

## **Fora Space Limited**

Report and Financial Statements

Year Ended

31 December 2018

Company Number 09826907



# Fora Space Limited

## Company Information

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<b>Directors</b>	M Marks E Sanna J Spencer J Graham
<b>Registered number</b>	09826907
<b>Registered office</b>	Level 1 89 Wardour Street London W1F 0UB
<b>Independent auditors</b>	BDO LLP 55 Baker Street London W1U 7EU

# Fora Space Limited

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# Fora Space Limited

## Directors' Report For the Year Ended 31 December 2018

The Directors present their annual report and the audited financial statements of Fora Space Limited for the year ended 31 December 2018.

### Principal activity

The principal activity of the Company is the operation of co-working space in London.

### Ultimate controlling parties

The Company is ultimately controlled by Brockton Capital Fund III GP Limited, the General Partner of Brockton Capital Fund III (General Partner) LP, the General Partner of Brockton Capital Fund III LP.

### Results and dividends

The results for the year are shown in the Statement of Comprehensive Income on page 6.

The Directors do not recommend the payment of a dividend (2017: £Nil).

### Directors

The Directors who served during the year and to the date of this report were:

M Marks  
E Sanna  
J Spencer  
J Graham  
C Tutt (resigned 1 January 2019)

### Disclosure of information to auditors

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

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

### Auditors

The auditors, BDO LLP, have expressed their willingness to continue in office and will be proposed for reappointment in accordance with The Companies Act 2006.

In preparing this Director's Report advantage has been taken of the small companies' exemption from preparing a Strategic Report.

This report was approved by the Board on 25 September 2019 and signed on its behalf.

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Director M MARKS

# **Fora Space Limited**

## **Directors' Responsibilities Statement**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with 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 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 International Financial Reporting Standards as adopted by the EU 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Fora Space Limited

## Independent Auditor's report to the members of Fora Space Limited

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### Opinion

We have audited the financial statements of Fora Space Limited ("the Company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

We 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 Directors' 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.

# Fora Space Limited

## Independent Auditor's report to the members of Fora Space Limited

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### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements

### 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 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 returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

# Fora Space Limited

## Independent Auditor's report to the members of Fora Space Limited

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### Responsibilities of Directors

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

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

### 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 at 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.

*BDO LLP*

Geraint Jones (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, United Kingdom

*26 September 2019*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



# Fora Space Limited

## Statement of Comprehensive Income For the Year Ended 31 December 2018

	Note	2018 £	2017 £
Revenue	4	6,977,938	1,979,182
Operating costs		(17,000,647)	(7,610,381)
<b>Loss on ordinary activities before taxation</b>		<b>(10,022,709)</b>	<b>(5,631,199)</b>
Taxation on loss on ordinary activities	7	17,619	-
<b>Loss and total comprehensive loss for the year</b>		<b>(10,005,090)</b>	<b>(5,631,199)</b>

All results shown in the Statement of Comprehensive Income are from continuing operations.

All loss and total comprehensive loss is attributable to the equity holders of the Company.

The notes on pages 10 to 27 form part of these financial statements.

**Fora Space Limited**  
Registered number:09826907

**Statement of Financial Position**  
**As at 31 December 2018**

	Note	2018 £	2017 £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	21,676,534	4,382,572
		<u>21,676,534</u>	<u>4,382,572</u>
<b>Current assets</b>			
Inventory		233,617	12,879
Trade and other receivables	9	3,180,483	640,283
Corporation tax receivable		17,619	-
Cash and cash equivalents		862,637	206,619
		<u>4,294,356</u>	<u>859,781</u>
<b>Total assets</b>		<u>25,970,890</u>	<u>5,242,353</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	9,512,836	3,007,093
Intercompany loans	11	30,019,313	10,791,428
		<u>39,532,149</u>	<u>13,798,521</u>
<b>Total liabilities</b>		<u>39,532,149</u>	<u>13,798,521</u>
<b>Net liabilities</b>		<u>(13,561,259)</u>	<u>(8,556,168)</u>
<b>Equity attributable to equity holders of the Company</b>			
Share capital	14	5,000,000	1
Retained earnings		(18,561,259)	(8,556,169)
<b>Total equity</b>		<u>(13,561,259)</u>	<u>(8,556,168)</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 25 September 2019.

