Registration number: 07627374

PlayCanvas Ltd

Annual report and financial statements

for the year ended 31 December 2018

PlayCanvas Ltd

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PlayCanvas Ltd

Company information

Directors	D M A Lewis
Registered office	7-11 Lexington Street Soho London W1F 9AF
Independent auditor	Ernst & Young LLP 1 More London Place, London SE1 2AF

PlayCanvas Ltd

Director's report
For the year ended 31 December 2018

The director presents his annual report and audited financial statements of PlayCanvas Ltd ('the Company') for the year ended 31 December 2018.

The director took advantage of the small companies exemption in accordance with s415A of the Companies Act 2006 in not preparing a strategic report or enhanced business review.

Directors

The directors of the Company during the year and up to the date of the signing of the financial statements, were as follows:

W H Eastcott (resigned 13 May 2019)

D M A Lewis

D W Evans (resigned 9 January 2018)

Principal activity

The principal activity of the Company before March 2018 was that of creating cloud - hosted game development and publishing tools. On March 2018 the Company assigned its intellectual property to another wholly owned subsidiary of Snap International II Limited in exchange for a promissory note. After this date the principal activity of the Company is to serve as a collection agent for this subsidiary.

Results and dividends

The results for the financial year ended 31 December 2018 are set out on page 8. The profit for the financial year amounted to £8,262,909 (period ended 31 December 2017: £129,561) per the profit and loss account.

The director does not recommend payment of a dividend for the year (period ended 31 December 2017: £nil).

Future developments and events after the balance sheet date

There were no significant events after the balance sheet date.

Financial risk management objectives and policies

The Company's activities expose it to financial risks, such as credit risk. The Company's principal financial assets are bank balances and trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. An allowance for impairment is made where there is an identified loss event that, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. There is no such evidence of the need for an impairment of trade receivables in the current or previous year.

The risks in respect of liquidity, interest rate, cash flow, foreign exchange, and price are managed on a group basis by the indirect parent of the Company.

Going concern

The Company has net assets of £8,667,261 (2017: £404,352). Snap Inc., the Company's ultimate parent, has indicated that it will provide or procure such funds as necessary to enable the Company to settle all liabilities as they fall due within the next 12 months from the date of these financial statements. The director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore the Company continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' indemnities

The Company maintains liability insurance for all directors and officers. The Company has also provided an indemnity for all directors and officers, which is a qualifying third-party indemnity provision for the purposes of the Companies Act 2006.

PlayCanvas Ltd

Director's report (continued)
For the year ended 31 December 2018

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Ernst & Young LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the board of directors on 25/09/19 and signed on its behalf by:

D M A Lewis
Director

PlayCanvas Ltd

Director's responsibilities statement

The director is responsible for preparing the director's report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholder in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable him to ensure that the financial statements comply with the Companies Act 2006. The director is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The director is responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the member of PlayCanvas Ltd

Opinion

We have audited the financial statements of PlayCanvas Ltd (the 'Company') for the year ended 31 December 2018, which comprise the Profit and loss account, the Balance sheet, the Statement of changes in equity, and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The director is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the member of PlayCanvas Ltd (continued)

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the director's report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the director's report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the director's report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of director
As explained more fully in the director's responsibilities statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines 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 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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

Independent auditor's report to the member of PlayCanvas Ltd (continued)

Use of our report

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Philip Young (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 27 September 2019

PlayCanvas Ltd

Profit and loss account
For the year ended 31 December 2018

	Note	Year ended 31 December 2018 £	1 June 2017 to 31 December 2017 £
Revenue	5	333,580	198,574
Administrative expenses		(160,836)	(60,725)
Other operating income	6	7,992,256	15,367
Operating profit	7	8,165,000	153,216
Finance income	8	97,909	1,113
Finance costs	9	-	(58)
Profit before taxation		8,262,909	154,271
Tax on profit	13	-	(24,710)
Profit for the financial year/period		8,262,909	129,561

The results for the financial year shown above are derived entirely from continued activities.

The Company has no other comprehensive income for the year other than the results above and therefore no statement of comprehensive income is presented.

The notes on pages 11 to 22 form an integral part of these financial statements.

PlayCanvas Ltd

Balance sheet
As at 31 December 2018

	Note	31 December 2018 £	31 December 2017 £
Current assets			
Trade and other receivables	14	8,754,741	177,772
Cash and cash equivalents	15	-	317,035
		8,754,741	494,807
Current liabilities			
Trade and other payables	16	(87,480)	(90,455)
Net assets		8,667,261	404,352
Equity			
Called-up share capital	17	125	125
Share premium account	17	294,653	294,653
Retained earnings	17	8,372,483	109,574
Total shareholder's funds		8,667,261	404,352

The financial statements of PlayCanvas Ltd (registration number: 07627374) were approved by the director and authorised for issue on 25/.09/2019

They were signed on its behalf by:

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D M A Lewis

Director

The notes on pages 11 to 22 form an integral part of these financial statements.

