

Registered number: 06331310

Facebook UK Limited

**Annual report and financial statements
for the year ended 31 December 2015**

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Facebook UK Limited

Company information

Directors	J S Athwal S H Crehan D W Kling
Registered number	06331310
Registered office	10 Brock Street Regent's Place London NW1 3FG
Auditors	Ernst & Young Chartered Accountants Harcourt Centre Harcourt Street Dublin 2 Ireland

Facebook UK Limited

Contents

	Page
Strategic report	1
Directors' report	2 - 4
Independent auditor's report	5 - 6
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Notes to the financial statements	10 - 25

Facebook UK Limited

Strategic report for the year ended 31 December 2015

The directors present their strategic report on the company for the year ended 31 December 2015.

Business review and future developments

The principal activity of the company in the year under review was that of providing sales support, marketing services and engineering support to the Facebook group.

The company has experienced large growth, especially in the area of engineering. The company's activities continue to grow throughout 2014 and 2015, resulting in an increased headcount to 854 at the year end.

The total value of sales support, marketing services and engineering support provided to the Facebook Group amounted to £210,762,610 (2014: £104,951,999), which is an increase of £105,810,611 on the value of services provided in 2014. Loss after tax has increased from £28,484,829 in 2014 to £41,169,900 in 2015 due to an increase in the share based payment charge.

Included within the 'Tax on loss on ordinary activities' in the Statement of comprehensive income is a current tax charge of £4,168,609, offset by deferred tax of £15,490,672 which has arisen out of the mandatory conversion to new UK GAAP (FRS 101) and is recognised on the basis it is probable there will be sufficient future taxable profits against which the deductible temporary differences can be utilised.

From 1 April 2016, the company's function expanded to include an advertising reseller business in respect of large UK customers. The company is positioned to continue to expand in the future.

Principal risks and uncertainties

The principal risks and uncertainties have been identified as the emergence of rival social networks, security and privacy breaches, global recession reducing online advertising spend, user engagement and attracting talent.

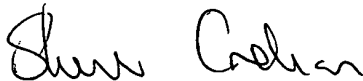
Financial key performance indicators

Key performance indicators that are focused on by management include:

- Overheads
- Cost control
- New industry developments

The directors are satisfied with the performance of the company during the year with regard to the indicators set out above.

By order of the board.



S H Crehan

Director

Date: 26/9/16

Facebook UK Limited

Directors' report for the year ended 31 December 2015

The directors present their report and the audited financial statements of the company for the year ended 31 December 2015.

Business review and future developments

The business review and future developments section can be found in the strategic report on page 1.

Results and dividends

The loss for the year, after taxation, amounted to £41,169,900 (2014: £28,484,829).

No dividends will be distributed for the year ended 31 December 2015 (2014: £nil).

Directors

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

J S Athwal
S H Crehan
D W Kling

Financial instruments

The company's financial instruments at the statement of financial position date included cash, liquid resources, amounts owed by/to group undertakings and other financial instruments such as trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the company's financial instruments are as follows:

- **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 prices comprise a number of types of risk including interest rate risk and currency risk.
- **Interest rate risk**
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates. The company has no liabilities carrying interest rates, and as such management does not consider this to be a risk to the company.
- **Currency risk**
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company has no significant exposure to foreign currency risk.
- **Credit risk**
Credit risk is the risk that a counter party will not meet its objectives under a financial instrument or customer contract, leading to financial risk. The company has no significant exposure to credit risk as it provides services to the Facebook group.
- **Liquidity risk**
Liquidity risk is the risk that the company will encounter in realising assets or otherwise raising funds to meet commitments.

Facebook UK Limited

Directors' report for the year ended 31 December 2015

Qualifying third party indemnity provisions

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

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Under company law the directors must not approve the audited financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

Employees

The company provides regular information to employees through quarterly company meetings where employees can direct questions on any company topic. In addition, there are specific business updates across the organisation, which generally include open questions and answers from employees. Facebook also consults with employees through employee resource groups and focus groups in response to feedback captured through regular employee surveys. Moreover, eligible employees participate in the company's performance by enjoying (as part of their compensation) the opportunity to vest in restricted ordinary shares (RSU's) issued by Facebook UK Limited's ultimate parent company, Facebook, Inc.

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

Facebook UK Limited

Directors' report for the year ended 31 December 2015

Disclosure of information to auditor

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

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

Independent auditor

In accordance with section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young will therefore continue in office.

