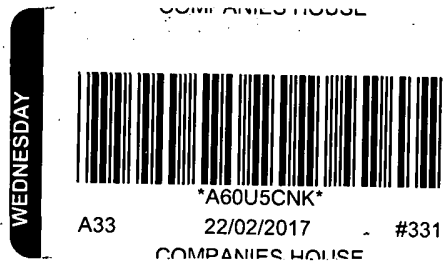


Registered number: 09280068

## **WEWORK UK LIMITED**

### **Consolidated Annual Report and Financial Statements**

**For the period from incorporation on 24 October 2014 to  
31 December 2015**



# **WeWork UK Limited**

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# **WeWork UK Limited**

## **Officers and Professional Advisers**

Directors	Abraham Safdie Michael Nolan
Company Secretary	7Side Secretarial Limited
Registered Office	Legalinx Limited 1 Fetter Lane London EC4A 1BR
Independent Auditors	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB

# **WeWork UK Limited**

## **Directors' Report**

The Directors present their annual report and the audited financial statements for WeWork UK Limited ("the Company" and "the Group") for the period from incorporation on 24 October 2014 to 31 December 2015.

### **Principal activity**

WeWork UK Limited is a private company incorporated on the 24 October 2014 in the United Kingdom. The Group transforms office space into collaborative workspaces and provides the infrastructure, services, events and technology so its members can focus on their businesses.

### **Financial results**

During the 14 month period, the Group generated significant revenue figures of £11,943,852 through license fees and other income. There were operating expenses of £24,871,521 and administrative expense of £3,053,932 during the period. In light of this, the Group is reporting a loss of £14,389,393 for the 14 month period ended 31 December 2015.

Cash and cash equivalents as at the period end for the Group were £4,522,101.

### **Incorporation**

The Company is registered in the United Kingdom, having been incorporated on 24 October 2014 under the Companies Act with the registration number 09280068.

### **Directors**

The directors who held office during the period and to the date of the report except as noted were as

Abraham Safdie	(Appointed on 26 October 2015)
Michael Nolan	(Appointed on 26 October 2015)
Jennifer Berrent	(Appointed on 24 October 2014 & resigned on 26 October 2015)
Michael Gross	(Appointed on 24 October 2014 & resigned on 31 July 2015)
Christian Lee	(Appointed on 31 July 2015 & resigned on 26 October 2015)

### **Going concern**

The accounts have been prepared on a going concern basis, see note 2 for further details.

### **Events after the reporting date**

See note 22.

# **WeWork UK Limited**

## **Directors' Report**

### **Statement of Disclosure to Auditor**

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The auditor, RSM UK Audit LLP, has indicated its willingness to continue in office, and an ordinary resolution of the shareholders that they be re-appointed will be proposed.

### **Statement of directors' responsibilities**


The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and 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 IFRSs as adopted by the European Union 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 group and the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved and signed on behalf of the Board of Directors

  
Abraham Safdie  
Director  
20 February 2017

# **WeWork UK Limited**

## **Strategic Report**

The Directors present their Strategic Report for the period from incorporation on 24 October 2014 to 31 December 2015.

### **Review of business**

The Directors are satisfied with the performance for the period, which is also the first period of trade.

### **Key Performance indicators**

Due to early stage development of the group, it is not meaningful to consider a further review of the key performance indicators at this stage. As the Group develops, these will be re-reviewed and monitored on an ongoing basis.

### **Future developments**

The Group expects to continue its current activities for the foreseeable future.

### **Financial risk management objectives and policies**

The Group's principal financial liabilities, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its operations.

### **Principal risk and uncertainties**

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management ensures that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

#### **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings.

#### **Credit risk**

Credit risk is the risk that a customer will not meet its obligations under the contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

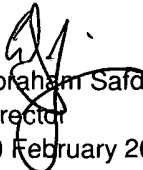
# **WeWork UK Limited**

## **Strategic Report**

### **Liquidity risk**

The group maintains good relationships with its bank, it being a bank with a high credit rating and its cash requirements are anticipated via the budgetary process.

