

Registration number: 09280068

WeWork UK Limited

Annual report and consolidated financial statements

for the year ended 31 December 2016

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WeWork UK Limited

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WeWork UK Limited

Company information

Directors	Abraham Safdie Michael Nolan
Company secretary	7Side Secretarial Limited
Registered office	1 Fetter Lane London EC4A 1BR
Auditors	RSM UK Audit LLP Chartered Accountants and Statutory Auditors 25 Farringdon Street London EC4A 4AB

WeWork UK Limited

Strategic report For the year ended 31 December 2016

The Directors present the Strategic report of WeWork UK Limited ("the Group" and "the Company") for the year ended 31 December 2016, to comply with s414C of the Companies Act 2006.

Principal activity

The Group transforms office space into collaborative workspaces and provides the infrastructure, services, events and technology so its members can focus on their businesses.

Review of the business and future developments

The Directors are satisfied with the performance for the year. The Group has continued to expand operations across London and opened five additional locations during the year ended 31 December 2016. Membership income increased by £48,977,596 to £60,921,448 during the year ended 31 December 2016 compared to £11,943,852 during the period ended 31 December 2015 as a result of the continued expansion of operations and increases in membership.

Occupancy, infrastructure, and operating lease expenses exceeded membership income during the year ended 31 December 2016 as a result of the Group's rapid expansion. The Group incurs significant expenses during the period from possession of a leased space to the opening of a location, however net cashflow from operating activities was positive as a significant component of the operating lease expenses incurred represents the impact of the straight-line amortization of rent holidays prior to the commencement of cash rent payments at the beginning of new leases. The Group also receives positive operating cashflow as it collects tenant improvement allowances payable by the landlord to the Group pursuant to its lease agreements. The impact of the straight-line amortisation of rent holidays and tenant improvement allowances received or receivable also contributes to the £73,126,318 deferred lease liabilities recorded on the Groups' consolidated statement of financial position as of 31 December 2016. As of 31 December 2016 the Group also had investments in property, plant and equipment of £117,222,560 and net liabilities of (£25,911,023) recorded on its consolidated statement of financial position.

The Group expects to continue expansion with the opening of additional locations during 2017 and 2018. The market the Group targets through its product lines are massive and currently fragmented with no branded market participants. The Group's management believes that these markets are at a structural tipping point and present attractive opportunities for innovation. The Group plans to capitalise on these opportunities by offering on-demand subscription-based solutions that allow people to more efficiently and effectively use and share physical space resources and related services. The Group's management sees a disconnect between existing real estate solutions and the productivity needs and stylistic preferences of today's mobile, creative, and collaborative workforce. As people adjust to an increasingly populated and increasingly urban world, the need to revise outdated modes of commerce and habitation will become more acute. These needs will increasingly prompt businesses and individuals to seek out options that more efficiently organize and more sustainably support their day-to-day lives. As a result of these trends and the Group's flexible yet discerning approach to site selection, a significant amount of real estate has become available to the Group to be redesigned and redeveloped in order to accommodate the preferences of an increasingly millennial-dominated population. As its addressable market continues to grow, the Group expects that the supply of real estate that becomes available to it will grow in parallel, and that the Group will act as the bridge between real estate owners and an increasingly mobile and contingent workforce.

WeWork UK Limited

Strategic report

For the year ended 31 December 2016 (continued)

Key performance indicators

Due to the early stage development of the Group, it is not meaningful to consider a further review of the many standard key performance indicators at this stage. As a result of the focus on the expansion of the Group's operations in the United Kingdom and our investments to drive the expansion of our community in Europe the Group's key performance indicators include the number of locations it operates, growth in membership income and annual cash flows used in investing activities. As of 31 December 2016 the Group had eleven locations open for member operations. Membership income grew 410% during the year ended 31 December 2016 compared to the period ended 31 December 2015. Cash flow used in investing activities was £65,803,881 for the year ended 31 December 2016. As the Group develops and operations mature, these the key performance indicators will be re-reviewed and monitored on an ongoing basis.

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 risks 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.

The principal risk facing the company is uncertainty in the macro-economic environment and the resulting impact on rental rates, membership income rates, and exchange rates. The pound fell dramatically after the Brexit vote at the end of June 2016 and also the UK Government's warnings about a possible economic shock and there is a degree of instability and uncertainty regarding the future of the UK economy. While this uncertainty is a risk for the Group, it may also provide additional opportunities as members may be drawn to the more cost-effective and flexible nature of the Group's membership offerings rather than a more long-term fixed cost lease.

Another key risk impacting the Group is the long-term and fixed cost nature of the Group's leases which may limit operating flexibility and could adversely affect the Group's liquidity and results of operations. The Group currently leases a significant majority of its locations under long-term leases. The Group's obligations to landlords under these agreements extend for periods that significantly exceed the length of the Group's membership agreements with members, the majority of which may be terminated by members upon one calendar month's notice.

Approved by the Board on 28 September 2017 and signed on its behalf by:



Abraham Safdie
Director

WeWork UK Limited

Directors' report For the year ended 31 December 2016

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2016.