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M MARKS

Director

The notes on pages 10 to 27 form part of these financial statements.

# Fora Space Limited

## Statement of Changes in Equity For the Year Ended 31 December 2018

	Share capital £	Retained earnings £	Total equity £
At 1 January 2018	1	(8,556,169)	(8,556,168)
<b>Comprehensive loss for the year</b>			
Loss for the year	-	(10,005,090)	(10,005,090)
Other comprehensive income for the year	-	-	-
<b>Total comprehensive loss for the year</b>	-	(10,005,090)	(10,005,090)
<b>Transactions with owners</b>			
Shares issued during the year	4,999,999	-	4,999,999
<b>Total transactions with owners</b>	4,999,999	-	4,999,999
<b>At 31 December 2018</b>	<b>5,000,000</b>	<b>(18,561,259)</b>	<b>(13,561,259)</b>

## Statement of Changes in Equity For the Year Ended 31 December 2017

	Share capital £	Retained earnings £	Total equity £
At 1 January 2017	1	(2,924,970)	(2,924,969)
<b>Comprehensive loss for the year</b>			
Loss for the year	-	(5,631,199)	(5,631,199)
Other comprehensive income for the year	-	-	-
<b>Total comprehensive loss for the year</b>	-	(5,631,199)	(5,631,199)
<b>Total transactions with owners</b>	-	-	-
<b>At 31 December 2017</b>	<b>1</b>	<b>(8,556,169)</b>	<b>(8,556,168)</b>

The notes on pages 10 to 27 form part of these financial statements.

# Fora Space Limited

## Statement of Cash Flows For the Year Ended 31 December 2018

	2018 £	2017 £
<b>Cash flows used in operating activities</b>		
Loss for the financial year	(10,005,090)	(5,631,199)
<b>Adjustments for:</b>		
Amortisation of lease incentives	3,112,499	1,056,500
Depreciation of property plant and equipment	1,454,250	410,807
Taxation	(17,619)	-
Increase in inventory	(220,738)	(12,879)
Increase in trade and other receivables	(2,540,200)	(477,680)
Increase / (decrease) in trade and other payables	3,393,244	(1,736,810)
<b>Net cash used in operating activities</b>	<b>(4,823,654)</b>	<b>(6,391,261)</b>
<b>Cash flows used in investing activities</b>		
Purchases of property plant and equipment	(18,748,212)	(1,246,942)
<b>Net cash used in investing activities</b>	<b>(18,748,212)</b>	<b>(1,246,942)</b>
<b>Cash flows generated from financing activities (note 12)</b>		
Proceeds from issue of share capital	4,999,999	-
Loans received from / (repaid to) Group undertakings (net)	19,227,885	7,714,896
<b>Net cash generated from financing activities</b>	<b>24,227,884</b>	<b>7,714,896</b>
<b>Net increase in cash and cash equivalents</b>	<b>656,018</b>	<b>76,693</b>
Cash and cash equivalents at beginning of year	206,619	129,926
<b>Cash and cash equivalents at the end of year</b>	<b>862,637</b>	<b>206,619</b>

The notes on pages 10 to 27 form part of these financial statements.

# Fora Space Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 1. General information

The Company was incorporated on 15 October 2015 and is domiciled and registered as a limited company in the United Kingdom.

### 2. Significant accounting policies

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ("IFRSs") as adopted by the European Union, and also in accordance with IFRSs as issued by the International Accounting Standards Board ("IASB").

The preparation of financial statements in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires Company management to exercise judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effects are disclosed in note 3.

The principal accounting policies adopted in these financial statements are set out below:

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared on the historical cost basis.

