Twitter UK LTD

Annual Report

Financial Year Ended 31 December 2020

Registered Number: 07653064

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DIRECTORS AND OTHER INFORMATION

Board of Directors

L O'Brien
K Cope
S Edgett

Solicitors

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

Secretary and Registered Office

K Cope
1st Floor
20 Air Street
London W1B 5AN
United Kingdom

Registered number: 07653064

Bankers

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

Citibank Europe PLC
1 North Wall Quay
Dublin 1
Ireland

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 Twitter UK Ltd ("the company") for the year ended 31 December 2020.

Business review
Twitter is what's happening in the world and what people are talking about right now. Twitter is a global platform for public self-expression and conversation in real time and allows people to consume, create, distribute and discover content and has democratised content creation and distribution. Through Topics, Interests, and Trends, people can discover what's happening live. Twitter also continues to implement live broadcasts and on-demand video content, including through partnerships with media outlets and platform partners. Media outlets and platform partners also help extend the reach of Twitter content by distributing Tweets beyond our products to complement their content.

In 2020, Twitter continued work to serve the public conversation by helping people find trusted sources of information and better organising and surfacing the many topics and interests that bring people to Twitter, while also making it easier to follow and participate in healthier conversations by rolling out new conversation settings globally, and giving people everywhere more control over the conversations they start on Twitter. In addition, Twitter made significant progress on brand and direct response roadmap with updated ad formats, stronger attribution, and improved targeting. Twitter also continued to iterate on the revamped Mobile Application Promotion (MAP) offering, while furthering efforts to improve the health of the platform by working to make sure that people and advertisers feel safe being a part of the conversation and are able to find credible information on the service. Major areas of focus for the company include reducing abuse, providing more context around misinformation, and protecting the integrity of civic-related conversations.

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 and this activity is funded through an agreement with another Twitter group company.

Turnover totalled £153.66 million, an increase of 16% (2019: £132.12 million) and the gross profit for the year decreased to £1.95 million (2019: £2.80 million) resulting from the company incurring additional share-based compensation expenses in 2020. The company's profit for the financial year was £0.91 million (2019: profit of £1.55 million). The company is party to a cash pooling agreement with its parent company and at year end, it had £22.33 million (2019: £25.95 million) owing to the company from this arrangement.

The company has performed in line with expectations and the profit for the financial year has been transferred to reserves. The directors do not recommend the payment of a dividend.

An agreement committing to sign a lease relating to the 3rd floor, 20 Air Street, London was signed on 13 November 2020. The agreement is dependent on improvements being made by the landlord and it is intended that the full lease will be signed in 2021, upon completion of the aforementioned improvements. The principal rent for that floor will be £2.6 million per annum.

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.

COVID-19
The COVID-19 pandemic has resulted in public health responses including travel bans, restrictions, social distancing requirements, and shelter-in-place orders, which have impacted our business, operations, and financial performance in different ways. As a result of the COVID-19 pandemic, the company experienced a reduction in advertiser demand in the first half of 2020, while in the second half of 2020 advertisers increased their demand for digital ads. The ongoing impact of the COVID-19 pandemic on our business and on global economic activity continues to evolve and may in the future adversely affect our business, operations, and financial results. Despite the impact of COVID-19, headcount has grown by 19% since 2019.

STRATEGIC REPORT - continued

Business risk

The size of Twitter's user base and users' level of engagement are critical to the success of the company. The company's 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 the platform, as well as the number of ad engagements.

Revenue risk

The company generates the majority of its revenue from third parties advertising on Twitter through the sale of its Promoted Products: Promoted Tweets, Promoted Accounts and Promoted Trends. As is common in the industry, advertisers do not have long-term advertising commitments with us. To sustain or increase our revenue, the company 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 are added to the platform.

Technological risk

The company's products and the success of its business is dependent upon the ability of people to access the Internet and the proper functioning of the various operating systems, platforms and services upon which we rely. These systems are provided and controlled by factors outside of our control, including broadband and Internet access marketplace, incumbent telephone companies, cable companies, mobile communications companies, device manufacturers and operating system providers. Any of these actors could take actions that degrade, disrupt or increase the cost of access to our products or services, which would, in turn, negatively impact our business. The company also relies on other companies to maintain reliable network systems that provide adequate speed, data capacity and security. The failure of this Internet infrastructure, even for a short period of time, could undermine operations and harm operating results.