The company has, in accordance with section 414c of the Companies Act, set out in the Strategic Report information regarding key performance indicators, principal risks and uncertainties, and future developments that would otherwise have been set out in the Director's Report.

Financial results and dividends

During the year, the Group generated significant revenue figures of £60,921,448 (period ended 31 December 2015: £11,943,852) through membership fees and other income. There were administrative expenses of £83,135,483 (period ended 31 December 2015: £27,925,453) during the year. In light of this, the Group is reporting a loss of £11,097,123 (period ended 31 December 2015: £14,389,393) for the year ended 31 December 2016.

Cash and cash equivalents as at the year end for the Group were £3,401,320 (2015: £4,522,101).

The Directors do not propose the payment of a dividend for the year (period ended 31 December 2015: £nil).

Directors

The Directors who held office throughout the year and up to the date of the signing of the consolidated financial statements, unless otherwise stated were as follows:

Abraham Safdie

Michael Nolan

Going concern

The accounts have been prepared on a going concern basis; see note 3 for further details.

Events after the reporting date

Details of events after the reporting date can be found in note 24.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed as auditors and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Directors' responsibilities statement

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

Company law requires the Directors to prepare such financial statements for each financial period. Under that law the Directors have elected to prepare the consolidated 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 consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these consolidated financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and

WeWork UK Limited

Directors' report

For the year ended 31 December 2016 (continued)

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the consolidated financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- The Directors 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 the Group and Company's auditors are aware of that information.

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

Approved by the Board on 28 September 2017 and signed on its behalf by:



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Abraham Safdie
Director

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

Opinion on financial statements

We have audited the consolidated financial statements of WeWork UK Limited for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated statement of cash flows and the related notes 1 to 25. The financial reporting framework that has been applied in the preparation of the group financial statement is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS101 *Reduced Disclosure Framework*.

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 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements 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 web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Strategic report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' report.

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; 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.

Independent auditor's report to the members of WeWork UK Limited (continued)

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 4 and 5, 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, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Date:.....**29** September 2017

WeWork UK Limited

Consolidated statement of comprehensive income For the year ended 31 December 2016

		Year ended 31 December 2016 £	24 October 2014 to 31 December 2015 £
	Note		
Revenue	5	60,921,448	11,943,852
Administrative expenses		(83,135,483)	(27,925,453)
Other operating income	6	<u>13,473,171</u>	<u>1,660,731</u>
Operating loss	7	(8,740,864)	(14,320,870)
Finance costs	8	<u>(2,356,259)</u>	<u>(68,523)</u>
Loss before taxation		(11,097,123)	(14,389,393)
Taxation	11	<u>-</u>	<u>-</u>
Loss for the financial year/period after taxation		(11,097,123)	(14,389,393)
Other comprehensive income		-	-
Total comprehensive loss for the financial year/period		<u>(11,097,123)</u>	<u>(14,389,393)</u>
Comprehensive loss attributable to:			
Owners of the Company		<u>(11,097,123)</u>	<u>(14,389,393)</u>

The above results were derived from continuing operations.

The notes on pages 14 to 35 form an integral part of these financial statements.


WeWork UK Limited

Consolidated statement of financial position As at 31 December 2016

	Note	As at 31 December 2016 £	As at 31 December 2015 £
Non-current assets			
Property, plant and equipment	12	117,222,560	55,607,800
Current assets			
Trade and other receivables	14	60,647,083	43,584,602
Cash and cash equivalents	15	3,401,320	4,522,101
Total current assets		<u>64,048,403</u>	<u>48,106,703</u>
Total assets		<u>181,270,963</u>	<u>103,714,503</u>
Current liabilities			
Trade and other payables	16	(30,155,933)	(16,538,152)
Borrowings	17	-	(56,392,238)
Total current liabilities		<u>(30,155,933)</u>	<u>(72,930,390)</u>
Net current assets/(liabilities)		<u>33,892,470</u>	<u>(24,823,687)</u>
Total assets less current liabilities		<u>151,115,030</u>	<u>30,784,113</u>
Non-current liabilities			
Borrowings	17	(101,471,015)	-
Deferred lease liabilities	18	(73,126,318)	(44,844,242)
Total non-current liabilities		<u>(174,597,333)</u>	<u>(44,844,242)</u>
Provisions for liabilities	19	<u>(2,428,720)</u>	<u>(753,771)</u>
Total liabilities		<u>(207,181,986)</u>	<u>(118,528,403)</u>
Net liabilities		<u>(25,911,023)</u>	<u>(14,813,900)</u>
Equity			
Called-up share capital	20	1	1
Retained earnings	20	<u>(25,911,024)</u>	<u>(14,813,901)</u>
Total shareholders' deficit		<u>(25,911,023)</u>	<u>(14,813,900)</u>

The consolidated financial statements of WeWork UK Limited (registration number: 09280068) were approved by the Board of Directors and authorised for issue on 28 September 2017.

