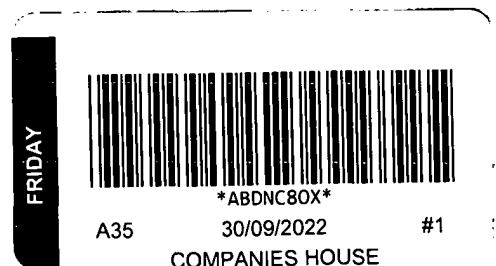


Registration number: 09763672

Snap Group Limited

Annual report and audited financial statements
for the year ended 31 December 2021



Snap Group Limited

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Snap Group Limited

Company information

Directors	C L Noorjala Q Pan
Registered office	7-11 Lexington Street London W1F 9AF
Independent auditor	Ernst & Young LLP 1 More London Place, London SE1 2AF

Snap Group Limited

Strategic report

For the year ended 31 December 2021

The directors present this Strategic report for the year ended 31 December 2021.

The directors, in preparing this Strategic report, have complied with S414C of the Companies Act 2006.

Review of the business

Snap Group Limited (the 'Company') is a wholly owned indirect subsidiary of Snap Inc., a Delaware corporation (collectively, with the Company, 'Snap'). Snap Inc. is engaged in the business of designing, developing, maintaining, and commercialising a technology platform that provides messaging, media, and other services to users as well as other related products and services (collectively, the 'Products and Services'). The Company generates revenue primarily through advertising. Snap's flagship product, Snapchat, is a camera application that helps people communicate visually with friends and family through short videos and images called Snaps.

Advertising Products

Snap connects both brand and direct response advertisers to Snapchatters globally. Snap's ad products are built on the same foundation that makes its consumer products successful. This means that Snap can take the things it learns while creating its consumer products and apply them to building innovative and engaging advertising products familiar to its community.

AR Ads: Advertising through Snap's Augmented Reality tools unlocks the ability to reach a unique audience in a highly differentiated way. Ads can be served as Sponsored Lenses or Sponsored Filters. Lenses are designed through Snap's camera to take advantage of the reach and scale of Snap's augmented reality platform to create visually engaging 3D experiences, including the ability to sample and try on products such as beauty, apparel, accessories, and footwear. Filters are entertaining, artistic overlays that appear after a Snapchatter takes a Snap. These Lenses and Filters can be memorialised on Snapchat, through Public Profiles that aggregate content, filters, and lenses in a single, easy to find place.

Snap Ads: Snap Ads let advertisers tell their stories the same way Snapchatters do, using full screen videos with sound. Snap Ads also allow advertisers to integrate additional experiences and actions directly within these advertisements, including watching a long-form video, visiting a website, or installing an app. Snap Ads include the following:

- **Single Image or Video Ads:** These are full screen ads that are skippable, and can contain an attachment to enable Snapchatters to swipe up and take action.
- **Story Ads:** Story Ads are branded tiles that live within the Discover section of the Stories tab that can be either video ads or a series of 3 to 20 images.
- **Collection Ads:** Collection Ads feature four tappable tiles to showcase multiple products, giving Snapchatters a frictionless way to browse and buy.
- **Dynamic Ads:** Dynamic Ads leverage Snap's machine learning algorithm to match a product catalogue to serve the right ad to the right Snapchatter at the right time.
- **Commercials:** Commercials are non-skippable for six seconds, but can last up to three minutes. These ads appear within Snapchat's curated content.

Campaign Management and Delivery

Snap aims to continually improve the way ads are purchased and delivered. Snap has invested heavily to build its self-serve advertising platform, which provides automated, sophisticated, and scalable ad buying and campaign management.

Snap offers the ability to bid for advertisements that are designated to drive Snapchatters to visit a website, make a purchase, visit a local business, call or text a business, watch a story or video, download an app, or return to an app, among others. Additionally, Snap's delivery framework continues to optimise relevance of ads across the entire platform by determining the best ad to show to any given user based on their real-time and historical attributes and activity. This decreases the number of wasted impressions while improving the effectiveness of the ads that are shown to Snap's community. This helps advertisers increase their return on investment by providing more refined targeting, the ability to test and learn with different creatives or campaign attributes in real time, and the dynamics of Snap's self-serve pricing.

Snap Group Limited

Strategic report (continued) For the year ended 31 December 2021

Review of the business (continued)

Measuring Advertising Effectiveness

Snap offers first-party and third-party solutions to provide a vast array of analytics on campaign attributes like reach, frequency, demographics, and viewability; changes in perceptions like brand favourability or purchase intent; and lifts in actual behaviours like purchases, foot traffic, app installs, and online purchases.

