

Registration number: 07627374

PlayCanvas Ltd

Annual report and audited financial statements for
the year ended 31 December 2020



PlayCanvas Ltd

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PlayCanvas Ltd

Company information

Director	A M Porwal
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 2020

The director presents his annual report together with the audited financial statements of PlayCanvas Ltd (the 'Company') for the year ended 31 December 2020.

The director took advantage of the small companies exemption in accordance with Section 415A 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:

D M A Lewis (resigned 8 April 2020)

A M Porwal (appointed 6 April 2020)

Principal activity

The Company generates 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. The Company also generates revenue from provision of services to another group entity.

Results and dividends

The results for the financial year ended 31 December 2020 are set out on page 8. The profit for the financial year amounted to £61,815 (2019: £113,524) per the profit and loss account.

The director does not recommend payment of a dividend for the year (2019: £nil).

Events after the balance sheet date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

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 £8.8m (2019: £8.8m). Snap Inc., the Company's ultimate parent, has provided a letter of support to enable the Company to settle all liabilities as they fall due up to 22 September 2022. The director has made enquiries and performed procedures to satisfy himself that the group will be able to provide the support pledged should it be called upon by the Company during the period. 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.

PlayCanvas Ltd

Director's report (continued) For the year ended 31 December 2020

Directors' indemnities

Snap Inc. maintains liability insurance for all directors and officers of the group. Snap Inc. 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.

Disclosure of information to auditors

The director at the date of approval of this report confirms that:

- so far as he 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 has indicated its 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 director on 22 September 2021 and signed by:



A M Porwal
Director

PlayCanvas Ltd

Director's responsibilities statement

The director is responsible for preparing the annual 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PLAYCANVAS LTD

Opinion

We have audited the financial statements of PlayCanvas Ltd for the year ended 31 December 2020 which comprise the Profit and Loss Account, the Balance Sheet and the Statement of changes in equity and the related notes 1 to 16, 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 2020 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. 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

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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern up to 22 September 2022.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 contained within the annual report.

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.

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 course of 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 themselves. 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 director's report for the financial year 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.
- 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 director

As explained more fully in the director's responsibilities statement set out on page 4, 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 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PLAYCANVAS LTD (CONTINUED)

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and Companies Act 2006) and the relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, GDPR, employee matters and bribery and corruption practices.
- We understood how the Company is complying with those frameworks by making enquiries of the senior finance personnel and those charged with governance to understand how the Company maintains and communicates its policies and procedures in these areas, by gaining an understanding of the entity level controls of the Company in respect of these areas, how the Company has adequate oversight over the potential for override of controls or other inappropriate influence over the financial reporting process and how management has put controls in place to reduce the opportunities for fraudulent transactions. We reviewed minutes of meetings including Board minutes and made enquiries of management and management's legal counsel to identify if there are matters where there is a risk of breach of such regulations that could have a material impact on the Company. Supporting documentation was obtained to corroborate our understanding of these matters and we considered the results of our other audit procedures.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue to be a fraud risk. We tested manual journals posting to revenue and entries posting to revenue by senior management by comparing to source documentation, ensuring appropriate authorisation of the transactions.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing in relation to the identified fraud risk with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business.

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.

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.

Ernst & Young LLP

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

27 September 2021

PlayCanvas Ltd

Profit and loss account

For the year ended 31 December 2020

	Note	2020 £	2019 £
Revenue	5	1,545,946	410,830
Administrative expenses		<u>(1,458,665)</u>	<u>(399,755)</u>
Operating profit		<u>87,281</u>	<u>11,075</u>
Finance income	7	<u>101,318</u>	<u>129,078</u>
Profit before tax		<u>188,599</u>	<u>140,153</u>
Tax on profit	11	<u>(126,784)</u>	<u>(26,629)</u>
Profit for the financial year		<u><u>61,815</u></u>	<u><u>113,524</u></u>

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 20 form an integral part of these financial statements.