They were signed on its behalf by:


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Abraham Safdie

Director

The notes on pages 14 to 35 form an integral part of these financial statements.

WeWork UK Limited


Company statement of financial position As at 31 December 2016

	Note	As at 31 December 2016 £	As at 31 December 2015 £
Non-current assets			
Property, plant and equipment	12	287,432	41,427
Investments in subsidiaries	13	<u>439,422</u>	<u>439,303</u>
Total non-current assets		726,854	480,730
Current assets			
Trade and other receivables	14	26,609,614	3,487,727
Cash and cash equivalents	15	<u>313,570</u>	<u>494,014</u>
Total current assets		26,923,184	3,981,741
Total assets		27,650,038	4,462,471
Current liabilities			
Trade and other payables	16	(6,461,370)	(713,296)
Borrowings	17	<u>-</u>	<u>(3,744,175)</u>
Total current liabilities		(6,461,370)	(4,457,471)
Net current assets/(liabilities)		20,461,814	(475,730)
Total assets less current liabilities		21,188,668	5,000
Non-current liabilities			
Borrowings	17	<u>(23,199,681)</u>	<u>-</u>
Net (liabilities)/assets		(2,011,013)	5,000
Equity			
Called-up share capital	20	1	1
Retained earnings	20	<u>(2,011,014)</u>	<u>4,999</u>
Total shareholders' (deficit)/equity		(2,011,013)	5,000

As permitted by section 408 Companies Act 2006, the parent company's statement of comprehensive income has not been included in these financial statements. The loss for the year ended 31 December 2016 was £2,016,013 (period ended 31 December 2015: profit of £4,999).

The Company financial statements of WeWork UK Limited (registration number: 09280068) were approved by the Board of Directors and authorised for issue on 28 September 2017.

They were signed on its behalf by:



Abraham Safdie

Director

The notes on pages 14 to 35 form an integral part of these financial statements.

WeWork UK Limited

Consolidated statement of changes in equity For the year ended 31 December 2016

	Called-up share capital £	Retained earnings £	Total £
At incorporation	1	-	1
Loss for the period	-	(14,389,393)	(14,389,393)
Total comprehensive loss for the period	-	(14,389,393)	(14,389,393)
Deficit on acquisition	-	(424,508)	(424,508)
As at 31 December 2015	<u>1</u>	<u>(14,813,901)</u>	<u>(14,813,900)</u>
	Called-up share capital £	Retained earnings £	Total £
As at 1 January 2016	1	(14,813,901)	(14,813,900)
Loss for the year	-	(11,097,123)	(11,097,123)
Total comprehensive loss for the year	-	(11,097,123)	(11,097,123)
As at 31 December 2016	<u>1</u>	<u>(25,911,024)</u>	<u>(25,911,023)</u>

The notes on pages 14 to 35 form an integral part of these financial statements.

WeWork UK Limited

Company statement of changes in equity For the year ended 31 December 2016

	Called-up share capital £	Retained earnings £	Total £
At incorporation	1	-	1
Profit for the period	-	4,999	4,999
Total comprehensive income for the period	-	4,999	4,999
As at 31 December 2015	1	4,999	5,000
	Called-up share capital £	Retained earnings £	Total £
As at 1 January 2016	1	4,999	5,000
Loss for the year	-	(2,016,013)	(2,016,013)
Total comprehensive loss for the year	-	(2,016,013)	(2,016,013)
As at 31 December 2016	1	(2,011,014)	(2,011,013)

The notes on pages 14 to 35 form an integral part of these financial statements.

WeWork UK Limited

Consolidated statement of cash flows For the year ended 31 December 2016

		Year ended 31 December 2016	24 October 2014 to 31 December 2015
	Note	£	£
Cash flows from operating activities			
Loss for the year/period		(11,097,123)	(14,389,393)
Adjustments to cash flows from non-cash items:			
Depreciation	7	6,719,435	1,046,983
Finance costs	8	2,356,259	68,523
		(2,021,429)	(13,273,887)
Working capital adjustments:			
Increase in trade and other receivables	14	(17,062,481)	(19,497,154)
Increase in trade and other payables	16	8,731,208	2,208,377
Increase in deferred lease liability	18	28,282,076	44,844,242
Increase in provisions	19	1,674,949	753,771
Net cash flow from operating activities		19,604,323	15,035,349
Cash flows from investing activities			
Acquisitions of property, plant and equipment		(65,803,881)	(48,854,401)
Cash acquired from acquisition		-	237,128
Net cash flows from investing activities		(65,803,881)	(48,617,273)
Cash flows from financing activities			
Proceeds from issue of shares		-	1
Proceeds from borrowings	17	45,078,777	56,392,238
Advances to other group undertakings		-	(18,288,214)
Net cash flows from financing activities		45,078,777	38,104,025
Net (decrease)/increase in cash and cash equivalents		(1,120,781)	4,522,101
Cash and cash equivalents at start of year/period		4,522,101	-
Cash and cash equivalents at end of year/period		3,401,320	4,522,101

The notes on pages 14 to 35 form an integral part of these financial statements.

