve | Profit and loss account | Total equity |
|---|----------------------------|-----------------------------|-----------------------|----------------------------|-------------------|
| | £ | £ | £ | £ | £ |
| At 1 January 2020 | 9 | 35,024,370 | 23,968,423 | (15,163,406) | 43,829,396 |
| Comprehensive income for the year | | | | | |
| Profit for the year | - | - | - | 1,122,328 | 1,122,328 |
| Total comprehensive income for the year | - | - | - | 1,122,328 | 1,122,328 |
| Contributions by and distributions to owners | | | | | |
| Shares issued during the year | 1 | 5,611,196 | - | - | 5,611,197 |
| Increase in fair value investments | - | - | (1,745,268) | 1,745,268 | - |
| Total transactions with owners | 1 | 5,611,196 | (1,745,268) | 1,745,268 | 5,611,197 |
| At 31 December 2020 | 10 | 40,635,566 | 22,223,155 | (12,295,810) | 50,562,921 |

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

Founders Factory Limited

Consolidated Statement of Cash Flows For the Year Ended 31 December 2021

| | 2021 £ | 2020 £ |
|---|--------------------|--------------------|
| Cash flows from operating activities | | |
| Profit for the financial year | 26,719,226 | 1,147,496 |
| Adjustments for: | | |
| Depreciation of tangible assets | 127,586 | 138,001 |
| Impairments of fixed assets | 882,898 | 3,502,418 |
| Profit on disposal of tangible assets | (2,633) | (82,711) |
| Interest received | (562) | - |
| Taxation charge | 8,879,191 | 1,354,389 |
| Decrease/(increase) in debtors | 90,172 | (370,398) |
| Increase in creditors | 224,574 | 19,812 |
| Net fair value (gains) recognised in P&L | (38,620,655) | (9,225,242) |
| Corporation tax received | 670,316 | 845,554 |
| Foreign exchange | (16,411) | 82,377 |
| Net cash generated from operating activities | (1,046,298) | (2,588,304) |
| Cash flows from investing activities | | |
| Purchase of tangible fixed assets | (7,715) | (43,366) |
| Sale of tangible fixed assets | 20,776 | 4,298 |
| Purchase of listed investments | (362,992) | - |
| Purchase of unlisted and other investments | (4,448,018) | (4,548,851) |
| Sale of unlisted and other investments | 1,666,972 | 418,778 |
| Interest received | 562 | - |
| Net cash from investing activities | (3,130,415) | (4,169,141) |
| Cash flows from financing activities | | |
| Issue of ordinary shares | 1,414,409 | 5,611,197 |
| Net cash used in financing activities | 1,414,409 | 5,611,197 |
| Net (decrease) in cash and cash equivalents | (2,762,304) | (1,146,248) |
| Cash and cash equivalents at beginning of year | 7,599,574 | 8,745,822 |
| Cash and cash equivalents at the end of year | 4,837,270 | 7,599,574 |
| Cash and cash equivalents at the end of year comprise: | | |
| Cash at bank and in hand | 4,837,270 | 7,599,574 |

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

1. General information

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

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

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

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The Group consolidates the accounts of Founders Factory Limited and its subsidiaries from the 1 January 2021 to 31 December 2021 using the acquisition method of accounting.

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial 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 statements to apply the Group's accounting policies when preparing the consolidated financial statements.

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

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

Where control of a subsidiary is lost, the gain or loss is recognised in the Consolidated Statement of Comprehensive Income. 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 the Consolidated Statement of Comprehensive Income but excludes those amounts that are not required to be reclassified.

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.2 Basis of consolidation (continued)

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 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.

2.3 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.

2.4 Going concern

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

2.5 Foreign currency translation

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.

2.6 Revenue

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, partnership income and discovery; this is recognised straight line over the period the services are delivered as there are an indeterminate number of acts provided under the contract period.