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



S H Crehan
Director

Date:

26/9/16



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

We have audited the financial statements of Facebook UK Limited for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and the related accounting policies and notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 'Reduced Disclosure Framework'.

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.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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



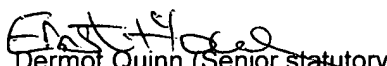
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FACEBOOK UK LIMITED (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.


Dermot Quinn (Senior statutory auditor)
for and on behalf of Ernst & Young, Statutory Auditor
Dublin

27 September 2016

Facebook UK Limited

Statement of comprehensive income for the year ended 31 December 2015

	Note	2015 £	2014 £
Turnover	4	210,762,610	104,951,999
Cost of sales		(8,243,001)	(1,858,621)
Gross profit		202,519,609	103,093,378
Administrative expenses		(255,009,660)	(131,556,415)
Operating loss	5	(52,490,051)	(28,463,037)
Interest receivable and similar income	7	26,459	20,736
Interest payable and similar charges	8	(28,371)	(38,201)
Loss on ordinary activities before taxation		(52,491,963)	(28,480,502)
Tax on loss on ordinary activities	9	11,322,063	(4,327)
Loss for the year		(41,169,900)	(28,484,829)
Total comprehensive loss for the financial year		(41,169,900)	(28,484,829)

The notes on pages 10 to 25 form part of these financial statements.

Facebook UK Limited

Registered number: 06331310


Statement of financial position as at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Intangible assets	10	109,044	-
Tangible assets	11	26,510,837	15,372,122
		<u>26,619,881</u>	<u>15,372,122</u>
Current assets			
Debtors	12	63,293,817	23,858,036
Cash at bank and in hand		10,970,414	7,299,133
		<u>74,264,231</u>	<u>31,157,169</u>
Creditors: amounts falling due within one year	13	(38,184,824)	(22,889,781)
Net current assets		<u>36,079,407</u>	<u>8,267,388</u>
Total assets less current liabilities		<u>62,699,288</u>	<u>23,639,510</u>
Creditors: amounts falling due after more than one year	14	(5,003,324)	(5,480,847)
Provisions for liabilities			
Other provisions	16	(2,124,910)	(2,096,539)
Net assets		<u>55,571,054</u>	<u>16,062,124</u>
Capital and reserves			
Called up share capital	17	1,000	1,000
Retained earnings		55,570,054	16,061,124
Total equity		<u>55,571,054</u>	<u>16,062,124</u>

The financial statements on pages 7 to 25 were approved and authorised for issue by the board of directors and were signed on its behalf by

S H Crehan
Director

Date:


26/9/16

The notes on pages 10 to 25 form part of these financial statements.

Facebook UK Limited

Statement of changes in equity as at 31 December 2015

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2015	1,000	16,061,124	16,062,124
Loss for the financial year, representing total comprehensive expense	-	(41,169,900)	(41,169,900)
Deferred tax movements	-	9,639,671	9,639,671
Reserve credit for share based payment plan	-	71,039,159	71,039,159
At 31 December 2015	1,000	55,570,054	55,571,054

Statement of changes in equity as at 31 December 2014

	Called up share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2014	1,000	9,107,507	9,108,507
Loss for the financial year, representing total comprehensive expense	-	(28,484,829)	(28,484,829)
Reserve credit for share based payment plan	-	35,438,446	35,438,446
At 31 December 2014	1,000	16,061,124	16,062,124

The notes on pages 10 to 25 form part of these financial statements.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2015

1. General information

Facebook UK Limited provides sales support, marketing services and engineering support to the Facebook group.

The company is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is 10 Brock Street, Regent's Place, London, NW1 3FG.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, plant and equipment;
 - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the year);
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in the financial statements);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B to D (additional comparative information);
 - 40A to D (requirements for a third statement of financial position);
 - 111 (cash flow statement information);
 - 134 to 136 (capital management disclosures);
- IAS 7 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but not yet effective);

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2015

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

- Paragraph 17 of IAS 24 'Related party disclosures' (key management compensation);
- The requirements in IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group;
- IFRS 7, 'Financial Instruments: Disclosures'; and
- Paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of assets.

