

Registered number: 06331310

Facebook UK Limited

**Annual report and financial statements
for the year ended 31 December 2019**



Facebook UK Limited

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Facebook UK Limited

Strategic report for the year ended 31 December 2019

The directors of Facebook UK Limited (the 'Company') present the strategic report, the director's report and the financial statements for the year ended 31 December 2019.

Business review and future developments

The Company is engaged in the provision of sales support, marketing services and engineering support to the Facebook group (the 'Group') and acts as a reseller of advertising services to designated UK customers. There are no future changes anticipated in the business of the Company at this time.

The key financial and other performance indicators during the year ended 31 December 2019 were as follows:

The Company has continued to grow during the year, resulting in increased headcount of 38%, from 1,965 in 2018 to 2,710 in 2019.

Gross amounts from advertisers and others amounted to £2,180.2 million during the year (2018: £1,655.9 million) which resulted in recognised revenue of £1,070.6 million (2018: £797.1 million). Business operations continued to grow during the year which drove the increase in intercompany services and advertising reseller revenue. Profit before tax has increased to £115.7 million (2018: £96.6 million). The profit for the year after tax amounted to £87.1 million (2018: £68.1 million) and has been credited to the Company's profit and loss reserves.

There were no new products sold by the Company and no new services introduced during the year that had a material impact on the financial statements.

Section 172(1) statement

The directors of the Company are aware of their duty under section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term;
- b) the interests of the Company's employees;
- c) the need to foster the Company's business relationships with suppliers, customers and others;
- d) the impact of the Company's operations on the community and the environment;
- e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the Company.

As a wholly owned subsidiary of Facebook Global Holdings II, LLC, whose ultimate parent undertaking is Facebook, Inc., the directors of the Company do not consider the factor set out in section 172(1)(f) (the need to act fairly between members of the Company) is relevant to the proper discharge of their duty under section 172(1).

In discharging their duty to promote the interests of the Company under section 172 of the Companies Act 2006, the directors of the Company have regard to the above factors and stakeholder interests. These are described below.

Facebook UK Limited

Strategic report (continued) for the year ended 31 December 2019

Section 172(1) statement (continued)

Long term consequences of business decisions and maintaining reputation for high standards of business conduct

The Company is run for the benefit of its sole shareholder, Facebook Global Holdings II, LLC, but the Company recognises that the long term success of its business is dependent on maintaining relationships with its other stakeholders and on the external impact of the Company's activities. Various policies have been implemented across the Group which apply to the Company. These are referred to in the 'statement of corporate governance arrangements' and throughout the document and aim to ensure that the Company maintains its reputation for high standards of business conduct. These policies also ensure the continued success of the Company's business model.

Stakeholder identification and engagement

The Company recognises the importance of fostering strong relationships with its stakeholders in order to create sustainable long term value. In addition to its shareholder and other companies in the Group, the Company's other stakeholders include its suppliers, employees and customers.

Suppliers

The Company's largest supplier arrangement is related to its direct cost of sales for reseller activity. This relationship is governed by a reseller agreement which the Company has in place with another group company. The Group has specialist departments to manage external supplier relationships and ensure that these stakeholders are treated fairly. The Company also adheres to the Group framework of standards and expectations to guide its supplier business relationships.

Employees

Please refer to Directors' report section 'engagement with employees' for detail concerning engagement with employees.

Customers

The Company acts as a reseller of advertising services to designated UK customers. The Company's ability to compete effectively depends upon many factors both within and beyond the Company's control, including the ability to measure the effectiveness of its ads and to provide customers with a compelling return on their investments. The Company performs ongoing credit evaluations of its customers.

Impact on the environment and the community

The directors are committed to operating the Company in a sustainable way. The Company uses demanding industry standards to realise key opportunities to make operations more sustainable by optimising its water and energy consumptions. For example, the Company implemented the standards prescribed by the International Organisation for Standardisation for Energy Management ('ISO') 5001 model and in 2019, ISO certified that all of the Company's offices achieved those standards. The Company engages with the communities in which it operates to build trust and understand the local issues that are important to them. Key areas of focus include how the Company can support local causes and issues and help to look after the environment.

Facebook UK Limited

Strategic report (continued) for the year ended 31 December 2019

Principal risks and uncertainties

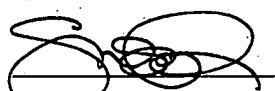
The principal risks and uncertainties which the Company are confronted with are limited by the arrangements it has in place with group companies. Such arrangements could be impacted in the event of an emergence of competitive products or services, security and privacy breaches, reductions in user engagement, difficulties attracting talent and the withdrawal of the United Kingdom from the European Union ('Brexit'). Brexit could adversely impact the local economy reducing advertising spend and subject the Company to increased regulatory challenges and other adverse effects that the Company is unable to effectively anticipate.

The main risks arising from the Company's activities are as follows:

- **Currency risk**
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The exposure to currency risk is monitored on an ongoing basis.
- **Credit risk**
Credit risk is the risk that a counter party will not meet its objectives under a financial instrument or customer contract, leading to financial risk. The Board of Directors has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.
- **Interest rate risk**
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Company has no liabilities carrying interest rates at present, however the Company does hold lease liabilities that have varying lease payments that depend on an index or rate. The exposure to interest rate risk is monitored on an ongoing basis.
- **Liquidity risk**
Liquidity risk is the risk that the Company will encounter in realising assets or otherwise raising funds to meet commitments. The Company monitors the risk of a shortage of funds on a regular basis, its objective being to ensure sufficient funds are available to meet its obligations as they fall due.
- **Economic risk**
Subsequent to 31 December 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020, which is indicative of a condition that did not exist at the end of the reporting date.

During this period and up to the date of this report, the Company has continued business operations with limited disruption and has remained engaged in performing its principal activities. As the scale and duration of these developments remain uncertain, it is difficult to quantify the financial impact of the evolving situation. The Company will continue to monitor and assess but does not expect a material adverse impact on its ability to continue as a going concern.

By order of the board.



S J S Taylor
Director

Date: 3 December 2020

Facebook UK Limited

Directors' report for the year ended 31 December 2019

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

Results and dividends

Profit before tax has increased to £115.7 million (2018: £96.6 million).

No dividends will be distributed for the year ended 31 December 2019 (2018: £nil).

Directors

The directors who held office during the year, and up to the date of signing the financial statements are given below:

D W Kling
S J S Taylor

The directors and their families had no other interests in the shares of the Company or any other group company at 31 December 2019 that require disclosure.

Research and development

Research and development expenses consist primarily of personnel-related costs, including salaries, benefits and share based payment charge for engineers and other employees engaged in the research and development of products and services.

The Company incurred £521.0 million (2018: £356.2 million) in research, development and engineering expenses during the year.