WeWork UK Limited

Notes to the consolidated financial statements For the year ended 31 December 2016

1 General information

The Company is a private company limited by share capital incorporated in England and Wales and domiciled in United Kingdom.

The address of its registered office is:

1 Fetter Lane
London
EC4A 1BR

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.

The nature of the Group's operations and its principal activities are set out in the Strategic report on page 2.

2 Adoption of new and revised standards

Standards, amendments and interpretations effective on or after 1 January 2016

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2016, have had a material impact on the Company.

Early adoption of standards

The Group did not adopt new or amended standards in the year that have yet to become effective.

Standards issued but not yet effective

IFRS 9	Financial Instruments	Effective 1 January 2018
IFRS 15	Revenue from Contracts with Customers	Effective 1 January 2018
IFRS 16	Leases	Effective 1 January 2019

IFRS 9 'Financial instruments'

IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification in the financial statements depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and (i) both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the assets contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

WeWork UK Limited

Notes to the consolidated financial statements For the year ended 31 December 2016 (continued)

2 Adoption of new and revised standards (continued)

Standard issued but not yet effective (continued)

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

IFRS 15 'Revenue from Contracts with Customers'

The core principle of IFRS 15 is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods starting on or after 1 January 2018.

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 and applies to all leases including subleases. The standard eliminates the classification by a lessee of leases as either operating or finance. All leases will instead be treated similarly to that of finance leases in accordance with IAS 17. The standard is expected to become effective for accounting periods beginning on 1 January 2019. Early application is permitted if IFRS 15 is also applied.

The Group does not consider there to be any material impact arising from the adoption of IFRS 9 and IFRS 15. In view of operating commitments in note 22, the group is investigating the impact of the implementation of IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 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 periods presented, unless otherwise stated.

Statement of compliance

The Group 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 accounting

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

WeWork UK Limited

Notes to the consolidated financial statements For the year ended 31 December 2016 (continued)

3 Significant accounting policies (continued)

Basis of accounting (continued)

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC and, therefore, the Company's financial statements have been prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

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 2016.

Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future, based on the continued support by its parent company. The Directors have prepared projections for at least twelve months from the date of approval of these financial statements. These projections have been prepared using assumptions which the Directors consider to be appropriate to the current financial position of the Company as regards to current expected revenues and its cost base and the Company'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.

Revenue recognition

The Group provides memberships to individuals and companies generally on a month-to-month basis, which can be cancelled with at least one month's prior notice. WeWork membership affords these individuals and companies access to office space, use of a shared internet connection, access to certain facilities (kitchen, common areas, etc.), a monthly allowance of conference room hours and prints/copies, and access to the WeWork mobile application. The price of each membership is variable, based on the particular characteristics of the office space occupied by the member, the geographic location of the workspace, and the amount of desk space per office.

Membership revenue consists primarily of fees from members and is recognized monthly as access to office space is provided. All services included in a monthly membership allowance that remain unused at the end of a given month expire. Service revenue consists of additional billings to members for the ancillary services they may access through their memberships, in excess of the monthly allowances included in membership revenue and commissions earned by the Group on various services and benefits provided to our members. Service revenue is recognized on a monthly basis as the services are provided. Other revenue consists primarily of income generated from sponsorships and ticket sales from WeWork branded events and is recognized upon the occurrence of the event. The Group recognizes revenue when all of the following conditions are satisfied: (1) there is persuasive evidence of an arrangement; (2) services have been provided; (3) the collection of fees is reasonably assured; and (4) the amount of fees to be paid is fixed or determinable.

WeWork UK Limited

Notes to the consolidated financial statements For the year ended 31 December 2016 (continued)

3 Significant accounting policies (continued)

Foreign currency transactions and balances

Transactions in currencies other than the Group and Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date and included in other expenses. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

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 the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the end of each reporting period. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or 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 Company intends to settle its current tax assets and liabilities on a net basis.

WeWork UK Limited

Notes to the consolidated financial statements For the year ended 31 December 2016 (continued)

3 Significant accounting policies (continued)

Tax (continued)

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

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 from the month the asset is brought into use, on the following basis:

Depreciation

Asset class	Depreciation method and rate
Computer equipment	3 years
Furniture, fittings and equipment	3 - 7 years
Leasehold improvements	Shorter of term of lease or useful life

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 consolidated statement of comprehensive income.

Property 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 disposal 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 year ended 31 December 2016.

Dilapidation provision

A dilapidation provision is recognised when the Group and 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. The dilapidation provision is discounted when the time value of money is considered material.

Trade receivables

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

Trade receivables are recognised initially at the transaction price. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

WeWork UK Limited

Notes to the consolidated financial statements For the year ended 31 December 2016 (continued)

3 Significant accounting policies (continued)

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 from the date of purchase.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price.

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 and rent escalation clauses are factored into the calculation of the deferred rent liability in order to record rent expense on a straight-line basis. The deferred rent liability is recorded within non-current liabilities on the consolidated statement of financial position.