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.6 Revenue (continued)

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

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

2.7 Pensions

The Group operates a defined contribution pension scheme. Contributions payable to the Group's pension scheme are charged to the Consolidated Statement of Comprehensive Income in the period to which they relate.

2.8 Current and deferred 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.

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.9 Tangible fixed assets

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

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 |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.10 Investments in associates and subsidiaries

Investments in associates and subsidiaries are stated at fair value.

The valuation of each associate and subsidiary is reviewed quarterly and at year end 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.

2.11 Other fixed asset investments

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

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.11 Other fixed asset investments (continued)

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

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

2.12 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.

2.13 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.

Impairment of financial assets

Financial assets, other than those held at fair value through the Consolidated Statement of Comprehensive Income, are assessed for indicators of impairment at each reporting end date.

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.13 Financial instruments (continued)

Impairment of financial assets (continued)

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 the Consolidated Statement of Comprehensive Income.

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 the Consolidated Statement of Comprehensive Income.

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 investment is any contract that evidence is a residual interest in the asset of the Company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors and loans from fellow group companies, 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.

Derecognition of financial liabilities

Financial liabilities are recognised when the Company's contractual obligations expire or are discharged or cancelled.

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

3. Judgements in applying accounting policies and key sources of estimation uncertainty

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.

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 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:

Valuation of investments

At the end of each quarter and at year end, management undertake a review of the portfolio of investments held by the Group and estimate which investments should be impaired or revalued. 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.

4. Turnover

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

An analysis of turnover by class of business is as follows:

| | 2021 £ | 2020 £ |
|--------------------|------------------|------------------|
| Accelerator income | 2,700,730 | 2,064,697 |
| Partnership income | 3,155,501 | 4,662,371 |
| Discovery income | 664,858 | 9,799 |
| | <u>6,521,089</u> | <u>6,736,867</u> |

Analysis of turnover by country of destination:

| | 2021 £ | 2020 £ |
|-------------------|------------------|------------------|
| United Kingdom | 5,158,806 | 5,543,443 |
| Rest of Europe | 776,568 | 709,941 |
| Rest of the world | 585,715 | 483,483 |
| | <u>6,521,089</u> | <u>6,736,867</u> |

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

5. Other operating income

| | 2021 £ | 2020 £ |
|---|------------|-----------|
| Increase in fair value of investments | 38,620,655 | 9,225,242 |
| Rents receivable | 810,226 | 69,300 |
| Government grants receivable | 5,400 | 6,149 |
| Sundry income | 140,771 | 5,580 |
| Profit on disposal of fixed asset investments | 1,377,966 | - |
| | 40,955,018 | 9,306,271 |

6. Operating profit

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

| | 2021 £ | 2020 £ |
|---------------------------------------|-----------|-----------|
| Depreciation - owned assets | 127,586 | 138,001 |
| Profit on disposal of fixed assets | (2,633) | (82,711) |
| Exchange differences | (114,274) | 65,322 |
| Impairment of fixed asset investments | 882,898 | 3,502,418 |
| Lease payments | 669,090 | 438,495 |
| | 669,090 | 438,495 |

7. Auditors' remuneration

| | 2021 £ | 2020 £ |
|---|-----------|-----------|
| Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements | 38,225 | 35,000 |
| | 38,225 | 35,000 |
| Fees payable to the Group's auditor and its associates in respect of: | | |
| All other services | 37,725 | 30,000 |
| | 37,725 | 30,000 |

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

8. Employees

Staff costs, including Directors' remuneration, were as follows:

| | Group 2021 £ | Group 2020 £ | Company 2021 £ | Company 2020 £ |
|-------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Wages and salaries | 2,059,029 | 5,074,294 | 1,866,659 | 4,828,082 |
| Social security costs | 248,472 | 588,624 | 244,144 | 588,624 |
| Cost of defined contribution scheme | 57,434 | 129,668 | 57,434 | 129,668 |
| | <u>2,364,935</u> | <u>5,792,586</u> | <u>2,168,237</u> | <u>5,546,374</u> |

The average monthly number of employees, including the Directors, during the year was as follows:

| | 2021 No. | 2020 No. |
|------------|-------------|-------------|
| Operations | <u>30</u> | <u>79</u> |

From 1 June 2021, 61 employees were transferred to FF Management Limited, a related party. The above average is for the full year.

