

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2016
FOR
FOUNDERS FACTORY LIMITED

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FOUNDERS FACTORY LIMITED

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

	Page
Company Information	1
Strategic Report	2
Report of the Directors	3
Report of the Independent Auditors	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Statement of Cash Flows	10
Notes to the Financial Statements	11
Reconciliation of Equity	19
Reconciliation of Loss	21
Trading and Profit and Loss Account	22

FOUNDERS FACTORY LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31ST DECEMBER 2016

DIRECTORS:

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

REGISTERED OFFICE:

Northcliffe House
Young Street
London
W8 5EH

REGISTERED NUMBER:

09564631 (England and Wales)

AUDITORS:

Grant Thornton UK LLP
Melton St
Euston Sq
London
NW1 2EP

FOUNDERS FACTORY LIMITED

STRATEGIC REPORT **FOR THE YEAR ENDED 31ST DECEMBER 2016**

The Directors present their strategic report for the year ended 31 December 2016.

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.

2016 was a successful year for Founders Factory. During the year, the Company raised investment from a further four corporate investors, with a fifth agreed and completed in early 2017. This takes the total to six corporate investors and gives the Company the financial resources required to work towards achieving its objectives.

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

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 2016 was £269,844 compared to £264,093 in the 8 month period to 31 December 2015. The Company's comprehensive loss for the year was £1,726,715 compared to a £566,984 loss at 31 December 2015.

At 31 December 2016, the Company has a portfolio of investments in 22 technology start-up businesses with a combined value of £2,633,995 (2015: £285,000). Whilst the Company has generated an operating loss during the period under review, the nine-fold increase in the value of the investment portfolio, demonstrates that the Company has performed well during the year.

The Company's net asset position as at 31 December 2016 was £6,806,301 (2015: £2,933,021).

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

7th July 2017

FOUNDERS FACTORY LIMITED

REPORT OF THE DIRECTORS **FOR THE YEAR ENDED 31ST DECEMBER 2016**

The directors present their report with the financial statements of the company for the year ended 31st December 2016.

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 2016.

DIRECTORS

The directors shown below have held office during the whole of the period from 1st January 2016 to the date of this report:

H Lane-Fox
B Hoberman

Other changes in directors holding office are as follows:

J Meyerle - resigned 30th November 2016
A P D Brem - appointed 11th May 2016
Dr M H Brockhaus - resigned 19th January 2016
A X Hudson - appointed 19th January 2016
J Millett - appointed 3rd October 2016
Ms L Rochet - appointed 11th May 2016
M W Schunk - appointed 19th January 2016, resigned 09 March 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 2016 (2015: 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

Subsequent to the balance sheet date the Company agreed terms with its sixth corporate investor.

FOUNDERS FACTORY LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 of the company 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

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are 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

7th July 2017

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

We have audited the financial statements of Founders Factory Limited for the year ended 31 December 2016 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 related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss 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.

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report has 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Nicholas Page (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP
Melton St
Euston Sq
London
NW1 2EP

Date: 7 July 2017

FOUNDERS FACTORY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2016

		year ended 31/12/16 £	period 28/4/15 to 31/12/15 £
TURNOVER		269,844	264,093
Cost of sales		(30,936)	(38,093)
GROSS PROFIT		238,908	226,000
Administrative expenses		(3,392,308)	(838,479)
		(3,153,400)	(612,479)
Other operating income		1,451,557	-
OPERATING LOSS	4	(1,701,843)	(612,479)
Interest receivable and similar income		24	-
		(1,701,819)	(612,479)
Interest payable and similar expenses	5	(66)	-
LOSS BEFORE TAXATION		(1,701,885)	(612,479)
Tax on loss	6	(24,830)	45,495
LOSS FOR THE FINANCIAL YEAR		(1,726,715)	(566,984)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(1,726,715)</u>	<u>(566,984)</u>

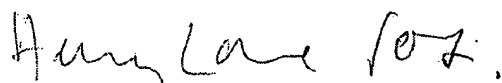
The notes on pages 11 to 18 form part of these financial statements

FOUNDERS FACTORY LIMITED (REGISTERED NUMBER: 09564631)