Costs to acquire the lease were capitalised and recorded under leasehold improvements in the balance sheet, and amortized on a straight-line basis over the term of the lease as an increase to the depreciation expense.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax from the proceeds.

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.

WeWork UK Limited

Notes to the consolidated financial statements For the year ended 31 December 2016 (continued)

3 Significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

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.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, 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.

WeWork UK Limited

Notes to the consolidated financial statements For the year ended 31 December 2016 (continued)

5 Revenue

The analysis of the Group's revenue for the year/period, which arises in the United Kingdom, is as follows:

	Year ended 31 December 2016	24 October 2014 to 31 December 2015
	£	£
Membership income	<u>60,921,448</u>	<u>11,943,852</u>

6 Other operating income

	Year ended 31 December 2016	24 October 2014 to 31 December 2015
	£	£
Management fee income	<u>13,473,171</u>	<u>1,660,731</u>

7 Operating loss for the year/period

Operating loss for the year/period is stated after charging:

	Year ended 31 December 2016	24 October 2014 to 31 December 2015
	£	£
Foreign exchange losses	358,142	12,499
Depreciation of property, plant and equipment	6,719,435	1,046,983
Occupancy and infrastructure costs	25,776,051	5,523,545
Operating lease expense - property	35,874,717	18,299,683
Staff cost	6,624,140	1,335,548
General administrative expenses	5,686,476	1,707,195
Management fee expense	<u>2,096,522</u>	<u>-</u>

8 Finance costs

	Year ended 31 December 2016	24 October 2014 to 31 December 2015
	£	£
Interest on group loans	2,257,081	68,523
Other finance costs	<u>99,178</u>	<u>-</u>
	<u>2,356,259</u>	<u>68,523</u>

WeWork UK Limited

Notes to the consolidated financial statements For the year ended 31 December 2016 (continued)

9 Staff costs

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

	Year ended 31 December 2016	24 October 2014 to 31 December 2015
	£	£
Wages and salaries	6,005,865	1,316,773
Social security costs	608,979	18,775
Other short-term employee benefits	9,296	-
	<u>6,624,140</u>	<u>1,335,548</u>

The average number of persons employed by the Group (including Directors) during the year/period, analysed by category was as follows:

	Year ended 31 December 2016	24 October 2014 to 31 December 2015
	No.	No.
Administration and support	<u>97</u>	<u>51</u>

The Group and Company incurred no expenses in regards to its Directors for the year to 31 December 2016 (period ended 31 December 2015: £nil). 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 year (period ended 31 December 2015: £nil).

10 Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	Year ended 31 December 2016	24 October 2014 to 31 December 2015
	£	£
Fees payable to the Company's auditor and their associates for the annual accounts audit of the Company and subsidiary undertakings	<u>250,000</u>	<u>75,000</u>

WeWork UK Limited

Notes to the consolidated financial statements **For the year ended 31 December 2016 (continued)**

11 Taxation

Tax charged in the consolidated statement of comprehensive income:

	Year ended 31 December 2016 £	24 October 2014 to 31 December 2015 £
Current tax		
UK corporation tax charge for the year/period	-	-
Deferred tax		
Deferred taxation charge for the year/period	-	-
Tax charged in the consolidated statement of comprehensive income	<u>-</u>	<u>-</u>

The tax on loss of ordinary activities before taxation for the year/period differs from the standard rate of corporation tax in the UK of 20% (period ended 31 December 2015: 20%).

The differences are reconciled below:

	Year ended 31 December 2016 £	24 October 2014 to 31 December 2015 £
Loss before tax	<u>(11,097,123)</u>	<u>(14,389,393)</u>
Loss before taxation multiplied by the standard UK corporation tax rate of 20% (2015: 20%)	(2,219,425)	(2,877,879)
Effects of:		
Expenses not deductible for tax purposes	1,224,011	176,930
Income not taxable	(345,207)	-
Tax rate changes	(2,379)	-
Unrecognised tax losses	1,350,843	2,700,949
Other reliefs	<u>(7,843)</u>	<u>-</u>
Total tax charge for the year	<u>-</u>	<u>-</u>

A deferred tax asset of £3,631,533 (2015: £2,875,729) has not been recognised in respect of carry forward losses as there is insufficient certainty over the time scale in which these losses will be utilised.

WeWork UK Limited

Notes to the consolidated financial statements For the year ended 31 December 2016 (continued)

11 Taxation (continued)

Factors that may affect future tax charges

The corporate tax rate was reduced from 21% to 20% from 1 April 2015. Finance (No. 2) Act 2015 provided for further reductions to the UK corporation tax rate to 19% and 18% effective from 1 April 2017 and 1 April 2020 respectively. In the Finance Bill 2016 the Chancellor of the Exchequer announced an additional 1% reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020. The Finance Bill 2016 had been substantively enacted at the balance sheet date and consequently these reduced rates have been reflected in the calculation of deferred tax.

