

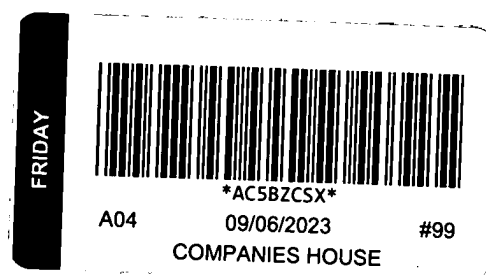
Founders Factory Limited

Directors' Report and Financial Statements

Year Ended

31 December 2022

Company Number 09564631



Founders Factory Limited

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Founders Factory Limited

Company Information

Directors	H Lane Fox B S Hoberman A X Hudson D Zhou B M Lockett S Lord J Von Wallis M Atias
Registered number	09564631
Registered office	Founders Factory (Level 7) Arundel Street Building 180 Strand 2 Arundel Street London United Kingdom WC2R 3DA
Independent auditors	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG

Founders Factory Limited

Directors' Report For the Year Ended 31 December 2022

The Directors present their report and the financial statements for the year ended 31 December 2022.

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 and up to the date of approval of this report, together with details of any changes, were:

H Lane Fox
B S Hoberman
A X Hudson
J Oei (resigned 31 October 2022)
L Rochet (resigned 12 May 2023)
D Zhou
B M Lockett
S Lord
J Von Wallis (appointed 31 October 2022)
M Atias (appointed 12 May 2023)

Directors' responsibilities statement

The Directors are responsible for preparing the Directors' Report 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 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 and profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company'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 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 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 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 2022

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate cash resources available to continue for the foreseeable future, based on the Company'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 continued operations of the Company are focused solely on managing the current investment portfolio and providing services to our corporate partners. The Company has a diversified portfolio of investments many of which have performed well in the post Statement of Financial Position period. The Directors have therefore adopted a going concern basis of accounting in preparing these financial statements.

Qualifying third party indemnity provisions

During the year and up to the date of this report, the Company maintained liability insurance and third-party indemnification provisions for its Directors, under which the Company 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 Company.

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'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's auditors are aware of that information.

Auditors

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

Small companies note

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

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

Henry Lane Fox

H Lane Fox
Director

Date: 7/6/2023

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 'Company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We 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 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 Company to cease to continue as a going concern.

In our evaluation of the Directors' conclusions, we considered the inherent risks associated with the 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 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 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 'Directors' responsibilities statement' 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the 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 material misstatements in 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 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.
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of directors

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

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

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 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 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 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

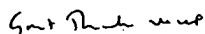
Independent Auditor's report to the members of Founders Factory Limited (continued)

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.



Nicholas Page
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

Date: 7/6/2023

Founders Factory Limited

Statement of Comprehensive Income For the Year Ended 31 December 2022

	Note	2022 £	2021 £
Turnover		3,325,225	6,046,749
Cost of sales		(1,871,376)	(5,047,241)
Gross profit		1,453,849	999,508
Administrative expenses		(6,049,769)	(6,423,661)
Other operating income	4	20,324,279	40,919,490
Operating profit	6	15,728,359	35,495,337
Interest receivable and similar income		14,536	562
Profit before taxation		15,742,895	35,495,899
Tax on profit	8	(3,458,359)	(8,873,641)
Profit for the financial year		12,284,536	26,622,258

There was no other comprehensive income for 2022 (2021 - £Nil).

The notes on pages 11 to 23 form part of these financial statements.

Founders Factory Limited

Registered number:09564631

**Statement of Financial Position
As at 31 December 2022**

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Tangible assets	9		-		73,954
Investments	10		106,468,058		89,220,043
			<u>106,468,058</u>		<u>89,293,997</u>
Current assets					
Debtors: amounts falling due within one year	11	1,082,048		996,428	
Cash at bank and in hand		2,664,211		4,652,993	
		<u>3,746,259</u>		<u>5,649,421</u>	
Creditors: amounts falling due within one year	12	(660,274)		(1,490,815)	
Net current assets			<u>3,085,985</u>		<u>4,158,606</u>
Total assets less current liabilities			<u>109,554,043</u>		<u>93,452,603</u>
Provisions for liabilities					
Deferred taxation			(18,669,917)		(14,853,013)
Net assets			<u><u>90,884,126</u></u>		<u><u>78,599,590</u></u>
Capital and reserves					
Called up share capital	13		13		13
Share premium account	14		42,049,974		42,049,974
Fair value reserve	14		79,626,731		60,843,810
Profit and loss account	14		(30,792,592)		(24,294,207)
			<u><u>90,884,126</u></u>		<u><u>78,599,590</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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

Henry Lane Fox

H Lane Fox
Director

Date: 7/6/2023

The notes on pages 11 to 23 form part of these financial statements.

