

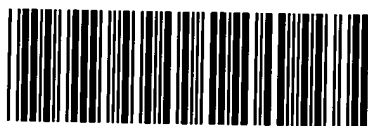
Registered number: 10165711

## TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

### ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

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## **TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

### **COMPANY INFORMATION**

<b>Director</b>	Adam Michael Presser
<b>Registered number</b>	10165711
<b>Registered office</b>	Kaleidoscope 4 Lindsey Street London EC1A 9HP
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Donington Court Pegasus Business Park Castle Donington DE74 2UZ
<b>Bankers</b>	Citibank UK Limited 33 Canada Square Canary Wharf London E14 5LB

## TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The director presents the Strategic Report of the Group for the year ended 31 December 2022.

#### Review of the business

TikTok is an entertainment platform and a destination for short-form mobile video. TikTok is committed to promoting a safe and welcoming environment that enables everyone to express their creativity, share content they love and connect with diverse communities.

The Group is comprised of the parent company: TikTok Information Technologies UK Limited ("the Company") and its subsidiaries (collectively, "the Group"). The Group operates across Europe, South and Central America and Africa. It acts as an operator of TikTok for users in the European Economic Area ("EEA"), the United Kingdom and Switzerland and generates revenue mainly through distributing online advertising and providing value-added service (e.g. livestreaming) on the TikTok platform. The Group also provides operational and marketing-related support services to the Company and other affiliate companies.

The key Group financial and other performance indicators during the year for the Group were as follows:

	2022	2021	Change %
	\$ million	\$ million	
Turnover	<b>2,618.1</b>	990.5	164.3%
Operating loss	<b>(512.1)</b>	(895.6)	42.8%
Operating loss margin	<b>(19.6)%</b>	(90.4)%	
Total assets	<b>2,725.5</b>	855.0	218.8%
Total shareholders' deficit	<b>(2,129.7)</b>	(1,680.6)	(26.7)%

The Group has continued growing during the year. The consolidated turnover during the year was \$2,618.1 million (2021: \$990.5 million), an increase of 164.3% compared with last year. The increase was primarily driven by the continued growth of our user base and enhanced monetisation tools to improve advertisers' experience and ad performance including a number of these new creative, branding and commerce solutions. In addition, livestreaming revenues increased significantly during 2022 and were an important contributor to our overall revenue growth.

In this year, the Group had an operating loss of \$512.1 million and a negative operating margin of 19.6%, compared with an operating loss of \$895.6 million and a negative operating margin of 90.4% in the previous year. The operating loss margin has increased significantly when compared to 2021, which was a combination of an increasing revenue driven by user base growth and a policy optimising cost efficiencies and reducing overall spending of the Group throughout the year. The monthly average number of employees in the Group increased from 4,396 in 2021 to 7,009 in 2022 to support the continued growth of the business.

The Group's total assets increased from \$855.0 million in 2021 to \$2,725.5 million in 2022, which is primarily related to the increase in debtors falling due within one-year, tangible assets and cash at bank. The shareholders' deficit increased as a result of loss incurred in the year.

#### Principal risks and uncertainties

The director actively manages both external and internal risks through ensuring that there are appropriate policies, governance structure and resources in place to mitigate, reduce or remove these risks. The Group has an established Enterprise Risk Management ("ERM") and Risk Control ("RC") function which oversees uncertainties, risks and threats which could negatively impact the Group's ability to achieve its objectives. Risk management operations performed by the ERM and RC functions are further augmented through the Group's other governance organs, including, but not limited to; the Global Legal Compliance team, Security team, Trust and Safety team, and assurance/risk functions that are directly embedded within departments.

The director considers that the following are the principal risks and uncertainties that could materially affect the Group.

## **TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **Principal risks and uncertainties (Continued)**

##### *Strategic risk*

The Group faces significant risk in its continued international expansion as a result of a maturing user/customer base, disruptive technological innovations, and ongoing societal and environmental impacts brought about by climate change. Furthermore, with the highly competitive nature of the social media industry and the products with which the Group competes, there is intense competition from both established and emerging platforms. All aforementioned factors require the Group to maintain an increasingly agile strategic direction to both manage risk and seize opportunity brought about by these factors; this includes making balanced judgements to effectively balance risk, revenue and cost.

##### *Financial risk*

The Group's business model relies heavily on advertising revenue, which can be impacted by adverse economic conditions brought about by high inflation, rising interest rates and the possibility of recession. Such macroeconomic headwinds may result in a contraction in customer spending and changes to consumer behaviour, which may impact the revenue-generating ability of the Group.

##### *Compliance risk*

The Group is subject to a range of new and existing laws in a regulatory landscape that is continually changing, and we engage constructively with relevant regulators as part of our broader compliance programme. We remain steadfastly committed to ensuring there are robust mechanisms in place to protect the privacy and safety of our users. The Group will continue to evaluate and improve our policies, processes and systems that are in place to ensure we are in compliance with applicable laws and regulations.

##### *Operational risk*

The size of TikTok's user base and users' level of engagement are crucial to the continued growth of our business, which continues to be significantly determined by our ability to retain our existing users and attract new users in a cost-efficient manner, while also continuing to attract, cultivate and retain content creators to contribute content. Meanwhile, we face competition from companies that operate content-based social platforms and companies that sell advertising to businesses looking to reach consumers. We need to continue to innovate and provide services that are useful to users to remain competitive.

##### *Information Technology and Security risks*

As a high-profile online platform, we are alert to a wide range of IT Security risks, including cyberattacks, data breaches and other malicious activities. The Group maintains robust security measures to protect user data and prevent unauthorised access to its systems. To that end, a dedicated Global Security Organisation function provides the Group with comprehensive security shared services that aim to protect our most critical assets. This is functionally achieved through business resilience measures, data protection services, third party security management interventions, threat management, and security advocacy and culture. The ultimate aim is to secure our people, processes and technology against potential internal and external threats.

#### **Section 172(1) statement**

In discharging the director's duty to promote the interests of the Company under section 172(1) Companies Act 2006, the director of the Company has considered a number of factors and stakeholder interests. These are described below. As a wholly owned subsidiary of TikTok Ltd. (see section 5 below), the director does not consider section 172(1)(f) "need to act fairly as between members of the Company" to be relevant to the proper discharge of his duty under section 172(1).

## TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

#### Section 172(1) statement (Continued)

##### Long-term consequences of business decisions and maintaining reputation for high standards of business conduct

The Company and the Group continuously work to maintain high standards of business conduct. They have taken important steps to ensure success in this regard by implementing various policies and training, including updated Employee Code of Conduct, Global Speak Up Policy, Anti-Corruption and Anti-Bribery Policy, Trade Compliance (Sanctions) and Export Controls Policies, Gift & Entertainment Policy, Conflict of Interest Declaration and Recusal Policy, Non-Discrimination and Anti-Harassment Policy, as well as various guidance documents on interactions with government officials.

Our Global Ethics Office team is working with cross functional stakeholders coordinating and developing content on various compliance and ethics topics (in-person and online training modules) to educate and promote the culture of integrity on a day-to-day basis. Apart from the mandatory training modules, interactive engagement activities such as quizzes, competitions, games and Ethics Day events are offered throughout the calendar year to raise awareness amongst broad employee groups. Additionally, dedicated and targeted training is offered to specific groups to address and prevent specific ethics and compliance risks (e.g. regional and global leadership team, HR business partners, government relations).

The Group's management team is drawn from a range of international backgrounds and takes a local approach in the markets in which it operates. As such, the senior management team in the UK employs an appropriate balance of proper governance and autonomy when it comes to operational decisions.

##### Stakeholder identification and engagement

The Company and the Group recognise the importance of fostering strong relationships with its stakeholders and encourages transparent, active dialogue to create sustainable long-term value. We have identified the following five key stakeholder groups as principally relevant to the proper discharge of the duty of the director under section 172(1) to promote the success of the Company.

#### 1. Advertisers

Advertising is an important source of revenue for the Group. The Group is constantly improving its operations and service model to ensure we provide high quality service and solutions to our advertisers. In recent years, we have continued to evolve our advertising platform to make it easier for advertisers to purchase TikTok advertising inventory and manage advertising campaigns, building a suite of measurement and brand safety solutions to help brands and businesses make informed advertising decisions and invest in TikTok advertising solutions with confidence. The Group has also increased its sales and accounts teams to provide sufficient support to advertisers throughout the sales cycle.