Financial performance

The Company's revenue for the year ended 31 December 2021 is \$1,247,670,000 (2020: \$869,807,000). The increase was primarily due to a combination of growth in advertisers and auction-based advertising demand and optimisation efficiencies.

The loss for the year ended 31 December 2021, after taxation is \$978,583,000 (2020: \$571,373,000). The cost base was primarily driven by cost of sales of \$800,128,000 (2020: \$594,194,000) and operating expenses of \$1,416,492,000 (2020: \$843,273,000).

The details of non-financial key performance indicators are explained in more detail in Snap Inc.'s Annual Report on Form 10-K for the year ended 31 December 2021. The Annual Report of Snap Inc. is available at <https://investor.snap.com> and is not part of these financial statements.

Section 172(1) Companies Act 2006

The board works to promote the success of the Company for the benefit of its members as a whole, and in doing so, have regard to all its stakeholders and to the matters set forth in Section 172 of the Companies Act 2006. This section of the Strategic report describes how the board has had regard to the matters set forth in section 172(1) of the Companies Act 2006.

The Company is dependent on the support of its stakeholders for the success of its business. The directors are kept informed about the views of stakeholders through interactions and communications with stakeholders and this information is used to assess the likely consequences of their decisions and actions on each stakeholder group.

Details of the Company's stakeholders and how the Company engages with them are set out below.

Shareholders

The Company relies on the support of its ultimate parent company, Snap Inc. The Company maintains regular dialogue with the management of Snap Inc. over a wide range of topics including, but not limited to, governance, strategy, and financial performance. The views of Snap Inc. are considered in the board's decision-making process and representatives of Snap Inc. are present at the Company's board meetings.

Employees

The Company's employees are integral to the success of the business. The Company engages with its team in several ways, including surveys, meetings, newsletters, and employee events.

Snap has long supported a Diversity, Equity and Inclusion, or DEI, program, and the Company has made progress on a number of fronts, including new accountability around DEI outcomes, rolling out an allyship program to inspire a more inclusive culture, and enhancing the Company's recruiting process to continue driving diverse hiring. To aid in this mission, Snap Inc. publishes a Diversity Annual Report that discusses the goals with respect to diversity, equity, and inclusion efforts. This report outlines Snap's beliefs around the idea that an inclusive workplace and inclusive products are central to achieving that purpose. This report is excerpted in Snap's broader CitizenSnap Report that details the work Snap is doing to support its communities, the planet, and its team, and is available at www.snap.com

Snap Group Limited

Strategic report (continued) For the year ended 31 December 2021

Section 172(1) Companies Act 2006 (continued)

As part of the Company's human capital resource objectives it seeks to recruit, retain, and incentivise the Company's highly talented existing and future employees. The Company believes that creating an inclusive environment where team members can grow, develop, and be their true selves is critical to attracting and retaining talent.

Considering the health and well-being of the Company's people, the Company implemented a work from home policy during the global COVID-19 pandemic.

User community

Snapchat's community is critical to the Company's ability to generate revenues and ultimately the success of its business. Key areas of focus include product innovation as well as user privacy. Snap Inc. spends considerable time reviewing user feedback which is used to inform the decision-making process around these areas. The Company's board works with Snap Inc. to get an understanding of user feedback and the implementation of any new product features.

Advertisers

Substantially all of the Company's revenue comes from advertising. The Company regularly engages with advertisers and their representatives through direct interactions and industry events. Our interactions focus on educating the advertising community about the Snapchat community and how they can successfully meet their marketing and media objectives by using the platform and advertising solutions. Feedback from advertisers is used to inform decision-making around the ad delivery platform. The Company invests heavily in its self-serve tools, which provide for automated, sophisticated, and scalable ad buying and campaign management. This helps advertisers increase their return on investment by providing more refined targeting, the ability to test and learn with different creatives or campaign attributes in real time, and the dynamics of the Company's self-serve pricing. Additionally, the Company's delivery framework continues to optimise the relevance of ads across the entire platform by determining the best ad to show to any given user based on their real-time and historical attributes and activity. This decreases the number of wasted impressions while improving the effectiveness of the ads that are shown to the community. Snapchat works with a number of third parties to demonstrate advertising effectiveness.

Suppliers

The Company maintains strong relationships with its suppliers and engages with them through direct interactions. Key areas of focus for the Company's suppliers include building strong relationships that ensure a high level of service, fair and transparent terms, and prompt payment. The board is kept informed on supplier feedback and issues on a regular basis. The board considers suppliers in the decisions it takes as it recognises that its suppliers are important to the long term success of the Company's business. For key infrastructure vendors, the group has dedicated personnel who constantly engage with vendors and solicit feedback.

