Twitter UK Ltd

Annual Report

Financial Year Ended 31 December 2017

Registered Number: 07653064

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CONTENTS

DIRECTORS AND OTHER INFORMATION

Board of directors

L O'Brien
V Gadde
S Edgett

Solicitors

Baker & McKenzie
100 New Bridge Street
London EC4V 6JA
United Kingdom

Secretary and registered office

V Gadde
1st Floor
20 Air Street
London W1B 5AN
United Kingdom

Bankers - Treasury

Citibank London
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Registered number: 07653064

Independent Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

STRATEGIC REPORT

The directors present this strategic report of the company for the year ended 31 December 2017.

Business review
The company's profit for the financial year was £0.148 million (2016: £1.844 million). The company has performed in line with expectations.

The profit for the financial year has been transferred to reserves. The directors do not recommend the payment of a dividend.

Principal risks and uncertainties
The directors consider that the following are the principal risks and uncertainties that could materially and adversely affect the company. The directors and the ultimate parent company, Twitter, Inc. actively manage these risks and ensure that there are appropriate policies in place in order to mitigate these risks.

Business risk
The size of Twitter's user base and users' level of engagement are critical to our success. Our financial performance has been and will continue to be significantly determined by our success in growing the number of users and increasing their overall level of engagement on our platform as well as the number of ad engagements.

Revenue risk
We generate the majority of our revenue from third parties advertising on Twitter. We generate substantially all of our advertising revenue through the sale of our Promoted Products: Promoted Tweets, Promoted Accounts and Promoted Trends. As is common in our industry, our advertisers do not have long-term advertising commitments to us. To sustain or increase our revenue, we must add new advertisers and encourage existing advertisers to maintain or increase the amount of advertising inventory purchased through our platform and adopt new features and functionalities that we add to our platform.

Technological risk
We make our products and services available across a variety of operating systems and through websites. We are dependent on the interoperability of our products and services with popular devices, desktop and mobile operating systems and web browsers that we do not control, such as Mac OS, Windows, Android, iOS, Chrome and Firefox. Any changes, bugs or technical issues in such systems, devices or web browsers or changes in our relationships with operating system partners or mobile carriers, or in their terms of service or policies that diminish the functionality of our products and services, make it difficult for our users to access our content, limit our ability to target or measure the effectiveness of ads, impose fees related to our products or services or give preferential treatment to competitive products or services could adversely affect usage of our products and services.

Partnership risk
We believe user engagement with our products and services depends in part on the availability of applications and content generated by our platform partners. If our content or platform partners focus their efforts on other platforms, the availability and quality of applications and content for our products and services may suffer. If our content or platform partners cease to develop and maintain applications and content for our products and services, user engagement may decline.

Foreign exchange risk
Since we conduct business in currencies other than Pound Sterling but report our operating results in Pound Sterling, we face exposure to fluctuations in currency exchange rates. Our earnings may be adversely affected by the impact of exchange rate fluctuations on assets or liabilities denominated in currencies other than the functional currency. Exchange rate fluctuations between the Pound Sterling and other currencies could have a material impact on our operating results.

Credit risk
The company's accounts receivables are typically derived from customers in different industries. The company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. Historically, such losses have been within management's expectations.

STRATEGIC REPORT

Key performance indicators

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the company as a whole, those being turnover, gross profit, operating profit and profit before taxation as set out in the profit and loss account.

On behalf of the board

L O'Brien
Director

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2017.

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

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Dividends
There were no dividends declared or paid during the current or prior year.

Political donations and political expenditure
The company made no political donations during the current or prior year.

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

Financial instruments
The company's financial instruments at the balance sheet date included amounts due from group undertakings, cash, and other financial instruments such as trade creditors that arise directly from our operations. It is the company's policy that no trading in financial instruments shall be undertaken.

Future developments
The company's strategy, in line with previous years, focuses on developing our business and user base in the UK.