12 Property, plant and equipment

Group

	Furniture, fittings and equipment £	Leasehold improvements £	Computer equipment £	Total £
Cost or valuation				
At 24 October 2014	-	-	-	-
Additions	4,679,419	51,268,079	6,442	55,953,940
Acquisition of subsidiary	110,392	590,451	-	700,843
At 31 December 2015	4,789,811	51,858,530	6,442	56,654,783
At 1 January 2016	4,789,811	51,858,530	6,442	56,654,783
Additions	5,240,094	63,450,363	117,627	68,808,084
Adjustment to construction accrual estimate	(49,070)	(424,760)	(59)	(473,889)
Transfers	7,127,146	(7,127,146)	-	-
At 31 December 2016	17,107,981	107,756,987	124,010	124,988,978
Depreciation				
At 24 October 2014	-	-	-	-
Charge for the period	280,312	764,476	2,195	1,046,983
At 31 December 2015	280,312	764,476	2,195	1,046,983
At 1 January 2016	280,312	764,476	2,195	1,046,983
Charge for the year	2,660,677	4,032,424	26,334	6,719,435
At 31 December 2016	2,940,989	4,796,900	28,529	7,766,418
Carrying amount				
At 31 December 2016	14,166,992	102,960,087	95,481	117,222,560
At 31 December 2015	4,509,499	51,094,054	4,247	55,607,800

WeWork UK Limited

Notes to the consolidated financial statements For the year ended 31 December 2016 (continued)

12 Property, plant and equipment (continued)

Company	Furniture and equipment £	Leasehold improvements £	Computer equipment £	Total £
Cost or valuation				
At 31 December 2015	28,709	12,260	458	41,427
At 1 January 2016	28,709	12,260	458	41,427
Additions	33,008	128,353	113,698	275,059
Transfers	(28,709)	29,167	(458)	-
At 31 December 2016	33,008	169,780	113,698	316,486
Depreciation				
At 31 December 2015	-	-	-	-
At 1 January 2016	-	-	-	-
Charge for the year	2,763	-	26,291	29,054
At 31 December 2016	2,763	-	26,291	29,054
Carrying amount				
At 31 December 2016	30,245	169,780	87,407	287,432
At 31 December 2015	28,709	12,260	458	41,427

13 Investments

Summary of the Company investments

	31 December 2016 £	31 December 2015 £
Investments in subsidiaries	439,422	439,303
Subsidiaries		£
Cost or valuation		
At 1 January 2016		439,303
Additions		119
At 31 December 2016		439,422
Carrying amount		
At 31 December 2016		439,422
At 31 December 2015		439,303

WeWork UK Limited

Notes to the consolidated financial statements For the year ended 31 December 2016 (continued)

13 Investments (continued)

As at 31 December 2016, the subsidiaries under the Company 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 (previously WW Lemon Limited)	Office space	United Kingdom	100%
1 Mark Square Tenant Limited (previously 133 Houndsditch Tenant Limited, 113 Houndsditch Tenant Limited, 35 Vine Street Tenant Limited and WW Sycamore 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%
12 Hammersmith Grove Tenant Limited (previously 7 Bloomsbury Way Limited and WW Leadtree Limited)	Office space	United Kingdom	100%
125 Shaftesbury Tenant Limited (previously 168-178 Shoreditch High Street Tenant Limited and WW Lidflower 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%
2 Southbank Tenant Limited (previously Elephant & Castle Tenant Limited and WW Licaria Limited)	Office space	United Kingdom	100%
207 Old Street Tenant Limited (previously WW Linden 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%
5 Canada Square Tenant Limited (previously 21 Dartmouth Street Tenant Limited and WW Larch Limited)	Office space	United Kingdom	100%
51 Eastcheap Tenant Limited (52-54 White Post Lane Tenant Limited and WW Lady Palm 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 (previously 115 Mare Street Tenant Limited and WW Lancewood Limited)	Office space	United Kingdom	100%
89-115 Mare Street Tenant Limited (previously WW Sequoia 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 year ended 31 December 2016 (continued)

13 Investments (continued)

Name of subsidiary	Nature of business	Country of incorporation	Holdings %
119 Marylebone Road Tenant Limited (99 Gresham Street Tenant Limited, 1 Q Caroline Street Tenant Limited and WW Sassafras Limited)	Office space	United Kingdom	100%
Corsham Tenant Limited	Office space	United Kingdom	100%
International Quarter Building Tenant Limited	Office space	United Kingdom	100%
No. 1 Spinningfields Tenant Limited (previously 130 Kingsland High Street Tenant Limited, 50 Farringdon Road Tenant Limited, 56-63 Whitechapel High Street Tenant Limited and WW Redwood 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%
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%

The registered office address of each subsidiary disclosed above is: 1 Fetter Lane, London, EC4A 1BR.