#### 2. Suppliers

The Group engages with a range of suppliers to support our operational needs including: office and building services, IT infrastructure, professional services and staffing services. We are committed to conducting business in accordance with the highest ethical standards and seek to develop and maintain business relationships with suppliers who are committed to upholding the principles of integrity and compliance in their business operations. We communicate our core values and policies to our suppliers through our Business Partner Code of Conduct. We continue to review supplier compliance and our Business Partner Code of Conduct to ensure that we are maintaining integrity and compliance relationship with our suppliers.

#### 3. Employees and employee engagement

The Group is focused on creating a positive work environment by welcoming employee feedback, encouraging collaboration and providing avenues for open communication. TikTok is committed to creating an inclusive space where employees are valued for their skills, experiences, and unique perspectives. Our platform connects people from across the globe and so does our workplace. We believe individuals shouldn't be disadvantaged because of their background or identity, but instead should be considered based on their strengths and experience.

## TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

#### Section 172(1) statement (Continued)

##### Stakeholder identification and engagement (Continued)

#### 3. Employees and employee engagement (Continued)

The Group encourages open communication through leader-led 'Town Hall' meetings for all Europe-based employees to discuss business performance and invites questions from employees. Further, by using a 360-performance review process and employee satisfaction surveys, the Company and the Group are able to gauge overall employee satisfaction and have produced action plans against the survey results as we strive to continuously enhance the employee experience. To support employee retention, good performance is rewarded. A company-wide recognition programme was re-launched at the end of 2022 that celebrates and rewards individuals and teams who best embody the company's values.

The Group provides employees access to and Employee Assistance Programme ("EAP"). The EAP offers timely, qualified assistance and support to help colleagues manage life's complexities. The EAP Care Access Centre can be contacted toll-free, 24 hours per day, 7 days per week, so that employees can be supported when they want and need it.

In the UK, the Company publicly shared our Gender Pay Gap report and commitments towards fair and equitable pay. The reporting period for the 2022 Gender Pay Gap was another dynamic period of change for our business in the UK, with the total number of employees growing by more than 40% since our last report. Both the mean (the average) and median (the middle value) hourly pay gap declined year-on-year. Our 2022 report illustrates the importance of senior female representation as a contributing factor to reducing the pay gap.

To help its employees maintain high ethics and compliance standards, the Group has adopted a range of policies including an Employee Handbook, Employee Code of Conduct, Global Speak Up Policy and Global Conflict of Interest Policy and Declaration. The Ethics Office addresses employee concerns through a range of reporting channels (anonymous reporting included) available to employees 24/7, 365 days a year.

#### 4. Users

The safety of our users continues to be central to the Group's operations.

Over the past year, we have introduced a number of features that aim to support our community in expressing their creativity in a safe and secure way. We started the year by launching a new feature designed to make people stop and think when engaging with potentially dangerous challenges. This feature means that those that attempt to search for content related to a harmful challenge will not receive any search results. They will instead be shown an in-app guide which highlights a 4-step process for engaging with an online challenge: Stop, Think, Decide & Act.

We understand that some members of our community may want to avoid certain categories of content based on their personal preferences, or that some content is made with a mature audience in mind. In support of this, we announced that we are building a new system to organise all our content based on thematic maturity. For our live streams, we also increased the minimum age requirement to host a live stream from 16 to 18 years old and introduced safety reminders for creators.

Our Community Guidelines establish a set of norms and common code of conduct that help us maintain a safe and inclusive environment for our community, where genuine interactions and authentic content are encouraged. To protect our community and platform, we remove content and accounts that violate our Community Guidelines. Creators are notified with the removal reason and provided a way to appeal the removal. Additionally, content we have deemed as not appropriate for a general audience over age 13 is ineligible for recommendation into the "For You feed". To enforce our Community Guidelines effectively, we deploy a combination of technology and moderators. We continue to publish and improve the information in our quarterly Community Guidelines Enforcement Reports, which showcase the volume of content we remove and spotlight key areas of focus for our Trust and Safety teams.

To further our commitment to bringing transparency to how our platform operates, we have also made a beta version of our platform research API available to members of our Content and Safety Advisory Councils. We support independent research and spend time engaging researchers, academics, and civil society on this topic to help inform what we're building.

## TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

#### Section 172(1) statement (Continued)

##### Stakeholder identification and engagement (Continued)

#### 4. Users (Continued)

Offering a safe and supportive environment is paramount. Through partnerships with experts and by listening to our community, we push ourselves to be industry leading in user safety, enabling our platform to remain a space for creativity and joy.

#### 5. Owners

The immediate parent of the Company is TikTok Ltd., a company incorporated and registered in the Cayman Islands. Its ultimate parent undertaking is Bytedance Ltd., also incorporated and registered in the Cayman Islands.

##### Impact on the environment and the community

The Group and Company continuously aspire to improve the responsibility of global business operations, as well as the use of all products and services.

The Group partners with NGOs and mission-driven organisations across all our regions and markets to introduce meaningful social impact initiatives to deliver inclusive economic opportunities, promote climate literacy and strengthen our well-being, privacy, and diversity and inclusion commitments. In the UK, the Company has continued collaborating with social enterprise Catch 22 and delivering the TikTok Creative Academy programme that provides digital skills to young people in education or training. To date, 583 young people have registered for TikTok Creative Academy, with 42% of participants from minority ethnic backgrounds. The programme has supported 157 job starts since 2022. Additionally, the Company has created access to the world-class theatre with TikTok Tickets in partnership with the Royal Shakespeare Company. Over 14,500 young people have been reached by the programme, including subsidised school trips to the world premiers of *My Neighbour Totoro*. During the year, the Company has supported diversity and inclusion initiatives and made charitable donations totaling around \$400,000. This included a payment of \$100,000 to Glitch to support their work in creating safe online spaces for people of colour during Black History Month.

The Group and Company also provides volunteering and matching grants opportunities, to engage employees and positively impact the local communities we operate in. The Company matches employees' personal charitable contributions to key causes such as Arts and Education up to \$10,000 a year and provides volunteering time off, an annual grant of 1 day/8hours. To date, employees have volunteered over 800 hours supporting inclusive economic activities such as helping young people into employment and have donated under 1 million to non-profit organisations with company matching.

##### Streamlined Energy and Carbon Reporting (SECR)

The Group has committed to operational carbon neutrality by 2030, aiming to reduce operational emissions by at least 90 percent by 2030, with the remaining balance being addressed through high quality carbon offsets. In addition, the Group and Company have begun transitioning to renewable energy across all global data centres and are committed to sourcing 100 percent renewable electricity for all global operations by 2030.

Environmental sustainability is also a focus of TikTok's external Corporate Social Responsibility efforts through online channels such as TikTokforGood, where it raises awareness and provides resources on important issues such as climate change, promotes and raises funds for NGOs doing impactful work, and drives millions of viewers to educational content on the topic of sustainability through participation in key events. For example, to further conversations around climate awareness coinciding with the UN Climate Conferences COP26 and 27, TikTok launched the #ClimateAction campaign to encourage communities all over the world to join the climate conversation and take action that has a positive impact on our planet, receiving more than 2 billion views. In addition, TikTok has an important role to play in empowering accurate climate discussions and mitigating harmful misinformation that can undermine the trust of our community. TikTok has implemented a new policy for removing harmful climate change misinformation as well as introducing new search features that direct relevant searches towards authoritative climate information.



TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022

Section 172(1) statement (Continued)

Streamlined Energy and Carbon Reporting (SECR) (Continued)

In compliance with UK Streamlined Energy and Carbon Reporting (SECR) legislation, the below summarizes our UK energy consumption and associated GHG emissions for the financial year ended 31 December 2022.

*Methodology*

UK emissions have been calculated in line the Greenhouse Gas ("GHG") Protocol Corporate Accounting and Reporting Standard (revised edition) and using relevant UK Government DESNZ ("Department for Energy Security and Net Zero") / BEIS ("Department for Business, Energy and Industrial Strategy") emissions factors. Reporting boundary is defined under the operation control approach and includes all relevant sources across our leased portfolio. Emissions are calculated using a location-based methodology. Scope of reporting is as follows:

- Scope 2: purchased electricity, district heating and cooling. Scope 2 data was sourced via energy supplier invoices;
- The Company had no relevant activity data from scope 1 or scope 3 sources in 2022

Data listed in the below tables cover the Company's total UK energy consumption and GHG emissions for 2022:

Reporting scope	2022	
	Total energy (MWh)	Total emissions (tCO2e)
Scope 1 – not applicable	-	-
Scope 2 – Purchased electricity, district heating and cooling in leased facilities (MWh)	4,192	774
Scope 3 – not applicable	-	-
<b>Total Energy (MWh)</b>	<b>4,192</b>	<b>774</b>

Intensity metric	2022
tCO2e / total floor area (sqft)	0.00899

For purposes of baselining and ongoing comparison of energy efficiency performance, the intensity metric chosen to normalise the emissions is based on offices' square footage. Normalisation is calculated using tCO2e per total floor area in square feet. The total floor area is 86,163 sqft.