#### 2.2 Going concern

The financial statements have been prepared on the going concern basis. After making enquiries and taking into consideration the loss and net current liability position of the Company, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future based on the letter of financial support from Brockton Capital Fund III LP. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

# Fora Space Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 2. Significant accounting policies (continued)

#### 2.3 Changes in accounting policy and disclosures

##### **New and revised standards adopted by the EU that are mandatorily effective for the year ending 31 December 2018**

The following standards and amendments have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2018:

- IFRS 15: Revenue from contracts with customers
- IFRS 9: Financial instruments
- Annual Improvements to IFRSs (2014-2016 Cycle)
- Amendments to IAS 40: Transfers of Investment Property
- Amendments to IAS 2: Classification and measurement of share-based payment transactions
- IFRIC 22: Foreign Currency Transactions and Advance Consideration

##### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 has replaced IAS 11 Construction Contracts and IAS 18 Revenue. The standard introduces a new revenue recognition model that recognises the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The adoption of the standard did not result in any material adjustment to the Company's revenue recognition. The accounting policy applied under the new standard is disclosed in note 2.4

##### *IFRS 9 – Financial Instruments*

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement and introduces a single model that has initially only two classification categories rather than the multiple classification and measurement models in the previous standard. The new models are amortised cost and fair value. IFRS 9 also introduces a new impairment model which requires the recognition of impairment provisions based on expected credit losses rather than incurred credit losses under IAS 39.

Due to the nature and quantum of the Company's financial instruments, the adoption of IFRS 9 does not have a material impact on the Company's results or financial position and does not require there to be a restatement of comparative figures.

##### *Other standards and amendments*

The adoption of the remaining standards and amendments listed above did not have any impact on the financial statements of the Company for the current or any prior year and is not likely to affect future periods.

# Fora Space Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 2. Significant accounting policies (continued)

#### Changes in accounting policy and disclosures (continued)

##### **New and revised standards adopted by the EU that are not mandatorily effective for the year ending 31 December 2018**

The following standards and amendments have been adopted by the EU but are not mandatorily effective for the year ending 31 December 2018. Accordingly, they have not been applied in preparing these financial statements:

- IFRS 16: Leases (effective 1 January 2019)
- Annual improvements to IFRSs – 2015 2017 Cycle (effective 1 January 2019)
- IFRIC 23: Uncertainty over Income Tax Treatments (effective 1 January 2019)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective 1 January 2019)
- Amendments to IAS 28: Long-term interests in Associates and Joint Ventures (effective 1 January 2019)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (effective 1 January 2019)

The Company is continuing to assess the impact of the new standards above and at present is confident that none, except for IFRS 16 Leases, will have a material impact on the financial statements of the Company. The Company is in the process of quantifying the impact of IFRS 16 which is expected to have a material impact on the financial statements.

##### **New and revised standards and interpretations issued by the IASB but not yet adopted by the EU**

A number of new standards and amendments to standards and interpretations have been issued by the IASB but they have not yet been adopted by the EU. Accordingly they have not been applied in preparing these financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards
- IFRS 17: Insurance contracts

The Company is assessing the impact of the new standards and interpretations above but none of these are expected to have a significant effect on the financial statements.

# Fora Space Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 2. Significant accounting policies (continued)

#### 2.4 Revenue

The Company provides licences to individuals and companies to access office space ("Residencies"), on a short-term basis (minimum term one month). Residencies also include, but are not limited to, provision of other services such as access to a shared internet connection, access to certain facilities such as the kitchen and other common areas, use of conference rooms, use of printing and copying facilities, a concierge service and invitation to networking events. Revenue consists primarily of fees from residents and is recognised in the period in which the fees relate. Additional billings to residents for ancillary services are also recognised 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 fees are variable, based on privacy of office, geographic location, and the amount of desk space per office. Ancillary services also include the operation of onsite restaurants and cafés. Revenue from the sale of food and beverages and associated service fees is recognised at the point of sale of goods or supply of services.

The Company recognises revenue net of VAT and discounts. Revenues associated with Residencies on a month-to-month basis are recognised monthly as services are billed; revenues associated with longer term Residencies are recognised in accordance with the services provided over the term of the agreement.