Going concern

The directors have evaluated the relevant conditions and events that are known and reasonably knowable at the date that the financial statements are approved, including the current outbreak of a novel strain of coronavirus ('COVID-19'). The spread of COVID-19, as set out in the principal risks and uncertainties section of the strategic report on page 3, is not expected to have a material adverse impact on the Company's ability to continue as a going concern. The directors, to the best of their current knowledge and based on the procedures performed, therefore consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Qualifying third party indemnity provisions

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Facebook UK Limited

Directors' report (continued) for the year ended 31 December 2019

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the directors must not approve the audited 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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Engagement with employees

The Company provides regular information to employees through quarterly Company meetings where employees can direct questions on any Company topic. In addition, there are specific business updates across the organisation, which generally include open questions and answers. Facebook also consults with employees through employee resource and focus groups in response to feedback captured through regular employee surveys.

The Company facilitates a share incentive plan operated by Facebook, Inc. with employees of the Company receiving remuneration in the form of restricted ordinary shares ('RSUs') as consideration for services rendered.

All new joiners to Facebook are given access to the employee handbook as part of the on-boarding process. The handbook includes the Facebook Equal Opportunities and Harassment Policy which applies to the full life cycle of an employee - including recruitment, training, promotion and all other aspects of employment. The policy also includes the Company's commitment to providing reasonable accommodation for employees with disabilities throughout the whole employment lifecycle, including employees who may develop a disability while employed by the Company.

Engagement with stakeholders

There is active engagement with all stakeholders of the Company, including customers, suppliers, employees, owners, the local community and environment, and other stakeholders. Please refer to the Section 172(1) statement in the strategic report for further detail.

Facebook UK Limited

Directors' report (continued) for the year ended 31 December 2019

Statement of corporate governance arrangements

This statement of corporate governance has been established by the board of directors of the Company, and is intended, in conjunction with the Company's certificate of incorporation, articles of association, other corporate documents (as set out below) and all applicable laws, to be a flexible framework within which the board of directors may conduct its business.

The board of directors of Facebook, Inc. (the 'Parent Company') establishes broad corporate policies for the Company (as its wholly owned subsidiary) and its other controlled entities in the Group, sets the strategic direction for the Group and overseas management with a focus on enhancing the interests of shareholders. The board of directors of the Parent Company are also responsible for the corporate governance of the Group (including the Company).

As a wholly-owned subsidiary of the wider Group, the Board engages in regular dialogue with representatives from the Company's parent entity. The board of directors of the Company is made up of senior employees of Facebook, Inc., which enables the views of the wider Group to be considered as part of the directors' decision making.

The board of directors of the Company believe it is appropriate to adopt and follow the Parent Company's corporate governance guidelines to ensure consistency across the Group. The Parent Company is subject to strict corporate governance procedures as a result of being listed on the NASDAQ stock exchange and forming part of the NASDAQ 100, which the directors of the Company are satisfied is consistent with the laws of England and Wales, applicable regulation and best practices in corporate governance.

The documents set out below form the corporate governance framework of the Company:

- Certificate of Incorporation and articles of association of the Company (1 August 2007)
- Corporate Governance Guidelines of the Parent Company (amended as of 12 May 2020)
- Amended and Restated Bylaws of the Parent Company (amended and restated 10 April 2019)
- Charter of the Audit & Risk Oversight Committee of the Board of Directors of the Parent Company (12 May 2020)
- Charter of the Compensation, Nominating & Governance Committee of the Board of Directors of the Parent Company (30 October 2019)
- Charter of the Privacy Committee of the Board of Directors of the Parent Company (12 May 2020)
- Parent Company and Group approach to tax policy (updated February 2020) and the UK tax strategy for the financial year ended 31 December 2019.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Facebook UK Limited

Directors' report (continued) for the year ended 31 December 2019

Events since year end

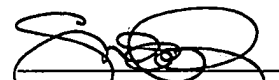
The financial statements have been prepared based upon conditions existing at 31 December 2019 and considers any relevant events that occur subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period.

Other than as described in the principal risks and uncertainties section of the strategic report on page 3 in relation to COVID-19, there were no other significant events between 31 December 2019 and the date of approval of these financial statements affecting the Company, which require adjustment to or disclosure in the financial statements.

Independent auditor

In accordance with section 485 of the Companies Act 2006, the auditor will be deemed to be reappointed and, Ernst & Young, will therefore continue in office.

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


S. J. S. Taylor
Director

Date: 3 December 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FACEBOOK UK LIMITED

Opinion

We have audited the financial statements of Facebook UK Limited ('the Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 26, including the 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 FRS 101 "Reduced Disclosure Framework".

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 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 properly 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 ethical requirements that are relevant to our audit of financial statements in the UK, including 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 have nothing to report in respect of the following matters, in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Continued .../

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FACEBOOK UK LIMITED (Continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 director's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; 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.

Continued .../



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FACEBOOK UK LIMITED (Continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set on page 5, 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 they 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young

Marie Treacy
for and on behalf of
Ernst & Young Chartered Accountants and Statutory Audit Firm

Dublin

7 December 2020

Facebook UK Limited

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Revenue	3	1,070,624	797,058
Cost of sales		(30,057)	(33,552)
Gross profit		1,040,567	763,506
Administrative expenses		(918,700)	(666,843)
Operating profit	5	121,867	96,663
Interest receivable and similar income	7	1,452	147
Interest payable and similar charges	8	(7,614)	(210)
Profit on ordinary activities before taxation		115,705	96,600
Tax on profit on ordinary activities	9	(28,573)	(28,461)
Profit for the financial year - attributable to owners		87,132	68,139
Total comprehensive income for the year - attributable to owners		87,132	68,139

The profit for the financial year and the accumulated profit brought forward have been included in the Company's statement of comprehensive income reserves.

Revenue and operating profit arose solely from continuing operations.

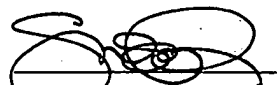
The notes on pages 14 to 44 form an integral part of these financial statements.

Statement of financial position as at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	10	30	50
Tangible assets	11	385,792	89,177
		<u>385,822</u>	<u>89,227</u>
Current assets			
Debtors: amounts falling due within one year	13	623,320	511,474
Debtors: amounts falling due after more than one year	13	33,649	19,969
Cash and cash equivalents	14	257,830	153,194
		<u>914,799</u>	<u>684,637</u>
Creditors: amounts falling due within one year	16	(599,557)	(459,752)
Net current assets		<u>315,242</u>	<u>224,885</u>
Total assets less current liabilities		<u>701,064</u>	<u>314,112</u>
Creditors: amounts falling due after more than one year	17	(316,703)	(36,629)
Provisions for liabilities	18	(12,538)	(13,285)
Net assets		<u><u>371,823</u></u>	<u><u>264,198</u></u>
Capital and reserves			
Called up share capital presented as equity	19	1	1
Retained earnings	19	371,822	264,197
Equity shareholder's funds		<u><u>371,823</u></u>	<u><u>264,198</u></u>

The notes on pages 14 to 44 form an integral part of these financial statements.