*Energy efficiency measures*

The Group's measures to source 100% renewable electricity for all global operations and achieve operational carbon neutrality by 2030 will be implemented across offices and data centers. For its UK main office, the Company has aimed for the highest standards in terms of sustainability. The office space, which offers 86,163 square feet of workspace, has achieved an Excellent BREEAM rating, and EPC Rating B. It also achieved WiredScore Platinum, awarded to only 10% of assessed buildings worldwide.

This report was approved by the board on 01 August 2023 and signed on its behalf by



Adam Michael Presser  
Director  
Registered Number: 10165711

## **TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

### **DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

The director presents his report and the audited consolidated financial statements for the financial year ended 31 December 2022.

#### **Future developments**

The Group's strategy, in line with TikTok's mission, focuses on developing its platform and user base.

#### **Dividends**

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

#### **Financial instruments**

The Group's financial instruments include traded and other debtors, amount owed to/by group undertakings and trade and other creditors, which arise from the normal course of business. The existence of such financial instruments exposes the Group to the following financial risks:

##### *Credit risk*

Credit risk is typically derived from customers who failed to discharge its obligation under customer contracts. The Group performs ongoing credit evaluations of the customers and maintains allowances for potential bad debt losses. The Group considers amounts due from related parties as low credit risk as the counterparties are under common control with the Group and have a low risk of default.

##### *Foreign exchange risk*

The exposure of foreign exchange risk arises from purchases and sales of services in currencies other than United States Dollars ("US Dollars"). The exposure is monitored and managed by the ultimate parent company, Bytedance Ltd.. The Group currently has not used any derivative financial instruments to hedge any of these financial risks.

##### *Interest rate risk*

The Group has no interest-bearing assets other than the cash in bank. There is only limited amount of interest bearing loan from related party as of 31 December 2022. Most of the amount owed by and to the other group entities are mostly non-interest bearing. Hence, the Group does not consider there exists a material interest rate risk.

##### *Liquidity risk*

Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet commitments. The Group does not have any financing from external financial institutions and all the operations are funded by the parent company. The Group ensures continuous financial support is available from Bytedance Ltd., to manage the liquidity risk before the Group has sufficient profits from its own operations.

#### **Directors**

The directors who served during the year and to the date of this report are:

Tian Zhao (resigned on 27 July 2023)

Adam Michael Presser (appointed on 27 July 2023)

#### **Qualifying third party indemnity provisions**

Throughout the year and up to the date of signing of the financial statements, a qualifying third-party indemnity provision was in place for the director of the Company. This covers liability for the actions of the director and officers of the Company and associated costs including legal costs.

## **TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

### **DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **Research and development**

Research and development expenses consist primarily of personnel-related costs, including salaries and benefits for engineers and other employees engaged in the research and development. The expenditure amount on research and development for the year ended 31 December 2022 is \$29.9 million (2021: \$21.8 million).

#### **Going Concern**

At 31 December 2022, the Group had recorded a loss for the year of \$542.3 million (2021: \$901.7 million), resulting in net liabilities of \$2,129.7 million at 31 December 2022 (31 December 2021: \$1,680.6 million). The director prepared cash flow forecasts and a severe but plausible downside scenario covering a period of at least 18 months from the date of the approval of the financial statements on the basis of going concern to project the working capital requirement. Then the Group has received confirmation from its ultimate parent company ByteDance Ltd. indicating that it will continue to fund its future operations so that it can discharge its liabilities as they fall due for a period of at least 18 months from the date of the approval of these financial statements. The ultimate parent company will support the Group to the extent needed to ensure it can meet its financial obligations; furthermore, the ultimate parent company will ensure that no amounts due to be repaid to other ByteDance group companies within this period will be repaid unless there are funds available to do so without causing any financial harm to the Group, including any potential contingent liabilities that could arise in the future. In assessing the ultimate parent company's ability to provide this support, the director has thoroughly considered the available sources of funds from the financial support of ultimate parent company, including the assessment of any payments to settle claims disclosed under contingency liabilities (Note 18). Therefore, the director continues to adopt the going concern basis of accounting in preparing the financial statements.

#### **Statement of corporate governance arrangements**

The Company and the Group are committed to upholding high standards of corporate governance to ensure transparency, accountability, and long-term sustainability.

The Group has established various committees, including the Data Protection Steering Committee and the Online Safety Oversight Committee, to provide oversight and guidance in specific areas, especially online content moderation and privacy. Each committee has a clear and documented mandate.

Please refer to the Section 172 statement in the Strategic Report for further details.

#### **Employees**

Please refer to Strategic Report section 'employees and employee engagement' for detail concerning engagement with employees.

#### **Statement of director's responsibilities in respect of the financial statements**

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has prepared the group and the company 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).

**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

**DIRECTOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**Statement of director's responsibilities in respect of the financial statements (Continued)**

Under company law, a director 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 group and company and of the profit or loss of the group for that period. In preparing the financial statements, the director is 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 group and company will continue in business.

The director is responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The director is also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

**Director's confirmations**

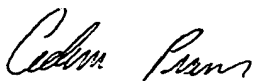
In the case of each director in office at the date the directors' report is approved:

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

**Independent Auditors**

The auditors, PricewaterhouseCoopers LLP are deemed to be reappointed under the Companies Act 2006, S.487(2).

This report was approved by the board on 01 August 2023 and signed on its behalf by



**Adam Michael Presser**  
Director

Registered Number: 10165711

# Independent auditors' report to the members of TikTok Information Technologies UK Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, TikTok Information Technologies UK Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 Consolidated and Company Statements of Financial Position as at 31 December 2022; Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and Consolidated Statement of Cash Flows 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 group 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 group's and 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 director's 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 group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the director 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 director is 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 Director's 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 Director's Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Director's Report for the year ended 31 December 2022 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 group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Director's Report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the director for the financial statements**

As explained more fully in the statement of director's responsibilities in respect of the financial statements, the director is 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 director is 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 director is responsible for assessing the group's and 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 director either intends to liquidate the group or the company or to cease operations, or has 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.

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 group and industry, we identified that the principal risks of non-compliance with laws and regulations related to data privacy and data protection regulations in applicable jurisdictions, including but not limited to GDPR, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We also considered those laws and regulations that have a direct impact on the financial statements such as Taxation legislation and the Companies Act 2006. 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 management bias in accounting estimates adopted when assessing all known or potential claims and investigations by data authorities for potentially breaching data and privacy compliance, and posting inappropriate journal entries to recognise revenue or other metrics to manipulate the financial performance of the business. Audit procedures performed by the engagement team included:

- For potential non-compliance with privacy and data protection rules, we discussed and reviewed correspondences for any claims and investigations by data authorities to understand the nature and development of each case. Further we performed media searches and review of legal expenses and minutes to support the completeness of cases disclosed to us by management. We discussed with management's in-house legal counsel to challenge the accounting estimates adopted by management and to assess the maximal risk exposure and the likelihood of the outcome of each case. We then directly inquired with the those external legal counsel engaged by management to assess and defend these claims, through the use of legal confirmation letters to confirm the consistency of management's estimates. During these procedures our own internal data compliance experts were used to assess the evidence received. We then then assessed whether management's accounting estimates adopted for the financial risk exposure of each case are appropriate are unbiased based on the latest information available and appropriate provisions or disclosures had been made in these financial statements.
- Identifying and testing unusual journal entries which increase revenue or other metrics to manipulate the financial performance of the business.
- Inquiry of management staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations.