Governments, regulators and other public institutions

The Company engages with various governments, regulators, and other public institutions through direct communication, both verbal and written. Key areas of focus are: responding to public consultations on new areas of public policy, legislation, and regulation; responding to official requests for information and providing inputs to official inquiries, regulatory investigations, and market studies; and understanding compliance with applicable laws and regulations. The board remains updated on developments in legal and regulatory frameworks and ensures compliance with laws and regulations in the decisions it takes. The Company ensures sufficient headcount to work with governments, regulators, and other public authorities internationally.

Snap Group Limited

Strategic report (continued) For the year ended 31 December 2021

Section 172(1) Companies Act 2006 (continued)

Local communities

The board considers the impact of its decisions on the local communities in which the Company operates. Key areas of focus include how the Company reduces its environmental impact, creating local employment and career development opportunities, and supporting local charities and community groups. The Company has a policy that offers four hours of paid time off each month for individual team members designated as full-time employees to volunteer at not-for-profit organisations that align with the Company's philanthropic mission. This Volunteer Time Off policy also applies to part-time employees and scales accordingly (i.e., 2 hours for 50% time). In addition, Snap operates our corporate philanthropic arm, Snap Philanthropy, which provides opportunities for our global team to volunteer within our communities and advances the company's philanthropic mission of empowering students from under-resourced communities through equitable access to STEAM (Science, Technology, Engineering, Arts, and Mathematics) education and exposure to career pathways, while strengthening the cities where we have offices. The Company also maintains positive relations with a variety of not-for-profit organisations in the UK and elsewhere, and benefits from their expertise on topics of importance to the business and wider society alike. The topic areas include online safety, child safety, and privacy.

Corporate Social Responsibility for Snap is also discussed in our annual CitizenSnap report available from <https://citizen.snap.com/>

Streamlined Energy and Carbon Reporting (SECR)

The Company's greenhouse gas (GHG) and energy usage for the year ending 31 December 2021, as required and, in accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, is as follows:

UK Energy use

2021

Energy type	Emission type	Total volume	Calculated emission (tCO ₂ e)
Gas consumption	Scope 1 (direct)	289,496 kWh	52.47
Electricity consumption	Scope 2 (indirect)	868,303 kWh	214.24
Fuel used in personal cars for business use	Scope 3 (other indirect)	2,992 kWh	1.07
		Total	267.78

2020

Energy type	Emission type	Total volume	Calculated emission (tCO ₂ e)
Gas consumption	Scope 1 (direct)	160,621 kWh	29.11
Electricity consumption	Scope 2 (indirect)	403,963 kWh	99.65
Fuel used in personal cars for business use	Scope 3 (other indirect)	341 kWh	0.12
		Total	128.88

Snap Group Limited

Strategic report (continued)

For the year ended 31 December 2021

Streamlined Energy and Carbon Reporting (SECR) (continued)

Emissions Intensity Metrics

2021

Intensity measurement	No of FTE for the period	Emissions intensity (tCO ₂ e / FTE / Year)
Number of FTE (full time equivalent)	371	0.72

2020

Intensity measurement	No of FTE for the period	Emissions intensity (tCO ₂ e / FTE / Year)
Number of FTE (full time equivalent)	243	0.53

Reporting methodology

All calculations used to produce the emissions figures shown above were undertaken in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (Revised Edition) and application of an operational control boundary. Best practice government published emission factors were applied.

Energy usage, and associated emissions, were reported from activity data consisting of invoices, metered consumption and as per the GHG protocol, where subleased consumption figures were not available, energy estimates based on available data were made. The calculations undertaken were completed with all sources required under SECR regulation included.

Details of relevant factors and their sources, used to produce the figures in this report are provided below.

Energy Type	Emissions Factor Reference
Electricity (Location based)	Year 2017 factors from "CO ₂ Emissions from Fuel Combustion (2019 Edition)", IEA; Electricity Factors by Country 1999-2002 (EIA)
Natural Gas	US EPA, Emission Factors for Greenhouse Gas Inventories, Last Modified: 1 April 2021
Transport Fuel	Year 2021 conversion factors, Cars, Average car, Unknown fuel (DEFRA)

Energy efficient action

Snap recognises the climate crisis as one of the greatest challenges of our time. As a company with products that touch the lives of the younger generations, who care passionately about addressing the climate crisis, we feel a responsibility to take decisive action. In 2021, Snap took two major actions to uplevel our 2020 climate strategy: committing to becoming Net Negative by 2030 and signing The Climate Pledge.