The financial statements on pages 11 to 44 were approved and authorised for issue by the board of directors and were signed on its behalf by:



S J S Taylor
Director

Date: 3 December 2020

Facebook UK Limited

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital presented as equity £000	Retained earnings £000	Equity shareholder's funds £000
At 1 January 2018	1	200,487	200,488
Profit for the financial year, representing total comprehensive income	-	68,139	68,139
Recharge paid to parent for share based payment plan	-	(154,012)	(154,012)
Deferred tax movements (note 15)	-	(3,000)	(3,000)
Reserve credit for share based payment plan	-	145,641	145,641
Corporation tax credit for share based payment plan	-	6,942	6,942
At 31 December 2018 and 1 January 2019	1	264,197	264,198
Profit for the financial year, representing total comprehensive income	-	87,132	87,132
Recharge paid to parent for share based payment plan	-	(196,090)	(196,090)
Deferred tax movements (note 15)	-	2,204	2,204
Reserve credit for share based payment plan	-	207,805	207,805
Corporation tax credit for share based payment plan	-	6,574	6,574
At 31 December 2019	1	371,822	371,823

The notes on pages 14 to 44 form an integral part of these financial statements.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

1. General information

The principal activity of Facebook UK Limited (the 'Company') is the provision of sales support, marketing services and engineering support to the Facebook Group (the 'Group') and acting as a reseller of advertising services to designated UK customers.

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors. The Company is a private company limited by shares and is incorporated and domiciled in England. The registered office is located at 10 Brock Street, Regent's Place, London, NW1 3FG.

The ultimate holding company and ultimate controlling party is Facebook, Inc., a company incorporated in Wilmington, Delaware, United States of America ('USA'). The ultimate holding company and controlling party of the smallest and largest group of which the Company is a member, and for which consolidated financial statements are drawn up, is Facebook, Inc. The immediate parent company of the Company is Facebook Global Holdings II, LLC, a company registered in Wilmington, Delaware, USA.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements are presented in pound sterling ('£'). This is also the functional currency of the entity as it is the currency of the primary economic environment in which the entity operates. Unless otherwise stated, the financial statements have been presented in thousands ('£000').

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards issued by the Financial Reporting Council and the Companies Act 2006.

The financial statements comply with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006. The financial statements are prepared under the historical cost convention, unless otherwise stated.

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in FRS 101, which addresses the financial reporting requirements and disclosure exemptions in the financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with applicable law and United Kingdom Accounting Standards requires the use of certain assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.21.

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

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern

The directors have evaluated the relevant conditions and events that are known and reasonably knowable at the date that the financial statements are approved, including the current outbreak of a novel strain of coronavirus ('COVID-19'). The spread of COVID-19, as set out in the principal risks and uncertainties section of the strategic report on page 3, is not expected to have a material adverse impact on the Company's ability to continue as a going concern. The directors, to the best of their current knowledge and based on the procedures performed, therefore consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

IFRS exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The requirement in paragraph 38 of IAS 1, 'Presentation of financial statements' to present comparative information requirements in respect of;
 - (i) Paragraph 79(a)(iv) of IAS 1, 'Presentation of financial statements',
 - (ii) Paragraph 73(e) of IAS 16, 'Property, plant and equipment',
 - (iii) Paragraph 118(e) of IAS 38, 'Intangible assets'.
- The following paragraphs of IAS 1, 'Presentation of financial statements'
 - 10(d) (statement of cash flows),
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 40A-D (requirements for a third statement of financial position),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures).
- The requirements of IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors'.
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 17 and 18A of IAS 24, 'Related party disclosures'.
- IFRS 7, 'Financial instruments: disclosures'.
- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise price of share options, and how the fair value of goods or services received was determined).
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, 'Revenue from contracts with customers'.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets'.
- The requirements of paragraph 52, 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16, 'Leases'.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

The consolidated financial statements of Facebook, Inc. are available to the public and can be downloaded free of charge from the Company's investor relations website, located at <http://investor.fb.com>. The equivalent disclosures where required to apply the disclosure reductions of FRS 101, are included within the Form 10-K document that contains the publicly available financial statements of Facebook, Inc.

Recent accounting pronouncements

The following new standards and amendments are effective for the first time for periods beginning on or after 1 January 2019:

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, 'Leases', which sets out the principles for the recognition, measurement, presentation, and disclosure of leases. IFRS 16 supersedes the lease recognition requirements of IAS 17, 'Leases'; IFRIC 4, 'Determining whether an arrangement contains a lease'; SIC-15, 'Operating leases - incentives'; and SIC-27, 'Evaluating the substance of transactions involving the legal form of a lease'.

IFRS 16 has an effective date of 1 January 2019. The Company has adopted IFRS 16 on 1 January 2019 using the modified retrospective method to all leases existing at the date of initial application.

The impact of the adoption of IFRS 16 is shown in note 24 to the financial statements.

IFRIC 23, Uncertainty over Income Tax

In June 2017, the IASB issued IFRIC 23, 'Uncertainty over income tax treatments', which clarifies how the recognition and measurement requirements of IAS 12, 'Income taxes', are applied where there is uncertainty over income tax treatments.

Other than the adoption of IFRS 16, there has been no impact to the Company from the adoption of new standards and amendments.

2.2 Revenue

The Company recognises revenue when control of the promised goods or services is transferred to the customer, for an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

Revenue is recognised for the major business activities outlined below.

Advertiser reseller revenue

The Company acts as a reseller of advertising services to designated UK customers through a reseller agreement with another group company and generates revenues primarily through resale of advertising inventory on Facebook. These revenues consist primarily of advertising revenues generated by displaying ad products on Facebook, Instagram, Messenger, and third-party affiliated websites or mobile applications. The Company reports advertising reseller revenue net of associated direct cost of sales.

Advertiser reseller revenue comprises revenue from the display of impression-based ads in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to a user. The Company recognises revenue from the delivery of action-based ads in the period in which a user takes the action the customer contracted for.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

2. Significant accounting policies (continued)

2.2 Revenue (continued)

Services

The Company generates revenue through service agreements with another group company for the provision of contract sales support, marketing services and engineering support to the Group. The Company applies an output method, based on underlying financial results as agreed between parties, which is considered to faithfully depict the transfer of control to the customer.

The service fee charged is based on the level of expenses incurred by the Company in the performance of services. Where the transaction price contains variable consideration, the Company uses the most likely amount method in estimating revenue. These estimates are not constrained, as the Company assesses that it is highly probable that a significant reversal of revenue will not occur.