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](http://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 director's remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



David Teager (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands  
3 August 2023



**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

		<b>For the year ended 31 December</b>	
	<b>Note</b>	<b>2022 \$'000</b>	<b>2021 \$'000</b>
Turnover	5	2,618,121	990,457
Cost of sales		<u>(1,822,203)</u>	<u>(1,008,510)</u>
<b>Gross profit/(loss)</b>		<b>795,918</b>	<b>(18,053)</b>
Selling and marketing expenses		(859,799)	(665,862)
Administrative expenses		<u>(448,181)</u>	<u>(211,664)</u>
<b>Operating loss</b>	6	<u><b>(512,062)</b></u>	<u><b>(895,579)</b></u>
Interest receivable and similar income		1,131	-
Interest payable and similar expenses		<u>(2,994)</u>	<u>(159)</u>
<b>Loss before tax</b>		<u><b>(513,925)</b></u>	<u><b>(895,738)</b></u>
Tax on loss	7	(28,420)	(5,992)
<b>Loss and total comprehensive expense for the financial year</b>		<u><b>(542,345)</b></u>	<u><b>(901,730)</b></u>
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Company		(542,376)	(901,739)
Non-controlling interests		31	9

There was no other comprehensive income for 2022 (2021: Nil).

The notes on pages 20 to 43 form part of these financial statements.

**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**  
**REGISTERED NUMBER: 10165711**  
**CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**

	Note	Group As at 31 December		Company As at 31 December	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Fixed assets</b>					
Intangible assets	9	1,400	1,304	1,400	1,304
Tangible assets	10	149,468	25,479	25,118	9,037
Investment in associates		19	-	19	-
Investment in subsidiaries	11	-	-	23,245	16,422
		<u>150,887</u>	<u>26,783</u>	<u>49,782</u>	<u>26,763</u>
<b>Current assets</b>					
Debtors: amounts falling due within one year	12	2,370,907	737,539	2,569,171	1,064,837
Cash at bank		<u>203,686</u>	<u>90,701</u>	<u>130,314</u>	<u>25,905</u>
<b>Total current assets</b>		<u>2,574,593</u>	<u>828,240</u>	<u>2,699,485</u>	<u>1,090,742</u>
Creditors: amounts falling due within one year	13	<u>(4,789,156)</u>	<u>(2,469,655)</u>	<u>(4,895,265)</u>	<u>(2,789,428)</u>
<b>Net current liabilities</b>		<u>(2,214,563)</u>	<u>(1,641,415)</u>	<u>(2,195,780)</u>	<u>(1,698,686)</u>
<b>Total assets less current liabilities</b>		<u>(2,063,676)</u>	<u>(1,614,632)</u>	<u>(2,145,998)</u>	<u>(1,671,923)</u>
Creditors: amounts falling due after more than one year	14	(66,000)	(66,000)	-	-
<b>Net liabilities</b>		<u>(2,129,676)</u>	<u>(1,680,632)</u>	<u>(2,145,998)</u>	<u>(1,671,923)</u>
<b>Capital and reserves</b>					
Called up share capital	16	-	-	-	-
Other reserves	19	97,767	4,466	47,208	-
Profit and loss account		(2,227,483)	(1,685,107)	(2,193,206)	(1,671,923)
Non-controlling interests		<u>40</u>	<u>9</u>	<u>-</u>	<u>-</u>
<b>Total shareholders' deficit</b>		<u>(2,129,676)</u>	<u>(1,680,632)</u>	<u>(2,145,998)</u>	<u>(1,671,923)</u>

The loss in respect of the Company for year was \$521.3m (2021: loss of \$919.6m). The financial statements on pages 15 to 43 were approved and authorised for issue by the board and were signed on its behalf on 01 August 2023.



**Adam Michael Presser**  
Director

The notes on pages 20 to 43 form part of these financial statements.

**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital \$'000	Other reserves \$'000	Profit and loss account \$'000	Sub-total \$'000	Non-controlling interests \$'000	Total shareholders' deficit \$'000
<b>At 1 January 2021</b>	-	14,200	(783,368)	(769,168)	-	(769,168)
Loss and total comprehensive income/(expenses) for the year	-	-	(901,739)	(901,739)	9	(901,730)
Effect of business combinations under common control	-	1,426	-	1,426	-	1,426
Consideration for business combinations under common control	-	(11,160)	-	(11,160)	-	(11,160)
<b>At 31 December 2021</b>	-	4,466	(1,685,107)	(1,680,641)	9	(1,680,632)
Loss and total comprehensive income/(expenses) for the year	-	-	(542,376)	(542,376)	31	(542,345)
Capital contribution with respect to equity settled share-based awards	-	93,301	-	93,301	-	93,301
<b>At 31 December 2022</b>	-	97,767	(2,227,483)	(2,129,716)	40	(2,129,676)

The notes on pages 20 to 43 form part of these financial statements.

**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Other reserves	Profit and loss account	Total shareholders' deficit
	\$'000	\$'000	\$'000	\$'000
<b>At 1 January 2021</b>	-	-	(752,280)	(752,280)
Loss and total comprehensive expense for the year	-	-	(919,643)	(919,643)
<b>At 31 December 2021</b>	-	-	(1,671,923)	(1,671,923)
Loss and total comprehensive expense for the year	-	-	(521,283)	(521,283)
Capital contribution with respect to equity settled share-based awards	-	47,208	-	47,208
<b>At 31 December 2022</b>	-	47,208	(2,193,206)	(2,145,998)

The notes on pages 20 to 43 form part of these financial statements.

**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

		<b>For the year ended 31 December</b>	
	<b>Note</b>	<b>2022</b>	<b>2021</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Cash used in operations	17	(581,039)	(877,664)
Income tax paid		(34,206)	(430)
Net cash used in operating activities		(615,245)	(878,094)
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(1,850)	(1,768)
Purchase of tangible assets		(135,734)	(21,746)
Acquisition of investment in associate		(19)	-
Non-trade amounts advanced to group undertakings		(2,805,000)	-
Non-trade amounts repaid from group undertakings		2,000,000	-
Interest income received		613	-
Net cash used in investing activities		(941,990)	(23,514)
<b>Cash flows from financing activities</b>			
Loan received from related undertakings		1,223,000	64,000
Loan repaid to related undertakings		(7,000)	-
Non-trade amount advanced from group undertakings		3,504,974	1,439,912
Non-trade amount repaid to group undertakings		(3,038,962)	(544,800)
Net cash generated from financing activities		1,682,012	959,112
Net increase in cash and cash equivalents		124,777	57,504
Cash and cash equivalents at 1 January		90,701	32,304
Exchange gains/(losses) on cash and cash equivalents		(11,792)	893
Cash and cash equivalents at 31 December		203,686	90,701

The notes on pages 20 to 43 form part of these financial statements.

## **TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **1. General information**

TikTok Information Technologies UK Limited ('the Company') and its subsidiaries (together 'the Group') are principally engaged in provision of online advertising services and other value-added service, such as livestreaming programme.

The Company is a private company limited by shares and is incorporated and domiciled in England, United Kingdom. The address of its registered office is Kaleidoscope, 4 Lindsey Street, London, EC1A 9HP, England.

#### **2. Statement of compliance**

The Group and individual 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 the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

#### **3. Summary of significant accounting policies**

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

##### **3.1 Basis of preparation of financial statements**

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and company 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.

The Company has taken advantage of the exemption in section 408 of the Companies Act from presenting its individual profit and loss account.

##### **3.2 Previous year financial statement business acquisition under common control**

In June 2021, the Company acquired the entire equity interest in Bytedance Brasil Tecnologia Ltda. ("Bytedance Brazil") from its related entities for a total cash consideration of approximately \$11 million.

The acquisition was business combinations under common control given that the Company, and Bytedance Brazil are under common control of Bytedance Ltd. immediately before and after the business combination, therefore the Group applies the principles of merger accounting in preparing these consolidated financial statements.

By applying the principles of merger accounting, these consolidated financial statements also include the financial positions, and results of Bytedance Brazil as if it had been combined with the Group throughout the year ended 31 December 2021.

