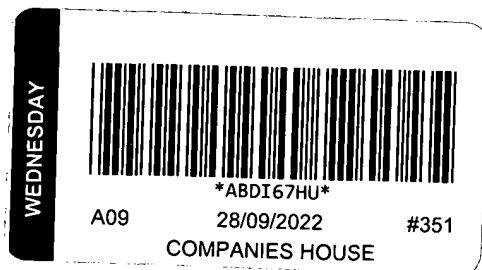


Registered number: 10165711

**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**



**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

**COMPANY INFORMATION**

<b>Director</b>	Tian Zhao
<b>Registered number</b>	10165711
<b>Registered office</b>	6th Floor One London Wall London EC2Y 5EB
<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

Music Business Worldwide (copy)

CONTENTS

	Pages
Strategic Report	1 - 5
Director's Report	6 - 8
Independent Auditors' Report	9 - 12
Consolidated Statement of Comprehensive Income	13
Consolidated and Company Statements of Financial Position	14
Consolidated Statement of Changes in Equity	15
Company Statement of Changes in Equity	16
Consolidated Statement of Cash Flows	17
Notes to the Financial Statements	18 - 39

## TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The director presents the Strategic Report of the Group for the year ended 31 December 2021.

#### 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 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:

	2021	2020 (Restated)	Change %
	\$ million	\$ million	
Turnover	990.46	171.62	+ 477%
Operating loss	(895.58)	(654.20)	+ 37%
Operating loss margin	-90%	-381%	
Total assets	855.02	190.93	+ 348%
Total shareholder's deficit	(1,680.63)	(769.17)	+ 118%

The Group has continued growing during the year. The consolidated turnover during the year was \$990.46 million (2020: \$171.62 million), an increase of 477% 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 this year, the Group had an operating loss of \$895.58 million and a negative operating margin of 90%, compared with an operating loss of \$654.20 million and a negative operating margin of 381%. The narrowed operating loss margin was mainly due to the increase of revenue and partially offset by the increase in employees to support the growth of the business and increased sales and marketing activities. The monthly average number of employees in the Group increased from 1,302 (restated) in 2020 to 4,396 in 2021.

The Group's total assets increased from \$190.93 million in 2020 to \$855.02 million in 2021, which is primarily related to the increase in debtors falling due within one year, tangible assets and cash at bank. The shareholder's deficit increased as a result of the increase in loss for the year.

In 2021, the Company acquired 100% equity of ByteDance Brasil Tecnologia Ltda. ("ByteDance Brazil") from its related entities. ByteDance Brazil engages in the provision of sales and marketing related supporting services to other affiliate companies and acts as a reseller of advertising services to certain clients in Brazil. As the acquisition was a business combination under common control, the Company applied merger accounting and restated the preceding financial statements as comparatives. The detailed information of the acquisition can be referred to Note 3.2 of the financial statement.

#### Principal risks and uncertainties

The director consider that the following are the principal risks and uncertainties that could materially affect the Group. The director actively manages these risks and ensures that there are appropriate policies in place to mitigate these risks.

## TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### Principal risks and uncertainties(Continued)

##### Business risk

The size of TikTok's user base and the users' level of engagement are crucial to our business, which continue to be significantly determined by our ability to retain our existing users, keep them engaged and acquire new users in a cost-efficient manner and our ability 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 that are looking to reach consumers. We need to continue to innovate and provide services that are useful to users to remain competitive.

##### Compliance risk

The Group is subject to a range of new and existing laws in a regulatory landscape that can change, and we engage constructively with regulators to minimise the risk of being non-compliant. Protecting the privacy and safety of our users, and in particular our younger users, is a top priority. TikTok will continue to evaluate and improve our policies, processes and systems.

#### 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 her duty under section 172(1).

##### 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 a 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 which are principally relevant to the proper discharge of the duty of the director under section 172(1) to promote the success of the Company.

TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021

Section 172(1) statement (Continued)

Stakeholder identification and engagement (Continued)

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. Over 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 in 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. The Group's leadership team holds 'Town Hall' meetings for all Europe-based employees to discuss business performance and invites questions from employees. By using a 360 review process and employee satisfaction surveys, the Company and the Group is able to gauge overall employee satisfaction. This commitment to employee engagement saw TikTok accredited as a 'Great Place to Work', an independent accreditation which illustrates the Company's positive working environment.

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. In addition, the Group gives full and fair consideration to applications for employment by disabled applicants, and also ensures access to training and career development is based upon an employee's attributes and abilities only and is decided without reference to an employee's disability.

To support employee retention, good performance is rewarded. 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. Global Investigation Division team is addressing employee concerns on a daily basis offering a range of reporting channels (anonymous reporting included) available to employees 24/7 365 days a year.