The Company has elected to use the practical expedient under IFRS 15, 'Revenue from contracts with customers', and does not adjust the amount of promised consideration for the effects of a significant financing component, as the Company expects that the period between the transfer of the service and receipt of payment will be one year or less.

2.3 Research and development

Research costs are expensed in the period in which they are incurred and are presented net of any related rebates, receivables, credits or other similar incentives once realised. The Company currently incurs no development costs which would meet the criteria for capitalisation as development expenditure under IAS 38, 'Intangible assets'.

2.4 Employee benefits

Short term employee benefits

Short term employee benefits, including wages and salaries, are recognised as an expense in the financial year in which the employees render the related service.

Pensions

The Company operates a defined contribution plan for certain employees. Contributions by the Company to a defined contribution pension scheme are recognised as an employee benefit expense as service is received from employees. Once contributions have been paid, the Company has no further obligations.

**Notes to the financial statements
for the year ended 31 December 2019**

2. Significant accounting policies (continued)

2.5 Leases

Accounting policies applied after 1 January 2019

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has elected to apply the recognition exemptions for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term. The Company has also elected to apply the practical expedient to combine its lease and related non-lease components on an ongoing basis to all of its underlying classes of assets, to the extent those non-lease components are fixed and service the underlying leased asset. In addition, the Company has elected the practical expedient to apply a portfolio approach to certain equipment leases with similar characteristics where the Company reasonably expect the effects on the financial statements would not differ materially from application to the individual leases within that portfolio.

Right-of-use assets and lease liabilities are recognised at the lease commencement date. At commencement date, the lease liability is equal to the present value of the lease payments not yet paid, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. At commencement date, the right-of-use asset is equal to the amount of the initial lease liability and the total amount of initial direct costs or lease payments made at or prior to commencement, less any lease incentives received.

Lease payments include fixed payments, including in-substance fixed payments, less any:

- lease incentives received;
- variable lease payments that depend on an index or rate;
- amounts expected to be paid or payable under residual value guarantees;
- the exercise price of a purchase option when the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate.

Lease payments will also include estimates of the following costs if, as a sole result of the lease agreement commencing, the Company is required to dismantle or remove an underlying asset, restore the site on which it is located on, or restore the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Other costs incurred as a result of improvements made or installation of assets performed by the Company that are subject to restoration obligations in the lease, will be accounted for as part of the cost of those assets in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets'.

The lease liability is measured at amortised cost using the effective interest method. Right-of-use assets are depreciated over the lesser of the end of the useful life of the asset or the lease term, applying the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option, and includes periods covered by an option to terminate if the Company is reasonably certain not to exercise that option. When determining the probability of exercising such options, we consider contract-based, asset-based, entity-based, and market-based factors.

**Notes to the financial statements
for the year ended 31 December 2019**

2. Significant accounting policies (continued)

2.5 Leases (continued)

The carrying amount of the lease liability is remeasured to reflect reassessment or lease modification if there is a change to the future lease payments, a change to the lease term, or a change to the assessment of an option to purchase the underlying asset, extend a lease, or terminate a lease. A corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Incremental borrowing rate is defined as the rate of interest that lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. To determine the incremental borrowing rate, the Company considers its parent company's centralised treasury function, guarantees, credit risk profile, lack of publicly issued debt, and positive cash flow, in combination with the specific currency and interest rate environment of the Company.

The Company's lease agreements may contain variable costs such as common area maintenance, insurance, real estate taxes, and other variable lease costs which are expensed as incurred in the statement of comprehensive income. The Company's lease agreements do not contain any residual value guarantees or restrictive covenants.

Accounting policies applied before 1 January 2019

The Company has applied IFRS 16 using a modified retrospective approach and has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policies, which are outlined below.

Operating Lease - IAS 17

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease.

Lease premiums and similar incentives that are received or paid are treated as deferred or accrued income and released to the profit and loss account on a straight-line basis over the lease term.

These benefits are recognised as deferred rent liabilities as they arise over the rent-free period and are shown on the statement of financial position. They are classified within current liabilities if they will be recognised within one year or less. If not, they are presented as creditors: amounts falling due after more than one year.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

2. Significant accounting policies (continued)

2.6 Foreign currencies

Functional and presentational currency

The Company's functional and presentational currency is pound sterling.

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into pound sterling at rates of exchange ruling at the statement of financial position date.

Non-monetary assets and liabilities which are measured using historic cost are translated at the exchange rates at the date of the initial translation and are not subsequently retranslated. Non-monetary assets and liabilities which are measured using fair value are translated at the exchange rates at the date when the fair value was determined.

Transactions in foreign currencies are translated into pound sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the statement of comprehensive income.

2.7 Income tax

Income tax on the statement of comprehensive income for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current and deferred tax is measured according to the tax rates and regulations enacted at the reporting date.

Current tax

Current tax is the expected tax payable or receivable on the taxable income for the year and any adjustment to tax payables or receivables in respect of previous years.

The Company shall offset current tax assets and current tax liabilities if the Company has a legally enforceable right to settle the current tax assets and liabilities, the current tax assets and liabilities relate to income taxes levied by the same taxation authority, and the Company intends to either to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**Notes to the financial statements
for the year ended 31 December 2019**

2. Significant accounting policies (continued)

2.7 Income tax (continued)

Deferred tax

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced when it is probable that sufficient taxable profit will not be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company shall offset deferred tax assets and deferred tax liabilities if the Company has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current or deferred tax assets and liabilities are not discounted.

In accordance with the requirements of IAS 12, 'Income taxes', the Company recognises directly to equity, deferred taxes related to the excess of the expected tax deduction for share based payments over the cumulative remuneration expense charged to the statement of comprehensive income.

2.8 Dividends payable

Interim dividends are recorded in the financial statements in the year in which they are approved and paid.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

2. Significant accounting policies (continued)

2.9 Interest receivable and similar income

Interest receivable comprises interest receivable on cash at bank and bank deposits calculated using the effective interest rate method, and are recognised in the statement of comprehensive income.

2.10 Interest payable and similar charges

Interest payable generally comprises interest payable on borrowings calculated using the effective interest rate method, interest on lease liabilities or interest and penalty expenses. These are recognised in the statement of comprehensive income.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash balances on hand, held for the purpose of meeting short-term cash commitments, and bank deposits. Cash at bank and bank deposits earn interest at floating rates based on daily deposit bank rates. Bank deposits are made for varying periods depending on the immediate cash requirements of the Company and earn interest at the respective deposit interest rates.

The Company together with other legal entities in the Group is a member of a multi-currency notional cash pooling arrangement with a third-party bank provider. Cash balances from the Group cash pooling arrangement are presented in cash and cash equivalents.

2.12 Intangible assets

Intangible assets are initially recognised at cost and subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses (if any). These assets are amortised on a straight-line basis over their estimated useful lives.