## **TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **3. Summary of significant accounting policies (Continued)**

##### **3.3 Going concern**

At 31 December 2022, the Group had recorded a loss for the year of \$542.3 million (2021: \$901.7 million), resulting in net liabilities of \$2,129.7 million (2021: \$1,680.6 million). The director prepared cash flow forecasts and a severe but plausible downside scenario covering a period of at least 18 months from the date of the approval of the financial statements on the basis of going concern to project the working capital requirement. Then the Group has received confirmation from its ultimate parent company Bytedance Ltd. indicating that it will continue to fund its future operations so that it can discharge its liabilities as they fall due for a period of at least 18 months from the date of the approval of these financial statements. The ultimate parent company will support the Group to the extent needed to ensure it can meet its financial obligations; furthermore the ultimate parent company will ensure that no amounts due to be repaid to other Bytedance group companies within this period will be repaid unless there are funds available to do so without causing any financial harm to the Group, including any potential contingent liabilities that could arise in the future. In assessing the ultimate parent company's ability to provide this support, the director has thoroughly considered the available sources of funds from the financial support of ultimate parent company, including the assessment of any payments to settle claims disclosed under contingency liabilities (Note 18). Therefore, the director continues to adopt the going concern basis of accounting in preparing the financial statements.

##### **3.4 Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions.

The Company has taken advantage of the following exemptions in its individual financial statements:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.48(c), as the information is provided in the consolidated financial statement disclosures.
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

## **TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **3. Summary of significant accounting policies (Continued)**

##### **3.5 Basis of Consolidation**

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings together with the Group's share of the results of associates made up to 31 December.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the entity.

For business combinations involving enterprises under common control, the consideration paid and net assets obtained by the acquirer are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combinations and the carrying amount of the consideration paid is treated as an adjustment to capital reserve.

##### **3.6 Foreign currency translation**

###### **Functional and presentation currency**

The Company and its subsidiaries' functional currency are US dollars. The Group financial statements and the Company financial statements are presented in US dollars.

###### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.



## **TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **3. Summary of significant accounting policies (Continued)**

##### **3.6 Foreign currency translation(Continued)**

###### **Transactions and balances(Continued)**

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'administrative expenses'.

##### **3.7 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

###### **Rendering of advertising services**

Advertising services revenue is generated primarily by displaying ad products on TikTok. The Group generates advertising services revenue from performance-based advertisements and time-based advertisements. Advertisers pay for the ad products either directly or through advertising agencies based on the time spent, number of impressions delivered or the number of actions, such as clicks, taken by users.

Revenue from the display of impression-based ads is recognised in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to users. Revenue from the delivery of action-based ads is recognised in the period in which a user takes the action the marketer contracted for, such as clicks.

###### **Livestreaming**

The Group operates and maintains its own platform, TikTok, for users who reside in the European Economic Area, Switzerland and the UK (collectively, "the Group's users"). The Group offer livestreaming through TikTok whereby the Group's users can enjoy the content contributed by the streamers and interact with the streamers on a real time basis for free. The Group also operates a virtual gifting system, through which the Group's users can purchase virtual items and present them as gifts to streamers to show their support and appreciation.

The Group generates revenue from the sales of virtual items to the Group's users, and the Group's users are the Group's customers. The virtual items are produced and delivered by the Group. Sales of virtual items are recognised as revenue when the virtual items are gifted by the Group's users to streamers as the Group has no more obligations related to virtual items once they are gifted to streamers. The Group recognises such livestreaming revenue for the sale value of virtual items delivered to the Group's users at the end of each calendar month.

###### **Rendering of supporting services to another group companies**

The Group also generate revenue from provision of support service to another group company under the terms of an intercompany agreement. Revenue from supporting services is recognised in the accounting period in which the services are rendered, as per terms of agreement between the Company and a counterparty group company.

###### **Deferred Revenue**

Deferred revenue balance are payments the Group received from customers in advance of revenue recognition. The balance would be recognised as revenue once the service is rendered.

## TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 3. Summary of significant accounting policies (Continued)

##### 3.8 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

##### 3.9 Employee benefits

The Group provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

###### *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. Defined contribution pension plans*

The Group operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

###### *iii. Share based payments*

The ultimate holding company operates a share-based payments plan. Some employees of the Group receive remuneration in the form of equity instruments (restricted stock units "RSUs") of its ultimate holding company as consideration for services rendered. Under Section 26 of FRS102, these equity-settled share-based payment transactions are measured at fair value and recognised as an expense spread over the service periods for share awards expected to vest. At each Statement of financial position date, the Company revises its estimates of the number of awards that are expected to vest and recognises the impact in its Statement of comprehensive income. The corresponding credit is recognised in retained earnings as a component of equity. Recharges made to the company when the share awards have vested are recognised when paid and accounted for as a decrease in equity.

##### 3.10 Taxation

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

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 years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 3. Summary of significant accounting policies (Continued)

##### 3.10 Taxation (Continued)

###### *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 assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

##### 3.11 Business combinations and goodwill

Business combinations are accounted for by applying the purchase method except for business combinations under common control.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life which is estimated to be ten years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

##### 3.12 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives.

Amortisation is provided on the following basis:

Goodwill	- Over 10 years
Brand names & Trademarks	- 2 to 10 years
Software	- Licence contract length

Amortisation is included in administrative expenses in the profit and loss account. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

## **TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **3. Summary of significant accounting policies (Continued)**

##### **3.13 Tangible assets**

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Depreciation is provided on the following basis:

Plant and machinery	- 4 years
Fixtures and fittings	- 5 years
Office equipment	- 3 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

##### **3.14 Impairment of non-financial assets**

At each balance sheet date non-financial assets are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account.

Goodwill is allocated on acquisition to the cash generating unit expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

##### **3.15 Investments in subsidiaries and investments in associates**

Investments in subsidiaries and investments in associates are measured at cost less accumulated impairment. Investments are impaired to the extent the book value exceeds the higher of the value-in-use calculation and the net realisable value.

##### **3.16 Cash at bank**

Cash is represented by deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

## TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 3. Summary of significant accounting policies (Continued)

##### 3.17 Financial instruments

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

###### *i. Financial assets*

Basic financial assets, including trade and other debtors, cash in hand and at bank 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. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled; or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party; or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

###### *ii. Financial liabilities*

Basic financial liabilities, including trade and other creditors, loan from group undertakings and amounts owned to group undertakings 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 rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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

##### 3.18 Provisions and contingencies

###### *i. Provisions*

Provisions are recognised when the Group 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 as a finance cost.

## TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 3. Summary of significant accounting policies (Continued)

##### 3.18 Provisions and contingencies (Continued)

###### ii. Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

##### 3.19 Share capital of the Company

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.

#### 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.

##### (a) Critical judgements in applying the Group's accounting policies

###### Contingencies

The Group is involved in legal proceedings and regulatory investigations that arise in the ordinary course of business. Some of these matters include claims for substantial or indeterminate amounts of damages. Additionally, the Group is required to comply with various legal and regulatory obligations. The requirements for complying with these obligations may be uncertain and subject to interpretation and enforcement by regulatory and other authorities, and any failure to comply with such obligations could eventually lead to legal or regulatory action. With respect to these matters, asserted and unasserted, the Group evaluates the developments on a regular basis and accrue a liability when believes that it is both probable that a loss has been incurred and the amount can be reasonably estimated. During this course, significant judgment is required to determine the probability of loss and the estimated amount of loss, including whether the likelihood of loss is remote, reasonably possible, or probable or if and when the reasonably possible range of loss is estimable. See Note 18 of the accompanying notes to consolidated financial statements for additional information regarding the contingencies.

##### (b) Key accounting estimates and assumptions

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

###### Impairment of debtors

The Group 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 12 for the net carrying amount of the debtors and associated impairment provision.

**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**4. Critical accounting judgements and estimation uncertainty (Continued)**

**Equity settled share-based awards**

The Company's ultimate holding company, Bytedance Ltd. maintains the Stock Incentive Plan and has used the binomial option-pricing model to determine the fair value of the RSUs granted to employees at the grant date and each end of the reporting period. Any changes to its diversified assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, will impact the valuation and are required to be made by Bytedance Ltd. in applying the binomial option-pricing model.

**Deferred taxes**

Deferred tax assets are required to be recognised to the extent that it is probable (i.e. more likely than not) that sufficient future taxable profit will be available against which the deductible temporary difference or unused tax losses or credits can be recovered or utilised. The calculations of future taxable profits are based on estimated future cash flows. The Group uses its judgment to select a variety of assumptions in these discounted cash flows mainly based on market conditions existing at each reporting date.

**5. Turnover**

**Analysis of turnover by geography:**

	<b>2022</b> <b>\$'000</b>	<b>2021</b> <b>\$'000</b>
United Kingdom	565,353	279,277
European Union	1,485,861	531,775
Latin America <sup>1</sup>	218,050	82,475
Rest of World	348,857	96,930
	<b>2,618,121</b>	<b>990,457</b>

<sup>1</sup> Turnover in Latin America is solely derived from the Brazilian and Mexican subsidiaries of the Group.