Approved and signed on behalf of the Board of Directors



Abraham Sadi  
Director  
20 February 2017

# **Independent auditor's report to the members of WeWork UK Limited**

## **Opinion on financial statements**

We have audited the group and parent company financial statements ("the financial statements") on pages 7 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

## **In our opinion**

- the financial statements give a true and fair view of the state of the group's and the parent's affairs as at 31 December 2015 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the provisions of the Companies Act 2006.

## **Scope of the audit of the financial statements**

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

## **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns;
- 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.

## **Respective responsibilities of directors and auditor**

As more fully explained in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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.

**RSM UK Audit LLP**

David Clark (Senior statutory auditor)  
for and on behalf of RSM UK Audit LLP  
Chartered Accountants and Statutory Auditor  
25 Farringdon Street  
London, EC4A 4AB United Kingdom  
**22** February 2017



# WeWork UK Limited

## Consolidated Statement of Comprehensive Income

For the period from incorporation on 24 October 2014 to 31 December 2015

	Note	Period ended 31 December 2015 £
Revenue	4	11,943,852
Other operating income	5	1,660,731
Administrative expenses		(3,053,932)
Other operating expenses		(24,871,521)
<b>Operating loss</b>	6	<b>(14,320,870)</b>
Finance costs	7	(68,523)
<b>Loss before taxation</b>		<b>(14,389,393)</b>
Taxation	8	-
<b>Loss after taxation</b>		<b>(14,389,393)</b>
Other comprehensive income		-
<b>Total comprehensive income for the year</b>		<b><u>(14,389,393)</u></b>

All results in the current financial period are derived from continuing operations.

# WeWork UK Limited

## Consolidated Statement of Financial Position

As at 31 December 2015

		Group	Company
		As at 31 December 2015	As at 31 December 2015
	Note	£	£
<b>Non-current assets</b>			
Property, plant and equipment	9	55,607,800	41,427
Investment in subsidiaries	11	-	439,303
		<b>55,607,800</b>	<b>480,730</b>
<b>Current assets</b>			
Trade and other receivables	12	43,584,602	3,487,727
Cash and cash equivalents	13	4,522,101	494,014
		<b>48,106,703</b>	<b>3,981,741</b>
<b>Total assets</b>		<b>103,714,503</b>	<b>4,462,471</b>
<b>Current liabilities</b>			
Trade and other payables	14	(16,538,152)	(713,296)
Borrowings	16	(56,392,238)	(3,744,175)
		<b>(72,930,390)</b>	<b>(4,457,471)</b>
<b>Net current liabilities</b>		<b>(24,823,687)</b>	<b>(475,730)</b>
<b>Non-current liabilities</b>			
Deferred lease liabilities	15	(44,844,242)	-
Dilapidation provisions		(753,771)	-
		<b>(45,598,013)</b>	<b>-</b>
<b>Total Liabilities</b>		<b>(118,528,403)</b>	<b>(4,457,471)</b>
<b>Net (liabilities)/assets</b>		<b>(14,813,900)</b>	<b>5,000</b>
<b>Equity</b>			
Share capital	17	1	1
Retained earnings		(14,813,901)	4,999
<b>Total shareholder equity</b>		<b>(14,813,900)</b>	<b>5,000</b>
<b>Total equity</b>		<b>(14,813,900)</b>	<b>5,000</b>

The financial statements for WeWork UK Limited, registered number 09280068 were approved by the Board of Directors and authorised for issue on 20 February 2017 and signed on its behalf by:

  
Abraham Safdie  
Director

# WeWork UK Limited

## Consolidated Statement of Changes in Equity

For the period from incorporation on 24 October 2014 to 31 December 2015

### Group

	Share capital	Retained earnings	Total
	£	£	£
<b>As at 24 October 2014</b>	-	-	-
Comprehensive income:			
Loss for the period	-	(14,389,393)	(14,389,393)
Total comprehensive income for the period	-	<b>(14,389,393)</b>	<b>(14,389,393)</b>
Transactions with owners – recognised directly in equity:			
Issue of share capital	1	-	1
Deficit on acquisition (see note 21)	-	(424,508)	(424,508)
<b>Balance at 31 December 2015</b>	<b>1</b>	<b>(14,813,901)</b>	<b>(14,813,900)</b>