DIRECTORS' REPORT - continued

Directors
The directors who served during the year were:

L O'Brien
V Gadde
S Edgett
A Noto (resigned 23 February 2018)
N Antony (appointed 15 August 2017 and resigned 1 February 2018)

Disclosure of Information to auditors
In the case of each of the persons who are directors at the time the report is approved, the following applies:

- as far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors
The auditors, PricewaterhouseCoopers, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

On behalf of the board

L O'Brien
Director

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Independent auditors' report to the members of Twitter UK Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Twitter UK Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2017; the profit and loss, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Thérèse Cregg

Therese Cregg (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin
13 September 2018

PROFIT AND LOSS ACCOUNT
Financial Year Ended 31 December 2017

	Note	2017 £'000	2016 £'000
Turnover	5	77,420	79,427
Cost of sales		(74,479)	(78,065)
Gross profit		2,941	1,362
Administrative expenses		(348)	1,426
Operating profit	6	2,593	2,788
Interest payable and similar expenses	8	(42)	(129)
Profit before taxation		2,551	2,659
Tax on profit	9	(2,403)	(815)
Profit for the financial year		148	1,844

STATEMENT OF COMPREHENSIVE INCOME
Financial Year Ended 31 December 2017

	2017 £'000	2016 £'000
Profit for the financial year	148	1,844
Other comprehensive income:		
Other comprehensive income for the year	-	-
Total comprehensive income for the financial year	148	1,844

BALANCE SHEET
As at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	10	3,868	5,475
Current assets			
Debtors	11	45,343	30,735
Cash at bank and in hand		733	15,950
		46,076	46,685
Creditors - amounts falling due within one year	12	(23,400)	(23,227)
Net current assets		22,676	23,458
Total assets less current liabilities		26,544	28,933
Creditors - amounts falling due after more than one year	13	-	(241)
Provisions for liabilities			
Other provisions	15	(2,445)	(2,622)
Net assets		24,099	26,070
Capital and reserves			
Called up share capital	17	-	-
Share-based payments reserve		14,069	16,188
Profit and loss account		10,030	9,882
Total shareholders' funds		24,099	26,070

The notes on pages 13 to 25 are an integral part of these financial statements.

The financial statements on pages 10 to 12 were authorised for issue by the board of directors on 11th September 2018 and were signed on its behalf:

On behalf of the board

L O'Brien
Director

Twitter UK Ltd
Registered No. 07653064

STATEMENT OF CHANGES IN EQUITY
Financial Year Ended 31 December 2017

	Called up share capital £'000	Share-based payment reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance as at 1 January 2016	-	16,008	8,038	24,046
Profit for the financial year	-	-	1,844	1,844
Total comprehensive income for the financial year	-	-	1,844	1,844
Charge from ultimate parent for equity settled share-based payments	-	(14,087)	-	(14,087)
Credit relating to equity settled share-based payments	-	14,267	-	14,267
Balance as at 31 December 2016	-	16,188	9,882	26,070
Balance as at 1 January 2017	-	16,188	9,882	26,070
Profit for the financial year	-	-	148	148
Total comprehensive income for the financial year	-	-	148	148
Charge from ultimate parent for equity settled share-based payments	-	(10,095)	-	(10,095)
Credit relating to equity settled share-based payments	-	7,976	-	7,976
Balance as at 31 December 2017	-	14,069	10,030	24,099

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The principal activity of the company is marketing and selling advertising services on Twitter to advertisers within the United Kingdom. The company also engages in design, development and support services. This activity is funded through an agreement with another Twitter group company.

The company is a private company limited by shares and is domiciled in the United Kingdom. The address of the registered office is 1st Floor, 20 Air Street, London W1B 5AN, United Kingdom.

The ultimate controlling party and the largest and smallest group of undertakings for which group financial statements are drawn up and of which the company is a member, is Twitter, Inc., a company incorporated in the United States of America and listed on the New York Stock Exchange ('NYSE'). Copies of Twitter, Inc. consolidated financial statements can be obtained from Twitter, Inc., 1355 Market Street, Suite 900, San Francisco, CA 94103, USA.

2 Statement of compliance

The financial statements of the company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, '*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*' ('FRS 102') and the Companies Act 2006.

3 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 years presented, unless otherwise stated.