9. Directors' remuneration

| | 2021 £ | 2020 £ |
|---|----------------|----------------|
| Directors' emoluments | 193,583 | 464,600 |
| Group contributions to defined contribution pension schemes | 5,808 | 13,932 |
| | <u>199,391</u> | <u>478,532</u> |

The highest paid Director received remuneration of £110,250 (2020 - £264,600).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £3,308 (2020 - £7,932).

10. Interest receivable

| | 2021 £ | 2020 £ |
|---------------------------|------------|-----------|
| Other interest receivable | <u>562</u> | <u>-</u> |

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

11. Taxation

| | 2021 £ | 2020 £ |
|--|------------------|------------------|
| Corporation tax | | |
| Current tax on profits for the year | (670,165) | (844,892) |
| Total current tax | <u>(670,165)</u> | <u>(844,892)</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 6,872,546 | 926,403 |
| Changes to tax rates | 2,170,277 | 1,272,878 |
| Adjustment in respect of prior period | 506,533 | - |
| Total deferred tax | <u>9,549,356</u> | <u>2,199,281</u> |
| Taxation on profit on ordinary activities | <u>8,879,191</u> | <u>1,354,389</u> |

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

| | 2021 £ | 2020 £ |
|--|-------------------|------------------|
| Profit on ordinary activities before tax | <u>35,598,417</u> | <u>2,501,885</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%) | 6,763,699 | 475,358 |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 128,217 | 18,541 |
| Adjustments to tax charge in respect of prior periods | 506,533 | (31,594) |
| Non-taxable income | (7,272,800) | (15,715) |
| Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge | - | 483,380 |
| Other differences leading to an increase (decrease) in the tax charge | (25,946) | - |
| Chargeable gains/(losses) | 7,284,926 | - |
| R&D tax credits received | (675,715) | (848,459) |
| Effect of tax rate change on deferred tax provision | 2,170,277 | 1,272,878 |
| Total tax charge for the year | <u>8,879,191</u> | <u>1,354,389</u> |

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

11. Taxation (continued)

Factors that may affect future tax charges

The Corporation tax is calculated at 19% (2020 - 19%) of the estimated assessable profit for the year. Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2020 on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. Deferred taxes at the Statement of Financial Position date have been measured using these enacted rates and reflected in these financial statements.

The UK government announced on 3 March 2021 that the government are intending to increase the corporation tax rate from 19% to 25% from April 2023.

12. Tangible fixed assets

Group

| | Improvements to property £ | Plant and machinery £ | Fixtures and fittings £ | Computer equipment £ | Total £ |
|--------------------------|----------------------------------|-----------------------------|-------------------------------|----------------------------|----------------|
| Cost or valuation | | | | | |
| At 1 January 2021 | 395,588 | 25,130 | 33,426 | 144,166 | 598,310 |
| Additions | - | 1,756 | - | 5,959 | 7,715 |
| Disposals | - | (2,756) | - | (139,670) | (142,426) |
| At 31 December 2021 | <u>395,588</u> | <u>24,130</u> | <u>33,426</u> | <u>10,455</u> | <u>463,599</u> |
| Depreciation | | | | | |
| At 1 January 2021 | 237,336 | 19,858 | 20,477 | 106,302 | 383,973 |
| Charge for the year | 93,360 | 4,655 | 4,026 | 25,545 | 127,586 |
| Disposals | - | (522) | - | (123,761) | (124,283) |
| At 31 December 2021 | <u>330,696</u> | <u>23,991</u> | <u>24,503</u> | <u>8,086</u> | <u>387,276</u> |
| Net book value | | | | | |
| At 31 December 2021 | <u>64,892</u> | <u>139</u> | <u>8,923</u> | <u>2,369</u> | <u>76,323</u> |
| At 31 December 2020 | <u>158,252</u> | <u>5,272</u> | <u>12,949</u> | <u>37,864</u> | <u>214,337</u> |