### Company

	Share capital	Retained earnings	Total
	£	£	£
<b>As at 24 October 2014</b>	-	-	-
Comprehensive income:			
Profit for the period	-	4,999	4,999
Total comprehensive income for the period	-	<b>4,999</b>	<b>4,999</b>
Transactions with owners – recognised directly in equity:			
Issue of share capital	1	-	1
<b>Balance at 31 December 2015</b>	<b>1</b>	<b>4,999</b>	<b>5,000</b>

# WeWork UK Limited

## Consolidated Statement of Cash Flows

For the period from incorporation on 24 October 2014 to 31 December 2015

		Group	Company
	Note	Period ended 31 December 2015 £	Period ended 31 December 2015 £
<b>Net cash from operating activities</b>	18	<b>15,035,349</b>	<b>(2,777,232)</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment	9	(48,854,401)	(33,627)
Investment in subsidiaries	11	-	(439,303)
Cash acquired from acquisition		237,128	-
<b>Net cash used in investing activities</b>		<b>(48,617,273)</b>	<b>(472,930)</b>
<b>Financing activities</b>			
Proceeds from borrowings	16	56,392,238	3,744,175
Proceeds on issue of shares		1	1
Advances to other Group undertakings		(18,288,214)	-
<b>Net cash from financing activities</b>		<b>38,104,025</b>	<b>3,744,176</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,522,101</b>	<b>494,014</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at end of period</b>	13	<b>4,522,101</b>	<b>494,014</b>

# **WeWork UK Limited**

## **Notes to the consolidated financial statements**

**For the period from incorporation on 24 October 2014 to 31 December 2015**

### **1. General information**

WeWork UK Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The principal activities of the group and the company and the nature of the Group's operations are set out in the directors' report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in notes below.

In accordance with the provisions of Section 408 of the Companies Act 2006, the Parent Company has not presented a Statement of Comprehensive Income. The Parent Company's profit for the period ended 31 December 2015 was £4,999.

### **2. Significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **New and amended IFRS standards**

The following relevant new standards, amendments to standards and interpretations are mandatory for the first time for the financial period beginning 24 October 2014, but had no significant impact on the

<b>Standard</b>	<b>Key requirement</b>	<b>Effective date as adopted by the EU</b>
IFRIC Interpretation 21 Levies	The interpretation clarifies recognition of a liability for a levy.	17 June 2014

# WeWork UK Limited

## Notes to the consolidated financial statements

For the period from incorporation on 24 October 2014 to 31 December 2015

### Standards issued but not yet effective

The following relevant new standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning on 24 October 2014, as adopted by the European Union, and have not been early adopted:

Standard	Key requirement	Effective date as adopted by the EU
Amendment to IAS 19, 'Employee benefits'	The amendments address updates on employee contributions.	1 February 2015
Amendment to IFRS 11, 'Accounting for Acquisitions of Interests in Joint Operations'	<p>Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:</p> <ul style="list-style-type: none"><li>- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11</li><li>- disclose the information required by IFRS 3 and other IFRSs for business combinations.</li></ul> <p>The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).</p>	1 January 2016
Amendments to IAS 16 and IAS 38	Clarifies of acceptable methods of depreciation and amortisation.	1 January 2016
Amendments to IAS 16 and IAS 41	Update on Agriculture: Bearer Plants.	1 January 2016

# WeWork UK Limited

## Notes to the consolidated financial statements

For the period from incorporation on 24 October 2014 to 31 December 2015

Amendments to IAS 27	Amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.	1 January 2016
IFRS 9	Financial Instruments: The Standard includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting	1 January 2018
IFRS 15	Revenue from Contracts with Customers: IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.	1 January 2018
IFRS 16	Leases: The standard includes how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.	1 January 2019

**Standards, amendments and interpretations of existing standards that have not yet been endorsed by the European Union (EU) at the date of this note:**

- IFRS 10 (Amendments) & IAS 28 (Amendments) "Sales or contributions of assets between an investor and its associate/joint venture"

# **WeWork UK Limited**

## **Notes to the consolidated financial statements**

**For the period from incorporation on 24 October 2014 to 31 December 2015**

- IFRS 10 (Amendments), IFRS 12 (Amendments) & IAS 28 (Amendments) "Investment Entities: Applying the Consolidation Exception"
- IAS 12 (Amendments) "Deferred asset taxes recognition"
- IAS 7 (Amendments) "Presentation of financial statements"

None of those standards, amendments and interpretations has been early adopted by the entity. Furthermore, the known or reasonably estimable information relevant to assessing the possible impact that application of the standard or interpretation is not considered material.