**STATEMENT OF FINANCIAL POSITION
31ST DECEMBER 2016**

	Notes	2016 £	2015 £
FIXED ASSETS			
Tangible assets	7	43,172	18,580
Investments	8	2,633,995	285,000
		<u>2,677,167</u>	<u>303,580</u>
CURRENT ASSETS			
Debtors	9	274,461	78,935
Cash at bank		4,195,248	2,647,462
		<u>4,469,709</u>	<u>2,726,397</u>
CREDITORS			
Amounts falling due within one year	10	(340,575)	(96,956)
NET CURRENT ASSETS		<u>4,129,134</u>	<u>2,629,441</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,806,301</u>	<u>2,933,021</u>
CAPITAL AND RESERVES			
Called up share capital	11	5	5
Share premium	12	9,099,995	3,500,000
Fair value reserve	12	1,421,294	-
Retained earnings	12	(3,714,993)	(566,984)
SHAREHOLDERS' FUNDS		<u>6,806,301</u>	<u>2,933,021</u>

The financial statements were approved by the Board of Directors on 7th July 2017 and were signed on its behalf by:



H Lane-Fox - Director

The notes on pages 11 to 18 form part of these financial statements

FOUNDERS FACTORY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2016**

	Called up share capital £	Retained earnings £	Share premium £	Fair value reserve £	Total equity £
Balance at 28th April 2015	1	-	-	-	1
Changes in equity					
Issue of share capital	4	-	3,500,000	-	3,500,004
Total comprehensive income	-	(566,984)	-	-	(566,984)
Balance at 31st December 2015	<u>5</u>	<u>(566,984)</u>	<u>3,500,000</u>	<u>-</u>	<u>2,933,021</u>
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>

The notes on pages 11 to 18 form part of these financial statements

FOUNDERS FACTORY LIMITED**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2016**

		year ended 31/12/16 £	period 28/4/15 to 31/12/15 £
Cash flows from operating activities			
Cash generated from operations	1	(2,844,057)	(547,904)
Interest paid		(66)	-
Net cash from operating activities		<u>(2,844,123)</u>	<u>(547,904)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(130,161)	(19,887)
Purchase of fixed asset investments		(1,077,701)	(285,000)
Interest received		24	-
Net cash from investing activities		<u>(1,207,838)</u>	<u>(304,887)</u>
Cash flows from financing activities			
Amount introduced by directors		-	248
Amount withdrawn by directors		(248)	-
Share issue		5,599,995	3,500,005
Net cash from financing activities		<u>5,599,747</u>	<u>3,500,253</u>
Increase in cash and cash equivalents		<u>1,547,786</u>	<u>2,647,462</u>
Cash and cash equivalents at beginning of year	2	2,647,462	-
Cash and cash equivalents at end of year	2	<u><u>4,195,248</u></u>	<u><u>2,647,462</u></u>

The notes on pages 11 to 18 form part of these financial statements

FOUNDERS FACTORY LIMITED

**NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2016**

1. **RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	year ended 31/12/16 £	period 28/4/15 to 31/12/15 £
Loss before taxation	(1,701,885)	(612,479)
Depreciation charges	13,580	1,307
Loss on disposal of fixed assets	91,989	-
Impairment of fixed asset investments	150,000	-
Fair value adjustment of fa investments	(1,421,294)	-
Finance costs	66	-
Finance income	(24)	-
	<u>(2,867,568)</u>	<u>(611,172)</u>
Increase in trade and other debtors	(220,356)	(33,440)
Increase in trade and other creditors	243,867	96,708
Cash generated from operations	<u><u>(2,844,057)</u></u>	<u><u>(547,904)</u></u>

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 2016

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

Period ended 31st December 2015

	31/12/15 £	28/4/15 £
Cash and cash equivalents	<u>2,647,462</u>	-

The notes on pages 11 to 18 form part of these financial statements

FOUNDERS FACTORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31ST DECEMBER 2016**

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 2016**

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.

Fixed asset investments

Investments are available for sale and stated at fair value.

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

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

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

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

Cash and cash equivalents

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

FOUNDERS FACTORY LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2016****3. EMPLOYEES AND DIRECTORS**

	year ended 31/12/16 £	period 28/4/15 to 31/12/15 £
Wages and salaries	1,978,477	430,269
Social security costs	242,751	51,685
	<u>2,221,228</u>	<u>481,954</u>

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

	year ended 31/12/16	period 28/4/15 to 31/12/15
Operations	<u>24</u>	<u>10</u>

	year ended 31/12/16 £	period 28/4/15 to 31/12/15 £
Directors' remuneration	<u>615,381</u>	<u>186,454</u>

Information regarding the highest paid director for the year ended 31st December 2016 is as follows:

	year ended 31/12/16 £
Emoluments etc	<u>301,898</u>

4. OPERATING LOSS

The operating loss is stated after charging:

	year ended 31/12/16 £	period 28/4/15 to 31/12/15 £
Depreciation - owned assets	13,580	1,307
Loss on disposal of fixed assets	91,989	-
Auditors' remuneration	10,000	-
Taxation compliance services	3,000	-
Foreign exchange differences	224	612
	<u></u>	<u></u>