**Analysis of turnover by category:**

	<b>2022</b> <b>\$'000</b>	<b>2021</b> <b>\$'000</b>
Online advertising service	1,652,134	802,355
Livestreaming programme	790,149	151,364
Supporting service to group undertakings	143,102	36,433
Other	32,736	305
	<b>2,618,121</b>	<b>990,457</b>

**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**6. Operating loss**

Operating loss is stated after charging:

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Staff costs	<b>660,706</b>	391,252
Donations	<b>3,498</b>	1,033
Operating lease charges	<b>68,683</b>	43,265
Depreciation of tangible assets	<b>11,745</b>	5,136
Amortisation of intangible assets	<b>1,754</b>	734
Foreign exchange losses	<b>14,282</b>	4,383
Fees payable to the Company's auditors and its associates for the audit of the parent company and the Group's consolidated financial statements	<b>583</b>	450
Fees payable to the Company's auditors and its associates for other services:		
– Audit of the Company's subsidiaries	<b>63</b>	48
– Tax advisory services	<b>168</b>	108

**7. Tax on loss**

**a. Tax expense included in profit or loss**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Corporation tax	-	-
Foreign corporation tax on profits for the year	<b>28,420</b>	5,993
Total current tax charge	<b>28,420</b>	5,993



**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**7. Tax on loss (Continued)**

**b. Reconciliation of tax charge**

Tax assessed for the year is higher (2021: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2022 of 19% (2021: 19%). The differences are explained below:

	2022 \$'000	2021 \$'000
Loss before tax	<u>(513,925)</u>	<u>(895,738)</u>
Loss multiplied by the standard rate of tax in the UK of 19% (2021: 19%)	(97,646)	(170,190)
Effects of:		
– Expenses not deductible for tax purposes	929	187
– Income tax withheld	16,684	374
– Impact of overseas tax rates and other tax adjustments	(990)	(1,269)
– Unrecognised deferred tax	<u>109,443</u>	<u>176,891</u>
Tax charge for the year	<u>28,420</u>	<u>5,993</u>

As at 31 December 2022, the Group has not recognised a deferred tax asset of \$527.6m (2021: \$418.1m). The deferred tax asset related primarily to losses of \$2,117.4m (2021: \$1,664.9m). The recoverability of this asset depends on future taxable profits.

**c. Tax rate changes**

The Group continually assesses the impact of legislative developments in the jurisdictions in which we operate. As announced in 2021, the main UK corporation tax rate will increase from 19% to 25% from 1 April 2023. The un-recognised deferred tax asset at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Additionally, on 20 December 2021, the OECD released a framework for Pillar Two Model Rules which will introduce a global minimum corporate tax rate of 15% applicable to multinational enterprise groups with global revenue over €750 million. In addition, on 20 July 2022, HM Treasury released draft UK legislation that would commence for accounting periods starting on or after 31 December 2023. The Group is reviewing this draft legislation and monitoring the status of implementation to understand the potential impacts.

**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**8. Employee and Director**

**Employee benefit expense**

	2022 \$'000	2021 \$'000
Wages and salaries	478,924	340,773
Social security costs	78,890	42,231
Share-based payments expenses	93,301	-
Other pension costs	9,591	8,248
	<u>660,706</u>	<u>391,252</u>

**Pension Scheme**

The Group operates a defined contribution pension scheme. The amount recognised as an expense for the defined contribution scheme by the Group was \$9.6m (2021: \$8.2m). At 31 December 2022, contributions payable due but not yet paid to the schemes was \$0.9m (2021: Nil).

**Share-based payments expense**

The share-based payment expense is allocated by the ultimate holding company on the basis of a reasonable allocation of the expense for the Group. See note 19 for further details.

**Employees number**

The average monthly number of employees (including the director) employed by the Group and the Company during the year was:

	Group 2022 No.	2021 No.	Company 2022 No.	2021 No.
Sales and marketing	2,432	1,329	619	358
Operation and administration	4,304	2,853	1,378	1,059
Research and development	273	214	172	137
	<u>7,009</u>	<u>4,396</u>	<u>2,169</u>	<u>1,554</u>

**Director's emoluments**

No fees or other emoluments were paid to the director of the Company during the financial year ended 31 December 2022 (2021: Nil) in respect of their services to the Company.

The director was paid by other entities within the Group during the year however it is not practical to allocate the portion for his services to the Company in light of the level of activities specifically for the Company.

TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

9. Intangible assets

	Goodwill	Brand names & Trademarks	Software	Total
	\$'000	\$'000	\$'000	\$'000
<b>Group</b>				
At 1 January 2022				
Cost	47,391	11,800	2,212	61,403
Accumulated amortisation and impairment	(47,391)	(11,800)	(908)	(60,099)
<b>Net book value</b>	-	-	1,304	1,304
Year ended at 31 December 2022				
Opening net book amount	-	-	1,304	1,304
Additions	-	-	1,850	1,850
Amortisation	-	-	(1,754)	(1,754)
<b>Closing net book amount</b>	-	-	1,400	1,400
At 31 December 2022				
Cost	47,391	11,800	4,062	63,253
Accumulated amortisation and impairment	(47,391)	(11,800)	(2,662)	(61,853)
<b>Net book value</b>	-	-	1,400	1,400
<b>Company</b>				
At 1 January 2022				
Cost	-	-	2,194	2,194
Accumulated amortisation	-	-	(890)	(890)
<b>Net book value</b>	-	-	1,304	1,304
Year ended at 31 December 2022				
Opening net book amount	-	-	1,304	1,304
Additions	-	-	1,850	1,850
Accumulated amortisation	-	-	(1,754)	(1,754)
<b>Closing net book amount</b>	-	-	1,400	1,400
At 31 December 2022				
Cost	-	-	4,044	4,044
Accumulated amortisation	-	-	(2,644)	(2,644)
<b>Net book value</b>	-	-	1,400	1,400

TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

10. Tangible assets

	Plant and machinery \$'000	Fixtures and fittings \$'000	Office equipment \$'000	Construction in Progress \$'000	Total \$'000
<b>Group</b>					
At 1 January 2022					
Cost	8,688	2,555	15,855	5,591	32,689
Accumulated depreciation	(1,478)	(1,434)	(4,298)	-	(7,210)
<b>Net book value</b>	<b>7,210</b>	<b>1,121</b>	<b>11,557</b>	<b>5,591</b>	<b>25,479</b>
<b>Year ended at 31 December 2022</b>					
Opening net book amount	7,210	1,121	11,557	5,591	25,479
Additions	110,971	143	6,334	19,576	137,024
Disposals	(993)	-	(297)	-	(1,290)
Transfers	-	17,040	559	(17,599)	-
Depreciation	(3,051)	(2,290)	(6,404)	-	(11,745)
<b>Closing net book amount</b>	<b>114,137</b>	<b>16,014</b>	<b>11,749</b>	<b>7,568</b>	<b>149,468</b>
At 31 December 2022					
Cost	118,667	19,738	22,579	7,568	168,552
Accumulated depreciation	(4,530)	(3,724)	(10,830)	-	(19,084)
<b>Net book value</b>	<b>114,137</b>	<b>16,014</b>	<b>11,749</b>	<b>7,568</b>	<b>149,468</b>
<b>Company</b>					
At 1 January 2022					
Cost	1,191	42	4,954	5,047	11,234
Accumulated depreciation	(339)	(18)	(1,840)	-	(2,197)
<b>Net book value</b>	<b>852</b>	<b>24</b>	<b>3,114</b>	<b>5,047</b>	<b>9,037</b>
<b>Year ended at 31 December 2022</b>					
Opening net book amount	852	24	3,114	5,047	9,037
Additions	1,528	64	1,957	16,804	20,353
Disposals	(62)	-	(180)	-	(242)
Transfers	-	16,717	235	(16,952)	-
Depreciation	(403)	(1,683)	(1,944)	-	(4,030)
<b>Closing net book amount</b>	<b>1,915</b>	<b>15,122</b>	<b>3,182</b>	<b>4,899</b>	<b>25,118</b>
At 31 December 2022					
Cost	2,539	16,823	6,778	4,899	31,039
Accumulated depreciation	(624)	(1,701)	(3,596)	-	(5,921)
<b>Net book value</b>	<b>1,915</b>	<b>15,122</b>	<b>3,182</b>	<b>4,899</b>	<b>25,118</b>

**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**11. Investments in subsidiaries**

	<b>2022 \$'000</b>	<b>2021 \$'000</b>
<b>Company Cost</b>		
At 1 January	<b>77,082</b>	63,505
Additions	<b>6,823</b>	13,577
At 31 December	<b>83,905</b>	77,082
<b>Impairment</b>		
At 1 January and 31 December	<b>(60,660)</b>	(60,660)
<b>Net book value</b>		
At 31 December	<b>23,245</b>	16,422
At 1 January	<b>16,422</b>	2,845

The following were subsidiaries directly and indirectly(\*) owned by the Company: All the below subsidiaries are included in the consolidation.