Partnership risk

The company believes user engagement with our products and services depends in part on the availability of applications and content generated by the company's content or platform partners. There is no assurance that the company's content or platform partners will continue to develop and maintain applications and content for its products and services, and if they cease to, then user engagement may decline.

Foreign exchange risk

Since the company conducts business in currencies other than Pound Sterling but reports operating results in Pound Sterling, it faces exposure to fluctuations in currency exchange rates. The company's 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 its 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.

Climate change

Climate change is one of the greatest challenges of our time. As a company, we're committed to reducing our carbon footprint and using our service to make a positive difference. The company has developed a robust long term strategy to sustainability. This strategy includes a detailed roadmap to build sustainable workplaces, source renewable energy, foster a company culture of environmental awareness, commit to international environmental protocols and partner with global organisations to address environmental conversation, climate change and sustainability.

Brexit

The UK departed from the EU on 31 January 2020. A transition period remained in place up until 11pm on the 31st December 2020 whereby the UK continued to be treated as if it were still a member of the EU. Prior to the end of the transition period, the European Union entered into Trade and Cooperation Agreement with the UK which sets out preferential arrangements in areas such as trade in goods and in services, digital trade, intellectual property and public procurement. Due to the unprecedented nature of the COVID-19 pandemic, we have not been able to separately identify any materially discernible impact on our business from Brexit.

STRATEGIC REPORT - continued

Key performance indicators
The company considers its key financial performance indicators are those that communicate the financial performance and strength of the company as a whole, these being turnover, gross profit, operating profit and profit before taxation as set out in the profit and loss account.

Statement by the directors in relation to the performance of their statutory duties in accordance with section 172(1) of the Companies Act 2006
Section 172 of the Companies Act 2006 (the "Act") requires directors to take into consideration the interests of stakeholders in their decision-making, having regard to various matters set out in the aforesaid section. As a wholly-owned direct subsidiary of Twitter International Company, within the Twitter, Inc. Group ('Group'), we consider the impact of the company's activities on the Group, its immediate parent, its employees, customers and its vendors/partners.

The following section sets out how we have engaged with the company's stakeholders during the year and fulfilled our duties laid out in section 172 of the Act:

Shareholders
The company is a wholly owned subsidiary of Twitter International Company. The directors of the company include employees of other Group companies, which enable the views of the wider Group, including the parent company, to be considered by the Board of Directors ('Board').

Community and the environment
The company seeks to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The company has complied with all applicable legislation and regulations.

Twice a year, the company organises a Twitter for Good day in order to advance our philanthropic goals, by utilising the power of the Twitter platform, harnessing insights from Twitter data, and tapping the talents and interests of employees to drive meaningful impact in local communities. The corporate philanthropy efforts are focused where we can have direct impact on issues of importance to our communities and people who use Twitter.

People
The company is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, clients, communities and society as a whole. We foster a fair and trusting workplace with honest and open communication and respect for each other. We seek to build trust, drive excellence, and conduct business with honesty and integrity. To achieve this, we have a number of different policies and resources available to our employees, including, but not limited to: a Code of Business Conduct and Ethics, an Anti-Corruption Policy, an Employee Security Handbook, a Conflicts of Interest Policy and an Environmental, Health and Safety Policy.

We run a semi-annual employee engagement survey, which helps us to understand what we are doing well and what we may need to change in order to enhance our employees' experience. This survey is confidential and focuses on areas such as employee engagement, intention to stay, inclusion and fairness and work-life wellness.

We aim to power positive global change by fostering respectful conversations, creating deeper human connections, and encouraging diverse interactions among individuals and teams across our organisation, resulting in a more inclusive culture and more diverse workforce. We believe that an inclusive culture is important in the workplace. Employees are encouraged to join one of the Twitter Affinity Groups or Business Resource Groups that are in place to help create a more inclusive workforce.

STRATEGIC REPORT - continued

Statementbythedirectorsinrelationtoperformanceoftheirstatutorydutiesinaccordancewithsection 172(1) of the Companies Act 2006 - continued

Business relationships

Suppliers - Throughout the year, the Board was briefed on major contract negotiations and strategy with regard to key suppliers. The Board seeks to balance the benefits of maintaining strong partnering relationships with key suppliers alongside the need to obtain value and the desired quality and service levels for our other stakeholders.