The company has adopted Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS 102') in preparing these financial statements.

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 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. 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 4.

(b) Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

(c) Exemptions for qualifying entities under FRS 102

The company has taken advantage of the following exemptions under FRS 102:

- Exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Twitter, Inc., includes the company's cash flows in its own consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Accounting policies - continued

(c) Exemptions for qualifying entities under FRS 102 - continued

- Exemption from certain disclosure requirements of Section 26 of FRS 102 (paragraphs 26.18(b), 26.19 to 26.21 and 26.23), in respect of share-based payments provided that (i) for a subsidiary the share-based payment arrangement concerns equity instruments of another group entity; or (ii) for an ultimate parent, the share-based payment concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the group; and in both cases provided the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- Exemption from disclosing key management personnel compensation as required by FRS 102 paragraph 33.7;
- Exemption from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures

(d) Revenue recognition

The company generates revenue principally from the sale of advertising services and, to a lesser extent, from the supply of design, development and support services. The company's advertising services include three primary products: (i) Promoted Tweets, (ii) Promoted Accounts and (iii) Promoted Trends. Promoted Tweets and Promoted Accounts are pay-for-performance advertising products priced through an auction. Promoted Trends are featured by geography and offered on a fixed-fee-per-day basis. Advertisers are obligated to pay when a user engages with a Promoted Tweet or follows a Promoted Account or when a Promoted Trend is displayed. Users engage with Promoted Tweets by clicking on a link in a Promoted Tweet, expanding, retweeting, favouriting or replying to a Promoted Tweet or following the account that tweets a Promoted Tweet. These products may be sold in combination as a multiple element arrangement or separately on a standalone basis. Fees for these advertising services are recognised in the period when advertising is delivered as evidenced by a user engaging with a Promoted Tweet, as captured by a click, following a Promoted Account or through the display of a Promoted Trend on the company's platform. Revenue from the supply of design, development and support services is generated on a monthly fee, charged to another Twitter group company.

Revenue is recognised only when (1) persuasive evidence of an arrangement exists; (2) the price is fixed or determinable; (3) the service is performed; and (4) collectability of the related fee is reasonably assured. While the majority of the company's revenue transactions are based on standard business terms and conditions, the company also enters into non-standard sales agreements with advertisers that sometimes involve multiple elements.

For arrangements involving multiple deliverables, judgement is required to determine the appropriate accounting, including developing an estimate of the stand-alone selling price of each deliverable. When neither vendor-specific objective evidence nor third party evidence of selling price exists, the company uses its best estimate of selling price ('BESP') to allocate the arrangement consideration on a relative selling price basis to each deliverable. The objective of BESP is to determine the selling price of each deliverable when it is sold to advertisers on a standalone basis. In determining BESPs, the company takes into consideration various factors, including, but not limited to, prices the company charges for similar offerings, sales volume, pricing strategies and market conditions. Multiple deliverable arrangements primarily consist of combinations of the company's pay-for-performance products, Promoted Tweets and Promoted Accounts, which are priced through an auction, and Promoted Trends, which are priced on a fixed-fee-per day for the UK market. For arrangements that include a combination of these products, the company develops an estimate of the selling price for these products in order to allocate any potential discount to all advertising products in the arrangement. The estimate of selling price for pay-for-performance products is determined based on the winning bid price; the estimate of selling price for Promoted Trends is based on Promoted Trends sold on a standalone basis and/or separately priced in a bundled arrangement by reference to a list price for the UK market which is approved periodically. The company believes the use of BESP results in revenue recognition in a manner consistent with the underlying economics of the transaction and allocates the arrangement consideration on a relative selling price basis to each deliverable. The company also generates revenue from the provision of design, development and support services to another group company under the terms of an intercompany agreement. Income is earned as a mark-up on certain costs of providing the services, as those costs are incurred.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Accounting policies - continued

(e) Foreign currency

(i) Functional and presentation currency

The company's functional and presentation currency is the Pound Sterling ("GBP").