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

12. Tangible fixed assets (continued)

Company

| | Improvements to property £ | Plant and machinery £ | Fixtures and fittings £ | Computer equipment £ | Total £ |
|--------------------------|----------------------------------|-----------------------------|-------------------------------|----------------------------|-----------------------|
| Cost or valuation | | | | | |
| At 1 January 2021 | 395,588 | 25,130 | 33,426 | 133,711 | 587,855 |
| Additions | - | 1,756 | - | 5,959 | 7,715 |
| Disposals | - | (2,756) | - | (139,670) | (142,426) |
| At 31 December 2021 | <u>395,588</u> | <u>24,130</u> | <u>33,426</u> | <u>-</u> | <u>453,144</u> |
| Depreciation | | | | | |
| At 1 January 2021 | 237,336 | 19,858 | 20,477 | 101,450 | 379,121 |
| Charge for the year | 93,360 | 4,655 | 4,026 | 22,311 | 124,352 |
| Disposals | - | (522) | - | (123,761) | (124,283) |
| At 31 December 2021 | <u>330,696</u> | <u>23,991</u> | <u>24,503</u> | <u>-</u> | <u>379,190</u> |
| Net book value | | | | | |
| At 31 December 2021 | <u><u>64,892</u></u> | <u><u>139</u></u> | <u><u>8,923</u></u> | <u><u>-</u></u> | <u><u>73,954</u></u> |
| At 31 December 2020 | <u><u>158,252</u></u> | <u><u>5,272</u></u> | <u><u>12,949</u></u> | <u><u>32,261</u></u> | <u><u>208,734</u></u> |

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

13. Fixed asset investments

Group

| | Interest in associates £ | Listed investments £ | Unlisted investments £ | Total £ |
|---------------------------|--------------------------------|----------------------------|------------------------------|-------------------|
| Cost or valuation | | | | |
| At 1 January 2021 | 12,882,312 | - | 35,431,361 | 48,313,673 |
| Additions | 68 | 362,992 | 4,447,950 | 4,811,010 |
| Disposals | - | - | (1,666,972) | (1,666,972) |
| Foreign exchange movement | - | 12,794 | 3,617 | 16,411 |
| Revaluations | 4,993,900 | 4,304 | 33,622,451 | 38,620,655 |
| Impairments | - | (102,577) | (780,321) | (882,898) |
| At 31 December 2021 | <u>17,876,280</u> | <u>277,513</u> | <u>71,058,086</u> | <u>89,211,879</u> |
| Net book value | | | | |
| At 31 December 2021 | <u>17,876,280</u> | <u>277,513</u> | <u>71,058,086</u> | <u>89,211,879</u> |
| At 31 December 2020 | <u>12,882,312</u> | <u>-</u> | <u>35,431,361</u> | <u>48,313,673</u> |

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

13. Fixed asset investments (continued)

Company

| | Shares in group undertakings £ | Interest in associates £ | Listed investments £ | Unlisted investments £ | Total £ |
|------------------------------|---|--------------------------------|----------------------------|------------------------------|-------------------|
| Cost or valuation | | | | | |
| At 1 January 2021 | 2,057,476 | 10,833,000 | - | 35,431,361 | 48,321,837 |
| Additions | - | 68 | 362,992 | 4,447,950 | 4,811,010 |
| Disposals | - | - | - | (1,666,972) | (1,666,972) |
| Foreign exchange movement | - | - | 12,794 | 3,617 | 16,411 |
| Revaluations | - | 4,993,900 | 4,304 | 33,622,451 | 38,620,655 |
| Impairments | - | - | (102,577) | (780,321) | (882,898) |
| At 31 December 2021 | <u>2,057,476</u> | <u>15,826,968</u> | <u>277,513</u> | <u>71,058,086</u> | <u>89,220,043</u> |
| Net book value | | | | | |
| At 31 December 2021 | <u>2,057,476</u> | <u>15,826,968</u> | <u>277,513</u> | <u>71,058,086</u> | <u>89,220,043</u> |
| At 31 December 2020 | <u>2,057,476</u> | <u>10,833,000</u> | <u>-</u> | <u>35,431,361</u> | <u>48,321,837</u> |