In the UK, the Company publicly shared our Gender Pay Gap report and commitments towards fair and equitable pay. The data from the published report (2020/21 reporting year) told us that there is room for improvement in our gender pay gap results. To achieve the aims of being an inclusive employer of choice, our diversity and inclusion (D&I) strategy – 'Powered by D&I' – sets out three pillars that we believe will, over time, positively influence the shape and composition of our workforce in the UK, and therefore our gender pay gap results. We believe that by focusing on the pillars identified above, and working to build on them over time, we will help foster a diverse and inclusive workplace that will impact our results in the long-term.

TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021

Section 172(1) statement (Continued)

Stakeholder identification and engagement (Continued)

4. Users

At the heart of the Groups operations is the safety of our users.

We are united in our commitment to always look for new ways to have a positive impact on our community, enabling their creativity to flourish. Over the last 12 months, we've commissioned new research to learn more about addressing challenges and hoaxes, rolled out new controls to help our community manage their well-being and delivered campaigns that help to create a safer space for people on TikTok. Our updated Community Guidelines build on these improvements, with a broader approach to tackling eating disorder content and a strengthened policy on dangerous challenges. Those changes are designed to meet the needs of our community, as well as build policies that reflect the feedback we've had from the experts we work with every day.

Through our updated quarterly Community Guidelines Enforcement Reports, we highlight content we're taking down and spotlight key areas of focus for our Trust and Safety teams. By continually improving the information in these reports, and making them more accessible, we aim to provide a greater insight into our work.

Furthermore, we believe it's crucial to educate our community about our policies. That's why we use resources like our Help Centre, Safety Centre and Transparency Centre to inform and update people on the tools and resources they have on-hand.

Equally important is committing to transparency, and we know that regulators and policy makers want to understand more about how we operate. Our European Transparency and Accountability Centres provide stakeholders with insight into how our moderation system works, how we secure the platform and how our algorithm serves content to our users. Our Centre in Dublin is currently operating virtually, with hundreds of visitors from across the continent having already participated in a tour.

We know the responsibility we have to our community, and it's one we take incredibly seriously. We look forward to advancing our work with experts and our community to ensure we are continuing to build a welcoming, entertaining platform for our users.

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.

**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**Section 172(1) statement (Continued)**

*Impact on the environment and the community*

The Group and Company continuously aspire to improve the responsibility and sustainability of business operations globally, and are currently developing and implementing longer-term environmental ambitions and strategies to strengthen future environmental performance. TikTok is committed to reducing its environmental footprint by taking action to mitigate carbon, waste, and water impacts, whilst also ensuring compliance with all relevant local regulations.

Environmental sustainability is also a focus of TikTok's external CSR 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 such as COP26.

The primary function of the CSR team is to enhance the Company's performance and reputation as a sustainable and socially responsible technology company and integrate this approach into business operations and interactions with stakeholders. To achieve this goal, the Global CSR team is structured into three distinct teams, social impact, environmental impact and employee impact.

The Company's Social Impact Team will focus on driving more inclusive economic opportunities through partnerships and investments that reduce inequalities and promote job creation, entrepreneurship, creativity and innovation in key global markets. In the UK, the Company is currently collaborating with social enterprise Catch 22 to provide digital skills training to over 2,000 young classified as 'not in education or training' (or 'NEET'). Additionally, the team will work on ensuring that TikTok continues to grow as the number one destination for NGOs by improving ad credits, donation tools, and emergency donation procedures.

Work has begun to improve employee engagement/impact at the Company. Employee volunteer sessions have taken place in the UK, with TikTok employees sharing their skills and knowledge with marginalised youth on the Company's youth employment program with Catch 22.

During the course of the year, the Company made charitable donations totaling around \$1 million. This included a payment of £30,000 to the Diana Award in the delivery of its campaign, a partnership with UK's leading LGBTQ+ charity Stonewall and £300,000 to support the Youth Music's NextGen Fund.

This report was approved by the board on 29 July 2022 and signed on its behalf by

  
Tian Zhao  
Director

Registered Number: 10165711



## TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

### DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The director presents her report and the audited consolidated financial statements for the financial year ended 31 December 2021.

#### **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 consider 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 monitor 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 bereding loan from related party as of 31 December 2021. 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 institution 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.

#### **Director**

The director who served during the year and to the date of this report is:

Tian Zhao

#### **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 directors 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 2021

#### Research and development

Research and development expenses consist primary 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 can be referred to in Note 6 of the accompanying notes to the consolidated financial statements.

#### Going Concern

At 31 December 2021, the Group had recorded a loss for the year of \$901,730,591 (2020: \$654,269,018), resulting in net liabilities of \$1,680,631,957 at 31 December 2021 (31 December 2020: \$769,167,462). The director prepared cash flow projections 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. Specifically, where the Group has external debt due for repayment within this period the ultimate parent company will support to the extent needed to ensure the Group 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. 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.

