

Registration number: 07627374

PlayCanvas Ltd

Annual report and financial statements

for the period from 1 June 2017 to 31 December 2017

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PlayCanvas Ltd

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PlayCanvas Ltd

Company information

Directors	W H Eastcott 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

Directors' report

For the period from 1 June 2017 to 31 December 2017

The directors present their annual report and audited financial statements of PlayCanvas Ltd (the Company) for the period from 1 June 2017 to 31 December 2017.

The directors took advantage of the small companies' exemption and have not prepared a strategic report or enhanced business review.

The Company has changed its financial year end to 31 December from 31 May. These financial statements cover the 7 month period to 31 December 2017 with comparatives for the year ended 31 May 2016. The change in year end is to align with the ultimate controlling party, Snap Inc.

Directors

The directors of the Company during the period and up to the date of the signing of the financial statements, unless otherwise stated, were as follows:

W H Eastcott

D M A Lewis (appointed 5 December 2017)

D W Evans (resigned 9 January 2018)

Principal activity

The principal activity of the Company during the period was that of creating cloud-hosted game development and publishing tools.

Results and dividends

The results for the financial period ended 31 December 2017 are set out on page 8. The profit for the financial period amounted to £129,561 (2016: profit of £204,245) per the profit and loss account.

The directors do not recommend payment of a dividend for the period (2016: £nil).

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 and net current assets, is profitable, and has cash reserves. For this reason the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Directors' indemnities

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

PlayCanvas Ltd

Directors' report (continued)

For the period from 1 June 2017 to 31 December 2017

Post balance sheet events

In March 2018, PlayCanvas 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.

Disclosure of information to auditors

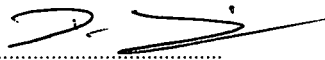
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves 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 on 25.09.18 and signed on its behalf by:



.....
D M A Lewis
Director

PlayCanvas Ltd

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') and in accordance with applicable accounting standards and law. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements.

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

The directors are 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 members of PlayCanvas Ltd

Opinion

We have audited the financial statements of PlayCanvas Ltd (the 'Company') for the period from 1 June 2017 to 31 December 2017 which comprise the Profit and loss account, the Balance sheet, the Statement of changes in equity and the related notes 1 to 18, 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 2017 and of its profit for the period 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 directors are 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 members 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 directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the directors' 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 directors' 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are 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 directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

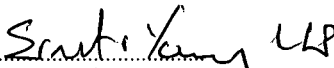
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 members of PlayCanvas Ltd (continued)

Use of our report

This report is made solely to the Company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.


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

Date: 25/9/18

PlayCanvas Ltd

Profit and loss account

For the period from 1 June 2017 to 31 December 2017

	Note	1 June 2017 to 31 December 2017 £	Year ended 31 May 2017 £
Revenue	4	198,574	436,748
Administrative expenses		(60,725)	(281,676)
Other operating income	5	<u>15,367</u>	<u>48,871</u>
Operating profit	6	153,216	203,943
Finance income	7	1,113	302
Finance costs	8	<u>(58)</u>	<u>-</u>
Profit before taxation		154,271	204,245
Tax on profit	12	<u>(24,710)</u>	<u>-</u>
Profit for the financial period/year		<u><u>129,561</u></u>	<u><u>204,245</u></u>

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

The Company has no other comprehensive income for the period 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 2017**

	Note	31 December 2017 £	31 May 2017 £
Current assets			
Trade and other receivables	13	177,772	63,924
Cash and cash equivalents	14	<u>317,035</u>	<u>244,144</u>
		<u>494,807</u>	<u>308,068</u>
Current liabilities			
Trade and other payables	15	<u>(90,455)</u>	<u>(33,277)</u>
Net assets		<u>404,352</u>	<u>274,791</u>
Equity			
Called-up share capital	16	125	125
Share premium account	16	294,653	294,653
Retained earnings	16	<u>109,574</u>	<u>(19,987)</u>
Total shareholder's funds		<u>404,352</u>	<u>274,791</u>

The accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime.

The financial statements of PlayCanvas Ltd (registration number: 07627374) were approved by the directors and authorised for issue on 25.09.18.