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

| Name | Registered office | Principal activity | Class of shares | Holding |
|-----------------------------------|--|-----------------------|--------------------|---------|
| Founders Factory Bucharest SRL | Str Nicolae Iorga, nr 5, birou nr 9, etaj 2, Bucuresti, Romania | Technology investment | Ordinary | 100% |
| Founders Factory America Inc | 135 Crossways Park Dr LL-03, Woodbury, NY 11797, USA | Technology investment | Ordinary | 100% |

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

13. Fixed asset investments (continued)

Associates

The following were associates of the Company:

| Name | Registered office | Principal activity | Class of shares | Holding |
|-------------------------------------|---|-----------------------|-----------------|---------|
| Founders Factory Retail Ltd | Northcliffe House, Young Street, London, W8 5EH | Technology investment | Ordinary | 25% |
| Founders Factory Africa Pty Limited | 4 Chaplin Road, Illovo, Gauteng, 2196, South Africa | Technology investment | Ordinary | 25% |
| FF Homecare & Hygiene Limited | Northcliffe House, Young Street, London, W8 5EH | Technology investment | Ordinary | 25% |

| Group | Interest in associates £ | Listed investments £ | Unlisted investments £ | Total £ |
|-------------------|-----------------------------|-------------------------|---------------------------|-------------------|
| Cost | 68 | 362,992 | 21,463,773 | 21,826,833 |
| Valuation in 2016 | - | - | 1,421,294 | 1,421,294 |
| Valuation in 2017 | - | - | 8,244,001 | 8,244,001 |
| Valuation in 2018 | 3,499,900 | - | 5,345,509 | 8,845,409 |
| Valuation in 2019 | 7,403,652 | - | (1,945,930) | 5,457,722 |
| Valuation in 2020 | 1,978,760 | - | 3,683,692 | 5,662,452 |
| Valuation in 2021 | 4,993,900 | (85,479) | 32,845,747 | 37,754,168 |
| | <u>17,876,280</u> | <u>277,513</u> | <u>71,058,086</u> | <u>89,211,879</u> |

In 2021 the net book value included £837,000 (2020 - £4,419,998) relating to fixed asset investments held as convertible loan stock.

Impairment losses are recorded through administrative expenses in the Consolidated Statement of Comprehensive Income.

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

13. Fixed asset investments (continued)

| Company | Shares in group undertakings £ | Interest in associates £ | Listed investments £ | Unlisted investments £ | Total £ |
|-------------------|---|--------------------------------|----------------------------|------------------------------|-------------------|
| Cost | 8,164 | 68 | 362,992 | 21,463,773 | 21,834,997 |
| Valuation in 2016 | - | - | - | 1,421,294 | 1,421,294 |
| Valuation in 2017 | - | - | - | 8,244,001 | 8,244,001 |
| Valuation in 2018 | - | 3,499,900 | - | 5,345,509 | 8,845,409 |
| Valuation in 2019 | 1,055,209 | 6,348,443 | - | (1,945,930) | 5,457,722 |
| Valuation in 2020 | 994,103 | 984,657 | - | 3,683,692 | 5,662,452 |
| Valuation in 2021 | - | 4,993,900 | (85,479) | 32,845,747 | 37,754,168 |
| | <u>2,057,476</u> | <u>15,826,968</u> | <u>277,513</u> | <u>71,058,086</u> | <u>89,220,043</u> |

In 2021 the net book value included £837,000 (2020 - £4,439,998) relating to fixed asset investments held as convertible loan stock.