<b>Name</b>	<b>Address of the registered office</b>	<b>Principal activity</b>	<b>Holding</b>
TikTok Germany GmbH	Stralauer Allee 2 10245 Berlin, Germany	Information technology related services	100%
News Republic SAS	Rue Robert Caumont 1es Bureaux du Lac I1 33049 Bordeaux CEDEX, France	Information technology related services	100%
TikTok Technology Limited	10 Earlsfort Terrace Dublin 2, D02 T380, Ireland	Data hosting, trust and safety content review and related activities	100%
Hyperbola sp z.o.o	50 Krucza, 00-025, Warsaw, Mazowieckie, Poland	Information technology related services	100%
News Republic Inc(*)	221 N Broad ST, Suite 3A, Middletown, New Castle, DE 19709, US	Information technology related services	100%
TikTok SAS	19 rue Poissonnière, 75002 Paris, France	Information technology related services	100%
TikTok Information technologies Spain S.L.	C/ Goya, Numero 20, 5º Izquierda 28001, Madrid, Spain	Information technology related services	100%
TikTok Italy S.r.l.	Regus Loreto,Viale Abruzzi, 94, 20131 Milan, Italy	Information technology related services	100%
TikTok Sweden AB	c/o Osborne Clarke Advokatfirma AB Grev Turegatan 114 38, Stockholm, Sweden	Information technology related services	100%
TikTok Mexico Tecnologia, S. de R.L. de C.V.	Volcano No. 212 Interior N2A, Lomas de Chapultepec, C.P. 11000, Mexico City, Mexico	Information technology related services	99%

**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**11. Investments in subsidiaries (Continued)**

<b>Name</b>	<b>Address of the registered office</b>	<b>Principal activity</b>	<b>Holding</b>
TikTok South Africa (PTY) Ltd	Room 04-104 And 04-105 Wework, 173 Oxford Rd, Johannesburg, Gauteng, 2196, South Africa	Information technology related services	100%
Bytedance Brasil Tecnologia Ltda.	Avenida Presidente Juscelino Kubitschek, No. 1909, 24th floor, suite 241, Vila Nova Conceição, ZIP Code 04543-907, City of São Paulo, State of São Paulo.	Information technology related services	100%
TikTok Colombia Technologies S.A.S.	Cr 7 No. 71 52 To B P 9, Bogotá D.C. Colombia	Information technology related services	100%
TikTok Service Netherlands B.V.	Haarlemmerweg 331 A, 1051LH Amsterdam, The Netherlands	Information technology related services	100%
TikTok Technologies Netherlands B.V.	Barbara Strozilaan 201, 1083 HN, Amsterdam, The Netherlands	Information technology related services	100%
TikTok Technologies Belgium	Avenue Louise 209A, 1050 Brussels, Belgium	Information technology related services	100%
TikTok Denmark ApS	c/o DLA Piper Denmark Advokatpartnerselskab Oslo Plads 2 2100 København Ø	Information technology related services	100%
TikTok Norway AS	Hasleveien 28A, 0571 Oslo, Norge	Information technology related services	100%

**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**12. Debtors: amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade debtors	485,534	290,872	394,369	249,740
Amounts owed by group undertakings	1,629,912	335,979	1,985,655	708,980
Other debtors	25,612	11,402	3,784	7,953
Prepayments	229,849	99,286	185,363	98,164
	<b>2,370,907</b>	<b>737,539</b>	<b>2,569,171</b>	<b>1,064,837</b>

Trade debtors of the Group are stated after bad debt provisions of \$26.4m (2021: \$9.5m). Trade debtors of the Company are stated after bad debt provisions of \$18.5m (2021: \$8.7m).

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

**13. Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade creditors	188,001	32,970	53,959	12,796
Amounts owed to group undertakings	2,843,243	2,156,022	3,237,734	2,561,601
Accruals and other creditors	534,912	267,919	380,572	208,031
Corporation tax	-	5,744	-	-
Loan from group undertakings	1,223,000	7,000	1,223,000	7,000
	<b>4,789,156</b>	<b>2,469,655</b>	<b>4,895,265</b>	<b>2,789,428</b>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. At 31 December 2022, \$1,734.2m of the amounts owed to group undertakings are operational funds provided by holding companies and a fellow subsidiary (2021: \$1,279.3m).

Loan from group undertaking is unsecured, repayable within the next twelve months from 31 December 2022 and interest bearing with a prevailing rate charged of 40bps plus the 180-day average Secured Overnight Financing Rate ("SOFR").

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

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Loan from group undertakings	66,000	66,000	-	-

Loan from group undertakings is unsecured, interest free with repayable terms of 5 years.

**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**15. Financial instruments**

**Group**

The Group has the following financial instruments:

	<b>Note</b>	<b>2022 \$'000</b>	<b>2021 \$'000</b>
Financial assets that are debt instruments measured at amortised cost			
– Trade debtors	12	485,534	290,872
– Amounts owed by group undertakings	12	1,629,912	335,979
– Other debtors	12	25,612	11,402
		<b>2,141,058</b>	<b>638,253</b>
Financial liabilities measured at amortised cost			
– Trade creditors	13	188,001	32,970
– Amounts owed to group undertakings	13	2,843,243	2,156,022
– Loan from group undertakings	13,14	1,289,000	73,000
– Accruals		326,576	156,082
		<b>4,646,820</b>	<b>2,418,074</b>

**Company**

The Company has the following financial instruments:

	<b>Note</b>	<b>2022 \$'000</b>	<b>2021 \$'000</b>
Financial assets that are debt instruments measured at amortised cost			
– Trade debtors	12	394,369	249,740
– Amounts owed by group undertakings	12	1,985,655	708,980
– Other debtors	12	3,784	7,953
		<b>2,383,808</b>	<b>966,673</b>
Financial liabilities measured at amortised cost			
– Trade creditors	13	53,959	12,796
– Amounts owed to group undertakings	13	3,237,734	2,561,601
– Loan from group undertakings	13	1,223,000	7,000
– Accruals		239,315	139,864
		<b>4,754,008</b>	<b>2,721,261</b>

**16. Called up share capital**

	<b>2022 \$</b>	<b>2021 \$</b>
<b>Allotted, called up and fully paid</b>		
100 (31 December 2021: 100) Ordinary Shares of £1 each	<b>127</b>	<b>127</b>



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**17. Notes to the cash flow statement**

	2022 \$'000	2021 \$'000
Loss for the financial year	<u>(542,345)</u>	<u>(901,730)</u>
Adjustments for:		
Tax on loss	28,420	5,992
Net interest expense/(income)	<u>1,863</u>	<u>159</u>
Operating loss	(512,062)	(895,579)
Amortisation of intangible assets	1,754	734
Depreciation of tangible assets	11,745	5,136
Share-based expenses	93,301	-
Other provisions and non-cash items	23,621	8,808
Working capital movements:		
- Increase in debtors	(1,681,521)	(596,487)
- Increase in payables	<u>1,482,123</u>	<u>599,724</u>
Cash flow used in operating activities	<u>(581,039)</u>	<u>(877,664)</u>

**Analysis of changes in net debt:**

	At 01 Jan 2022 \$'000	Cashflow \$'000	At 31 Dec 2022 \$'000
Cash at bank and in hand	90,701	112,985	203,686
Amount owed to group undertakings	(1,268,204)	336,507	(931,697)
Loan from group undertakings	<u>(73,000)</u>	<u>(1,216,000)</u>	<u>(1,289,000)</u>
	<u>(1,250,503)</u>	<u>(766,508)</u>	<u>(2,017,011)</u>

## **TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **18. Contingent liabilities**

##### **Group and Company**

Between June and September 2021, three Dutch consumer rights foundations, named "Stichting Onderzoek Marktinformatie" ("SOMI"), "Stichting Take Back Your Privacy" ("STYBP") and "Stichting Massaschade & Consument" ("SMC"), respectively filed class action litigation claims in the Dutch Courts against various TikTok entities, including TikTok Information Technologies UK Ltd and TikTok Technology Ltd. These claims were consolidated by the Dutch court on 13 October 2021 and, on 9 November 2022, the court decided it has jurisdiction to hear the claims. The case is in the admissibility stage, and a hearing on admissibility stage went ahead on 28 June 2023. The court will hand down its decision, following a hearing on 30 August 2023, to deliberate on which of three foundations will have conduct of the ultimate claim, as well as the full scope of the claim (amongst other issues). The amounts claimed by the foundations range from circa \$1.65 billion (by SOMI) to \$6.8 billion (claimed by SMC), however the ultimate sum will depend on a range of factors. The cases are still at the early procedural stage and, given the lack of legal precedent, it is impracticable for the Group to estimate the potential financial impact of any such claim, so no provision has been made.