They were signed on its behalf by:



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 period from 1 June 2017 to 31 December 2017**

	Called up share capital £	Share premium account £	Retained earnings £	Total shareholders' funds £
At 1 June 2016	125	294,653	(224,232)	70,546
Profit for the financial year	-	-	204,245	204,245
Total comprehensive income for the financial year	-	-	204,245	204,245
At 31 May 2017	125	294,653	(19,987)	274,791
	Called-up share capital £	Share premium account £	Retained earnings £	Total shareholder's 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

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

PlayCanvas Ltd

Notes to the financial statements

For the period from 1 June 2017 to 31 December 2017

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.

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

2 Accounting policies

Summary of significant accounting policies

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

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 3.

The Company has changed its financial year end to 31 December from 31 May. These financial statements cover the 7 month period to 31 December 2017 with comparatives for the year ended 31 May 2016. The change in year end is to align with the ultimate controlling party, Snap Inc.

PlayCanvas Ltd

Notes to the financial statements (continued) For the period from 1 June 2017 to 31 December 2017

2 Accounting policies (continued)

Summary of disclosure exemptions

The following exemptions from the requirements of the International Financial Reporting Standards ('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 79(a)(iv) of International Accounting Standards ('IAS') 1.
- 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),
 - 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 18.

The principal accounting policies adopted are set out below.

Going concern

The Company has net assets and net current assets, is profitable; and has cash reserves. For this reason the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT, and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

PlayCanvas Ltd

Notes to the financial statements (continued) For the period from 1 June 2017 to 31 December 2017

2 Accounting policies (continued)

Revenue (continued)

Sale of goods and services

Revenue from sale of goods and services is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

Interest income and interest payable 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

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

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 period 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 period. 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.

PlayCanvas Ltd

Notes to the financial statements (continued) For the period from 1 June 2017 to 31 December 2017

2 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 period

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.

PlayCanvas Ltd

Notes to the financial statements (continued) For the period from 1 June 2017 to 31 December 2017

2 Accounting policies (continued)

Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

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'.

PlayCanvas Ltd

Notes to the financial statements (continued) For the period from 1 June 2017 to 31 December 2017

2 Accounting policies (continued)

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.

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 fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments.

PlayCanvas Ltd

Notes to the financial statements (continued) For the period from 1 June 2017 to 31 December 2017

2 Accounting policies (continued)

Financial instruments (continued)

Available-for-sale financial assets

Marketable securities held by the Company that are traded in an active market are classified as being AFS (available-for-sale) and are stated at fair value. Fair value is determined in the manner of quoted prices (unadjusted) in active markets. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the available-for-sale reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Loans and receivables

Trade debtors, loans, and other debtors that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

At the end of each reporting year, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue, or cancellation of the Company's own equity instruments.

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.

PlayCanvas Ltd

Notes to the financial statements (continued) For the period from 1 June 2017 to 31 December 2017

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are 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 directors have reviewed the estimates and assumptions used in the preparation of the financial statements. 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.

Income taxes and deferred tax

Significant estimates are made to determine both current and deferred tax liabilities/assets. In particular, the Company must determine the possibility that deferred tax assets will be utilised and offset against future taxable profits. The actual results may differ from these estimates, for instance due to changes in the business climate, changes in tax legislation, or the outcome of the final review by tax authorities of tax returns.

4 Revenue

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

	1 June 2017 to 31 December 2017 £	Year ended 31 May 2017 £
Rendering of services	<u>198,574</u>	<u>436,748</u>

5 Other operating income

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

	1 June 2017 to 31 December 2017 £	Year ended 31 May 2017 £
Government grant: Research and development tax credit	<u>15,367</u>	<u>48,871</u>

6 Operating profit

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

	1 June 2017 to 31 December 2017 £	Year ended 31 May 2017 £
Foreign exchange losses/(gains)	<u>1,350</u>	<u>(1,647)</u>

PlayCanvas Ltd

Notes to the financial statements (continued) **For the period from 1 June 2017 to 31 December 2017**

7 Finance income

	1 June 2017 to 31 December 2017 £	Year ended 31 May 2017 £
Intercompany interest	1,052	302
Other finance income	61	-
	<u>1,113</u>	<u>302</u>