Impairment losses are recorded through administrative expenses in the Consolidated Statement of Comprehensive Income.

14. Debtors

| | Group 2021 £ | Group 2020 £ | Company 2021 £ | Company 2020 £ |
|---------------------------------|--------------------|--------------------|----------------------|----------------------|
| Trade debtors | 369,879 | 720,586 | 285,052 | 611,453 |
| Amounts owed by group companies | - | - | 153,895 | - |
| Amounts owed by related parties | 118,834 | - | 118,834 | - |
| Other debtors | 262,459 | 122,290 | 237,047 | 198,669 |
| Prepayments and accrued income | 201,600 | 200,068 | 201,600 | 200,068 |
| | <u>952,772</u> | <u>1,042,944</u> | <u>996,428</u> | <u>1,010,190</u> |

Amounts owed by group companies and related parties are repayable on demand at a rate that is free from interest.

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

15. Creditors: Amounts falling due within one year

| | Group 2021 £ | Group 2020 £ | Company 2021 £ | Company 2020 £ |
|------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Trade creditors | 467,808 | 151,582 | 432,359 | 133,902 |
| Amounts owed to related parties | 477,678 | - | 477,678 | - |
| Corporation tax | 1,340 | 1,189 | - | - |
| Other taxation and social security | 6,254 | 633,947 | 1,271 | 626,927 |
| Other creditors | 19,403 | 43,036 | 19,402 | 26,542 |
| Accruals and deferred income | 560,105 | 478,111 | 560,105 | 478,111 |
| | <u>1,532,588</u> | <u>1,307,865</u> | <u>1,490,815</u> | <u>1,265,482</u> |

Amounts owed to related parties are repayable on demand at a rate that is free from interest.

16. Deferred taxation

Group and Company

| | 2021 £ |
|---|----------------------------|
| At beginning of year | (5,303,657) |
| Charged to the Consolidated Statement of Comprehensive Income | (9,549,356) |
| At end of year | <u>(14,853,013)</u> |

The provision for deferred taxation is made up as follows:

| | Group 2021 £ | Group 2020 £ | Company 2021 £ | Company 2020 £ |
|--------------------------------|--------------------|--------------------|----------------------|----------------------|
| Accelerated capital allowances | (16,460) | (44,515) | (16,460) | (44,515) |
| Tax losses carried forward | 1,643,478 | 2,148,578 | 1,643,478 | 2,148,578 |
| Other timing differences | 16,480,031 | (7,407,720) | 16,480,031 | (7,407,720) |
| | <u>14,853,013</u> | <u>5,303,657</u> | <u>14,853,013</u> | <u>5,303,657</u> |

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

17. Share capital

| | 2021 | 2020 |
|---|------|------|
| | £ | £ |
| Allotted, called up and fully paid | | |
| 304,410 (2020 - 291,910) A Ordinary shares of £0.00001 each | 3 | 3 |
| 13 (2020 - 13) E shares of £0.10000 each | 1 | 1 |
| 600,000 (2020 - 580,000) Preferred shares of £0.00001 each | 6 | 6 |
| 165,321 (2020 - 66,173) B1 Ordinary shares of £0.00001 each | 2 | - |
| 55,758 (2020 - 45,930) Deferred shares of £0.00001 each | 1 | - |
| | 13 | 10 |
| | 13 | 10 |

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

12,500 A Ordinary shares of £0.00001 each were allotted as fully paid at prices between £0.00001 and £4.90 per share during the year.

20,000 Preferred shares of £0.00001 each were allotted as fully paid at a price of £70 per share during the year.

99,148 B1 Ordinary shares of £0.00001 each were allotted as fully paid at a price of £0.00001 per share during the year.