Founders Factory Limited

Statement of Changes in Equity For the Year Ended 31 December 2022

	Called up share capital	Share premium account	Fair value reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2022	13	42,049,974	60,843,810	(24,294,207)	78,599,590
Comprehensive income for the year					
Profit for the year	-	-	-	12,284,536	12,284,536
Increase in fair value of investments	-	-	18,782,921	(18,782,921)	-
Total comprehensive income for the year	-	-	18,782,921	(6,498,385)	12,284,536
At 31 December 2022	13	42,049,974	79,626,731	(30,792,592)	90,884,126

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
Increase in fair value of investments	-	-	38,620,655	(38,620,655)	-
Total comprehensive income for the year	-	-	38,620,655	(11,998,397)	26,622,258
Contributions by and distributions to owners					
Shares issued during the year	3	1,414,408	-	-	1,414,411
Total transactions with owners	3	1,414,408	-	-	1,414,411
At 31 December 2021	13	42,049,974	60,843,810	(24,294,207)	78,599,590

The notes on pages 11 to 23 form part of these financial statements.

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

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 Section 1A of 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 management to exercise judgement in applying the Company'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 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.

2.3 Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate cash resources available to continue for the foreseeable future, based on the Company'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 continued operations of the Company are focused solely on managing the current investment portfolio and providing services to our corporate partners. The Company has a diversified portfolio of investments many of which have performed well in the post Statement of Financial Position period. The Directors have therefore adopted a going concern basis of accounting in preparing these financial statements.

2.4 Foreign currency translation

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.

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.5 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.

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.

2.6 Current and deferred taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

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

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.7 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:

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.

2.8 Investments in associates and subsidiaries

Investments in associates and subsidiaries are stated at fair value.

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

For investments in associates that have stopped trading or have a low probability of success: nil

For investments in associates where third-party fundraising has been raised within the past 5 years then the valuation on the investment is based on a mark-to-market as per the valuation used in the latest equity investment round.

2.9 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 2022

2. Accounting policies (continued)

2.9 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 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.

2.10 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.

2.11 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 Statement of Financial Position when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statement, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

2. Accounting policies (continued)

2.11 Financial instruments (continued)

Impairment of financial assets

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimate future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the 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 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 instruments

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 2022

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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future period where the revision affects both current and future periods.

Key sources of estimation 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:

Fair value of investments

At the end of each quarter and at year end, management undertake a review of the portfolio of investments held by the Company 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. Other operating income

	2022 £	2021 £
Increase in fair value of investments	18,782,921	38,620,655
Rents receivable	1,265,878	810,226
Government grants receivable	-	5,400
Sundry income	71,468	105,243
Profit on disposal of fixed asset investments	204,012	1,377,966
	<u>20,324,279</u>	<u>40,919,490</u>

5. Employees

The average monthly number of employees, including Directors, during the year was 8 (2021 - 30).

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

6. Operating profit

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

	2022 £	2021 £
Depreciation - owned assets	(55,532)	124,352
Loss/(profit) on disposal of fixed assets	18,512	(2,633)
Foreign exchange differences	(135,930)	(114,274)
Impairment of fixed asset investments	4,556,455	882,898
Lease payments	291,740	669,090
	<u> </u>	<u> </u>

7. Auditors' remuneration

During the year, the Company obtained the following services from the Company's auditors:

	2022 £	2021 £
Fees payable to the Company's auditors for the audit of the Company's financial statements	37,800	38,225
	<u> </u>	<u> </u>

8. Taxation

	2022 £	2021 £
Corporation tax		
Adjustments in respect of previous periods	(358,545)	(675,715)
Total current tax	<u>(358,545)</u>	<u>(675,715)</u>
Deferred tax		
Origination and reversal of timing differences	(15,012)	6,872,546
Changes to tax rates	-	2,170,277
Adjustment in respect of prior period	(157,305)	506,533
Capital gains and losses	3,722,801	-
Losses and other deductions	266,420	-
Total deferred tax	<u>3,816,904</u>	<u>9,549,356</u>
Taxation on profit on ordinary activities	<u>3,458,359</u>	<u>8,873,641</u>

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	15,742,895	35,495,899
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	2,991,150	6,744,221
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	733,808	128,217
Fixed asset differences	2,382	-
Adjustments to tax charge in respect of prior periods	(515,850)	506,533
Non-taxable income	(3,601,899)	(7,272,800)
Other differences leading to an increase (decrease) in the tax charge	-	(11,388)
Chargeable gains	2,894,958	7,284,296
R&D tax credits received	-	(675,715)
Effect of tax rate change on deferred tax provision	953,810	2,170,277
Total tax charge for the year	3,458,359	8,873,641

Factors that may affect future tax charges

Corporation tax is calculated at 19% (2021 - 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 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. As this rate was substantively enacted at the Statement of Financial Position date it has been used to calculate the deferred tax balances, if relevant.