PlayCanvas Ltd

Balance sheet

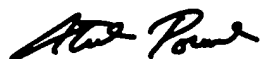
As at 31 December 2020

	Note	2020 £	2019 £
Current assets			
Trade and other receivables	12	<u>9,122,726</u>	<u>9,147,839</u>
		<u>9,122,726</u>	<u>9,147,839</u>
Current liabilities			
Trade and other payables	13	<u>(280,126)</u>	<u>(367,054)</u>
Net assets		<u>8,842,600</u>	<u>8,780,785</u>
Capital and reserves			
Called-up share capital	14	125	125
Share premium account	14	294,653	294,653
Retained earnings	14	<u>8,547,822</u>	<u>8,486,007</u>
Total shareholders' funds		<u>8,842,600</u>	<u>8,780,785</u>

The director took advantage of the small companies exemption in accordance with Section 415A of the Companies Act 2006 in not preparing a strategic report or enhanced business review.

The financial statements of the Company (registration number: 07627374) were approved by the director and authorised for issue on 22 September 2021.

They were signed by:



A M Porwal

Director

The notes on pages 11 to 20 form an integral part of these financial statements.

PlayCanvas Ltd

**Statement of changes in equity
For the year ended 31 December 2020**

	Called-up share capital £	Share premium account £	Retained earnings £	Total shareholders' funds £
At 1 January 2019	125	294,653	8,372,483	8,667,261
Profit for the financial year	-	-	113,524	113,524
Total comprehensive income for the financial year	-	-	113,524	113,524
At 31 December 2019	<u>125</u>	<u>294,653</u>	<u>8,486,007</u>	<u>8,780,785</u>
	Called-up share capital £	Share premium account £	Retained earnings £	Total shareholders' funds £
At 1 January 2020	125	294,653	8,486,007	8,780,785
Profit for the financial year	-	-	61,815	61,815
Total comprehensive income for the financial year	-	-	61,815	61,815
At 31 December 2020	<u>125</u>	<u>294,653</u>	<u>8,547,822</u>	<u>8,842,600</u>

The notes on pages 11 to 20 form an integral part of these financial statements.

PlayCanvas Ltd

Notes to the financial statements For the year ended 31 December 2020

1 General information

PlayCanvas Ltd (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 Director's 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 International Financial Reporting Standards and Interpretations

In the current year, the Company has applied a number of amendments to the International Accounting Standards ('IAS'), the International Financial Reporting Standards ('IFRS'), and International Financial Reporting Interpretations Committee ('IFRIC') Interpretations issued by the International Accounting Standards Board ('IASB') that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

In the current year, the Company has applied the following:

- Amendments to IFRS 3: Definition of a Business (effective date 1 January 2020);
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform (effective date 1 January 2020);
- Amendments to IAS 1 and IAS 8 Definition of Material (effective date 1 January 2020);
- Amendments to IFRS 16 Covid-19 Related Rent Concessions (effective date 1 June 2020).

3 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 preparation

The financial statements have been prepared in accordance with 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.

PlayCanvas Ltd

Notes to the financial statements (continued) For the year ended 31 December 2020

3 Accounting policies (continued)

Going concern

The Company has net assets of £8.8m (2019: £8.8m). Snap Inc., the Company's ultimate parent, has provided a letter of support to enable the Company to settle all liabilities as they fall due up to 22 September 2022. The director has made enquiries and performed procedures to satisfy himself that the group will be able to provide the support pledged should it be called upon by the Company during the period. 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.

Group financial statements

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 401 of the Companies Act 2006 because it is an indirect wholly owned subsidiary of Snap Inc., a company registered at 3000 31st Street, Santa Monica, CA 90405. The group financial statements of Snap Inc. are available to the public and can be obtained as set out in note 16.

Summary of disclosure exemptions

The following exemptions from the requirements of 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).
- 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'.
- Paragraphs 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).
- IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

PlayCanvas Ltd

Notes to the financial statements (continued) For the year ended 31 December 2020

3 Accounting policies (continued)

Summary of disclosure exemptions (continued)

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 16.

Revenue recognition

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 expects 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. Where revenue is recognised ahead of billing this results in a contract asset. Where revenue is recognised after billing this results in a contract liability.

The Company determines revenue recognition by first identifying the contract or contracts with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when, or as, the Company satisfies a performance obligation.

The Company predominantly generates revenue from provision of services to another group entity, with revenue being recognised over the period of the services being delivered. The Company also generates revenues from the use of cloud-hosted game development and publishing tools that it has developed, 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.

PlayCanvas Ltd

Notes to the financial statements (continued) For the year ended 31 December 2020

3 Accounting policies (continued)

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.

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.

PlayCanvas Ltd

Notes to the financial statements (continued) For the year ended 31 December 2020

3 Accounting policies (continued)

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 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.