For the purposes of FRS 101 reduced disclosure exemptions, equivalent disclosures are included in the publicly available consolidated financial statements of Facebook, Inc., the ultimate parent of the company, which the company is consolidated into. The consolidated financial statements of Facebook Inc. are available to the public and can be downloaded free of charge from the company's investor relations website, located at Investor.fb.com. The equivalent disclosures for IFRS 7 are included within the Form 10-K document that contains the publicly available financial statements of Facebook, Inc.

2.2 Turnover

Turnover comprises the fair value of the consideration receivable for the sale of services to the Facebook Group in the ordinary course of the company's activities. Revenue is shown net of value-added tax.

The company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

2.3 Operating leases

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term.

2.4 Foreign currencies

(i) Functional and presentational currency

The company's functional and presentational currency is the Pound sterling.

(ii) Transactions and balances

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

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

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

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2015

2. Summary of significant accounting policies (continued)

2.5 Interest receivable

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.6 Interest payable

Interest payable is recognised in the statement of comprehensive income over the term of the debt using the effective interest method.

2.7 Current and deferred 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 in other comprehensive income or directly in shareholders' funds. In this case the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns in respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on deductible temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.8 Intangible assets

Intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and impairment losses.

Amortisation is provided on the following bases:

Computer software	-	33 % on cost
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Amortisation is charged to 'administrative expenses' in the statement of comprehensive income.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2015

2. Summary of significant accounting policies (continued)

2.9 Impairment of non-financial assets

Assets that are subject to amortisation 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 exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Tangible assets and depreciation

Tangible assets are recognised at cost and subsequently stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value.

The estimated useful lives range as follows:

Leasehold improvements	-	Straight line over period of the lease
Fixtures & fittings	-	20% on cost
Plant & machinery	-	33% on cost
Computer equipment	-	33% on cost

Depreciation is charged to 'administrative expenses' in the statement of comprehensive income.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2015

2. Summary of significant accounting policies (continued)

2.11 Financial instruments

(i) Financial assets

Basic financial assets, including amounts owed by group undertakings, other debtors and accrued income are initially recognised at transaction price.

Such assets are subsequently carried at amortised cost using the effective interest method and at the end of each reporting period are assessed for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

Accrued income represents unbilled revenue at 31 December 2015.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and amounts owed to group undertakings, are initially recognised at transaction price.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

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

2.12 Debtors

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

2.13 Cash and cash equivalents

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

2.14 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as creditors due after more than one year.

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

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2015

2. Summary of significant accounting policies (continued)

2.15 Provisions for liabilities

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

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

2.16 Called up share capital

Ordinary shares are classified as equity.

2.17 Share based payments

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

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

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

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

When the RSUs are exercised, the ultimate holding company issues new shares.

The grant of RSUs by the ultimate holding company to the employees of the company is treated as equity-settled, with a corresponding increase in equity as a contribution from the ultimate holding company.

2.18 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2015

3. Critical accounting estimates and judgements

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

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

(i) Taxation

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

(ii) Useful economic lives of intangible and tangible assets

The annual depreciation charge for intangible and tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See notes 10 and 11 for the carrying amount of the intangibles and tangibles respectively, and notes 2.8 and 2.10 for the useful economic lives for each class of assets.

(iii) Share based payments

The company's employees have been granted restricted ordinary shares (RSU's) by the parent company, Facebook, Inc. The company makes use of the exemption in section 8 of FRS 101 to account for the expense based on a reasonable allocation of the parent company's total expense. The company has calculated its allocation of the parent company's total expense based on the fair value of vested RSUs of all employees who have spent time working for the company in the year. See note 18.

(iv) Provisions

The company makes an estimate of the present value of the dilapidation provision which relates to estimated costs to be incurred to return the currently occupied leased premises to a condition equivalent to that prior to occupation. The company assesses the valuation at each reporting date. See note 16.

4. Turnover

The total turnover of the company is derived from its principal activity, being the provision of sales support, marketing services and engineering support to the Facebook group.

An analysis of turnover by geographical market is not disclosed as it would be seriously prejudicial to the interests of the company.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2015

5. Operating loss

The operating loss is stated after charging:

	2015 £	2014 £
Loss on disposal of fixed assets	11,677	8,188
Depreciation of tangible fixed assets	3,498,055	3,841,440
Amortisation of intangible assets	13,631	-
Difference on foreign exchange	258,104	72,663
Operating lease rentals	9,269,676	4,423,114
Auditor's remuneration	16,000	16,228

The directors of the company, during the current and previous year, were also senior executives of, and were remunerated by, Facebook, Inc. and Facebook Ireland Limited and received no remuneration for services to this company.