FOUNDERS FACTORY LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2016****5. INTEREST PAYABLE AND SIMILAR EXPENSES**

	year ended 31/12/16 £	period 28/4/15 to 31/12/15 £
Other interest payable	66	-
	<u>66</u>	<u>-</u>

6. TAXATION**Analysis of the tax charge/(credit)**

The tax charge/(credit) on the loss for the year was as follows:

	year ended 31/12/16 £	period 28/4/15 to 31/12/15 £
Current tax:		
UK corporation tax	-	(45,495)
Prior year tax	24,830	-
	<u>24,830</u>	<u>-</u>
Tax on loss	<u>24,830</u>	<u>(45,495)</u>

UK corporation tax has been charged at 20%.

Reconciliation of total tax charge/(credit) included in profit and loss

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

	year ended 31/12/16 £	period 28/4/15 to 31/12/15 £
Loss before tax	<u>(1,701,885)</u>	<u>(612,479)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20%)	(340,377)	(122,496)
Effects of:		
Expenses not deductible for tax purposes	78,536	649
Capital allowances in excess of depreciation	(23,316)	(3,716)
Adjustments to tax charge in respect of previous periods	24,830	-
Research and development tax credit	-	(45,495)
Losses carried forward against future profits	569,416	99,123
Enhanced research and development deduction	-	(34,370)
Research and development expenditure surrendered for tax credit	-	60,810
Increase in fair value of fixed asset investments	(284,259)	-
Total tax charge/(credit)	<u>24,830</u>	<u>(45,495)</u>

FOUNDERS FACTORY LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2016****6. TAXATION - continued**

Prior year tax relates to over estimation of tax credit receivable.

Deferred tax liabilities are calculated on timing differences within valuations of fixed assets investments and on accelerated capital allowances - these are calculated as £262,893 at the balance sheet date.

Deferred tax assets are calculated on tax losses carried forward where there is a reasonable assumption that can be utilised - these are calculated as £670,466 at the balance sheet date. The accounts only reflect the deferred tax asset up to the value of the total deferred tax liability.

The £407,553 excess deferred tax asset over deferred tax liability is not recognised in the accounts as there is a possibility this asset may not be utilised.

7. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1st January 2016	1,458	13,925	4,504	19,887
Additions	92,495	-	37,666	130,161
Disposals	(90,193)	(625)	(2,307)	(93,125)
At 31st December 2016	3,760	13,300	39,863	56,923
DEPRECIATION				
At 1st January 2016	10	974	323	1,307
Charge for year	528	2,785	10,267	13,580
Eliminated on disposal	-	(188)	(948)	(1,136)
At 31st December 2016	538	3,571	9,642	13,751
NET BOOK VALUE				
At 31st December 2016	3,222	9,729	30,221	43,172
At 31st December 2015	1,448	12,951	4,181	18,580

8. FIXED ASSET INVESTMENTS

	Unlisted investments £
COST OR VALUATION	
At 1st January 2016	285,000
Additions	1,077,701
Revaluations	1,409,287
Impairments	(150,000)
Exchange differences	12,007
At 31st December 2016	2,633,995
NET BOOK VALUE	
At 31st December 2016	2,633,995
At 31st December 2015	285,000

FOUNDERS FACTORY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2016

8. FIXED ASSET INVESTMENTS - continued

Cost or valuation at 31st December 2016 is represented by:

	Unlisted investments £
Valuation in 2016	1,421,294
Cost	1,212,701
	<u>2,633,995</u>

In 2016 the net book value included £215,517 relating to fixed asset investments held as convertible loan stock.

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Trade debtors	71,197	1,620
Other debtors	47,700	2,704
Tax	20,665	45,495
VAT	68,502	13,447
Accruals	1,800	-
Prepayments	64,597	15,669
	<u>274,461</u>	<u>78,935</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Trade creditors	154,475	7,313
Social security and other taxes	93,268	40,260
Other creditors	25,609	-
Directors' current accounts	-	248
Deferred income	-	34,500
Accrued expenses	67,223	14,635
	<u>340,575</u>	<u>96,956</u>

FOUNDERS FACTORY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2016**

11. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2016	2015
Number:	Class:		£	£
26,822	A Ordinary	£0.0001	3	4
13	E Shares	£0.1000	1	1
13,000	Preferred	£0.0001	1	-
			<u>5</u>	<u>5</u>

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

15 A Ordinary shares of £0.0001 each

3 E Shares shares of £0.1000 each

8,000 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.