Advertisers – The company continues the work to innovate faster and deliver better returns for advertisers by shipping new ad platform services as part of the effort to rebuild our core ad server. We continue to focus our investment on features that differentiate Twitter and capitalise on our value proposition for advertisers, including video and more organic ad formats. Our technology platform and information database enable us to provide targeting capabilities based on audience attributes like interests, keyword, conversation, content, and events that make it possible for advertisers to promote their brands, products and services, amplify their visibility and reach, and complement and extend the conversation around their advertising campaigns.

Regulators – The company prepares its financial statements in compliance with the Companies Act 2006 and 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). In addition, the company manages its tax affairs responsibly and proactively to comply with tax legislation. Our approach is to seek to build solid and constructive working relationships engaging with HMRC frequently, honestly and in a professional manner. Our in-house tax team of qualified tax professionals leads the engagement with HMRC. Our Global Data Protection Team, containing highly qualified lawyers, engages proactively and regularly with the Information Commission Office.

Risk management
For details on our principal risks and uncertainties, please refer to the section "Principal risks and uncertainties" above.

On behalf of the Board

L O'Brien
Director

08 September 2021

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2020.

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 of the persons who are directors at the time the report is approved, the following applies:

- 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.

Directors
The directors who served during the year were:

L O'Brien
S Edgett
V Gadde (resigned 28 April 2020)
K Cope (appointed 28 April 2020)

Dividends
There were no dividends declared or paid 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 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.

DIRECTORS' REPORT - continued

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

Going concern
The directors have assessed the risks outlined in the above strategic report, most notably the COVID-19 pandemic, of which the duration is still unknown. As at 31 December 2020, the company has net current assets of £43.07 million including amounts owing from a cash pooling arrangement with its parent company of £22.33 million. The company made a profit of £0.91 million for the financial year (2019: profit of £1.55 million) with much of this reduction in profit attributable to additional share-based compensation expenses incurred during 2020.

The company operates a licence agreement with its parent company to market and sell advertising services on Twitter to advertisers within the United Kingdom. The company also engages in design, development and support services under an agreement with another Twitter group company. The directors have good reason to expect; that both agreements will continue, all parties will remain in a position to honour their obligations and the agreements will remain commercially beneficial to the company. Therefore, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and so the company continues to adopt the going concern basis in preparing its financial statements.

Donations
The company did not make any political donations during the current or prior year.

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

08 September 2021

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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 2020 and of its loss 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 2020;
- the profit and loss account for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a description of the 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 pwc

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to;

- laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, including United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006 and taxation legislation; and
- those laws and regulations which do not have a direct effect on the determination of material amounts and disclosures in the financial statements but where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection, employment law and certain aspects of company legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach;

and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results. Audit procedures performed included:

- Consideration of fraud risk as part of our planning process;
- Inquiry with management and those charged with governance and staff regarding their perspectives on fraud and compliance with applicable laws and regulations;
- Evaluation of the company's programs and controls designed to address fraud risk;
- Testing the validity of journal entries, in particular any journal entries posted with unusual account combinations and journals posted and created by the same user;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

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 obtained 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.

Therese Cregg

Therese Cregg (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin
09 September 2021

PROFIT AND LOSS ACCOUNT
Financial Year Ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover	5	153,661	132,116
Cost of sales		(151,714)	(129,321)
Gross profit		1,947	2,795
Administrative expenses		(297)	(97)
Operating profit	6	1,650	2,698
Interest payable and similar expenses	8	(2)	(2)
Profit before taxation		1,648	2,696
Tax on profit	9	(738)	(1,145)
Profit for the financial year		910	1,551

STATEMENT OF COMPREHENSIVE INCOME
Financial Year Ended 31 December 2020

	2020 £'000	2019 £'000
Profit for the financial year	910	1,551
Other comprehensive income:		
Other comprehensive income for the year	-	-
Total comprehensive income for the financial year	910	1,551

BALANCE SHEET
As at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	10	2,908	2,494
Current assets			
Debtors	11	74,894	68,261
Creditors - amounts falling due within one year	13	(31,824)	(32,930)
Net current assets		43,070	35,331
Total assets less current liabilities		45,978	37,825
Provisions for liabilities			
Other provisions	14	(2,445)	(2,445)
Net assets		43,533	35,380
Capital and reserves			
Called up share capital	15	-	-
Share-based payments reserve	18	27,362	20,119
Profit and loss account		16,171	15,261
Total shareholders' funds		43,533	35,380

The notes on pages 15 to 27 are an integral part of these financial statements.