(ii) Transactions and balances

Foreign currency transactions are translated into GBP using period-end rates of exchange for assets and liabilities, historical rates of exchange for equity, and average rates of exchange for revenue and expenses.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(f) Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements, and share-based payment awards.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Share-based payment transactions

The company's employees participate in a share-based payment arrangement established by the ultimate parent company, Twitter, Inc. The employees are granted share options and restricted stock units ("RSU") over equity shares of Twitter, Inc. The fair value of the share options is measured at the grant date.

The employee stock purchase plan operated by Twitter, Inc. also allows company employees to acquire shares of Twitter, Inc. at a discount from the prevailing market price at the date of purchase.

(g) Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting year. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity. In this case, tax is also recognised directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Accounting policies - continued

(h) Tangible assets

Tangible assets are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to the location and condition necessary for its intended use, applicable dismantling, removal and restoration costs and borrowing costs capitalised.

(i) Depreciation and residual values

Depreciation on assets is calculated, using the straight-line method over their estimated useful lives as follows:

Leasehold improvements	Over the non-cancellable period of the lease
Fixtures and fittings	5 years
Office equipment	5 years
Desktop computer equipment	3 years
Network equipment	3 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each financial year. The effect of any change in either residual values or useful lives is accounted for prospectively.

(ii) Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

(i) Leased assets

Operating leases

Operating leases do not transfer substantially all the risks and rewards of ownership to the lessor. Payments under operating leases are recognised in the profit and loss account on a straight-line basis over the period of the lease.

(j) Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade debtors, cash and bank balances and amounts owed by group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. An impairment loss is recognised in the profit and loss account.

Financial liabilities

Basic financial liabilities, including trade creditors, amounts owed to group undertakings and other creditors are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Such liabilities are subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS - *continued*

3 Accounting policies - continued

(j) **Financial instruments - *continued***
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables and other financial liabilities are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

(k) **Cash and cash equivalents**
Cash and cash equivalents includes cash-in-hand deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

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

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. The increase in the provision due to passage of time is recognised within the profit and loss account.

(m) **Share-based payments**
The company has an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options and restricted stock units ('RSU') is recognised as an expense with an adjustment to reserves to the extent that the expense differs from amounts recharged by the parent. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options and RSUs granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options and RSUs that are expected to become exercisable. At each balance sheet date, the estimate of the number of options and RSUs that are expected to become exercisable will be revised. The impact of the revision of original estimates, if any, will be recognised in the profit and loss account, with a corresponding adjustment to reserves.

The company issues restricted stock awards subject to a lapsing right of repurchase to continuing employees of certain acquired companies. Since these issuances are subject to post-acquisition employment, the company accounts for them as post-acquisition stock-based compensation expense. The grant-date fair value of restricted stock granted in connection with acquisitions is recognised as stock-based compensation expense on a graded basis over the requisite service period.

(n) **Share capital**
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Critical accounting judgements and estimation uncertainty

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.

Critical judgements in applying the entity's accounting policies

(i) *Impairment of debtors*
The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 11 for the net carrying amount of the debtors and associated impairment provision.

(ii) *Useful economic lives of tangible assets*
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed 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. For tangible assets, see note 10 for the carrying amount and the accounting policy section 3(h) for useful economic lives.

(iii) *Provisions*
Provisions are made for asset retirement obligations, dilapidations and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements.

5 Turnover

Turnover is primarily attributable to the sale of advertising services to advertisers within the United Kingdom and is also derived from the provision of design, development and support services to a group company.

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

6 Operating profit

	2017 £'000	2016 £'000
The operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets:		
- owned by the company	2,901	3,165
Statutory audit fees	20	19
Loss/(gain) on foreign exchange	358	(1,475)
Operating lease expense	2,643	3,311
Restructuring Expenses	-	1,395

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Staff costs

	2017 £'000	2016 £'000
Wages and salaries	17,360	18,329
Social security costs	2,679	2,633
Other pension costs	213	113
	20,252	21,075

As set out in note 19, the share-based payment charge for the year was £7.976 million (2016: £14.267 million).

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

	2017 Number	2016 Number
Sales and marketing	112	132
General and administration	17	16
Research and development	45	39
	174	187

Directors' remuneration was borne by a fellow group company during the year and has not been recharged.