14 Trade and other receivables

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	£	£	£	£
Trade receivables	2,615,277	1,459,999	-	-
Amounts owed by group undertakings	36,216,020	18,302,097	26,246,573	3,265,504
Other receivables	491,158	11,001,014	191,842	159,340
Prepayments and accrued income	17,283,083	6,480,663	3,331	422
Social security and other taxes	4,041,545	6,340,829	167,868	62,461
	<u>60,647,083</u>	<u>43,584,602</u>	<u>26,609,614</u>	<u>3,487,727</u>

WeWork UK Limited

Notes to the consolidated financial statements For the year ended 31 December 2016 (continued)

14 Trade and other receivables (continued)

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.

15 Cash and cash equivalents

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	£	£	£	£
Cash and bank balances	<u>3,401,320</u>	<u>4,522,101</u>	<u>313,570</u>	<u>494,014</u>

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

16 Trade and other payables

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	£	£	£	£
Trade payables	2,671,450	77,924	137,874	47,487
Amounts owed to group undertakings	2,752,092	1,948,596	5,161,713	141,112
Other payables	13,400,415	-	86,658	-
Accruals and deferred income	<u>11,331,976</u>	<u>14,511,632</u>	<u>1,075,125</u>	<u>524,697</u>
	<u>30,155,933</u>	<u>16,538,152</u>	<u>6,461,370</u>	<u>713,296</u>

Trade payables 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 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 year.

WeWork UK Limited

Notes to the consolidated financial statements For the year ended 31 December 2016 (continued)

17 Borrowings

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	£	£	£	£
Amounts falling due within one year				
Loan payable to group companies	-	56,392,238	-	3,744,175

The loan was repayable on demand and bore interest per annum at a range between 0.43% and 0.56%.

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	£	£	£	£
Amounts falling due after more than one year				
Loan payable to group companies	101,471,015	-	23,199,681	-

The loan payable to group companies is unsecured and repayable within 2-5 years. An interest rate of 2.6% to 3.1% per annum was applicable during the year.

The loans and borrowings classified as financial instruments are disclosed in note 23. The Group's exposure to market and liquidity risk, in respect of loans and borrowings is disclosed in note 23.

18 Deferred lease liabilities

Group	31 December 2016	31 December 2015
	£	£
Deferred lease liabilities	73,126,318	44,844,242

The deferred lease liabilities relate 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 year ended 31 December 2016 (continued)

19 Provisions for liabilities

Group	31 December 2016 £	31 December 2015 £
At start of year/period	753,771	-
Dilapidation provisions made during the year/period	1,674,949	753,771
At end of year/period	<u>2,428,720</u>	<u>753,771</u>

The dilapidation provisions are in respect of reinstatement obligations related to leasehold properties.

20 Called-up share capital and reserves

Allotted, called-up and fully paid shares

	31 December 2016		31 December 2015	
	No.	£	No.	£
Ordinary shares of £0.01 each	<u>100</u>	<u>1</u>	<u>100</u>	<u>1</u>

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

Reserves

The Group and Company's other reserves are as follows:

Retained earnings

The retained earnings account represents cumulative profits or losses and other adjustments.

21 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.

The Group and Company Directors are considered to be the only Executive management for the Group and Company and their remuneration borne by other Group undertakings.

WeWork UK Limited

Notes to the consolidated financial statements For the year ended 31 December 2016 (continued)

21 Related party transactions (continued)

Group

	Accounts (payable) / receivable	Loans payable	Interest expense	Management fee income	Management fee expense
	2016	2016	2016	2016	2016
	£	£	£	£	£
WeWork Companies Inc.	(1,005,742)	-	-	-	-
WeWork Companies (International) BV	36,506,808	(101,471,015)	(2,257,081)	13,473,171	(2,096,522)
WeWork Management LLC	(2,052,896)	-	-	-	-
Other associates	15,765				
	<u>33,463,935</u>	<u>(101,471,015)</u>	<u>(2,257,081)</u>	<u>13,473,171</u>	<u>(2,096,522)</u>

22 Commitments and contingencies

Group

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:

	2016 £	2015 £
Within one year	29,602,050	19,798,483
In two to five years	201,438,174	113,090,194
In over five years	<u>583,753,223</u>	<u>392,641,608</u>
	<u>814,793,447</u>	<u>525,530,285</u>

The Group entered into certain lease agreements during the year and costs have not yet been finalised at the balance sheet date, the estimated future lease commitments were approximately £176.8 million expiring through 2042.

Capital commitments

As at 31 December 2016 the Group had future capital commitments amounting to £15.2 million (period ended 31 December 2015: £12.9 million) which relates to work committed on the existing leases.

Contingent asset

The Group is entitled to a reimbursement of certain costs subject to fulfilling the terms of its lease agreement. These reimbursements are not recorded as a receivable as of 31 December 2016 as the Group has not yet fulfilled all contractual obligations. As a result, due to the uncertainties involved and the nature of this work, it is not practical to estimate these amounts at the period end date.

WeWork UK Limited

Notes to the consolidated financial statements For the year ended 31 December 2016 (continued)

23 Financial instruments

Financial risk management and impairment of financial assets

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.