The financial statements on pages 12 to 14 were authorised for issue by the Board on 8 September 2021 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 2020

	Note	Called-up share capital £'000	Share-based payment reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance as at 1 January 2019		-	15,997	13,710	29,707
Profit for the financial year		-	-	1,551	1,551
Total comprehensive income for the financial year		-	-	1,551	1,551
Recharge from parent for equity settled share-based payments	18	-	(7,538)	-	(7,538)
Credit relating to equity settled share-based payments	18	-	11,660	-	11,660
Balance as at 31 December 2019		-	20,119	15,261	35,380
Balance as at 1 January 2020		-	20,119	15,261	35,380
Profit for the financial year		-	-	910	910
Total comprehensive income for the financial year		-	-	910	910
Recharge from parent for equity settled share-based payments	18	-	(11,806)	-	(11,806)
Credit relating to equity settled share-based payments	18	-	19,049	-	19,049
Balance as at 31 December 2020		-	27,362	16,171	43,533

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.

(a) Basis of preparation
These financial statements are prepared on a going concern basis, under the historical cost convention, in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102") and the Companies Act 2006.

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
The company has net current assets of £43.07 million including amounts owing from a cash pooling arrangement with its parent company of £22.33 million. The company made a profit of £0.91 million for the financial year and continues to operate a licence agreement with its parent company to market and sell advertising services on Twitter to advertisers within the United Kingdom. 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 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, liking 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 and 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Accounting policies - continued

(d) Revenue recognition - continued

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Accounting policies - continued

(g) Taxation - continued

(ii) Deferred tax - continued

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.

(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	3 to 5 years
Desktop computer equipment	3 years
Network equipment	4.5 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.

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Accounting policies - continued

(j) Financial instruments - continued

(ii) *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.

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 include 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 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 derived from the sale of advertising services and the provision of design, development, and support services within the United Kingdom.

6 Operating profit

	2020 £'000	2019 £'000
The operating profit is stated after charging:		
Depreciation of tangible fixed assets:		
- owned by the company	1,771	1,608
Statutory audit fees	22	20
Loss on foreign exchange	314	131
Operating lease expense	3,543	3,521

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Staff costs

	2020 £'000	2019 £'000
Wages and salaries	29,377	25,099
Other compensation costs – equity settled share-based payments	19,049	11,660
Social security costs	4,535	3,483
Other pension costs	1,103	769
	54,064	41,011

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

	2020 Number	2019 Number
Sales and marketing	148	141
General and administration	30	26
Research and development	103	70
	281	237

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

8 Interest payable and similar expenses

	2020 £'000	2019 £'000
Interest payable and similar expenses:		
Bank interest and other interest payable	2	2

9 Tax on profit

	2020 £'000	2019 £'000
Tax charge/(credit) included in profit or loss		
Current tax		
UK corporation tax charge on profit for the year	1,072	1,018
Adjustment in respect of previous periods	(3)	(21)
Total current tax	1,069	997
Deferred tax (see note 12)		
Origination and reversal of timing differences	(636)	397
Adjustment in respect of previous periods	305	-
Effect of changes in tax rates	-	(249)
Total deferred tax	(331)	148
Total tax on profit	738	1,145

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 (2019: higher) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
Profit before taxation	1,648	2,696
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	313	512
Effects of:		
Expenses not deductible for tax purposes	100	33
Other short-term timing differences	(204)	-
Adjustment in respect of previous periods	302	(21)
Tax rate changes	-	(249)
Share-based payments – net movement	227	870
Total tax charge for the year	738	1,145

Factors that may affect future tax charges
The main rate of corporation tax was reduced to 19% from 1 April 2017. The rate will remain at 19% for the financial years beginning 1 April 2021 and 1 April 2022, but will rise to 25% with effect from 1 April 2023.