### **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

### **Basis of consolidation**

The consolidated financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015.

### **Foreign currency translation**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the Consolidated Statement of Financial Position date and the gains or losses on translation are included in the Consolidated Statement of Comprehensive Income, with the exception of loans that are designated as part of the Group's net investment of a foreign operation.

### **Going Concern**

The financial statements have been prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future, based on the continued support by its parent Company. The Directors have prepared projections for the period to March 2018. These projections have been prepared using assumptions which the Directors consider to be appropriate to the current financial position of the Group as regards to current expected revenues and its cost base and the Group's available support from its parent.

The Directors therefore consider it appropriate to continue to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that may be necessary in the event that adequate funding was not made available.



# **WeWork UK Limited**

## **Notes to the consolidated financial statements**

**For the period from incorporation on 24 October 2014 to 31 December 2015**

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write-off the costs of assets less their residual value over their estimated useful lives, using the straight-line method commencing in the month following the purchase, on the following basis:

Computer equipment	3 years
Fixtures and fittings	3 to 5 years
Leasehold improvements	Term of the lease

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that the asset may have been impaired. In evaluating an asset for recoverability, the Group considers the future cash flows expected to result from the use of the asset and the eventual disposition of the asset. If the sum of the expected future cash flows, on an undiscounted basis, is less than the carrying amount of the asset, an impairment loss equal to the excess of the carrying amount over the fair value of the asset is recognised. The Group's management determined that no events or changes in circumstances occurred that indicate the asset carrying values were no longer recoverable and that no impairment charge was necessary for the period ended 31 December 2015.

### **Dilapidation provisions**

Dilapidation provisions are recognised when the Company has a present obligation in respect of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and where the amount can be reliably estimated. Dilapidation provisions are discounted when the time value of money is considered material.

# **WeWork UK Limited**

## **Notes to the consolidated financial statements**

**For the period from incorporation on 24 October 2014 to 31 December 2015**

### **Leases**

The Group leases property for its collaborative workspaces. The lease agreement contains tenant improvement allowances, rent holidays, brokerage commissions received for negotiating the Group's leases, rent escalation clauses and contingent rent provisions. The lease agreement qualifies as an operating lease and the Group recognises the associated rent expense on a straight-line basis over the term of the lease beginning on the date of initial possession, which is when the Group enters the space and begins to make improvements in preparation for intended use.

Tenant improvement allowances, rent holidays, brokerage commissions, rent escalation clauses and contingent rent payments are factored into the calculation of the leasehold incentives in order to record rent expense on a straight-line basis. The leasehold incentives are recorded as deferred lease liabilities within noncurrent liabilities on the balance sheet.

The lease agreement provides for contingent rent, which is determined by attainment of certain economics in the Group's operations. Once known and no longer contingent, any adjustment to future rent obligations are accounted for and then amortised on a straight-line basis over the remainder of the lease term.

Costs to acquire the lease were capitalised and recorded as deferred lease acquisition costs in the accompanying consolidated balance sheet, and amortised on a straight-line basis over the term of the lease as an increase to the amortisation expense.

### **Revenue recognition**

The Group provides memberships to individuals and companies to access office space, generally, on a month to month basis, which can be cancelled with at least one month's prior notice. Along with the aforementioned access to office space, membership provides the use of a shared internet connection, access to certain facilities (kitchen, common areas, etc.) and a monthly allowance of conference room hours and prints/copies. Revenue consists primarily of fees from members and is recognised when invoiced. Additional billings to members for the ancillary services are also recognised monthly as the services are provided. All services that are unused at the end of the month expire, thus there are no multiple element arrangement considerations as part of the membership. The proceeds of each membership are variable, based on privacy of office, geographic location, and the amount of desk space per office.