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to its parent. The Group has no externally imposed capital requirements and to date capital requirements have been principally funded through loans payable to group companies. The directors review the capital structure of the group and the related capital risks periodically and may adjust dividends, sell assets or issue new share capital as it felt appropriate.

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. The Group's exposure to price risk is correlated to the Company's ability to continue to price its service offerings to retain existing members or attract new members, most of whom enter into month-to-month membership agreements. If the Group's pricing and related promotional and marketing plans are not successful, or are not as successful as those of competitors, the Group's sales, membership count, occupancy, and market share could decrease. Price risk may also impact the Group's ability to negotiate favorable pricing for new leases and staff costs.

Foreign currency risk arises as a result of transactions denominated in a currency other than the Group's functional currency, primarily attributable to loans payable to group companies. As of 31 December 2016 and 2015, the Group had approximately \$29.2 million and \$34.8 million respectively in loans payable to group companies denominated in US dollars. A 5% strengthening of the US dollar against the pound sterling with all other variables held constant would result in a decrease in the Group's results for the year in the amount of £1.2 million and £1.2 million for the years ended 31 December 2016 and 2015 respectively. A 5% weakening of the US dollar against the pound sterling with all other variables held constant would result in an increase in the Group's results for the year in the amount of £1.2 million and £1.2 million for the years ended 31 December 2016 and 2015 respectively. 5% is the rate used internally when reporting to key management personnel and represents management's assessment of the reasonably possible change in exchange rates.

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 payable to group companies with floating interest rates.

WeWork UK Limited

Notes to the consolidated financial statements For the year ended 31 December 2016 (continued)

23 Financial instruments (continued)

Financial risk management and impairment of financial assets (continued)

Group	Non-interest bearing	Interest bearing	Total
Year ended 31 December 2016	£	£	£
Financial assets			
Trade and other receivables	39,322,455	-	39,322,455
Cash and cash equivalents	-	3,401,320	3,401,320
Total financial assets	39,322,455	3,401,320	42,723,775
Financial liabilities			
Trade and other payables	29,052,278	-	29,052,278
Borrowings	-	101,471,015	101,471,015
Total financial liabilities	29,052,278	101,471,015	130,523,293
	Non-interest bearing	Interest bearing	Total
Period ended 31 December 2015	£	£	£
Financial assets			
Trade and other receivables	30,763,110	-	30,763,110
Cash and cash equivalents	-	4,522,101	4,522,101
Total financial assets	30,763,110	4,522,101	35,285,211
Financial liabilities			
Trade and other payables	16,284,363	-	16,284,363
Borrowings	-	56,392,238	56,392,238
Total financial liabilities	16,284,363	56,392,238	72,676,601

The carrying amounts of the Company's financial assets and financial liabilities as reflected in the statement of financial position approximate their respective fair values. As of 31 December 2016 and 2015 all of the Group's loans payable to group companies were subject to variable interest rates. With respect to the £101.5 million and £56.4 million in loans payable to group companies as of 31 December 2016 and 2015 respectively, if contractual interest rates either increase or decrease by 1%, the Group's finance cost would increase or decrease respectively by approximately £1.0 million and £0.6 million per annum based on balances outstanding as of 31 December 2016 and 2015. 1% is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

WeWork UK Limited

Notes to the consolidated financial statements For the year ended 31 December 2016 (continued)

23 Financial instruments (continued)

Financial risk management and impairment of financial assets (continued)

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. The Group mitigates its credit risk attributable to trade receivables by maintaining a diverse member portfolio with members across varying industries. Additionally, prior to moving into an office, members are generally required to provide the Company with a service retainer as detailed in their membership agreement. In the event of non-payment of membership or other fees by a member, the amount of the service retainer is applied against the member's open balance. Member billings are due upon receipt and debt collection agencies are used in the collection process as determined necessary.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

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.

This risk is minimised as cash and cash equivalent assets are held on highly liquid cash holdings and borrowings are solely made up of loans payable to the Group's parent. The Group has established monitoring processes to review liquidity risk. These processes monitor cash requirements and include continuous dialogue with the Group Parent company as to future cash requirements and support. Refer to Note 17 for the maturity details of the loans payable to group companies. All trade and other payables and receivables fall due within one year.

24 Events after the reporting date

Subsequent to 31 December 2016, 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 renewing non-cancellable lease terms in excess of one year from the date of lease commencement, amount to approximately £1 billion, expiring through 2038.

After the balance sheet date, WeWork UK Limited has incorporated the following nine subsidiaries:

- 131 Finsbury Pavement Tenant Limited
- The Hewitt Shoreditch Tenant Limited
- 184 Shepherds Bush Road Tenant Limited
- 5 Merchant Square Tenant Limited
- 1 St Peter's Square Tenant Limited
- Shoreditch The Bard Tenant Limited
- Puddle Dock Tenant Limited
- 120 Moorgate Tenant Limited
- 90 York Way Tenant Limited

WeWork UK Limited

Notes to the consolidated financial statements For the year ended 31 December 2016 (continued)

25 Controlling parties

In the opinion of the Directors, the Company's immediate parent company 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.