The Data Protection Commission ("DPC") in Ireland commenced two inquiries into the Group on 14 September 2021. Given the respective stage of each of the inquiries, as outlined further below, it is probable that potential losses related to these investigations may be incurred and may be challenged or appealed by the Group. However, the timing and the amount of the settlement outflow are still subject to uncertainties. It is impracticable for the Group to estimate the potential financial impact associated with each of these cases, therefore no provision has been accrued.

The first inquiry is in relation to the processing of children's personal data and age verification practices between 29 July and 31 December 2020. The DPC issued a draft decision on 13 September 2022 which included a proposed range of fines. The European Economic Area ("EEA") supervisory authorities were unable to reach a consensus on the draft decision through the Article 60 process and the matter was referred to the European Data Protection Board ("EDPB") for resolution pursuant to the article 65 resolution process. The decision is currently being considered by the EDPB. The second inquiry is in relation to the transfer of EEA user data from the European Union to China under the General Data Protection Regulation ("GDPR"). The DPC issued a preliminary draft decision on the second inquiry on 17 May 2023 and indicated a range of fines. The Group is in the process of responding to the DPC's preliminary findings.

Apart from the above claims, the Group has received enquiries or investigations from a number of regulators, including in respect of both privacy and consumer law-related matters, and some of them are still ongoing. Considering the outcomes of the investigations are unpredictable and subject to uncertainty, it is impracticable for the Group to determine with certainty the likely outcome and/or to estimate the financial impact of any such investigations, so no provision has been made.

The Group will evaluate any further developments as appropriate and accrue a liability when they believe a loss is material, probable and the amount can be estimated reliably.

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**19. Other reserves**

	<b>Merger reserve</b>	<b>Capital contribution with respect to equity settled share-based awards</b>	<b>Total</b>
<b>Group</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>At 1 January 2021</b>	<b>14,200</b>	<b>-</b>	<b>14,200</b>
Effect of business combinations under common control	1,426	-	1,426
Consideration for business combinations under common control	(11,160)	-	(11,160)
<b>At 31 December 2021</b>	<b>4,466</b>	<b>-</b>	<b>4,466</b>
Capital contribution with respect to equity settled share-based awards	-	93,301	93,301
<b>At 31 December 2022</b>	<b>4,466</b>	<b>93,301</b>	<b>97,767</b>
<b>Company</b>			
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>
Capital contribution with respect to equity settled share-based awards	-	47,208	47,208
<b>At 31 December 2022</b>	<b>-</b>	<b>47,208</b>	<b>47,208</b>

**(a) Merger reserve**

In June 2021, the Company acquired the entire equity interest in Bytedance Brasil Tecnologia Ltda. ("Bytedance Brazil") from its related entities. The acquisition was a business combination under common control given that the Company and Bytedance Brazil were under control of Bytedance Ltd. Immediately before and after the business combination, therefore the Group applies the principles of merger accounting in preparing these consolidated financial statements. The merger reserve for the year ended 31 December 2022 is US\$ 4.5m.

**(b) Equity settled share-based awards**

The Company's ultimate holding company, Bytedance Ltd. maintains the Stock Incentive Plan (the "Share Plan"). Under the Share Plan, Bytedance Ltd. has issued restricted stock units ("RSUs") to employees of the Group, which generally vest over four years contingent upon employment with the Group on the vesting dates. The detailed information of the Share Plan, including the number of units granted, exercised, forfeited and vested during the year and the average exercise price per categories, are managed and maintained by Bytedance Ltd.

Bytedance Ltd. has determined the fair value of the RSUs granted to employees at the grant date and each end of the reporting period, which is to be expensed over the vesting period and allocated based on employment (e.g., subsidiaries in which the services were rendered). The fair value is calculated through a binomial option pricing, which was used once it includes diversified assumptions such as the underlying equity value, risk-free interest rate, expected volatility, dividend yield, and weighting on a number of exit scenarios.

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**19. Other reserves (Continued)**

**(b) Equity settled share-based awards (Continued)**

The equity settled share-based awards in relation to the Share Plan were recognised as capital contribution in the Statement of Change in Equity with a corresponding impact on the share-based payment expenses in the Statement of Comprehensive Income. The total expenses for the year ended 31 December 2022 are US\$ 93.3m for the Group and US\$ 47.2m for the Company.

**20. Commitments under operating leases**

At 31 December, the Group had the following future minimum lease payments under non-cancellable operating leases for each of the following financial years:

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Payments due				
Not later than one year	<b>46,414</b>	<b>43,547</b>	<b>18,015</b>	<b>20,884</b>
Later than one year and not later than five years	<b>111,734</b>	<b>105,670</b>	<b>31,418</b>	<b>44,649</b>
Later than five years	<b>103,701</b>	<b>121,623</b>	<b>18,400</b>	<b>30,911</b>

**21. Related party transactions**

**Group**

**(a) Transaction with related parties**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Services provided to fellow subsidiaries	<b>143,102</b>	<b>36,433</b>
Services received from fellow subsidiaries	<b>399,522</b>	<b>134,744</b>
Expenses paid on behalf of fellow subsidiaries	<b>344,748</b>	<b>167,894</b>
Expenses paid by fellow subsidiaries on the Group's behalf	<b>495,852</b>	<b>386,927</b>
Interest income on loan to fellow subsidiaries	<b>518</b>	<b>-</b>
Interest expense on loan from fellow subsidiaries	<b>2,994</b>	<b>-</b>
Funds received from/(repaid to):		
- Holding companies	<b>833,924</b>	<b>584,212</b>
- Fellow subsidiaries	<b>43,088</b>	<b>374,900</b>

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**21. Related party transactions (Continued)**

**(a) Transaction with related parties (Continued)**

During 2022, the Group received \$1,238.0m from the immediate holding company and repaid \$404.1m to the immediate holding company (2021: received \$1,072.0m and repaid \$544.1m). Additionally, the Group received \$ 5,435.0m from fellow subsidiaries and paid \$ 5,391.9m during the same period (2021: received \$ 374.9m). These balances are presented as investing and financing activities in the consolidated statement of cash flows. Investing activities are transactions in which the Group is funding fellow subsidiaries, and financing activities are transactions in which the Group is being funded by holding companies and fellow subsidiaries.

**(b) Significant balances with related parties**

	<b>2022</b> <b>\$'000</b>	<b>2021</b> <b>\$'000</b>
Amounts owed by group undertakings:		
- Fellow subsidiaries	<b>1,629,912</b>	335,979
Amounts owed to group undertakings:		
- Holding companies	<b>1,734,232</b>	911,352
- Fellow subsidiaries	<b>1,109,011</b>	1,244,670
Loan from group undertakings:		
-The holding company	<b>66,000</b>	66,000
- Fellow subsidiary	<b>1,223,000</b>	7,000

**(c) Key management personnel**

Key management personnel ("KMP") include all directors who together have authority and responsibility for planning, directing and controlling the activities of the Group. The directors deemed to be KMP are not paid by the Group and sit across broader divisions of the business, among the holding entities and fellow subsidiaries.

**Company**

Other than the transactions disclosed above, the Company's other related party transactions were with wholly owned subsidiaries.

**22. Controlling party**

The immediate parent company is TikTok Ltd., a company incorporated and registered in Cayman, and its ultimate parent company is Bytedance Ltd., incorporated and registered in Cayman. Yiming Zhang is the ultimate controlling party of the Company and the Group.