PlayCanvas Ltd

Notes to the financial statements (continued) For the year ended 31 December 2020

3 Accounting policies (continued)

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 at least 12 months after the reporting date.

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 about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

PlayCanvas Ltd

Notes to the financial statements (continued) For the year ended 31 December 2020

5 Revenue

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

	2020	2019
	£	£
Rendering of services - Third party	321,268	250,500
Rendering of services - Intercompany	<u>1,224,678</u>	<u>160,330</u>
	<u>1,545,946</u>	<u>410,830</u>

Timing of revenue recognition

	2020	2019
	£	£
Services transferred overtime	<u>1,545,946</u>	<u>410,830</u>

6 Profit for the financial year

The profit for the financial year is stated after charging/(crediting):

	2020	2019
	£	£
Foreign exchange losses/(gains)	<u>689</u>	<u>13</u>

7 Finance income

	2020	2019
	£	£
Intercompany interest	<u>101,318</u>	<u>129,078</u>

8 Staff costs

The Company did not have any staff during the year and therefore no staff remuneration (2019: nil).

9 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 for the year (2019: nil). The director does not hold any equity in the Company and did not participate in a defined benefit or money purchase pension scheme.

PlayCanvas Ltd

Notes to the financial statements (continued) For the year ended 31 December 2020

10 Auditor's remuneration

	2020 £	2019 £
Services provided by the Company's auditor:		
- Fees payable for the audit of the Company's annual financial statements	16,500	16,000
- Fee for non-audit services	-	-

11 Tax on profit

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

	2020 £	2019 £
Current tax	126,784	26,629
Deferred tax	-	-
Tax charge in the profit and loss account	126,784	26,629

The items accounting for the differences between tax on profit computed at the UK standard rate and recorded for tax on profit are as follows:

	2020 £	2019 £
Profit before taxation	188,599	140,153
Tax at the UK corporation tax rate of 19% (2019: 19%)	35,834	26,629
Effects of:		
Adjustments in respect of prior years	90,950	-
Tax charge for the year	126,784	26,629

PlayCanvas Ltd

Notes to the financial statements (continued) For the year ended 31 December 2020

11 Tax on profit (continued)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. A change to the UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The enacted change maintains the applicable UK tax rate at 19% rather than the previously enacted reduction to 17%. A further change to the UK corporation tax rate, announced in the Budget on 3 March 2021, was substantively enacted as part of Finance Act 2021 on 10 June 2021. The enacted change increases the UK tax rate to 25% (effective from 1 April 2023). As the rate increase was not substantively enacted as of 31 December 2020, deferred tax asset as at the balance sheet date is measured at the enacted tax rate of 19%.

12 Trade and other receivables

	2020	2019
	£	£
Amounts falling due within one year		
Trade receivables	6,825	8,371
Amounts owed by group undertakings	9,115,901	9,125,590
VAT receivable	-	13,878
	<u>9,122,726</u>	<u>9,147,839</u>

Amounts owed by group undertakings are unsecured and are repayable within 12 months.

13 Trade and other payables

	2020	2019
	£	£
Amounts falling due within one year		
Trade payables	—	3,795
Amounts owed to group undertakings	224,146	173,489
Accruals	16,500	154,338
Contract liabilities	13,180	10,409
VAT payable	26,300	25,023
	<u>280,126</u>	<u>367,054</u>

Amounts owed to group undertakings are unsecured and are repayable within 12 months.

Contract liabilities

When the Company receives advances from customers before revenue is fully recognized, this results in contract liabilities. These liabilities are reported on the balance sheet on a contract-by-contract basis at the end of each reporting period. Changes in the contract liability balances during the year ended 31 December 2020 and 31 December 2019, were not materially impacted by factors other than increase in trade.

Revenue recognized during the year ended 31 December 2020 and 31 December 2019 that was included in the contract liability balance at the beginning of each year was £10,409 and £9,898. Contract liabilities included above are expected to be recognised as revenue in the next 12 months.

PlayCanvas Ltd

Notes to the financial statements (continued) For the year ended 31 December 2020

14 Called-up share capital and reserves

Allotted, called-up, and fully paid shares

	2020 No.	2020 £	2019 No.	2019 £
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.

14 Called-up share capital and reserves (continued)

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.

15 Events after the balance sheet date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

16 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 3000 31st Street, 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 2020. The financial statements of Snap Inc. are available at <https://investor.snap.com> and are not part of these financial statements.