The estimated useful lives are as follows:

Computer software	-	3 years
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Amortisation is charged to 'administrative expenses' in the statement of comprehensive income.

Notes to the financial statements for the year ended 31 December 2019

2. Significant accounting policies (continued)

2.13 Tangible assets

Tangible assets, which include right of use assets, are initially recognised at cost and subsequently stated at cost less depreciation and any accumulated impairment losses (if any). Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value. The cost of tangible assets include expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The cost of servicing of tangible fixed assets is charged to the statement of comprehensive income during the financial period in which they are incurred.

Each part of an item of tangible assets with a cost that is significant in relation to the total cost of the item, and which have different useful lives, are depreciated separately.

Depreciation on assets is charged using the straight-line method so as to allocate the cost of assets less their residual value over their estimate useful lives, or as it relates to right of use assets, the remaining lease term if shorter. Assets under construction are not depreciated until such time as the assets are ready for their intended use. The estimated useful lives are as follows:

Land & buildings	- Straight line over period of the lease
Leasehold improvements	- Straight line over period of the lease
Fixtures & fittings	- 5 years
Office equipment	- 3 years
Computer equipment	- 3 years

2.14 Impairment of non-financial assets measured at cost

An impairment loss is recognised in the statement of comprehensive income.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Fair value less costs of disposal is determined by the amount that would be received to sell an asset in an orderly transaction between market participants. For the purposes of determining value in use, cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An assessment is made at each reporting date as to whether there is any indication that an impairment recognised in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. An impairment recognised in prior periods is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment was recognised. An impairment in value is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any depreciation/amortisation, if no impairment in value had been recognised. Reversals of impairment in value are recognised in profit or loss. After such a reversal, the depreciation/amortisation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

2. Significant accounting policies (continued)

2.15 Share capital

Called up shares are classified as equity.

2.16 Financial instruments

(a) Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial instrument and the contractual terms of the cash flows.

In order for a financial asset to be classified and measured at amortised cost its contractual cash flows should be solely payments of principal and interest ('SPPI') on the principal amount outstanding and the financial assets should be held under a business model where cash flows result from collecting contractual cash flows. Financial assets which are debt instruments are measured at fair value through other comprehensive income where the contractual cash flows are SPPI and the assets are managed under a business model where cash flows result from both collecting contractual cash flows and selling the financial assets.

For instruments measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

The Company reclassifies debt instruments when, and only when, its business model for managing those assets changes.

Recognition, measurement and derecognition

Financial assets are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit and loss ('FVTPL'), directly attributable transaction costs. A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset in its entirety, except for those subsequently measured at fair value through other comprehensive income ('FVTOCI'), the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in profit or loss.

For derecognition of financial assets measured at FVTOCI, any cumulative gain or loss is recognised in other comprehensive income. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

2. Significant accounting policies (continued)

2.16 Financial instruments (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the entity's business model for managing the asset and the cash flow characteristics of the asset. All the Company's debt instruments are measured at amortised cost as the assets are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest.

The Company's debt instruments consist of the following:

- Amounts owed by parent and fellow subsidiary undertakings
- Trade debtors and other debtors
- Cash and cash equivalents

Impairment

For trade debtors, including intercompany trade debtors, the entity applies the simplified approach permitted by IFRS 9, 'Financial instruments', which requires expected lifetime losses to be recognised from initial recognition of the debtors.

To measure the expected credit losses, trade debtors have been grouped based on shared credit risk characteristics. The Company uses judgement in making assumptions around the risk of default and expected loss rates, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

For amounts owed by parent and fellow subsidiary undertakings, the Company applies the general approach to providing for expected credit losses, as prescribed by IFRS 9. The general expected credit loss model under IFRS 9 requires the calculation of '12 month expected credit losses' (losses based on defaults which are possible within 12 months of the reporting date) for financial assets, unless the asset at the reporting date is not considered to be 'low credit risk' and is deemed to have had a 'significant increase in credit risk' since the initial recognition, in which case lifetime expected credit losses should be recorded.

Management consider amounts owed by parent and fellow subsidiary undertakings to have 'low credit risk' when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the short term.

(b) Financial liabilities

Financial liabilities at amortised cost include borrowings and trade and other creditors. These financial instruments are initially measured at fair value, net of any transaction costs in the case of borrowings, and subsequently measured at amortised cost using the effective interest rate.

Borrowings are classified as current liabilities (creditors due within one year), unless the Company has an unconditional right to defer settlement of the liability for at least one year after the statement of financial position date.

Financial liabilities are derecognised when the Company's obligations specified in the contract expire, are discharged or cancelled. Interest expense is recognised using the effective interest rate method.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

2. Significant accounting policies (continued)

2.17 Debtors

Amounts owed by group undertakings, trade debtors and other debtors are measured initially at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method, less any impairment.

Trade debtors are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

The carrying amount of all trade and other debtors at the statement of financial position date approximate their fair values.

2.18 Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors also comprise accrued expenses, deferred revenue and various taxes payable. Creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as creditors - amounts falling due after more than one year.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

The carrying amount of all creditors at the statement of financial position date approximate their fair values.

2.19 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation, unless the impact of discounting is immaterial. The increase in the provision due to passage of time is recognised as interest expense.

The Company assesses its lease agreements for requirements to return leased premises to their original condition. Assessments are carried out by independent third party valuers to determine the level of work required and to evaluate the likely cost. A provision for dilapidations is recognised over the life of the lease for the best estimate of the cost of rectification at the end of the lease term.

All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligations, the provisions are reversed.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

2. Significant accounting policies (continued)

2.20 Share based payments

Facebook, Inc. operates a share-based compensation plan. Employees of the Company receive remuneration in the form of equity instruments (restricted ordinary shares 'RSUs') of its ultimate holding company as consideration for services rendered.

The fair value of the employee services received in exchange for the grant of the RSUs is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the RSUs granted.

Non-market performance and service conditions are included in assumptions about the number of RSUs that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the ultimate holding company revises its estimates of the number of RSUs that are expected to vest based on the non-market vesting conditions. The Company recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income.

When the RSUs are exercised, the ultimate holding company issues new shares. The grant of equity instruments by the ultimate holding company to the employees of the Company is treated as equity-settled, with a corresponding increase in equity as a contribution from the ultimate holding company.

The ultimate holding company recharged the Company for the value of the RSUs provided to its employees. The recharge was recorded within equity.

2.21 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

2. Significant accounting policies (continued)

2.21 Critical accounting estimates and judgements (continued)

(a) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the tangibles and note 2.13 for the useful economic lives for each class of assets.

(b) Impairment of debtors

The Company makes an estimate of the recoverable value of debtors. When assessing impairment of debtors, management considers factors including the credit rating of the debtor, the ageing profile of debtors and historical experience. See note 13 for the net carrying amount of the debtors and associated impairment provision. For other debtors (intercompany debtors), the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the debtor.