The Group recognises revenue, net of VAT and discounts, when all of the following conditions are satisfied: (1) there is persuasive evidence of an arrangement; (2) services have been provided to the member; (3) the collection of fees is reasonably assured; and (4) the amount of fees to be paid by the members is fixed or determinable. Revenues associated with memberships on month-to-month basis are recognised monthly as services are billed; revenues associated with longer term memberships are deferred and recognised pro-rata over the term of the membership.

# **WeWork UK Limited**

## **Notes to the consolidated financial statements**

**For the period from incorporation on 24 October 2014 to 31 December 2015**

### **Taxation**

#### **Current tax**

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The group liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

#### **Deferred tax**

Deferred tax is recognised on differences the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the statement of financial position liability method.

Deferred tax liabilities are undiscounted and recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the statement of financial position date, to recover or to settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

# **WeWork UK Limited**

## **Notes to the consolidated financial statements**

**For the period from incorporation on 24 October 2014 to 31 December 2015**

### **Financial Assets**

#### *Cash and Cash equivalents*

Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with maturities of three months or less at time of purchase.

#### *Other receivables*

Other receivables are initially measured at fair value and subsequently amortised cost using the effective interest method less any impairment.

#### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### **Financial liabilities and equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### *Equity instruments*

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs, which are charged to share premium.

#### *Trade payables*

Trade payables are initially measured at fair value.

# WeWork UK Limited

## Notes to the consolidated financial statements

For the period from incorporation on 24 October 2014 to 31 December 2015

### *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

#### *Critical judgements in applying the group's accounting policies*

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

#### Operating lease commitments

The group has entered into commercial property leases as lessee on its investment property portfolio and as a lessee it obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

### 4. Revenue

**Period ended**  
**31 December 2015**  
**£**

An analysis of the group's revenue, which all arises in the UK, is as follows:

Membership income	11,550,340
Other Income	393,512
Total Income	<u><u>11,943,852</u></u>

# WeWork UK Limited

## Notes to the consolidated financial statements

For the period from incorporation on 24 October 2014 to 31 December 2015

	Period ended 31 December 2015 £
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5. Other operating income

Management fee income	<u>1,660,731</u>
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	Period ended 31 December 2015 £
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6. Operating loss for the period

Operating loss for the period is stated after charging:

Rent expenses - real estate	18,299,683
Occupancy and infrastructure costs	5,523,545
General and administrative expenses	3,053,932
Foreign exchange loss	12,499
Depreciation - leasehold improvements	709,073
Depreciation - owned tangible assets	326,721

27,925,453

	Period ended 31 December 2015
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Audit fees for parent and subsidiary undertakings	<u>75,000</u>
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### Staff and Director costs

The average monthly number of Administration employees (including executive directors) for the period was 51.

Their remuneration during the period for salaries £1,316,773 and social security was £18,775.

The Group and Company incurred no expenses in regards to its Directors for the period to 31 December 2015. The Group and Company Directors are also considered to be the only Executive management for the Group and Company and their remuneration borne by other Group undertakings and it is not practical to allocate the time the key management personnel spend on the UK Group.

No employee or director received any pension benefits in the period.

# WeWork UK Limited

## Notes to the consolidated financial statements

For the period from incorporation on 24 October 2014 to 31 December 2015

	Period ended 31 December 2015
7. Finance costs	£
Interest on group loans	<u>68,523</u>

	Period ended 31 December 2015
8. Taxation	£
Current tax	<u>-</u>
Deferred tax	<u>-</u>
Total tax on loss on ordinary activities	<u>-</u>

Factors affecting tax charge for the period:

The tax assessed for the period is lower than the effective UK corporation tax rate of 20% as explained below:

	Period ended 31 December 2015
	£
Loss before tax	<u>(14,389,393)</u>
Loss before taxation multiplied by the effective UK corporation tax rate of 20%	(2,877,879)
Effect of:	
Expenses not deductible for tax purposes	176,930
Unrecognised tax losses	2,700,949
Total taxation cost	<u>-</u>

No deferred tax asset is recognised in respect of carry forward losses as there is insufficient certainty the losses will be utilised in the foreseeable future.