PlayCanvas Ltd

Statement of changes in equity
For the year ended 31 December 2018

	Called up share capital £	Share premium account £	Retained earnings £	Total shareholders' funds £
At 1 June 2017	125	294,653	(19,987)	274,791
Profit for the financial period	-	-	129,561	129,561
Total comprehensive income for the financial period	-	-	129,561	129,561
At 31 December 2017	125	294,653	109,574	404,352

	Called-up share capital £	Share premium account £	Retained earnings £	Total shareholder's funds £
At 1 January 2018	125	294,653	109,574	404,352
Profit for the financial year	-	-	8,262,909	8,262,909
Total comprehensive income for the financial year	-	-	8,262,909	8,262,909
At 31 December 2018	125	294,653	8,372,483	8,667,261

The notes on pages 11 to 22 form an integral part of these financial statements.

1 General information

The Company is a private company limited by share capital incorporated in England and Wales and domiciled in the United Kingdom.

The address of its registered office is:
7-11 Lexington Street
Soho
London
W1F 9AF

The nature of the Company's operations and its principal activities are set out in the directors report on pages 2 to 3.

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2 Adoption of new and revised standards

Impact of initial application of other amendments to IFRS Standards and Interpretations

In the current year, the Company has applied a number of amendments to the International Accounting Standards ('IAS'), International Financial Reporting Standards ('IFRS'), International Financial Reporting Interpretations Committee ('IFRIC') and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- IFRS 2 (amendment) 'Classification and Measurement of Share-based Payments Transactions';
- IAS 40 (amendments) 'Transfers of Investment Property';
- Amendments to IAS 28 'Investments in Associates and Joint Ventures';
- IFRS 9 'Financial Instruments' (effective date 1 January 2018 other than hedge accounting provisions, effective 1 January 2019);
- IFRS 15 'Revenue from Contract with Customers' (effective date 1 January 2018); and
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'.

3 Accounting policies

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

3 Accounting policies (continued)

Basis of accounting

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

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Summary of disclosure exemptions

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

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 79(a)(iv) (International Accounting Standards),
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Where relevant, equivalent disclosures have been given in the group financial statements of Snap Inc. The group financial statements of Snap Inc. are available to the public and can be obtained as set out in note 19.

The principal accounting policies adopted are set out below.

3 Accounting policies (continued)

Revenue recognition

The Company has initially applied IFRS 15 from 1 January 2018. Revenue is recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration the Company expect to receive in exchange for those goods or services. The Company determines collectability by performing ongoing credit evaluations and monitoring customer accounts receivable balances. VAT and other sales-related taxes payable to the taxation authority are excluded from reported revenue.

The Company generates substantially all of its revenues from creating cloud-hosted game development and publishing tools through contractual agreements that are either on a fixed fee basis over a period of time or based on the number of advertising impressions delivered.

Finance income and costs policy

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities, and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account.

Other interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains.

Finance income and finance costs are primarily composed of interest income and interest payable, which are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the Company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Foreign currencies

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise.

Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting year.

3 Accounting policies (continued)

Tax (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the end of each reporting year. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting year, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Impairment of non-financial assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3 Accounting policies (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct, or otherwise acquire non-current assets are recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are presented as a credit in the statement of comprehensive income within 'other operating income'.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the year in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term except where another systematic basis is more representative of time pattern in which economic benefits from the lease asset are consumed.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax from the proceeds.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3 Accounting policies (continued)

Financial instruments (continued)

The Company completed a detailed assessment of its financial assets and liabilities at 1 January 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets / liabilities	Original classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents	Amortised cost	Amortised cost
Marketable securities	Amortised cost or FVOCI	Amortised cost or FVOCI
Trade and other receivables	Amortised cost	Amortised cost
Trade and other payables	Amortised cost	Amortised cost

There was no material impact on transition to IFRS 9 on the Company's balance sheet at 1 January 2018.

Financial assets
All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ('FVTPL'), 'held-to-maturity' investments, 'available-for-sale' ('AFS') financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company recognises the financial liabilities at amortised cost using the effective interest method as they are not classified as held-for-trading, not a derivative, and not designated as such on initial recognition. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for a least 12 months after the reporting date.

3 Accounting policies (continued)

Financial instruments (continued)

Derecognition
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Where the Company grants to its employees rights to equity instruments of its parent, the Company accounts for such arrangements as cash-settled share-based payment arrangements.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the director is required to make judgements, estimates, and assumptions that affect the application of policies and reported amount of assets and liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form a basis for making the judgements about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There were no significant estimates or judgements used in preparing these financial statements.

5 Revenue

The total revenue of the Company for the year has been derived from the principal activity wholly undertaken in the United Kingdom.