During the year 4,593 A ordinary shares were redesignated as 4,953 Deferred shares of £0.0001 each.

Founders Factory operates an EMI Option Scheme for employees. During the year a total of 3,500 options were granted at the valuation price of £42. This takes the total options granted in the scheme to 5,600. Of these, 28 options have vested and 1,185 options have lapsed. In total there are 8,600 options available in the pool.

FOUNDERS FACTORY LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2016****12. RESERVES**

	Retained earnings £	Share premium £	Fair value reserve £	Totals £
At 1st January 2016	(566,984)	3,500,000	-	2,933,016
Deficit for the year	(1,726,715)			(1,726,715)
Cash share issue	-	5,599,995	-	5,599,995
No description	(1,421,294)	-	-	(1,421,294)
Increase in fair value of investments	-	-	1,421,294	1,421,294
At 31st December 2016	<u>(3,714,993)</u>	<u>9,099,995</u>	<u>1,421,294</u>	<u>6,806,296</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.

13. CAPITAL COMMITMENTS

	2016 £	2015 £
Contracted but not provided for in the financial statements	<u>-</u>	<u>-</u>

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 charged by Founders Forum LLP to Founders Factory Limited during the year was £431,077 of which £148,412 was outstanding at 31 December 2016.

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. Total remuneration in respect of these individuals is £615,381 (2015: £186,454).

15. FIRST YEAR ADOPTION.**Transitional relief**

On transition to FRS 102, the company has taken advantage of the following transitional relief:

- to measure fair value at date of transition to FRS 102 and use as deemed cost on an item of property, plant and equipment;
- to use a previous GAAP revaluation as deemed cost on an item of property, plant and equipment.

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or total comprehensive income.

FOUNDERS FACTORY LIMITED

RECONCILIATION OF EQUITY

28TH APRIL 2015

(DATE OF TRANSITION TO FRS 102)

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
CURRENT ASSETS				
Debtors		1	-	1
		<u>1</u>	<u>-</u>	<u>1</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1	-	1
		<u>1</u>	<u>-</u>	<u>1</u>
NET ASSETS		1	-	1
		<u>1</u>	<u>-</u>	<u>1</u>
CAPITAL AND RESERVES				
Called up share capital		1	-	1
		<u>1</u>	<u>-</u>	<u>1</u>
SHAREHOLDERS' FUNDS		1	-	1
		<u>1</u>	<u>-</u>	<u>1</u>

The notes on pages 11 to 18 form part of these financial statements

FOUNDERS FACTORY LIMITED**RECONCILIATION OF EQUITY - continued**
31ST DECEMBER 2015

	Notes	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
FIXED ASSETS				
Tangible assets		18,580	-	18,580
Investments		285,000	-	285,000
		<u>303,580</u>	<u>-</u>	<u>303,580</u>
CURRENT ASSETS				
Debtors		78,935	-	78,935
Cash at bank		2,647,462	-	2,647,462
		<u>2,726,397</u>	<u>-</u>	<u>2,726,397</u>
CREDITORS				
Amounts falling due within one year		(96,956)	-	(96,956)
NET CURRENT ASSETS		<u>2,629,441</u>	<u>-</u>	<u>2,629,441</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,933,021</u>	<u>-</u>	<u>2,933,021</u>
NET ASSETS		<u>2,933,021</u>	<u>-</u>	<u>2,933,021</u>
CAPITAL AND RESERVES				
Called up share capital		5	-	5
Share premium		3,500,000	-	3,500,000
Retained earnings		(566,984)	-	(566,984)
SHAREHOLDERS' FUNDS		<u>2,933,021</u>	<u>-</u>	<u>2,933,021</u>

The notes on pages 11 to 18 form part of these financial statements

FOUNDERS FACTORY LIMITED

**RECONCILIATION OF LOSS
FOR THE PERIOD 28TH APRIL 2015 TO 31ST DECEMBER 2015**

	UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
TURNOVER	264,093	-	264,093
Cost of sales	(38,093)	-	(38,093)
GROSS PROFIT	226,000	-	226,000
Administrative expenses	(838,479)	-	(838,479)
OPERATING LOSS and	(612,479)	-	(612,479)
LOSS BEFORE TAXATION	(612,479)	-	(612,479)
Tax on loss	45,495	-	45,495
LOSS FOR THE FINANCIAL YEAR	<u>(566,984)</u>	<u>-</u>	<u>(566,984)</u>

The notes on pages 11 to 18 form part of these financial statements