#### 2.5 Property, plant and equipment

Property, plant and equipment under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Furniture, fixtures & equipment	- 3 years (straight line)
Software development	- 3 years (straight line)
Leasehold improvements	- 3 years - over the term of the lease (straight line)

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

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

The carrying values of fixed assets are reviewed for impairment in periods where events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of fixed assets below depreciated historical cost is charged to the Statement of Comprehensive Income within operating profit. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income up to the extent that the original loss was recognised.



# Fora Space Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 2. Significant accounting policies (continued)

#### 2.6 Inventories

Inventories comprise food and drink held for re-sale within co-working sites. Inventories are valued at the lower of cost and estimated selling price less cost to sell. The cost is based on the purchase cost on a first-in, first-out basis. A provision is recognised for slow moving, obsolete and defective inventories where necessary.

#### 2.7 Financial assets and liabilities

##### Financial assets

The Company classifies its financial assets into one of the categories set out below, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

##### *Fair value through profit or loss*

The Company may from time to time use derivative financial instruments such as interest caps and swaps to hedge its interest rate risk. Where it does, in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value are classified as fair value through profit or loss. They are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Statement of Comprehensive Income in the finance income or costs line.

The Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

The Company does not apply hedge accounting.

##### *Amortised cost*

The Company's financial assets measured at amortised cost in the Statement of Financial Position comprise trade and other receivables and cash and cash equivalents.

These assets arise principally from the licensing of office space to residents, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest method, less provision for impairment. Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for these receivables. For these receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within other property costs in the Statement of Comprehensive Income. On confirmation that the trade receivables will not be collected, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

# Fora Space Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 2. Significant accounting policies (continued)

#### Financial assets and liabilities (continued)

##### Financial liabilities

The Company classifies its financial liabilities as 'other financial liabilities'. The Company's accounting policy for other financial liabilities is outlined below.

Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

### 2.8 Fair value estimations

The fair value of financial instruments measured at amortised cost are disclosed in the financial statements.

Fair value is the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants, acting in their economic best interest, at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Company must be able to access the principal or the most advantageous market at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

In determining fair value, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs significant to the fair value measurement as a whole. The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

# Fora Space Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 2. Significant accounting policies (continued)

#### Fair value estimations (continued)

Inputs used in determining fair value measurement are categorised into different levels based on how observable the inputs used are:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

### 2.9 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 economic resources will be required to settle the obligation; and
- The amount can be reliably estimated.

Provisions are measured at the present value of the expenditure 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. The increase in the provision due to passage of time is recognised as finance costs.

# Fora Space Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 2. Significant accounting policies (continued)

#### 2.10 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case, the tax is also recognised in other comprehensive income or equity. The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the Statement of Financial Position.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the Statement of Financial Position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### 2.11 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

#### 2.12 Functional currency

The Company's financial statements are presented in pounds sterling, the Company's functional currency, and are generally rounded to the nearest pound.

#### 2.13 Leased assets: lessee

All leases are treated as operating leases. Their annual rentals are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

#### 2.14 Principles for the Statement of Cash Flows

The Statement of Cash Flows has been drawn up according to the indirect method, separating the cash flows from operating activities, investing activities and financing activities (where applicable). The net result has been adjusted for amounts in the Statement of Comprehensive Income and movements in the Statement of Financial Position which have not resulted in cash income or expenditure in the period.

# Fora Space Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 3. Critical accounting estimates and judgements

The preparation of financial statements requires the use of critical judgement, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. Estimates and assumptions concerning the future, and the accounting results of those estimates will, by definition, rarely equal the related actual results.

#### *i) Impairment of property, plant and equipment*

Assets that are subject to depreciation are reviewed for impairment 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 is greater than its recoverable amount.

Any reasonable change in the above estimate is not expected to have a material impact on the consolidated financial statements.

### 4. Revenue

	2018 £	2017 £
Co-working income	<u>6,977,938</u>	<u>1,979,182</u>

All revenue in the current and preceding year arose within the United Kingdom.