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Tangible assets

	Leasehold improvements	Furniture and fittings	Office equipment	Desktop computer equipment	Network equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2020	8,194	1,433	1,289	1,043	3,849	15,808
Additions	727	-	73	69	1,329	2,198
Disposals	(82)	(14)	-	(66)	(50)	(212)
At 31 December 2020	8,839	1,419	1,362	1,046	5,128	17,794
Accumulated depreciation						
At 1 January 2020	(7,063)	(1,139)	(1,008)	(533)	(3,571)	(13,314)
Charge for the year	(747)	(79)	(94)	(272)	(579)	(1,771)
Disposals	82	14	-	54	49	199
At 31 December 2020	(7,728)	(1,204)	(1,102)	(751)	(4,101)	(14,886)
Net book value						
At 31 December 2020	1,111	215	260	295	1,027	2,908
At 31 December 2019	1,131	294	281	510	278	2,494

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Debtors

	2020 £'000	2019 £'000
Due within one year:		
Amounts receivable from cash pooling arrangement	22,325	25,949
Trade debtors	33,724	24,748
Amounts owed by group undertakings	13,762	13,482
Corporation tax	543	127
Other debtors	15	42
Deferred tax asset (see note 12)	2,310	1,979
Prepayments and accrued income	2,215	1,934
	74,894	68,261

The company is party to a cash pooling agreement with its parent entity, Twitter International Company. £22.33 million (2019: £25.95 million) is owed to the company at year end.

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

Trade debtors are stated after provisions for impairment of £0.74million (2019: £0.18 million).

12 Deferred tax asset

	2020 £'000	2019 £'000
Asset at beginning of year	1,979	2,127
Adjustment in respect of previous periods	(305)	-
Deferred tax credit/(charge) to profit and loss for the year	636	(148)
Asset at end of year	2,310	1,979

	2020 £'000	2019 £'000
The provision for deferred tax consists of the following deferred tax assets:		
Fixed asset timing differences	464	641
Short-term timing differences	1,846	1,338
Asset at end of year	2,310	1,979

NOTES TO THE FINANCIAL STATEMENTS - continued

13 Creditors - amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	1,190	2,311
Amounts owed to group undertakings	-	2,033
Amounts owed to parent company	6,920	4,355
Taxation and social security	9,753	10,232
Other creditors	282	207
Accruals	11,064	10,045
Deferred revenue	2,615	3,747
	31,824	32,930

Amounts owed to the parent and other group undertakings are unsecured and are repayable on demand.

	2020 £'000	2019 £'000
Taxation and social security consists of:		
VAT	8,128	8,748
Payroll taxes	1,625	1,484
	9,753	10,232

14 Other provisions

	Asset retirement obligation £'000
At 1 January 2019	2,445
Additions	-
At 31 December 2019	2,445
At 1 January 2020	2,445
Additions	-
At 31 December 2020	2,445

Asset retirement obligations
Under the terms of lease agreements entered into, the company has to restore leasehold premises to their original condition at the end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS - continued

15 Capital and reserves

	2020 £'000	2019 £'000
Allotted, called up and fully paid		
1 (2019: 1) ordinary shares of £1 each	-	-

Called-up share capital
The share capital of the company comprises of ordinary shares which carry full voting, dividend and capital distribution rights.

Share premium
The share premium account represents the amounts received in excess of the nominal value of the ordinary or deferred shares in issue.

Profit and loss account
Profit and loss account represents accumulated comprehensive income for the financial year and prior financial years.

16 Operating lease commitments

At 31 December 2020, the company had the following future minimum lease payment commitments under non-cancellable operating leases:

	2020 £'000	2019 £'000
Expiry date:		
Within 1 year	3,180	3,180
Between 2 and 5 years	6,360	-
	9,540	3,180

An agreement committing to sign a lease relating to the 3rd floor, 20 Air Street, London was signed on 13 November 2020. The agreement is dependent on improvements being made by the landlord and it is intended that the full lease will be signed in 2021, upon completion of the aforementioned improvements. The principal rent for that floor will be £2.6 million per annum.

17 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.

18 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

18 Share-based payments - continued

Under the terms of the above plans, RSUs have been granted to the company's employees. 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, the company has recorded the share-based payment charge in respect of RSUs granted to the company 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 an acquisition is recognised as a stock-based compensation expense on a graded basis over the requisite service period.

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 £19.05 million (2019: £11.66 million). During the year, the company was re-charged £11.81 million (2019: £7.54 million) from Twitter, Inc. for its share-based payment charge.

19 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.

20 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 2020.

21 Approval of financial statements

The directors approved the financial statements on 08 September 2021.