9,828 Deferred shares of £0.00001 each were allotted as fully paid at a price of £0.00001 per share during the year.

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

A Ordinary 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.

Preferred shares entitle the shareholder to 1.2x priority return on dividends and/or a 1.2x liquidation preference.

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

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

Founders Factory Limited operated an EMI Option Scheme for employees which closed to new employees on the 31 December 2018. No new options were granted through this, or any other scheme, during the year ended 31 December 2021. A total of 14,617 options have been granted in the scheme through to 31 December 2021. At 1 January 2021 8,036 net options were allocated, of these 1,250 options were exercised and no options lapsed during the period, leaving 6,786 net options allocated at 31 December 2021.

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

18. 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.

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.

Profit and loss account

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 is transferred to the fair value reserve.

19. Analysis of net debt

| | At 1 January 2021 £ | Cash flows £ | At 31 December 2021 £ |
|--------------------------|------------------------------|--------------------|--------------------------------|
| Cash at bank and in hand | 7,599,574 | (2,762,304) | 4,837,270 |
| | <u>7,599,574</u> | <u>(2,762,304)</u> | <u>4,837,270</u> |

20. Pension commitments

Pension commitments in the Balance Sheet at year end is £Nil (2020 - £23,274).

21. Commitments under operating leases

At 31 December 2021 the Group and Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

| Group and Company | 2021 £ | 2020 £ |
|--|----------------|------------------|
| Not later than 1 year | 386,981 | 663,396 |
| Later than 1 year and not later than 5 years | - | 386,981 |
| | <u>386,981</u> | <u>1,050,377</u> |

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

22. Related party transactions

During the year, the Company provided support services to Founders Factory Retail Ltd, an associated company, to the value of £1,320,000 (2020 - £2,207,061). At the Statement of Financial Position date there was £Nil (2020 - £375) owed to the company, no interest is collectible.

The Company during the year received £1,375,000 (2020 - £1,550,000) from FF Homecare and Hygiene Ltd, an associated company, for payment in relation to acceleration and incubation services provided by the company. At the Statement of Financial Position date £110,372 (2020 - £51,294) was owing from the associated company. No interest is charged on this amount.

Services charged to the Founders Forum LLP during the year was £200,900 (2020 - £303,663). The recharged services were for rent of their old offices. The lease was transferred to the Company during the year.

The Company paid for legal expenses and accountancy related services on behalf of FF Psychedelics LLC, an associated company, to the value of \$125 (2020 - \$Nil) and £760 (2020 - £Nil) respectively. At the Statement of Financial Position date £850 (2020 - £Nil) was owing from the associated company. No interest is charged on this amount.

The Company paid for legal expenses on behalf of FF Emerald Holdco Inc, an associated company, to the value of \$250 (2020 - \$Nil). At the Statement of Financial Position date £183 (2020 - £Nil) was owing from the associated company. No interest is charged on this amount.

The Company paid for legal expenses on behalf of FF Management America, Inc, an associated company, to the value of \$229 (2020 - \$Nil). At the Statement of Financial Position date £169 (2020 - £Nil) was owing from the associated company. No interest is charged on this amount.

The Company paid services fees to FF Management Limited, an associated company, throughout the year to the value of £4,625,642 (2020 - £Nil). At the Statement of Financial Position date £477,601 (2020 - £Nil) was owing to the associated company. No interest is charged on this amount.

During the year, the Company provided support services to Founders Factory Africa Pty Ltd, an associated company, to the value of £Nil (2020 - £53,000). At the Statement of Financial Position date £9 (2020 - £2,291) was owing to the associated company. No interest is charged on this amount.

The Company paid for support services provided by Strike 2 Unlimited, a company controlled by B Hoberman, to the value of £17,187 (2020 - £40,524). At the Statement of Financial Position date £Nil (2020 - £130) was outstanding.

During the year, a total of key management personnel compensation of £193,583 (2020 - £464,600) 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.

23. Controlling party

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