### 5. Operating loss for the year

Operating loss is stated after charging:

	2018 £	2017 £
Audit fees	21,500	17,000
Non-audit fees	25,286	19,440
Rent expense under operating leases	3,112,500	1,056,500
Depreciation	1,454,250	410,807
Staff costs	<u>4,537,739</u>	<u>2,734,537</u>

# Fora Space Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

### 6. Staff costs

The aggregate payroll costs (excluding Directors' remuneration) were as follows:

	2018 £	2017 £
Wages and salaries	3,282,731	1,786,559
Social security costs	382,173	226,842
Staff pension costs	32,435	1,753
	<u>3,697,339</u>	<u>2,015,154</u>

The aggregate payroll costs for Directors were as follows:

	2018 £	2017 £
Wages and salaries	749,000	633,407
Social security costs	90,697	85,906
Staff pension costs	703	70
	<u>840,400</u>	<u>719,383</u>

The highest paid director received remuneration of £725,000 (2017: £621,916).

In the opinion of the Directors there are no additional key management personnel.

The average number of persons employed by the Company during the year, was as follows:

	2018 No.	2017 No.
Employees	<u>94</u>	<u>35</u>

# Fora Space Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

### 7. Taxation

	2018 £	2017 £
<b>Current tax</b>		
Overprovision in respect of prior years	<u>(17,619)</u>	<u>-</u>
<b>Factors affecting tax credit for the year</b>		
The tax on the Company's loss differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the Company as follows:		
	2018 £	2017 £
Loss on ordinary activities before tax	<u>(10,022,709)</u>	<u>(5,631,199)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%).	<u>(1,904,315)</u>	<u>(1,084,006)</u>
<b>Effects of:</b>		
Non-deductible expenditure	348,110	129,089
(Over) / under provision in respect of prior years	(17,619)	-
Tax losses carried forward	1,556,205	954,917
<b>Total tax credit for the year</b>	<u>(17,619)</u>	<u>-</u>

There is a potential deferred tax asset in respect of losses of £2,968,015 (2017: £1,389,236). However, it is not considered that this asset should be recognised in the accounts given the uncertainty over the timing of when it will reverse. The tax rate applied to calculate the deferred tax asset is 17%, which is the substantively enacted corporation tax rate from 1 April 2020. There are no other deferred tax balances as at 31 December 2018.

# Fora Space Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

### 8. Property, plant and equipment

	Leasehold improvements £	Furniture, fixtures & equipment £	Software development £	Total £
<b>Cost</b>				
At 1 January 2018	3,506,278	991,372	295,729	4,793,379
Additions	14,759,373	3,829,607	159,232	18,748,212
At 31 December 2018	18,265,651	4,820,979	454,961	23,541,591
<b>Depreciation</b>				
At 1 January 2018	197,498	157,285	56,024	410,807
Charge for the year	715,707	607,110	131,433	1,454,250
At 31 December 2018	913,205	764,395	187,457	1,865,057
<b>Net book value</b>				
At 31 December 2018	17,352,446	4,056,584	267,504	21,676,534
At 31 December 2017	3,308,780	834,087	239,705	4,382,572

### 9. Trade and other receivables

	2018 £	2017 £
Trade receivables	403,799	19,043
Other receivables	1,799,450	13,319
Prepayments and accrued income	924,670	541,328
VAT receivable	52,564	66,593
	3,180,483	640,283



# Fora Space Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

### 10. Trade and other payables

	2018 £	2017 £
Trade payables	2,001,693	846,242
Other payables	865,666	277,995
Accrued expenditure	2,196,278	784,718
Deferred income	280,200	41,638
Lease incentive creditor	4,168,999	1,056,500
	<b>9,512,836</b>	<b>3,007,093</b>

Included within trade payables at the Statement of Financial Position date is an amount of £354,785 (2017: £Nil) due to Fora Thames Tower Limited, a company under common control.

Trade payables are non-interest bearing and are normally settled on 30 day terms.