# WeWork UK Limited

## Notes to the consolidated financial statements

For the period from incorporation on 24 October 2014 to 31 December 2015

### 9. Property, plant and equipment

	Computer Equipment £	Leasehold Improvements £	Furniture and Equipment £	Total £
<b>Cost or valuation</b>				
As at 24 October 2014	-	-	-	-
Additions	6,442	51,268,079	4,679,419	55,953,940
Acquisition of subsidiary	-	590,451	110,392	700,843
At 31 December 2015	6,442	51,858,530	4,789,811	56,654,783
<b>Accumulated depreciation</b>				
As at 24 October 2014	-	-	-	-
Charge for the period	2,195	764,476	280,312	1,046,983
At 31 December 2015	2,195	764,476	280,312	1,046,983
<b>Carrying amount</b>				
At 24 October 2014	-	-	-	-
At 31 December 2015	4,247	51,094,054	4,509,499	55,607,800

### Company

	Computer Equipment £	Leasehold Improvements £	Furniture and Equipment £	Total £
<b>Cost or valuation</b>				
As at 24 October 2014	-	-	-	-
Additions	458	12,260	28,709	41,427
At 31 December 2015	458	12,260	28,709	41,427
<b>Accumulated depreciation</b>				
At 24 October 2014	-	-	-	-
Charge for the year	-	-	-	-
At 31 December 2015	-	-	-	-
<b>Carrying amount</b>				
At 24 October 2014	-	-	-	-
At 31 December 2015	458	12,260	28,709	41,427



# WeWork UK Limited

## Notes to the consolidated financial statements

For the period from incorporation on 24 October 2014 to 31 December 2015

### 10. Financial assets and financial liabilities

#### Financial risk management objectives and policies

The Group's principal financial liabilities, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management ensures that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

#### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Group	Non-interest bearing	Interest bearing	Total
Year ended 31 December 2015	£	£	£
<b>Financial assets</b>			
Trade and other receivables	30,763,110	-	30,763,110
Cash and cash equivalents	-	4,522,101	4,522,101
<b>Total financial assets</b>	<b>30,763,110</b>	<b>4,522,101</b>	<b>35,285,211</b>
<b>Financial liabilities</b>			
Trade and other payables	16,284,363	-	16,284,363
Borrowings	-	56,392,238	56,392,238
<b>Total financial liabilities</b>	<b>16,284,363</b>	<b>56,392,238</b>	<b>72,676,601</b>

# WeWork UK Limited

## Notes to the consolidated financial statements

For the period from incorporation on 24 October 2014 to 31 December 2015

Company	Non-interest bearing	Interest bearing	Total
Year ended 31 December 2015	£	£	£
<b>Financial assets</b>			
Trade and other receivables	3,424,844	-	3,424,844
Cash and cash equivalents	-	494,014	494,014
<b>Total financial assets</b>	<b>3,424,844</b>	<b>494,014</b>	<b>3,918,858</b>
<b>Financial liabilities</b>			
Trade and other payables	713,296	-	713,296
Borrowings	-	3,744,175	3,744,175
<b>Total financial liabilities</b>	<b>713,296</b>	<b>3,744,175</b>	<b>4,457,471</b>

### Credit risk

Credit risk is the risk that a customer will not meet its obligations under the contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

### Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due.

The objective of managing liquidity risk is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions.

The Group has established monitoring processes to review liquidity risk. These processes monitor cash requirements and the continues dialogue with the Group Parent company as to future cash requirement and support.

# WeWork UK Limited

## Notes to the consolidated financial statements

For the period from incorporation on 24 October 2014 to 31 December 2015

	Company 2015 £
<b>11. Investment in subsidiaries</b>	
At 24 October 2014	-
Additions	439,303
At 31 December 2015	<u>439,303</u>

### Group information

As at 31 December 2015, the subsidiaries under the group were as follows and consolidated within WeWork UK Limited consolidated accounts. All reporting periods for the parent and subsidiaries are coterminous:

Name of subsidiary	Nature of business	Country of incorporation	Holdings %
1 Bow Churchyard Tenant Limited	Office space	United Kingdom	100%
113 Houndsditch Tenant Limited (previously - 133 Houndsditch Tenant Limited)	Office space	United Kingdom	100%
12 Hammersmith Grove Tenant Limited	Office space	United Kingdom	100%
130 Kingsland High Street Tenant Limited	Office space	United Kingdom	100%
14-16 Great Chapel Tenant Limited	Office space	United Kingdom	100%
15 Bishopsgate Tenant Limited (previously - Wood Wharf Tenant Limited)	Office space	United Kingdom	100%
2 Eastbourne Tenant Limited	Office space	United Kingdom	100%
207 Old Street Tenant Limited	Office space	United Kingdom	100%
21 Dartmouth Street Tenant Limited	Office space	United Kingdom	100%
3 Waterhouse Square Tenant Limited	Office space	United Kingdom	100%
33 Q Street Tenant Limited	Office space	United Kingdom	100%
52-54 White Post Lane Tenant Limited	Office space	United Kingdom	100%
65-70 White Lion Street Tenant Limited (previously - WW Locust Limited)	Office space	United Kingdom	100%
71-91 Aldwych House Tenant Limited	Office space	United Kingdom	100%
89-115 Mare Street Tenant Limited	Office space	United Kingdom	100%
97 Hackney Road Tenant Limited (previously - 7 Westferry Circus Tenant Ltd)	Office space	United Kingdom	100%

# WeWork UK Limited

## Notes to the consolidated financial statements

For the period from incorporation on 24 October 2014 to 31 December 2015

### 11. Investment in subsidiaries (continued)

Name of subsidiary	Nature of business	Country of incorporation	Holdings %
99 Gresham Street Tenant Limited	Office space	United Kingdom	100%
Corsham Tenant Limited	Office space	United Kingdom	100%
Elephant & Castle Tenant Limited	Office space	United Kingdom	100%
International Quarter Building Tenant Limited	Office space	United Kingdom	100%
Provost and East Tenant Limited	Office space	United Kingdom	100%
Stamford Street Tenant Limited (previously - WW Lychee)	Office space	United Kingdom	100%
WW Aldgate Limited	Office space	United Kingdom	100%
WW Bishopsgate Limited	Office space	United Kingdom	100%
WW Devonshire Limited	Office space	United Kingdom	100%
WW Fox Court Limited	Office space	United Kingdom	100%
168-178 Shoreditch High Street Tenant Limited (previously WW Lidflower Limited)	Office space	United Kingdom	100%
1st Katharine's Way Tenant Limited (previously WW Lily of the Valley Limited)	Office space	United Kingdom	100%
10 Back Hill Tenant Limited (previously WW Lime Limited)	Office space	United Kingdom	100%
WW Medius Limited	Office space	United Kingdom	100%
WW Moor Place Limited	Office space	United Kingdom	100%
WW Sea Containers Limited	Office space	United Kingdom	100%

12. Trade and other receivables	Group 2015 £	Company 2015 £
Trade receivables	1,459,999	-
Amounts due from other Group companies	18,302,097	3,265,504
Prepaid expenses	6,480,663	422
Social securities and other taxes	6,340,829	62,461
Other receivables	11,001,014	159,340
	<u>43,584,602</u>	<u>3,487,727</u>

The Directors believe that the carrying value of trade and other receivables represents their fair value as the impact of discounting is not significant. In determining the recoverability of trade receivables the group considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date.

# WeWork UK Limited

## Notes to the consolidated financial statements

For the period from incorporation on 24 October 2014 to 31 December 2015

	Group 2015	Company 2015
	£	£
<b>13. Cash and short-term deposits</b>		
Cash and bank balances	4,522,101	494,014
	<u>4,522,101</u>	<u>494,014</u>

The Directors consider that the carrying amount of cash and cash equivalents approximates their fair value.

	Group 2015	Company 2015
	£	£
<b>14. Trade and other payables</b>		
Trade creditors	77,924	47,487
Amounts payable to other Group companies	1,948,596	141,112
Accruals and deferred revenue	14,511,632	524,697
	<u>16,538,152</u>	<u>713,296</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days. For most suppliers no interest is charged on the trade payables for the first 60 days from the date of the invoice. Thereafter, interest could be charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The carrying value of trade and other payables approximates their fair value, as the impact of discounting is not significant.