	Year ended 31 December 2018	1 June 2017 to 31 December 2017
	£	£
Rendering of services	333,580	198,574

5 Revenue (continued)

Timing of revenue recognition

	Year ended 31 December 2018 £	1 June 2017 to 31 December 2017 £
Services transferred overtime	333,580	198,574

6 Other operating income

The analysis of the Company's other operating income for the year/period is as follows:

	Year ended 31 December 2018 £	1 June 2017 to 31 December 2017 £
Government grant: Research and development tax credit	-	15,367
Sale of internally generated intellectual property	7,992,256	-
	7,992,256	15,367

In March 2018, the Company assigned its intellectual property to another wholly owned subsidiary of Snap International II Limited in exchange for a promissory note, aligning its intellectual property ownership with the ultimate parent company's structure.

7 Operating profit

Operating profit has been arrived at after charging/(crediting):

	Year ended 31 December 2018 £	1 June 2017 to 31 December 2017 £
Foreign exchange (gains)/losses	(584)	1,350

8 Finance income

	Year ended 31 December 2018 £	1 June 2017 to 31 December 2017 £
Intercompany interest	97,909	1,052
Other finance income	-	61
	97,909	1,113

9 Finance costs

	Year ended 31 December 2018 £	1 June 2017 to 31 December 2017 £
Other finance costs	-	58

10 Staff costs

The Company did not have any staff during the year and therefore no staff remuneration (period ended 31 December 2017: nil).

11 Director's remuneration

The director's services to the Company have been considered insignificant and therefore the director did not receive any remuneration for his qualifying services. The director does not hold any equity in the Company and did not participate in a defined benefit or money purchase pension scheme.

12 Auditor's remuneration

	Year ended 31 December 2018 £	1 June 2017 to 31 December 2017 £
Services provided by the Company's auditor:		
- Fees payable for the audit of the Company's annual financial statements	16,000	15,000

Notes to the financial statements (continued)
For the year ended 31 December 2018

13 Tax on profit

Tax charged for the year in the profit and loss account:

	Year ended 31 December 2018 £	1 June 2017 to 31 December 2017 £
Current tax		
UK corporation tax adjustment in respect of prior years	-	24,710
Total current tax	-	24,710
Deferred tax		
Current year	-	-
Total deferred tax	-	-
Tax charge in the Profit and loss account	-	24,710

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2017: higher than the standard rate of corporation tax in the UK) of 19% (period ended 31 December 2017: 19%).

The charge for the year/period can be reconciled to the profit in the profit and loss account as follows:

	Year ended 31 December 2018 £	1 June 2017 to 31 December 2017 £
Profit before taxation	8,262,909	154,271
Corporation tax at standard rate	1,569,953	29,311
Effects of:		
Expenses not deductible for tax	-	-
Prior year adjustments	-	24,710
Income not taxable	(1,518,529)	(2,919)
Effects of group relief/other reliefs	(51,424)	(26,392)
Tax charge for the year/period	-	24,710

Factors that may affect future tax charges

Finance (No. 2) Act 2015 reduced the UK corporation tax rate from 20% to 19% from 1 April 2017. A further reduction in the corporation tax rate to 17% will apply with effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016).

14 Trade and other receivables

	31 December 2018	31 December 2017
Amounts falling due within one year:	**£**	**£**
Trade receivables	8,777	26,689
Amounts owed by group undertakings	8,724,731	151,083
VAT receivable	8,446	-
Corporation tax	12,787	-
	8,754,741	177,772

Amounts owed by group undertakings are unsecured, do not bear any interest, and are repayable within 12 months.

15 Cash and cash equivalents

	31 December 2018	31 December 2017
	£	**£**
Cash at bank and in hand	-	317,035

16 Trade and other payables

	31 December 2018	31 December 2017
	£	**£**
Amounts falling due within one year		
Amounts owed to group undertakings	28,944	-
Accruals	17,949	48,696
Deferred income	9,898	5,024
VAT payable	-	26,028
Other creditors	30,689	1,364
Corporation tax	-	9,343
	87,480	90,455

Amounts owed to group undertakings are unsecured, do not bear any interest, and are repayable within 12 months.

17 Called-up share capital and reserves

Allotted, called-up, and fully paid shares

	31 December 2018 No.	31 December 2018 £	31 December 2017 No.	31 December 2017 £
Ordinary shares of £0.001 each	125,132	125	125,132	125

The Company has one class of ordinary shares that carry no right to fixed income.

The Company's other reserves are as follows:

Share premium account

The share premium account contains the premium arising on issue of equity shares, net of issue expenses.

Retained earnings

Retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

18 Post balance sheet events

There were no significant events after the balance sheet date.

19 Controlling party

The immediate parent of the Company is Snap International II Limited, a company incorporated in England and Wales with its registered office at 77 Shaftesbury Avenue, Soho, London, W1D 5DU.

The ultimate controlling party of the Company is Snap Inc., a company incorporated in Delaware with its registered office at 2772 Donald Douglas Loop North, Santa Monica, CA 90405.

Snap Inc. is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2018. The financial statements of Snap Inc. are available at https://investor.snap.com.