### 11. Intercompany loans

			2018 £	2017 £
	Interest rate	Terms		
£30,000,000 Intercompany loan	0%	Payable on demand	<b>30,019,313</b>	<b>10,791,428</b>

On 21 December 2018, the Company entered into a new loan agreement with its immediate parent company, Fora Holdings Limited, based on the terms disclosed above. The Directors are currently negotiating an increase to the loan facility. This loan agreement replaced the previous loan agreement (£7,500,000 facility with a 0% interest rate), entered into on 30 June 2016.

### 12. Notes supporting statement of cash flows

	Intercompany loans (Note 11) £	Total £
At 1 January 2017	(3,076,532)	(3,076,532)
Cash flows	(7,714,896)	(7,714,896)
<b>At 31 December 2017</b>	<b>(10,791,428)</b>	<b>(10,791,428)</b>
Cash flows	(19,227,885)	(19,227,885)
<b>At 31 December 2018</b>	<b>(30,019,313)</b>	<b>(30,019,313)</b>

# Fora Space Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 13. Financial risk management objectives and policies

The Company's principal financial liabilities comprise intercompany loans and trade and other payables. The main purpose of the Company's intercompany loans is to finance the fit out of co-working space and to provide working capital. The Company has various financial assets such as other receivables and cash and short-term deposits that arise directly from its operations.

The Board of Directors reviews and agrees policies for managing each of the following risks summarised below:

#### Market risk

The Company does not have any material exposure to foreign currencies and is therefore not exposed to foreign exchange risk.

The Company is not exposed to commodity or security price risk.

Beyond risks associated with financial instruments, the Company is exposed to general market risk associated with economic climate in the UK and any impact this may have on the UK property market. A decline in the strength of the UK property market could adversely impact the Company's property occupancy and licence pricing. Such adverse impacts could also result from Brexit and over-supply in the co-working sector, amongst other factors.

#### Interest rate risk

The Company is not exposed to interest rate risk on its intercompany loans (note 11).

#### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company has no significant concentrations of credit risk. During the reporting periods the Company was exposed to credit risks from both from its operating activities and financing activities, including deposits held with banks and financial institutions. The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties.

The Company manages credit risk by requiring residents to pay licence fees in advance. Outstanding trade receivables are regularly monitored. Cash balances are held only with financial institutions with high credit ratings. The Company has policies that limit the amount of credit exposure to any financial institution. The utilisation of credit limits is regularly monitored.

#### Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's financial assets and liabilities based on contractual undiscounted cash flows:

# Fora Space Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

### Financial risk management objectives and policies (continued)

#### Financial assets

	On demand £	< 1 year £	1 to 5 years £	> 5 years £	Total £
<b>Year ended 31 December 2018</b>					
Trade and other receivables	-	2,203,249	-	-	2,203,249
Cash and cash equivalents	862,637	-	-	-	862,637
<b>Total assets</b>	<b>862,637</b>	<b>2,203,249</b>	<b>-</b>	<b>-</b>	<b>3,065,886</b>

#### Financial liabilities

	On demand £	< 1 year £	1 to 5 years £	> 5 years £	Total £
<b>Year ended 31 December 2018</b>					
Trade and other payables	-	5,063,637	-	-	5,063,637
Intercompany loans	30,019,313	-	-	-	30,019,313
<b>Total liabilities</b>	<b>30,019,313</b>	<b>5,063,637</b>	<b>-</b>	<b>-</b>	<b>35,082,950</b>

#### Financial assets

	On demand £	< 1 year £	1 to 5 years £	> 5 years £	Total £
<b>Year ended 31 December 2017</b>					
Trade and other receivables	-	32,362	-	-	32,362
Cash and cash equivalents	206,619	-	-	-	206,619
<b>Total assets</b>	<b>206,619</b>	<b>32,362</b>	<b>-</b>	<b>-</b>	<b>238,981</b>

# Fora Space Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

### Financial risk management objectives and policies (continued)

#### Financial liabilities

	On demand £	< 1 year £	1 to 5 years £	> 5 years £	Total £
<b>Year ended 31 December 2017</b>					
Trade and other payables	-	1,908,955	-	-	1,908,955
Intercompany loans	10,791,428	-	-	-	10,791,428
<b>Total liabilities</b>	<b>10,791,428</b>	<b>1,908,955</b>	<b>-</b>	<b>-</b>	<b>12,700,383</b>

The Directors have assessed that the carrying values of the Company's financial instruments approximate to their fair values.