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

9. Tangible fixed assets

	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Total £
At 1 January 2022	395,588	24,130	33,426	453,144
Disposals	(395,588)	(24,130)	(33,426)	(453,144)
At 31 December 2022	-	-	-	-
At 1 January 2022	330,696	23,991	24,503	379,190
Charge for the year	52,446	139	2,947	55,532
Disposals	(383,142)	(24,130)	(27,450)	(434,722)
At 31 December 2022	-	-	-	-
Net book value				
At 31 December 2022	-	-	-	-
At 31 December 2021	64,892	139	8,923	73,954

10. Fixed asset investments

	Shares in subsidiary companies £	Interest in associates £	Listed investments £	Unlisted investments £	Total £
Cost or valuation					
At 1 January 2022	2,057,476	15,826,968	277,513	71,058,086	89,220,043
Additions	-	28	-	3,404,337	3,404,365
Disposals	-	-	-	(382,816)	(382,816)
Revaluations	-	3,749,971	25,356	15,007,594	18,782,921
Impairments	-	-	(52,613)	(4,503,842)	(4,556,455)
At 31 December 2022	2,057,476	19,576,967	250,256	84,583,359	106,468,058
Net book value					
At 31 December 2022	2,057,476	19,576,967	250,256	84,583,359	106,468,058
At 31 December 2021	2,057,476	15,826,968	277,513	71,058,086	89,220,043

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

10. Fixed asset investments (continued)

	Shares in subsidiary companies £	Interest in associates £	Listed investments £	Unlisted investments £	Total £
Cost	8,164	96	362,992	24,485,294	24,856,546
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
Valuation in 2022	-	3,749,971	(27,257)	10,503,752	14,226,466
	<u>2,057,476</u>	<u>19,576,967</u>	<u>250,256</u>	<u>84,583,359</u>	<u>106,468,058</u>

In 2022 the net book value included £752,479 (2021 - £837,000) relating to fixed asset investments held as convertible loan stock.

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

11. Debtors

	2022 £	2021 £
Trade debtors	396,485	285,052
Amounts owed by group companies	657,856	153,895
Amounts owed by related parties	1,216	118,834
Other debtors	13,908	237,047
Prepayments and accrued income	12,583	201,600
	<u>1,082,048</u>	<u>996,428</u>

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

12. Creditors: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	89,522	432,359
Amounts owed to related parties	55	477,678
Other taxation and social security	241,886	1,271
Other creditors	8,565	19,402
Accruals and deferred income	320,246	560,105
	<u>660,274</u>	<u>1,490,815</u>

13. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
304,410 (2021 - 304,410) A Ordinary shares of £0.00001 each	3	3
13 (2021 - 13) E shares of £0.10000 each	1	1
600,000 (2021 - 600,000) Preferred shares of £0.00001 each	6	6
165,321 (2021 - 165,321) B1 Ordinary shares of £0.00001 each	2	2
55,758 (2021 - 55,758) Deferred shares of £0.00001 each	1	1
	<u>13</u>	<u>13</u>

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 2022. A total of 14,617 options have been granted in the scheme through to 31 December 2022. At 1 January 2022 6,786 net options were allocated, of these no options were exercised and no options lapsed during the period, leaving 6,786 net options allocated at 31 December 2022.

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

14. 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 the profit and loss account.

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.

15. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	-	386,981

16. 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 (2021 - £2,207,061). At the Statement of Financial Position date there was £Nil (2021 - £375) owed to the company, no interest is collectible.

The Company during the year received £1,375,000 (2021 - £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 (2021 - £51,294) was owing from the associated company. No interest is charged on this amount.

Services charged to the Company during the year was £200,900 (2021 - £303,663). The recharged services were for rent of their old offices. The lease is going to be transferred to the Company, but we are waiting on the completion from the lawyers.

The Company paid services fees to FF Management Limited, an associated company, throughout the year to the value of £4,625,642 (2021 - £Nil). At the Statement of Financial Position date £477,601 (2021 - £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 (2021 - £53,000). At the Statement of Financial Position date £9 (2021 - £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 (2021 - £40,524). At the Statement of Financial Position date £Nil (2021 - £130) was outstanding.

Founders Factory Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

17. Controlling party

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