The group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

	Group 2015	Company 2015
	£	£
<b>15. Deferred lease liabilities</b>		
Deferred lease liabilities	<u>44,844,242</u>	-

The deferred lease liabilities relates to the impact of recognising leasehold incentives on a straight-line basis over the period of the lease.

# WeWork UK Limited

## Notes to the consolidated financial statements

For the period from incorporation on 24 October 2014 to 31 December 2015

	Group 2015 £	Company 2015 £
<b>16. Borrowings</b>		
<b>Current liabilities</b>		
Loan payable to Group companies	56,392,238	3,744,175
<b>Total borrowings</b>	<u>56,392,238</u>	<u>3,744,175</u>

The loans are repayable on demand and bear interest per annum at a range between 0.43% and 0.56%.

	Group 2015 £	Company 2015 £
<b>17. Share capital</b>		
Authorised and issued: 100 ordinary shares of £0.01	<u>1</u>	<u>1</u>

The Company has one class of ordinary shares. The ordinary shares are non redeemable and hold full rights in respect of voting, and shall entitle the holder to full participation in respect of equity and in the event of the winding up of the Company.

	Group Period ended 31 December 2015 £	Company Period ended 31 December 2015 £
<b>18. Net cash from operating activities</b>		
Operating (loss)/profit for the period	(14,320,870)	4,999
Depreciation of property, plant and equipment	1,046,983	-
	<u>(13,273,887)</u>	<u>4,999</u>
Operating cash flows before movements in working capital		
Increase in receivables	(19,497,154)	(3,487,727)
Increase in payables	47,806,390	705,496
	<u>15,035,349</u>	<u>(2,777,232)</u>
Net cash from / (used in) operating activities		

# WeWork UK Limited

## Notes to the consolidated financial statements

For the period from incorporation on 24 October 2014 to 31 December 2015

### 19. Related party

#### Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and its associates are disclosed below.

	Accounts (payable) /receivable	Loans payable	Interest expense	Management fees income
	2015	2015	2015	2015
	£	£	£	£
WeWork Companies Inc.	(78,351)	-	-	-
WeWork Companies (International) BV	17,279,446	(56,392,238)	(49,329)	1,660,731
WeWork Management LLC	(847,594)	-	-	-
	<u>16,353,501</u>	<u>(56,392,238)</u>	<u>(49,329)</u>	<u>1,660,731</u>

### 20. Commitments and contingencies

	Group Period ended 2015	Company Period ended 2015
	£	£

Operating leases

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Within 1 year	23,375,327	-
Within 2-5 years	145,446,787	-
Greater than 5 years	361,902,671	-
	<u>530,724,785</u>	<u>-</u>

Capital commitments

As at 31 December 2015 the Group had future capital commitments amounting to £12,906,337 which relates to work committed on the existing leases.

# WeWork UK Limited

## Notes to the consolidated financial statements

For the period from incorporation on 24 October 2014 to 31 December 2015

### 21. Reorganisation acquisition

On 4 December 2014, the Group acquired all the share capital of WW Sea Containers Limited, a Company incorporated in the United Kingdom for no consideration. The Group acquired the shares as a result of a Group reorganisation as thus is not treating the acquisition as a Business Combination under IFRS 3.

Set out below are the assets, liabilities and equity acquired. Any excess or deficit from the acquisition has been recognised through the retained earnings of the Group.

	£
Property, plant and equipment	700,842
Stock	2,959
Debtors - due within one year	1,132,829
Cash at Bank and in hand	237,128
Creditors: Amounts due within one year	(1,915,818)
Creditors: Amounts falling due after more than one year	(582,448)
Net liabilities	(424,508)
Consideration	-
Deficit on acquisition	(424,508)

### 22. Events after the reporting date

Subsequent to 31 December 2015, the Group has entered into various agreements to lease office space. Future minimum rental payments under operating leases, inclusive of escalation clauses and exclusive of contingent rent payments, that have initial or remaining non-cancellable lease terms in excess of one year from the date of lease commencement, amount to approximately £327.5 million, expiring through 2037.

### 23. Controlling parties

The immediate parent company and controlling entity, is WeWork Companies (International) BV, a company incorporated in the Netherlands.

The Company's ultimate parent is WeWork Companies Inc., a Delaware corporation registered in the United States of America.