#### 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 2021**

**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 director's 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 a 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 29 July 2022 and signed on its behalf by



**Tian Zhao**  
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 2021 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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Consolidated and Company Statements of Financial Position as at 31 December 2021; 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.

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

## 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 2021 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.

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

## 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.

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

## 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

29 July 2022

TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Year ended 31 December 2021 \$	2020 \$ (Restated)
Turnover	5	990,457,143	171,618,509
Cost of sales		<u>(1,008,509,863)</u>	<u>(311,918,294)</u>
<b>Gross loss</b>		<b>(18,052,720)</b>	<b>(140,299,785)</b>
Selling and marketing expenses		(665,862,234)	(350,839,464)
Administrative expenses		<u>(211,663,910)</u>	<u>(163,117,001)</u>
<b>Operating loss</b>	6	<b><u>(895,578,864)</u></b>	<b><u>(654,256,250)</u></b>
Interest payable and similar expenses		(159,155)	(41,419)
Other operating gains		<u>-</u>	<u>45,691</u>
<b>Loss before tax</b>		<b><u>(895,738,019)</u></b>	<b><u>(654,251,978)</u></b>
Tax on loss	7	(5,992,572)	(17,040)
<b>Loss and total comprehensive expense for the financial year</b>		<b><u>(901,730,591)</u></b>	<b><u>(654,269,018)</u></b>
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Company		(901,739,373)	(654,269,018)
Non-controlling interests		8,782	-

There was no other comprehensive income for 2021 (2020: Nil).

The notes on pages 18 to 39 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 2021

	Note	Group		Company	
		As at 31 December 2021	2020	As at 31 December 2021	2020
		\$	\$	\$	\$
			(Restated)		
<b>Fixed assets</b>					
Intangible assets	9	1,303,541	269,082	1,303,541	269,082
Tangible assets	10	25,479,208	8,987,419	9,036,724	2,936,269
Investments	11			16,421,930	2,845,355
		<u>26,782,749</u>	<u>9,256,501</u>	<u>26,762,195</u>	<u>6,050,706</u>
<b>Current assets</b>					
Debtors: amounts falling due within one year	12	737,538,853	149,367,147	1,064,837,693	212,654,975
Cash at bank and in hand		<u>90,701,040</u>	<u>32,303,725</u>	<u>25,905,183</u>	<u>20,585,213</u>
		<u>828,239,893</u>	<u>181,670,872</u>	<u>1,090,742,876</u>	<u>233,240,188</u>
Creditors: amounts falling due within one year	13	<del>(2,469,654,599)</del>	<del>(951,094,835)</del>	<del>(2,789,428,383)</del>	<del>(991,570,719)</del>
<b>Net current liabilities</b>		<u><del>(1,641,414,706)</del></u>	<u><del>(769,423,963)</del></u>	<u><del>(1,698,685,507)</del></u>	<u><del>(758,330,531)</del></u>
<b>Total assets less current liabilities</b>		<u><del>(1,614,631,957)</del></u>	<u><del>(760,167,462)</del></u>	<u><del>(1,671,923,312)</del></u>	<u><del>(752,279,825)</del></u>
Creditors: amounts falling due after more than one year	14	(66,000,000)	(9,000,000)		
<b>Net liabilities</b>		<u><del>(1,680,631,957)</del></u>	<u><del>(769,167,462)</del></u>	<u><del>(1,671,923,312)</del></u>	<u><del>(752,279,825)</del></u>
<b>Capital and reserves</b>					
Called up share capital	16	127	127	127	127
Merger reserve		4,466,094	14,200,000	-	-
Profit and loss account		(1,685,106,962)	(783,367,589)	(1,671,923,439)	(752,279,952)
Non-controlling interests		<u>8,784</u>			
Total shareholders' deficit		<u><del>(1,680,631,957)</del></u>	<u><del>(769,167,462)</del></u>	<u><del>(1,671,923,312)</del></u>	<u><del>(752,279,825)</del></u>

The loss in respect of the Company for year was \$919,643,487 (2020: loss of \$632,026,538)

The financial statements on pages 13 to 39 were approved and authorised for issue by the board and were signed on its behalf on 29 July, 2022.

Tian Zhao  
Director



The notes on pages 18 to 39 form part of these financial statements.

## TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital \$	Merger reserve \$	Profit and loss account \$	Sub-total \$	Non-controlling interests \$	Total shareholders' deficit \$
At 1 January 2020, as previously reported	127	-	(122,719,653)	(122,719,526)	-	(122,719,526)
Effect of business combinations under common control	-	14,200,000	(6,378,918)	7,821,082	-	7,821,082
<b>Balance at 1 January 2020, restated</b>	<b>127</b>	<b>14,200,000</b>	<b>(129,098,571)</b>	<b>(114,898,444)</b>	-	<b>(114,898,444)</b>
Loss and total comprehensive expenses for the year	-	-	(654,269,018)	(654,269,018)	-	(654,269,018)
<b>At 31 December 2020, restated</b>	<b>127</b>	<b>14,200,000</b>	<b>(783,367,589)</b>	<b>(769,167,462)</b>	-	<b>(769,167,462)</b>
At 1 January 2021, as previously reported	127	-	(767,051,520)	(767,051,393)	-	(767,051,393)
Effect of business combinations under common control	-	14,200,000	(16,316,069)	(2,116,069)	-	(2,116,069)
<b>Balance at 1 January 2021, restated</b>	<b>127</b>	<b>14,200,000</b>	<b>(783,367,589)</b>	<b>(769,167,462)</b>	-	<b>(769,167,462)</b>
Loss and total comprehensive income/(expenses) for the year	-	-	(901,739,373)	(901,739,373)	8,782	(901,730,591)
Contribution from non-controlling interest holders of a subsidiary	-	-	-	-	2	2
Effect of business combinations under common control	-	1,426,094	-	1,426,094	-	1,426,094
Consideration for business combinations under common control	-	(11,160,000)	-	(11,160,000)	-	(11,160,000)
<b>At 31 December 2021</b>	<b>127</b>	<b>4,466,094</b>	<b>(1,685,106,962)</b>	<b>(1,680,640,741)</b>	<b>8,784</b>	<b>(1,680,631,957)</b>

The notes on pages 18 to 39 form part of these financial statements.

**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Profit and loss account	Total shareholder's deficit
	\$	\$	\$
<b>At 1 January 2020</b>	<b>127</b>	<b>(120,253,414)</b>	<b>(120,253,287)</b>
Loss and total comprehensive expense for the year	<u>-</u>	<u>(632,026,538)</u>	<u>(632,026,538)</u>
<b>At 31 December 2020</b>	<b>127</b>	<b>(752,279,952)</b>	<b>(752,279,825)</b>
Loss and total comprehensive expense for the year	<u>-</u>	<u>(919,643,487)</u>	<u>(919,643,487)</u>
<b>At 31 December 2021</b>	<b>127</b>	<b>(1,671,923,439)</b>	<b>(1,671,923,312)</b>

The notes on pages 18 to 39 form part of these financial statements.

TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	For the year ended 31 December	
		2021	2020
		\$	\$
			(Restated)
<b>Cash flows from operating activities</b>			
Cash used in operations	17	(877,664,301)	(311,016,617)
Income tax paid		(429,429)	(17,040)
Net cash used in operating activities		(878,093,730)	(311,033,657)
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(1,768,453)	(443,722)
Purchase of tangible assets		(21,745,949)	(8,155,515)
Net cash used in investing activities		(23,514,402)	(8,599,237)
<b>Cash flows from financing activities</b>			
Loan received from related undertakings		64,000,000	9,000,000
Non-trade amount received from group undertakings		1,439,911,898	369,092,007
Non-trade amount repaid to group undertakings		(544,799,640)	(45,054,720)
Net cash generated from financing activities		959,112,258	333,037,287
Net increase in cash and cash equivalents		57,504,126	13,404,393
Cash and cash equivalents at 1 January		32,303,725	19,046,736
Exchange gains/(losses) on cash and cash equivalents		893,189	(147,404)
Cash and cash equivalents at 31 December		90,701,040	32,303,725

The notes on pages 18 to 39 form part of these financial statements.

## TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 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 program.

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 One London Wall 6th Floor, London, EC2Y 5EB, 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 Restatement of previous year financial statement due to business acquisition under common control

In June 2021, the Company acquired the entire equity interest in ByteDance Brasil Technologia 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. Comparative figures as at 31 December 2020 and for the year then ended have been restated as a result of such.

The followings are reconciliations of the effects arising from the above mentioned common control combinations on the consolidated balance sheet as at 1 January 2020, and 31 December 2020, and the consolidated statement of comprehensive income for the year ended 31 December 2020.

TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

3. Summary of significant accounting policies(Continued)

3.2 Restatement of previous year financial statement due to business acquisition under common control(Continued)

(i) The consolidated balance sheet as at 1 January 2020:

	Balances as previously reported \$	ByteDance Brazil \$	Adjustments \$	Balance as restated \$
<b>Assets</b>				
Non-current assets	506,295	6,839,623	-	7,345,918
Current assets	37,197,578	7,166,696	-	44,364,274
<b>Liabilities</b>				
Current liabilities	160,423,399	6,185,237	-	166,608,636
<b>Equity</b>				
Share capital	127	14,200,000	(14,200,000)	127
Merger reserve	-	-	14,200,000	14,200,000
Accumulated losses	(122,719,653)	(6,378,918)	-	(129,098,571)

(ii) The consolidated balance sheet as at 31 December 2020:

	Balances as previously reported \$	ByteDance Brazil \$	Adjustments \$	Balance as restated \$
<b>Assets</b>				
Non-current assets	6,364,207	2,892,294	-	9,256,501
Current assets	174,638,698	7,032,174	-	181,670,872
<b>Liabilities</b>				
Current liabilities	948,054,298	3,040,537	-	951,094,835
Non-current liabilities	-	9,000,000	-	9,000,000
<b>Equity</b>				
Share capital	127	14,200,000	(14,200,000)	127
Merger reserve	-	-	14,200,000	14,200,000
Accumulated losses	(767,051,520)	(16,316,069)	-	(783,367,589)

(iii) The consolidated statement of comprehensive income for the year ended 31 December 2020:

	Amounts as previously reported \$	ByteDance Brazil \$	Adjustments \$	Amounts as restated \$
Revenue	170,779,006	839,503	-	171,618,509
Loss for the year	(644,331,867)	(9,937,151)	-	(654,269,018)

## TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

##### 3.3 Going concern

At 31 December 2021, the Group had recorded a loss for the year of \$901,730,591 (2020: \$654,269,018), resulting in net liabilities of \$1,680,631,957 at 31 December 2021 (31 December 2020: \$769,167,462). The director prepared cash flow projections covering a period of at least 15 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. Specifically, where the Group has external debt due for repayment within this period, the ultimate parent company will support to the extent needed to ensure the Group 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. 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 2021

#### 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 2021

#### 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 consummated, 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 item 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 2021

#### 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. 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.

##### 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 2021

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	- Authorised using life

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 2021

#### 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 – the Company

Investments in subsidiaries 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 and in hand

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

## TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

#### 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 2021

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 2021

5. Turnover

Analysis of turnover by geography:

	2021 \$	2020 \$(Restated) \$
United Kingdom	279,277,352	51,862,954
Europe Union	531,775,408	114,012,326
Other	179,404,383	5,743,229
	<u>990,457,143</u>	<u>171,618,509</u>

Analysis of turnover by category:

	2021 \$	2020 \$(Restated) \$
Online advertising service	802,354,775	152,544,852
Livestreaming program	151,364,475	16,626,730
Supporting service to group undertakings	36,433,130	2,446,927
Other	304,763	-
	<u>990,457,143</u>	<u>171,618,509</u>

6. Operating loss

Operating loss is stated after charging:

	2021 \$	2020 \$(Restated) \$
Research and development expenses	21,752,720	13,571,814
Donations	1,032,903	25,903,408
Operating lease charges	43,264,583	15,127,509
Depreciation of tangible assets	5,136,128	1,460,399
Amortisation of intangible assets	733,994	174,640
Fees payable to the Company's auditor and its associates for the audit of the parent company and the Group's consolidated financial statements	450,431	389,400
Fees payable to the Company's auditor and its associates for other services:		
– Audit of the Company's subsidiaries	47,530	-
– Tax advisory services	108,433	104,506

TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

7. Tax on loss

a. Tax expense included in profit or loss

	2021 \$	2020 \$ (Restated)
Corporation tax	-	-
Foreign corporation tax on profits for the year	<u>5,992,572</u>	<u>17,040</u>
Total current tax charge	<u>5,992,572</u>	<u>17,040</u>

b. Reconciliation of tax charge

Tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2021 of 19% (2020: 19%). The differences are explained below:

	2021 \$	2020 \$ (Restated)
Loss before tax	<u>(895,738,019)</u>	<u>(654,251,978)</u>
Loss multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	<u>(170,190,224)</u>	<u>(124,307,876)</u>
Effects of:		
– Expenses not deductible for tax purposes	186,847	4,693,671
– Income tax withheld	374,110	-
– Impact of overseas tax rates	(1,268,757)	(2,901,578)
– Unrecognised deferred tax	<u>176,890,596</u>	<u>122,532,823</u>
Tax charge for the year	<u>5,992,572</u>	<u>17,040</u>

As at 31 December 2021, the Group has not recognised a deferred tax asset of \$418,139,177 (2020: \$141,677,806). The deferred tax asset related primarily to losses of \$1,664,849,814 (2020: \$745,309,763). The recoverability of this asset depends on future taxable profits.

c. Tax rate changes

Enacted in Finance Act 2021, the corporation tax rate remained at 19% from 1 April 2021 (rather than reducing to 17% as previously enacted). In the Spring Budget 2021, the UK Government announced the corporation tax rate would rise to 25% from 1 April 2023. This new law was substantively enacted on 24 May 2021. 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.



TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

8. Employees and Directors

Employee benefit expense

	2021 \$	2020 \$ (Restated)
Wages and salaries	340,772,981	108,626,249
Social security costs	42,231,095	10,887,893
Other pension cost	8,247,721	1,315,814
	<u>391,251,797</u>	<u>120,829,956</u>

Pension Scheme

The Group operates a defined contribution pension scheme. The amount recognized as an expense for the defined contribution scheme by the Group was \$8,247,721 (2020: \$1,315,814). At 31 December 2021, contributions payable due but not yet paid to the schemes was Nil (2020: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. As of 31 December 2021, no share-based payments expense had been recognized for RSUs because the occurrence of a qualifying event for the awards has not been reasonably anticipated yet.

Employees number

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

	Group		Company	
	2021 No.	2020 No. (Restated)	2021 No.	2020 No.
Sales and marketing	1,329	321	358	158
Operation and administration	2,853	868	1,059	451
Research and development	214	113	137	60
	<u>4,396</u>	<u>1,302</u>	<u>1,554</u>	<u>669</u>

Director

No fees or other emoluments were paid to the director of the Company during the financial year ended 31 December 2021 (2020: Nil) in respect of her services to the Company.

The director was paid by other entities within the Group however it is not practical to allocate the portion for their 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 2021

## 9. Intangible assets

	Goodwill	Brand names & Trademarks	Software	Total
	\$	\$	\$	\$
<b>Group</b>				
At 1 January 2021				
Cost	47,390,505	11,800,000	443,722	59,634,227
Accumulated amortisation and impairment	<u>(47,390,505)</u>	<u>(11,800,000)</u>	<u>(174,640)</u>	<u>(59,365,145)</u>
<b>Net book value</b>	<u>-</u>	<u>-</u>	<u>269,082</u>	<u>269,082</u>
Year ended at 31 December 2021				
Opening net book amount	-	-	269,082	269,082
Additions	-	-	1,768,453	1,768,453
Amortisation	-	-	<u>(733,994)</u>	<u>(733,994)</u>
<b>Closing net book amount</b>	<u>-</u>	<u>-</u>	<u>1,303,541</u>	<u>1,303,541</u>
At 31 December 2021				
Cost	47,390,505	11,800,000	2,212,175	61,402,680
Accumulated amortisation and impairment	<u>(47,390,505)</u>	<u>(11,800,000)</u>	<u>(908,634)</u>	<u>(60,099,139)</u>
<b>Net book value</b>	<u>-</u>	<u>-</u>	<u>1,303,541</u>	<u>1,303,541</u>
<b>Company</b>				
At 1 January 2021				
Cost	-	-	443,722	443,722
Accumulated amortisation	-	-	<u>(174,640)</u>	<u>(174,640)</u>
<b>Net book value</b>	<u>-</u>	<u>-</u>	<u>269,082</u>	<u>269,082</u>
Year ended at 31 December 2021				
Opening net book amount	-	-	269,082	269,082
Additions	-	-	1,749,748	1,749,748
Accumulated amortisation	-	-	<u>(715,289)</u>	<u>(715,289)</u>
<b>Closing net book amount</b>	<u>-</u>	<u>-</u>	<u>1,303,541</u>	<u>1,303,541</u>
At 31 December 2021				
Cost	-	-	2,193,470	2,193,470
Accumulated amortisation	-	-	<u>(889,929)</u>	<u>(889,929)</u>
<b>Net book value</b>	<u>-</u>	<u>-</u>	<u>1,303,541</u>	<u>1,303,541</u>

## TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

## 10. Tangible assets

	Plant and machinery \$	Fixtures and fittings \$	Office equipment \$	Construction in Progress \$	Total \$
<b>Group</b>					
At 1 January 2021 (previously reported)					
Cost	1,761,392	37,449	5,223,790	-	7,022,631
Accumulated depreciation	(159,738)	(11,050)	(756,718)	-	(927,506)
<b>Net book value</b>	<b>1,601,654</b>	<b>26,399</b>	<b>4,467,072</b>	<b>-</b>	<b>6,095,125</b>
Effect of business combinations under common control	990,007	1,578,682	323,605	-	2,892,294
At 1 January 2021 (restated)					
Cost	2,772,771	2,530,002	5,680,631	-	10,983,404
Accumulated depreciation	(181,110)	(924,921)	(889,954)	-	(1,995,985)
<b>Net book value</b>	<b>2,591,661</b>	<b>1,605,081</b>	<b>4,790,677</b>	<b>-</b>	<b>8,987,419</b>
Year ended at 31 December 2021					
Opening net book amount	2,591,661	1,605,081	4,790,677	-	8,987,419
Additions	5,915,410	25,157	10,146,140	5,591,205	21,677,912
Disposals	-	-	(49,995)	-	(49,995)
Depreciation	(1,297,185)	(508,804)	(3,330,139)	-	(5,136,128)
<b>Closing net book amount</b>	<b>7,209,886</b>	<b>1,121,434</b>	<b>11,556,683</b>	<b>5,591,205</b>	<b>25,479,208</b>
At 31 December 2021					
Cost	8,688,181	2,555,159	15,854,976	5,591,205	32,689,521
Accumulated depreciation	(1,478,295)	(1,433,725)	(4,298,293)	-	(7,210,313)
<b>Net book value</b>	<b>7,209,886</b>	<b>1,121,434</b>	<b>11,556,683</b>	<b>5,591,205</b>	<b>25,479,208</b>

TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

10. Tangible assets (Continued)

	Plant and machinery \$	Fixtures and fittings \$	Office equipment \$	Construction in Progress \$	Total \$
<b>Company</b>					
At 1 January 2021					
Cost	619,733	28,224	2,918,784	-	3,566,741
Accumulated depreciation	(101,648)	(9,607)	(519,217)	-	(630,472)
<b>Net book value</b>	<b>518,085</b>	<b>18,617</b>	<b>2,399,567</b>	<b>-</b>	<b>2,936,269</b>
Year ended at 31 December 2021					
Opening net book amount	518,085	18,617	2,399,567	-	2,936,269
Additions	571,034	13,052	2,085,684	5,047,299	7,717,069
Disposals	-	-	(49,995)	-	(49,995)
Depreciation	(236,880)	(8,038)	(1,321,701)	-	(1,566,619)
<b>Closing net book amount</b>	<b>852,239</b>	<b>23,631</b>	<b>3,113,555</b>	<b>5,047,299</b>	<b>9,036,724</b>
At 31 December 2021					
Cost	1,190,767	41,276	4,954,475	5,047,299	11,233,817
Accumulated depreciation	(338,528)	(17,645)	(1,840,920)	-	(2,197,093)
<b>Net book value</b>	<b>852,239</b>	<b>23,631</b>	<b>3,113,555</b>	<b>5,047,299</b>	<b>9,036,724</b>

11. Investments

	Investments in subsidiaries \$
<b>Company</b>	
<b>Cost</b>	
At 1 January 2021	63,505,215
Additions	13,576,575
At 31 December 2021	<b>77,081,790</b>
<b>Impairment</b>	
At 1 January 2021 and 31 December 2021	(60,659,860)
<b>Net book value</b>	
At 31 December 2021	<b>16,421,930</b>
At 31 December 2020	2,845,355

**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**11. Investments (Continued)**

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.	Newton 167-2 Col. Polanco Mexico City 11560 Mexico	Information technology related services	99%
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 INFORMATION TECHNOLOGIES UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

12. Debtors: amounts falling due within one year

	Group 2021 \$	2020 \$ (Restated)	Company 2021 \$	2020 \$
Trade debtors	290,871,639	69,062,890	249,739,640	68,343,601
Amounts owed by group undertakings	335,979,190	24,809,583	708,979,853	94,141,016
Other debtors	11,402,215	20,278,253	7,954,560	15,353,018
Prepayments	99,285,809	35,216,421	98,163,640	34,817,340
	<u>737,538,853</u>	<u>149,367,147</u>	<u>1,064,837,693</u>	<u>212,654,975</u>

Trade debtors of the Group are stated after bad debt provisions of \$9,510,430 (2020: \$1,194,987). Trade debtors of the Company are stated after bad debt provisions of \$8,668,155 (2020: \$1,194,987).

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

	Group 2021 \$	2020 \$ (Restated)	Company 2021 \$	2020 \$
Trade creditors	32,969,783	40,808,971	12,795,812	37,872,088
Amounts owed to group undertakings	2,156,022,300	852,948,824	2,561,601,869	911,111,634
Corporation tax	5,744,278	-	-	-
Loan from a group undertaking	7,000,000	-	7,000,000	-
Accruals and other creditors	267,918,238	57,337,040	208,030,702	42,586,997
	<u>2,469,654,599</u>	<u>951,094,835</u>	<u>2,789,428,383</u>	<u>991,570,719</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. At 31 December 2021, \$1,279,252,450 of the amounts owed to group undertakings are operational funds provided by holding companies and a fellow subsidiary (2020: \$373,091,792).

Loan from group undertaking is unsecured, interest bearing and repayable within the next twelve months from 31 December 2021.

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

	Group 2021 \$	2020 \$ (Restated)	Company 2021 \$	2020 \$
Loan from a group undertaking	66,000,000	9,000,000	-	-

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  
FOR THE YEAR ENDED 31 DECEMBER 2021

15. Financial instruments

Group

The Group has the following financial instruments:

	Note	2021 \$	2020 \$ (Restated)
Financial assets that are debt instruments measured at amortised cost			
- Trade debtors	12	290,871,639	69,062,890
- Amounts owed by group undertakings	12	335,979,190	24,809,583
- Other debtors	12	11,402,215	20,278,253
		<b>638,253,044</b>	<b>114,150,726</b>
Financial liabilities measured at amortised cost			
- Trade creditors	13	32,969,783	40,808,971
- Amounts owed to group undertakings	13	2,156,022,300	852,948,824
- Loan from group undertakings	13,14	73,000,000	9,000,000
- Accruals		106,646,953	51,759,974
		<b>2,368,639,036</b>	<b>954,517,769</b>