6. Staff costs

Staff costs were as follows:

	2015 £	2014 £
Wages and salaries	78,040,274	40,803,974
Social security costs	13,367,564	8,858,622
Pension costs (see note 19)	2,977,091	1,194,322
Share based payments charge (see note 18)	71,039,159	35,438,446

The average monthly number of employees, including the directors, during the year was as follows:

	2015 No.	2014 No.
Engineering team	415	215
Sales support and marketing team	267	147

7. Interest receivable and similar income

	2015 £	2014 £
Bank interest receivable	26,459	20,736

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2015

8. Interest payable and similar charges

	2015 £	2014 £
On loans from group undertakings	-	38,201
Unwinding of discount on provision (see note 16)	28,371	-
	28,371	38,201

9. Taxation

	2015 £	2014 £
Analysis of tax charge in the year		
Current tax on loss for the year	4,168,609	4,327
UK corporation tax charge	4,168,609	4,327
Deferred tax		
Current year	(16,507,004)	-
Effects of changes in tax rates	1,016,332	-
Total deferred tax (see note 15)	(15,490,672)	-
Tax on loss on ordinary activities	(11,322,063)	4,327

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2015

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%). The differences are explained below:

	2015 £	2014 £
Loss on ordinary activities before tax	(52,491,963)	(28,480,502)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.49%)	(10,627,825)	(6,121,357)
Effects of:		
Expenses not deductible for tax purposes	25,004,743	9,082,868
Movement in unrecognised deferred tax	(24,682,649)	(2,755,987)
Effects of changes in tax rates	(1,016,332)	-
Income not taxable	-	(201,197)
Total tax charge for the year	(11,322,063)	4,327

Factors that may affect future tax charges

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the statement of financial position date its effects are not included in these financial statements.

Deferred tax balances have been calculated at 19% as at the statement of financial position date.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2015

10. Intangible assets

	Computer software £
Cost	
At 1 January 2015	-
Additions	122,675
At 31 December 2015	122,675
Amortisation	
At 1 January 2015	-
Charge for the year	13,631
At 31 December 2015	13,631
Net book value	
At 31 December 2015	109,044
At 31 December 2014	-

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2015

11. Tangible assets

	Leasehold improvements £	Plant & machinery £	Fixtures & fittings £	Computer equipment £	Assets in the course of construction £	Total £
Cost or valuation						
At 1 January 2015	13,044,274	3,633,437	343,130	105,657	-	17,126,498
Additions	3,534,339	1,321,015	614,489	983,349	8,205,634	14,658,826
Disposals	-	(51,070)	(65,663)	(24,061)	-	(140,794)
At 31 December 2015	16,578,613	4,903,382	891,956	1,064,945	8,205,634	31,644,530
Depreciation						
At 1 January 2015	823,212	713,766	198,265	19,133	-	1,754,376
Charge for the year	1,998,019	1,274,614	96,135	129,287	-	3,498,055
On disposals	-	(51,070)	(65,663)	(2,005)	-	(118,738)
At 31 December 2015	2,821,231	1,937,310	228,737	146,415	-	5,133,693
Net book value						
At 31 December 2015	13,757,382	2,966,072	663,219	918,530	8,205,634	26,510,837
At 31 December 2014	12,221,062	2,919,671	144,865	86,524	-	15,372,122

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2015

12. Debtors

	2015 £	2014 £
Amounts owed by group undertakings	30,180,668	19,458,060
Corporation tax	-	677,579
Other debtors	4,244,889	1,309,526
Prepayments and accrued income	3,737,917	2,412,871
Deferred taxation (see note 15)	25,130,343	-
	<u>63,293,817</u>	<u>23,858,036</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

13. Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	2,504,626	701,554
Amounts owed to group undertakings	7,299,875	7,440,623
Corporation tax (see note 9)	3,491,030	-
Other taxation and social security	5,617,694	3,701,227
Accruals and deferred income	19,271,599	11,046,377
	<u>38,184,824</u>	<u>22,889,781</u>

Amounts owed to group undertakings are unsecured, repayable on demand and carry no interest.