#### 14. Share capital

	2018 £	2017 £
<b>Authorised, issued and fully paid</b>		
5,000,000 (2017: 1) Ordinary shares of £1 each	<b>5,000,000</b>	<b>1</b>

On 21 December 2018, the Company issued 4,999,999 (2017: Nil) Ordinary shares of £1 each for total consideration of £4,999,999.

#### 15. Reserves

A description of the Company's reserves is as follows:

The share capital reserve represents the nominal value of the shares issued.

The retained losses reserve represents cumulative profit and losses, net of dividends paid and other adjustments.

# Fora Space Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

### 16. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Included in intercompany loans (note 11) is the loan received from the parent entity, which the Company considers subordinated to all the liabilities and manages it as capital.

The Directors monitor capital on the basis of the net assets attributable to the owners of the parent.

### 17. Commitments under operating leases - Company as lessee

	2018 £	2017 £
Lease payments under operating leases recognised as an expense in the year	<u>3,825,489</u>	<u>1,056,500</u>

At the Statement of Financial Position date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases related to land and buildings, which fall due as follows:

	2018 £	2017 £
Within 1 year	2,857,699	-
After 1 year , but no more than 5 years	22,861,584	4,736,234
More than 5 years	48,604,354	12,825,915
	<u>74,323,637</u>	<u>17,562,149</u>

# Fora Space Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 18. Related party transactions

Fora Holdings Limited, a Guernsey registered company, is the immediate parent and sole owner of the issued share capital of the Company. Prior to 18 May 2016, the immediate parent was Fora Property Holdings Limited, a Guernsey registered company.

The Company has provided security over its assets in its capacity as operator of co-working space at properties owned by fellow subsidiaries Lever Street Limited, Dallington Street Limited, Princelet Street Limited, Portobello Dock Limited, Brandon House Limited, Eastcastle Street Limited and Folgate Street Limited, which have entered into a cross-collateralised loan facility. The loan is provided by Enhanced Debt Lending Limited and Enhanced Debt Lending S.A.

During the year the Company incurred a rental expense of £1,137,530 (2017: £1,056,500) and was recharged expenses of £78,060 (2017: £61,126) by Lever Street Limited, a company under common control.

During the year the Company incurred a rental expense of £950,422 (2017: £Nil) and was recharged expenses of £885 (2017: £nil) by Dallington Street Limited, a company under common control.

During the year the Company incurred a rental expense of £796,016 (2017: £Nil) under a lease with Brandon House Limited, a company under common control.

During the year the Company incurred a rental expense of £228,531 (2017: £Nil) under a lease with Eastcastle Street Limited, a company under common control.

During the year the Company incurred a licence fee of £712,990 (2017: £Nil) and was recharged expenses of £98,282 (2017: £Nil) by Fora Thames Tower Limited, a company under common control.

During the year the Company paid fees to Nonlinear Thinking Limited of £98,896 (2017: £47,501), a company in which a Director has a significant control.

Transactions and balances with the related parties during the year and as at the Statement of Financial Position date, respectively, have been disclosed in notes 5, 6, 10, 11, 14 and 17.

### 19. Ultimate parent undertaking and controlling party

In the opinion of the Directors the ultimate parent undertaking and controlling party is Brockton Capital Fund III GP Limited, the General Partner of Brockton Capital Fund III (General Partner) LP, the General Partner of Brockton Capital Fund III LP.

### 20. Subsequent events

In August 2019 the cross-collateralised loan facility under which the Company has provided security over its assets (note 18) was refinanced with additional related party entities being added to the facility.