8 Finance costs

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

9 Staff costs

The average monthly number of employees (including executive directors) in the period/year was:

	1 June 2017 to 31 December 2017 No.	Year ended 31 May 2017 No.
Engineering	-	3

The aggregate employee remuneration (not including executive directors) in the period/year comprised:

	1 June 2017 to 31 December 2017 £	Year ended 31 May 2017 £
Wages and salaries	-	38,440
Social security costs and benefits	-	20,780
	<u>-</u>	<u>59,220</u>

10 Directors' remuneration

The directors' remuneration, analysed under the headings required by company law, is set out below.

	1 June 2017 to 31 December 2017 £	Year ended 31 May 2017 £
Directors' remuneration	£	£
Emoluments	-	24,274

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Notes to the financial statements (continued)
For the period from 1 June 2017 to 31 December 2017

11 Auditor's remuneration

	1 June 2017 to 31 December 2017 £	Year ended 31 May 2017 £
Services provided by the Company's auditor:		
- Fees payable for the audit of the Company's annual financial statements	<u>15,000</u>	<u>15,400</u>

12 Tax on profit/(loss)

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

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

The tax on profit before tax for the period is higher than the standard rate of corporation tax in the UK (2017: higher than the standard rate of corporation tax in the UK) of 19% (2017: 19.83%).

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

	1 June 2017 to 31 December 2017 £	Year ended 31 May 2017 £
Profit before taxation	<u>154,271</u>	<u>204,245</u>
Corporation tax at standard rate	29,311	40,508
Effects of:		
Expenses not deductible for tax	-	-
Prior year adjustments	24,710	-
Income not taxable	(2,919)	(701)
Losses	-	(33,913)
Effects of group relief/ other reliefs	<u>(26,392)</u>	<u>(5,894)</u>
Tax charge for the period/year	<u>24,710</u>	<u>-</u>

PlayCanvas Ltd

Notes to the financial statements (continued) **For the period from 1 June 2017 to 31 December 2017**

12 Tax on profit/(loss) (continued)

Factors that may affect future tax charges

The corporate tax rate was reduced from 21% to 20% from 1 April 2015. Finance (No. 2) Act 2015, provided for further reductions to the UK corporation tax rate to 19% and 18% effective from 1 April 2017 and 1 April 2020, respectively. In the Finance Bill 2016, the Chancellor of the Exchequer announced an additional 1% reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020. The Finance Bill 2016 had been substantively enacted at the balance sheet date and consequently these reduced rates have been reflected in the calculation of deferred tax.

13 Trade and other receivables

	31 December 2017	31 May 2017
	£	£
Amounts falling due within one year:		
Trade receivables	26,689	25,278
Amounts owed by group undertakings	151,083	36,143
Other receivables	-	2,357
Prepayments	-	146
	<u>177,772</u>	<u>63,924</u>

14 Cash and cash equivalents

	31 December 2017	31 May 2017
	£	£
Cash at bank and in hand	<u>317,035</u>	<u>244,144</u>

15 Trade and other payables

	31 December 2017	31 May 2017
	£	£
Amounts falling due within one year		
Accruals	48,696	28,200
Deferred income	5,024	4,640
Social security and other taxes	26,028	437
Other creditors	1,364	-
Corporation tax	9,343	-
	<u>90,455</u>	<u>33,277</u>

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Notes to the financial statements (continued) For the period from 1 June 2017 to 31 December 2017

16 Called-up share capital and reserves

Allotted, called-up, and fully paid shares

	31 December 2017 No.	31 December 2017 £	31 May 2017 No.	31 May 2017 £
Ordinary shares of £0.001 each	<u>125,132</u>	<u>125</u>	<u>125,132</u>	<u>125</u>

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.

17 Post balance sheet events

In March 2018, PlayCanvas 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.

18 Controlling party

The immediate parent of the Company is Snap International II Limited, a company incorporated in England and Wales.

The ultimate controlling party of the Company is Snap Inc., a company incorporated in Delaware, United States.

Snap Inc. is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2017. The financial statements of Snap Inc. are available at <https://investor.snap.com/>.