8 Interest payable and similar expenses

	2017 £'000	2016 £'000
Interest payable and similar expenses:		
Interest payable to group companies	42	129

9 Tax on profit

	2017 £'000	2016 £'000
Tax charge/(credit) included in profit or loss		
Current tax:		
UK corporation tax charge on profit for the year	705	2,110
Adjustment in respect of previous periods	6	13
Total current tax	711	2,123
Deferred tax (see note 14)		
Origination and reversal of timing differences	(131)	(1,273)
Adjustment in respect of previous periods	1,652	2
Effect of changes in tax rates	171	(37)
Total deferred tax	1,692	(1,308)
Total tax on profit	2,403	815

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Tax on profit - continued

Factors affecting tax charge for the year
The tax assessed for the year is higher (2016: higher) than the rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £'000	2016 £'000
Profit before taxation	2,551	2,659
Profit before taxation multiplied by rate of corporation tax in the UK of 19.25% (2016: 20%)	491	532
Effects of:		
Expenses not deductible for tax purposes	262	303
Adjustment in respect of previous periods	1,658	15
Tax rate changes	171	(37)
Share-based payments – net movement	(179)	2
Total tax charge/(credit) for the year	2,403	815

Factors that may affect future tax charges
The main rate of corporation tax was reduced to 19% from 1 April 2017. The rate will reduce to 17% from 1 April 2020.

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Tangible assets

	Leasehold improvements £'000	Furniture and fixtures £'000	Office Equipment £'000	Desktop computer equipment £'000	Network equipment £'000	Total £'000
Cost						
At 1 January 2017	7,128	1,079	1,000	526	2,978	12,711
Additions	251	64	9	71	910	1,305
Disposals	-	-	-	(13)	-	(13)
At 31 December 2017	7,379	1,143	1,009	584	3,888	14,003
Accumulated depreciation						
At 1 January 2017	(3,726)	(515)	(426)	(280)	(2,289)	(7,236)
Additions	(1,718)	(220)	(200)	(131)	(632)	(2,901)
Disposals	-	-	-	2	-	2
At 31 December 2017	(5,444)	(735)	(626)	(409)	(2,921)	(10,135)
Net book value						
At 31 December 2017	1,935	408	383	175	967	3,868
At 31 December 2016	3,402	564	574	246	689	5,475

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Debtors

	2017 £'000	2016 £'000
Due within one year:		
Trade debtors	18,647	14,925
Amounts owed by group undertakings	23,065	11,908
Corporation tax	404	-
Other debtors	-	118
Deferred tax asset (see note 14)	1,437	3,129
Prepayments and accrued income	1,790	655
	45,343	30,735

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand.

Trade debtors are stated after provisions for impairment of £0.320m (2016: £1.021m).

12 Creditors – amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	588	727
Amounts owed to group undertakings	11,305	10,920
Taxation and social security	3,585	3,007
Other creditors	146	1,333
Accruals	6,116	5,437
Deferred revenue	1,660	1,519
Corporation tax	-	284
	23,400	23,227

Amounts owed to group undertakings are unsecured, repayable on demand and carry an interest rate of LIBOR plus 0.5%.

	2017 £'000	2016 £'000
Taxation and social security consists of:		
VAT	2,860	2,089
Payroll taxes	725	918
	3,585	3,007

13 Creditors – amounts falling due after more than one year

	2017 £'000	2016 £'000
Deferred rent	-	10
Restructuring liabilities	-	231
	-	241

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Deferred tax asset

	2017 £'000	2016 £'000
Asset at beginning of year	3,129	1,821
Adjustment in respect of previous periods	(1,652)	(2)
Deferred tax charge to profit and loss for the year	(40)	1,310
Asset at end of year	1,437	3,129

The provision for deferred tax consists of the following deferred tax assets/(liabilities):

	2017 £'000	2016 £'000
Fixed asset timing differences	366	221
Short term timing differences	1,071	2,908
Provision at end of year	1,437	3,129

15 Other provisions

	Asset retirement obligation £'000
At 1 January 2016	1,775
Additions	847
At 31 December 2016	2,622
At 1 January 2017	2,622
Disposals	(177)
At 31 December 2017	2,445

Asset retirement obligations

Under the terms of lease agreements entered into, the company is obliged to restore leasehold premises to their original condition at the end of the lease term. These costs will be expensed over the remaining lease terms of 1 to 1.5 years.