(c) Taxation

Determining income tax provisions involves judgements on the tax treatment of certain transactions. Deferred tax is recognised on deductible temporary differences where it is probable that there will be taxable income against which these can be offset. See note 9 for further details.

(d) Provisions

The Company makes an estimate of the present value of the dilapidation provision which relates to estimated costs to be incurred to return the currently occupied leased premises to a condition equivalent to that prior to occupation. The Company assesses the valuation at each reporting date. See note 18 for further details.

(e) Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows are included in the lease liability if it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(f) Incremental borrowing rate on leases

When the Company cannot readily determine the interest rate implicit in a lease, it uses an incremental borrowing rate ('IBR') to measure lease liabilities. The Company estimates the IBR by considering its parent company's centralised treasury function, guarantees, credit risk profile, lack of publicly issued debt, and positive cash flow, in combination with the specific currency and interest rate environment of the Company.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

3. Revenue

Revenue is the value of the principal services supplied by the Company, net of value added tax. The principal services are disclosed in note 2.2.

All revenue recognised relates to revenue from contracts with customers.

	2019 £000	2018 £000
Advertising reseller revenue	77,500	68,126
Sales support, marketing services and engineering support services	993,124	728,932
Total revenue	1,070,624	797,058

As detailed in note 2.2, the Company reports advertising reseller revenue and associated direct cost of sales for reseller activity on a net basis. The table below provides a reconciliation between gross amounts from advertisers and others with the advertising reseller and other revenue reported:

	2019 £000	2018 £000
Gross amounts billed	2,180,266	1,655,855
Cost of sales - reseller expense	(1,109,642)	(858,797)
Advertising reseller and other revenue	1,070,624	797,058

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

4. Employees and directors

	2019 £000	2018 £000
Employee benefit expenses:		
Wages and salaries	336,823	230,245
Social welfare costs	74,119	45,415
Contributions to defined contribution plan	15,267	10,412
Share based payment charges (note 21)	207,805	145,641
	634,014	431,713

The directors of the Company, during the current and previous year, were also senior executives of, and were remunerated by, other Facebook entities and received no remuneration for services to this Company.

Aggregate pension contributions for qualifying services as directors amounted to £Nil (2018: £Nil), which are accruing to two directors (2018: three directors) under a defined contribution scheme.

The average number of employees of the Company (including directors) during the year was as follows:

	2019 No.	2018 No.
Sales support and marketing team	1,190	857
Engineering team	1,520	1,108
	2,710	1,965

The Company operates a defined contributions pension scheme. The cost of contributions to the defined contribution scheme amounts to £15.3 million (2018: £10.4 million). There was an amount outstanding at the year end totalling £1.0 million (2018: £0.9 million).

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

5. Operating profit

Expenses by nature:

The profit on ordinary activities before taxation is arrived at after charging:

	2019 £000	2018 £000
Depreciation of tangible assets (note 11)	53,087	14,349
Research and development expense	521,041	356,214
Amortisation of intangible assets (note 10)	20	52
Foreign exchange loss	6,068	162
Loss on termination of leases	8,409	-
Loss on disposal of tangible assets	5,849	931
Operating lease expense	-	33,574
Auditor's remuneration (note 6)	76	64

6. Auditor's remuneration

	2019 £000	2018 £000
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During the year the Company obtained the following services from its auditor:

Audit of entity financial statements	76	64
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Fees paid to the Company's statutory auditors, Ernst & Young, in respect of the financial year, relate to statutory audit services provided to the Company.

7. Interest receivable and similar income

	2019 £000	2018 £000
Bank interest income	1,452	147

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

8. Interest payable and similar charges

	2019 £000	2018 £000
Unwinding of discount on provision (note 18)	884	205
Other interest payable	294	5
Interest expense relating to lease liabilities (note 12)	6,436	-
	<u>7,614</u>	<u>210</u>

9. Tax on profit on ordinary activities

	2019 £000	2018 £000
Current tax		
Corporation tax on profit on ordinary activities	40,049	30,376
Current tax charge for the financial year	<u>40,049</u>	<u>30,376</u>
Deferred tax		
Deferred tax credit	(13,376)	(2,594)
Impact of previously enacted future tax rate	1,900	679
Total income tax expense	<u>28,573</u>	<u>28,461</u>

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

9. Tax on profit on ordinary activities (continued)

Reconciliation of the expected tax charge at the statutory tax rate to the actual tax charge at the effective rate

The assessed tax charge for the year is different to the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	115,705	96,600
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 19% (2018: 19%).	21,984	18,354
Effects of:		
Expenses not deductible for tax purposes	4,689	9,428
Impact of previously enacted future tax rate	1,900	679
Income tax expense recognised in profit or loss	28,573	28,461

Factors that may affect future tax charges

In the March 2020 Budget the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements. However, it is likely that the overall effect of the change, if it had been substantively enacted by the balance sheet date, would be to reduce the tax expense for the period by £4.0 million, to increase the deferred tax asset by £4.0 million.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

10. Intangible assets

	Computer software £000
Cost	
At 1 January 2019	64
At 31 December 2019	64
Amortisation	
At 1 January 2019	14
Charge for the year	20
At 31 December 2019	34
Net book value	
At 31 December 2019	30
At 31 December 2018	50

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

11. Tangible assets

	Land & buildings £000	Leasehold improvements £000	Fixtures & fittings £000	Office equipment £000	Computer equipment £000	Assets in the course of construction £000	Total £000
Cost							
At 1 January 2019	-	88,663	1,709	18,331	2,976	6,141	117,820
Transition adjustment to IFRS 16 (note 24)	221,046	-	-	-	-	-	221,046
Additions	140,926	2,714	297	481	53	12,742	157,213
Transfers from/(to) related companies	-	-	-	15	(206)	2,402	2,211
Lease terminations/disposals	(25,181)	(11,735)	(831)	(2,847)	(714)	-	(41,308)
Transfer between classes	-	1,747	1,233	3,620	3,270	(9,870)	-
At 31 December 2019	336,791	81,389	2,408	19,600	5,379	11,415	456,982
Depreciation							
At 1 January 2019	-	18,160	1,092	7,760	1,631	-	28,643
Charge for the year	37,716	7,926	380	5,923	1,142	-	53,087
Transfers to related companies	-	-	-	(2)	(122)	-	(124)
Lease terminations/disposals	(1,284)	(5,141)	(542)	(2,777)	(672)	-	(10,416)
At 31 December 2019	36,432	20,945	930	10,904	1,979	-	71,190
Net book value							
At 31 December 2019	300,359	60,444	1,478	8,696	3,400	11,415	385,792
At 31 December 2018	-	70,503	617	10,571	1,345	6,141	89,177

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

11. Tangible fixed assets (continued)

Right-of-use assets amounting to £300.4 million are included within tangible assets, see note 12 for further detail.