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

	2015 £	2014 £
Amounts owed to group undertakings	1,261,737	1,261,737
Accruals and deferred income	3,741,587	4,219,110
	<u>5,003,324</u>	<u>5,480,847</u>

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

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2015

15. Deferred taxation

	Deferred tax £
At 1 January 2015	-
Charged to the statement of comprehensive income	15,490,672
Charged to the statement of changes in equity	9,639,671
At 31 December 2015	25,130,343

The deferred taxation balance is made up as follows:

	2015 £	2014 £
Deductible temporary differences	25,130,343	-
Total	25,130,343	-

The deferred tax asset mainly relates to unvested employee RSUs which are subject to a UK corporation tax deduction on vesting.

The deferred tax asset of £25,130,343 has been recognised on the basis it is probable there will be sufficient future taxable profits against which the deductible temporary differences can be utilised.

At 31 December 2014, the deferred tax asset of £21,394,108 was not recognised as there was uncertainty that in the foreseeable future there would be suitable profits from which the underlying timing differences could be deducted.

16. Provisions

	Dilapidations £
At 1 January 2015	2,096,539
Unwinding of discount	28,371
At 31 December 2015	2,124,910

Dilapidations

The dilapidations provision relates to the estimated costs to be incurred to return the currently occupied leased premises to a condition equivalent to that prior to occupation. Any reconstruction work would occur at the end of the lease in 2023. Amounts charged to the statement of comprehensive income in the year are included within administrative expenses.

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2015

17. Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

18. Share based payments

At 31 December 2015 Facebook, Inc. had one active stock based employee compensation plan (the 2012 Equity Incentive Plan ("the Plan")), under which new awards may be granted. Awards may include incentive share options, share purchase rights or restricted ordinary shares. The company has granted only restricted ordinary shares ('RSUs') to employees of Facebook UK Limited. RSUs may be settled in cash or equity however the company intends to equity settle all RSUs. The vesting condition of the RSUs is that the employees must remain in employment until the initial vesting event.

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

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

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

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

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

	2015 RSUs Number	2014 RSUs Number
Outstanding at 1 January	3,974,890	2,229,384
Granted	1,503,040	2,074,207
Movements*	134,806	1,150,237
Settled	(1,669,199)	(1,342,580)
Forfeited	(407,908)	(136,358)
Outstanding at 31 December	<u><u>3,535,629</u></u>	<u><u>3,974,890</u></u>

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

The fair value of RSUs granted in the year was £54.86 (US\$84.43) (2014: £42.67 (US\$70.34)).

The weighted average share price during the year for RSUs settled was £57.96 (US\$88.77) (2014: £41.66) (US\$68.68)).

The total charge for the year relating to employee share based payment plans was £71,039,159 (US\$113,861,827) (2014: £35,438,446 (US\$58,416,734)).

Facebook UK Limited

Notes to the financial statements for the year ended 31 December 2015

19. Pension commitments

The company operates a defined contributions pension scheme. The cost of contributions to the defined contribution scheme amounts to £2,977,091 (2014: £1,194,322). There was an amount outstanding at the year end totalling £129,481 (2014: £321,169).

20. Commitments under operating leases

At 31 December 2015 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2015 £	2014 £
Not later than 1 year	12,521,486	5,482,438
Later than 1 year and not later than 5 years	58,107,701	21,929,750
Later than 5 years	224,031,480	20,452,538
	<u>294,660,667</u>	<u>47,864,726</u>

In 2015 Facebook UK Limited entered into a lease for 15 years expected to commence in March 2017. The annual rent has yet to be agreed and will be determined at some point in the future, but a best estimate of the annual rent would be £16,886,478, included in the table above.

21. Immediate parent undertaking and ultimate controlling party

The company's immediate parent undertaking is Facebook Global Holdings II, LLC, a company registered in Delaware, USA. Facebook Global Holdings II, LLC does not prepare publicly available consolidated financial statements.

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

22. First time adoption of FRS 101

This is the first year in respect of which the company has prepared its financial statements under FRS 101. The previous financial statements for the year ended 31 December 2014 were prepared under 'old UK GAAP'. The date of transition to FRS 101 for the company is 1 January 2014. Set out below are descriptions of the various implementation options applied by the company in preparing the financial statements for the year ended 31 December 2015.

The policies applied under the entity's previous accounting framework are not materially different to FRS 101 and have not impacted on equity or profit or loss.

Set out below are the mandatory exceptions to retrospective application in IFRS 1 applied in converting from 'old UK GAAP', to FRS 101.

Exception for estimates

Estimates made as at 1 January 2014 under FRS 101 are consistent with those made previously under 'old UK GAAP'.