16 Operating lease commitments

At 31 December 2017, the company had the following future minimum lease payment commitments under non-cancellable operating leases:

	2017 £'000	2016 £'000
Expiry date		
Within 1 year	3,571	4,082
Between 2 and 5 years	518	4,016
	4,089	8,098

NOTES TO THE FINANCIAL STATEMENTS - continued

17 Called up share capital

	2017 £'000	2016 £'000
Authorised, allotted, called up and fully paid		
1 (2016: 1) ordinary share of £1.00	-	-

18 Related party transactions

The company's ultimate parent is Twitter, Inc. Transactions between the company and other wholly owned subsidiary companies of Twitter, Inc. are not disclosed as the company has taken advantage of the exemption available under FRS 102, section 33.1A, "Related Party Disclosures" from disclosing such transactions.

19 Share-based payments

Twitter, Inc. 2007 and 2013 Equity Incentive Plans
Twitter, Inc.'s 2007 Equity Incentive Plan provided for the issuance of stock options, restricted stock and restricted stock unit ('RSU') grants for shares of Twitter, Inc.'s common stock to eligible participants. Twitter, Inc.'s 2013 Equity Incentive Plan became effective upon the completion of its initial public offering and serves as the successor to the 2007 Equity Incentive Plan.

Under the terms of the above plans, RSUs have been granted to Twitter UK Ltd employees in 2017 and prior years. RSUs granted under the 2007 Equity Incentive Plan vest upon satisfaction of both a service condition and a performance condition. The service condition for these awards is generally satisfied over four years. The performance condition was satisfied by Twitter, Inc.'s initial public offering in November 2013 and from the year ended 31 December 2013, Twitter UK Ltd has recorded the share-based payment charge in respect of RSUs granted to Twitter UK Ltd employees in line with the fulfilment of the service condition. RSUs granted under the 2013 Equity Incentive Plan are not subject to a performance condition to vest and the majority of RSUs vest over a service period of four years.

The company issued restricted stock subject to a lapsing right of repurchase to continuing employees of certain acquired companies. Since these issuances are subject to post-acquisition employment, the company accounts for them as post-acquisition stock based expense. The grant date fair value of restricted stock granted in connection with acquisition is recognised as a stock-based compensation expense on a graded basis over the requisite service period.

Twitter, Inc. 2011 Acquisition Option Plan
This plan was adopted for the purpose of granting stock options to new employees in connection with the acquisition by Twitter, Inc. of TweetDeck Inc. in May 2011. Under the terms of this plan, stock options were granted to Twitter UK Ltd employees in prior years and the related charge based on the satisfaction of the service condition was recorded in the profit and loss account.

Fair value of share-based payment awards recognised in the profit and loss account
The grant-date fair value of the share-based awards granted in exchange for the employees' services is generally recognised as an expense during the year as services are rendered. The expense is recognised in the profit and loss account with a corresponding adjustment to reserves. The company only recognises compensation expense for awards with non-market performance conditions if such awards ultimately vest.

The charge for the year related to share-based payment plans was £7.976 million (2016: £14.267 million). During the year, the company was re-charged £10.095 million (2016: £14.087 million) from Twitter, Inc. for its share-based payment charge.

NOTES TO THE FINANCIAL STATEMENTS - continued

20 Ultimate parent undertaking and controlling party

The company's ultimate parent company is Twitter, Inc., a company incorporated in the United States of America.

The company's immediate parent is Twitter International Company, a company incorporated in Ireland.

21 Subsequent events

There have been no subsequent events that would require adjustments to or disclosure in the financial statements for the year ended 31 December 2017.

22 Approval of financial statements

The board of directors approved these financial statements for issue on 11th September 2018.