12. Leases

The Company has entered into various non-cancellable lease agreements for land and buildings. These leases have lease periods expiring between 2020 and 2032. Certain leases include one or more options to renew. The Company does not include renewals in the determination of the lease term unless the renewals are deemed to be reasonably certain. Information presented below should be considered in conjunction with notes 2.1, 2.5 and 24.

Right-of-use assets

	Land and buildings £000
Depreciation	37,716
Balance as at 31 December 2019	300,359

Right-of-use assets are included within 'Tangible assets' in the statement of financial position.

Additions to the right-of-use assets during 2019 were £140.9m.

Lease liabilities

The following is an analysis of lease liabilities as of 31 December 2019, by relevant maturity groupings based on contractual maturities.

	2019 £000
Not later than 1 year	53,273
Later than 1 year and not later than 5 years	166,222
Later than 5 years	180,386
	<hr/>
Total undiscounted lease liabilities	(36,612)
	<hr/>
Lease liabilities as at 31 December 2019	363,269
	<hr/> <hr/>
Of which are:	
Current (note 16)	47,829
Non-current (note 17)	315,440
	<hr/>
	363,269
	<hr/> <hr/>

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

12. Leases (continued)

Current and non-current lease liabilities are included within creditors in the statement of financial position.

As of 31 December 2019, the Company has additional leases that have not yet commenced with lease obligations of approximately £535.3 million. These leases will commence in 2021 with lease terms of one to twelve years.

The following amounts related to leases were recognised in the statement of comprehensive income:

	2019 £000
Interest expense	6,436
Variable lease expense	3,778
	<u> </u>

Total cash outflows in relation to leases in 2019 were £35.7 million.

13. Debtors

	2019 £000	2018 £000
Due after more than one year		
Deferred tax asset (note 15)	33,649	19,969
	<u>33,649</u>	<u>19,969</u>
Due within one year		
Trade debtors	379,486	321,742
Amounts owed by parent and fellow subsidiary undertakings	226,620	183,414
Corporation tax	13,717	-
Prepayments	3,497	6,318
	<u>623,320</u>	<u>511,474</u>

Trade debtors are stated after provisions for impairment of £0.7 million (2018: £5.8 million).

Amounts owed by parent and fellow subsidiary undertakings are unsecured and repayable on demand.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

14. Cash and cash equivalents

	2019 £000	2018 £000
Cash and cash equivalents	<u>257,830</u>	<u>153,194</u>

The Company together with other legal entities in the Group is a member of a multi-currency notional cash pooling arrangement (the 'arrangement') with a third party-bank provider. Actual cash balances are not physically converted and are not commingled between participating legal entities. As part of the notional cash pool agreement, the bank extends overdraft credit to participating entities as needed, provided that the overall notionally pooled balance of all accounts in the pool at the end of each day is at least zero.

As part of this arrangement, cash and cash equivalents amounting to £224.8 million (2018: £134.1 million) which represents cash held under the cash pooling arrangement have been pledged as security against obligations of other Facebook legal entities party to the notional cash pooling arrangement. This security can only be called upon if recovery from the customer holding the obligation and recovery under the guarantee with Facebook, Inc. (see below) is not successful.

The Company is a beneficiary of a guarantee given by Facebook, Inc. under the Cash Pool Agreement to guarantee the amounts owed to the third-party bank provider.

15. Deferred tax

Movement in deferred tax assets during the year were as follows:

	2019 £000	2018 £000
At beginning of year	19,969	21,054
Credited to profit or loss	11,476	1,915
Credited/(released) to equity	2,204	(3,000)
At end of year	<u>33,649</u>	<u>19,969</u>

The deferred tax balance is made up as follows:

	2019 £000	2018 £000
Deductible temporary differences	<u>33,649</u>	<u>19,969</u>

The deferred tax asset mainly relates to unvested employee RSUs which are subject to a UK corporation tax deduction on vesting and deductible temporary differences on tangible fixed assets.

The deferred tax asset of £33.6 million (2018: £20.0 million) has been recognised on the basis it is probable there will be sufficient future taxable profits against which the deductible temporary differences can be utilised.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

16. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	5,852	15,251
Amounts owed to parent and fellow subsidiary undertakings	400,380	320,801
Corporation tax	-	7,540
Other payables including tax and social insurance	80,359	62,599
Lease liabilities (note 12)	47,829	-
Accruals	65,137	53,526
Deferred rent	-	35
	599,557	459,752

Deferred rent

As at 31 December 2018, deferred rent was accounted for under IAS 17 as part of creditors. As a result of the adoption of IFRS 16, accrued lease payments (which includes deferred rent) are required to be included as a reduction in the right-of-use asset. The adoption of IFRS 16 has resulted in the Company reclassifying deferred rent amounting to £35,000 as at 31 December 2018 from creditors: amounts falling due within one year to tangible assets as at 1 January 2019. See note 24 for further detail relating to the adoption of IFRS 16.

Amounts owed to parent and fellow subsidiary undertakings are unsecured, repayable on demand and interest free.

17. Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Lease liabilities (note 12)	315,440	-
Amounts owed to parent and fellow subsidiary undertakings	1,263	1,262
Deferred rent	-	35,367
	316,703	36,629

Deferred rent

As at 31 December 2018, deferred rent was accounted for under IAS 17 as part of creditors. As a result of the adoption of IFRS 16, accrued lease payments (which includes deferred rent) are required to be included as a reduction in the right-of-use asset. The adoption of IFRS 16 has resulted in the Company reclassifying deferred rent amounting to £35.4 million as at 31 December 2018 from creditors: amounts falling due after one year to tangible assets as at 1 January 2019. See note 24 for further detail relating to the adoption of IFRS 16.

Amounts owed to parent and fellow subsidiary undertakings are unsecured and interest free. Whilst there is no fixed repayment date, repayment of this balance will not be sought within twelve months of the statement of financial position date.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

18. Provisions for liabilities

	2019 £000	2018 £000
Dilapidations		
At 1 January	13,285	13,080
Amounts used during the year	(1,631)	-
Unwinding of discount (note 8)	884	205
At 31 December	12,538	13,285

The dilapidations provision relates to the estimated costs to be incurred to return the currently occupied leased premises to a condition equivalent to that prior to occupation. Any reconstruction work would occur at the end of the leases in 2023, 2026 and 2032. Amounts charged to the statement of comprehensive income in the year are included within interest payable and similar charges.

19. Share capital

	2019 £000	2018 £000
Authorised, allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	1	1

Share capital

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

All shares carry equal voting rights. All shares issued are fully paid. Every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Retained earnings

Retained earnings represents accumulated comprehensive income and amounts related to the share based compensation.