Company

The Company has the following financial instruments:

	Note	2021 \$	2020 \$
Financial assets that are debt instruments measured at amortised cost			
- Trade debtors	12	249,739,640	68,343,601
- Amounts owed by group undertakings	12	708,979,853	94,141,016
- Other debtors	12	7,954,560	15,353,018
		<b>966,674,053</b>	<b>177,837,635</b>
Financial liabilities measured at amortised cost			
- Trade creditors	13	12,795,812	37,872,088
- Amounts owed to group undertakings	13	2,561,601,869	911,111,634
- Loan from group undertakings	13	7,000,000	-
- Accruals		90,429,683	37,651,826
		<b>2,671,827,364</b>	<b>986,635,548</b>

16. Called up share capital

	2021 \$	2020 \$
<b>Allotted, called up and fully paid</b>		
100 (31 December 2020: 100) Ordinary Shares of £1 each	<b>127</b>	<b>127</b>

TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

17. Notes to the cash flow statement

	2021 \$	2020 \$ (Restated)
Loss for the financial year	<u>(901,730,591)</u>	<u>(654,269,018)</u>
Adjustments for:		
Tax on loss	5,992,572	17,040
Net interest expense/(income)	<u>159,155</u>	<u>(4,272)</u>
Operating loss	(895,578,864)	(654,256,250)
Amortisation of intangible assets	733,994	174,640
Depreciation of tangible assets	5,136,128	1,460,399
Other provisions less payments	8,807,227	1,009,032
Working capital movements:		
- Increase in debtors	(596,487,149)	(126,282,541)
- Increase in payables	<u>599,724,363</u>	<u>466,878,103</u>
Cash flow used in operating activities	<u>(877,664,301)</u>	<u>(311,016,617)</u>

	At 1 Jan 2021 (Restated)	Cashflow	At 31 Dec 2021
Cash at bank and in hand	32,303,725	58,397,315	90,701,040
Amount owed to group undertakings	(373,091,792)	(895,112,258)	(1,268,204,050)
Loan from group undertakings	<u>(9,000,000)</u>	<u>(64,000,000)</u>	<u>(73,000,000)</u>
	<u>(349,788,067)</u>	<u>(900,714,943)</u>	<u>(1,250,503,010)</u>



**TIKTOK INFORMATION TECHNOLOGIES UK LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**18. Contingent liabilities**

**Group and Company**

On December 31, 2020, "SMO" (an anonymous 12 year old child) filed a "representative action" claim against various TikTok entities, including TikTok Information Technologies UK Ltd and TikTok Technology Ltd, alleging various violations of GDPR and UK privacy law. The Claimant formally discontinued the claim and served the TikTok defendants with that discontinuance on 4 April 2022.

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. A procedural hearing will take place this autumn, at which the court will decide whether or not it has jurisdiction to hear the claims. 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 Company to estimate the potential financial impact of any such claim, so no provision has been made.

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.

**19. 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>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	\$	\$	\$	\$
		<i>(Restated)</i>		
Payments due				
Not later than one year	<b>42,547,004</b>	15,510,948	<b>20,883,579</b>	7,806,194
Later than one year and not later than five years	<b>105,669,840</b>	9,230,952	<b>44,649,230</b>	-
Later than five years	<b>121,623,448</b>	1,261,148	<b>30,911,005</b>	-

TIKTOK INFORMATION TECHNOLOGIES UK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

20. Related party transactions

Group

(a) Transactions with related parties

	2021 \$	2020 \$ (Restated)
Services provided to fellow subsidiaries	36,433,130	2,446,927
Services received from fellow subsidiaries	134,743,874	38,842,563
Expenses paid on behalf of fellow subsidiaries	167,894,370	22,272,683
Expenses paid by fellow subsidiaries on the Group's behalf	386,927,496	361,499,707
Funds received from/(repaid to)		
- Holding companies*	584,212,258	333,037,287
- Fellow subsidiary	374,900,000	-

\*During 2021, the Group received \$1,072,011,898 from the immediate holding company and repaid \$544,081,740 to the immediate holding company (2020: received \$369,064,250 and repaid \$45,054,720).

(b) Significant balances with related parties

	2021 \$	2020 \$ (Restated)
Amounts owed by group undertakings		
- Fellow subsidiaries	335,979,190	24,762,053
Amounts owed to group undertakings		
- Holding companies	911,352,450	373,091,792
- Fellow subsidiaries	1,244,669,850	479,848,428
Loan from group undertakings		
-The holding company	66,000,000	9,000,000
- Fellow subsidiary	7,000,000	-

Company

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

21. 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.