20. Related party transactions

The Company has a related party relationship with its intermediate parent, ultimate parent company, and other related group companies. Related party transactions entered into by the Company are contracted in the normal course of operations at an arm's length basis.

The Company has availed of the exemption in FRS 101 para 8(k), from disclosing related party transactions entered into between two or more wholly-owned members of the Group.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

21. Share-based payments

At 31 December 2019 Facebook, Inc. had one active stock based employee compensation plan (the 2012 Equity Incentive Plan ('the Plan')) under which new awards may be granted. Awards may include incentive share options, non statutory share options, share purchase rights or restricted ordinary shares. The Company has granted only restricted ordinary shares ('RSUs') to employees of the Company. RSUs may be settled in cash or equity however the Company intends to equity settle all RSUs. The vesting condition of the RSUs is that the employees must remain in employment until the initial vesting event.

The Plan permits the grant of RSUs over ordinary shares (class B common stock) in Facebook, Inc. The per-share exercise price of RSUs granted is generally nil.

The fair value of each RSU is estimated on the date of grant as the share price at the date of grant.

RSUs are granted to employees under the Plan upon hire, or based on performance criteria established by management. RSUs are independent of ordinary share options and are subject to forfeiture if employment terminates prior to the release of the restrictions.

During the vesting period, ownership of the shares cannot be transferred. Once shares are issued pursuant to the terms of an RSU agreement, these shares have the same dividend and voting rights as other ordinary shares.

The weighted average share price during the year for RSUs settled was £142.47 (US\$181.64) (2018: £128.54 (US\$171.67)). The total charge for the year relating to employee share based payment plans was £207.8 million (US\$274.4 million) (2018: £145.6 million (US\$195.4 million)). The fair value of RSUs granted in the year was £132.1 (US\$172.31) (2018: £123.08 (US\$167.14)).

A reconciliation of movements in the number of RSUs outstanding are as follows:

	2019 RSU Numbers	2018 RSU Numbers
Outstanding at 1 January	2,580,399	2,349,721
Granted	2,630,104	1,715,837
Movements*	52,369	(118,037)
Settled	(1,386,041)	(1,175,785)
Forfeited	(409,533)	(191,337)
Outstanding at 31 December	3,467,298	2,580,399

*This accounts for the net change in outstanding awards due to employee transfers across territories.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

22. Contingencies and commitments

(a) Operating lease commitments

The future aggregate minimum lease payments under noncancellable operating leases are as follows:

	2018 £000
Not later than 1 year	40,878
Later than 1 year and not later than 5 years	164,521
Later than 5 years	693,378
Total	898,777

Operating leases are no longer included as a lease model under IFRS 16 and therefore no disclosures are required for 2019.

(b) Contingencies and guarantees

There were no material contingent liabilities requiring disclosure as at 31 December 2019.

23. Controlling parties

At 31 December 2019, the Company is a wholly-owned subsidiary of Facebook Global Holdings II, LLC, a company incorporated in Delaware, USA, its registered office being 251 Little Falls Drive, Wilmington, New Castle, DE, 19808.

The Company's ultimate parent undertaking is Facebook, Inc., a company registered in Delaware, USA. Facebook, Inc. prepares consolidated financial statements which are publicly available.

The Facebook website is located at www.facebook.com.

**Notes to the financial statements
for the year ended 31 December 2019**

24. First time adoption of IFRS 16, Leases

The changes to the Company's accounting policies arising from the adoption of IFRS 16 set out in note 2.5 are recognised in the opening balance sheet on 1 January 2019.

In accordance with the transitional provisions in IFRS 16, the Company has applied the modified retrospective transition method and has not restated prior year comparative information. Results for the year ended 31 December 2019 are presented under IFRS 16, whilst results for the year ended 31 December 2018 are reported in accordance with IAS 17. Under the modified retrospective transition method, any cumulative adjustment resulting from the adoption of IFRS 16 is required to be recognised in opening retained earnings as at 1 January 2019. However, following the adoption of IFRS 16, there has been no adjustment made by the Company to opening retained earnings.

IFRS 16 specifies a single lessee accounting model, requiring lessees to recognise right-of-use assets and liabilities for all major leases on the statement of financial position and to provide enhanced disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leasing arrangements. The most significant impact to the Company was the recognition of right-of-use assets and lease liabilities for leases previously recognised as operating leases under IAS 17. The recognition of depreciation and interest expense under IFRS 16 results in higher expense recognition at the beginning of a lease's term, as compared to recognising expense on a straight-line basis as previously required under IAS 17.

On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability. The Company recognised right-of-use assets amounting to £221.0 million, with corresponding liabilities of £261.3 million in the statement of financial position as at 1 January 2019. The right-of-use assets include adjustments for any prepayments and accrued lease payments. When measuring lease liabilities, the Company discounted the remaining lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied to the lease liabilities on 1 January 2019 was 2.3%.

The Company has elected to apply the following practical expedients upon transition:

- to account for certain leases with lease terms ending within 12 months of the date of initial application as short-term leases, which cost is included in the disclosure of short-term expense, if applicable
- to account for each lease component and any related non-lease components as a single lease component,
- to not reassess whether an arrangement is, or contains a lease, on the date of initial application,
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics,
- to rely on previous assessments of whether leases are onerous as an alternative to performing an impairment review at transition – there were no onerous lease contracts as at 1 January 2019, and
- to exclude initial direct costs for the measurement of the right-of-use asset at the date of initial application for certain leases.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2019

24. First time adoption of IFRS 16, Leases (continued)

The following table reconciles the Company's operating lease commitments as at 31 December 2018, as previously disclosed in the Company's financial statements, to the lease obligations recognised on initial application of IFRS 16 as at 1 January 2019.

	2019 £000
Operating lease commitments as at 31 December 2018	898,777
Commitments not yet recognised as an obligation as at 1 January 2019	(599,533)
Discounted using the incremental borrowing rate at 1 January 2019	(37,934)
Lease liability recognised as at 1 January 2019	261,310
Of which are:	
Current	13,988
Non-current	247,322

As detailed in notes 16 and 17, prior to the adoption of IFRS 16, deferred rent amounting to £35.4 million was classified within creditors. Under IFRS 16, accrued lease payments must be adjusted as part of the right-of-use asset. As a result, on January 1, 2019, the Company reclassified deferred rent as part of the right-to-use lease asset within tangible assets.

25. Subsequent events

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considers any relevant events that occur subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period.

Other than as described in the principal risks and uncertainties section of the strategic report on page 6 in relation to COVID-19, there were no other significant events between 31 December 2019 and the date of approval of these financial statements affecting the Company, which require adjustment to or disclosure in the financial statements.

26. Approval of the financial statements

The financial statements were approved and authorised for issue by the directors on 3 December 2020.