As part of this Snap is committing to: measuring and reporting greenhouse gas emissions on a regular basis, implementing decarbonisation strategies in line with the Paris Agreement through business change and innovations, including efficiency improvements, renewable energy, materials reductions, and other carbon emission elimination strategies, taking action to neutralise any remaining emissions with additional, quantifiable, real, permanent, and socially beneficial offsets to achieve net zero annual carbon emissions.

Snap Group Limited

Strategic report (continued)

For the year ended 31 December 2021

Streamlined Energy and Carbon Reporting (SECR) (continued)

Energy efficient action (continued)

Snap's emissions reduction targets developed in 2020 were approved by Science Based Targets initiative in 2021. Science based targets are emissions reduction targets in line with what the latest climate science says is needed to meet the goals of the Paris Agreement — to limit global warming to below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C and prevent the worst impacts of climate change.

The targets covering greenhouse gas emissions from Snap's operations (Scopes 1 and 2) are consistent with reductions required to keep warming to 1.5°C, the most ambitious goal of the Paris Agreement. Snap's target for the emissions from its value chain (Scope 3) meet the SBTi's criteria for ambitious value chain goals, meaning they are in line with current best practices. Snap remains committed to purchasing 100% renewable electricity for our facilities using energy certificates globally.

Read more in the Planet section of our 2022 CitizenSnap Report (which starts on page 52)

https://storage.googleapis.com/snap-inc/citizen-snap/2022_CitizenSnap_Report.pdf?lang=en-US

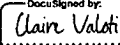
Principal risks and uncertainties

The principal risks of the Company are managed at a group level, rather than at an individual business unit level. The principal risks and uncertainties of the group (i.e., Snap Inc. and its subsidiaries), which includes the Company are discussed on pages 12 to 44 of Snap Inc.'s 2021 Annual Report on Form 10-K which is not part of these financial statements and can be obtained as set out in note 30.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 28 to the financial statements.

Approved by the board of directors on 26 September 2022 and signed on its behalf by:

DocuSigned by:

72940214-68C73D
C L Noorjala
Director

Snap Group Limited

Director's report (continued) For the year ended 31 December 2021

The directors present this annual report and financial statements of the Company for the year ended 31 December 2021.

Directors

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

A L Reid (resigned 1 July 2022)

C L Noorjala

Q Pan (appointed 28 June 2022)

Principal activity

The Company is engaged in the business of selling advertisements and related products and services.

Results and dividends

The results for the financial year ended 31 December 2021 are set out on page 14. The loss for the financial year amounted to \$978,583,000 (2020: \$571,373,000) per the profit and loss account.

The directors do not recommend payment of a dividend for the year (2020: \$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, trade receivables, amounts owed by group undertakings, and other receivables.

The Company's credit risk is primarily attributable to its third-party trade receivables. An allowance for impairment is made where there is an identified loss event which, 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 any material impairment of trade receivables in the current or previous period.

The risks in respect of liquidity, interest rate, cash flow, foreign exchange, and price are managed on a group level by Snap Inc.

Research and development

Research and development expenses consisted primarily of personnel-related costs, including salaries, benefits, and stock-based compensation for employees engaged in the research and development of Products and Services, and software license expenses.

Future developments

Details of future developments are outlined in notes 27 and 28 to the financial statements.

Locations established outside the UK

The Company has a place of business in Gibraltar and a branch in Singapore. The Gibraltar place of business was established in 2019 and the Singapore branch was established in 2020.

Stakeholder engagement

There is active engagement with all stakeholders of the Company. Please refer to Section 172(1) disclosure in the Strategic Report for further details.

Employee engagement

Consultation of employees has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of the Company. Additional details of how the Company engages with its employees are contained in the Section 172(1) disclosure in the Strategic Report.

Snap Group Limited

Director's report (continued) For the year ended 31 December 2021

Equal opportunities

The Company is proud to be an equal opportunity employer, and committed to providing employment, training, career development and promotion opportunities regardless of race, religious creed, colour, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, pregnancy, childbirth and breastfeeding, age, sexual orientation, military or veteran status, or any other protected classification, in accordance with applicable local laws. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues, and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance, and position are described in the Strategic report. The Company has net liabilities of \$(1,997,250,000) (2020: \$(921,244,000)) and cash and cash equivalents of \$169,592,000 (2020: \$195,662,000). 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 27 September 2023. The directors have made enquiries and performed procedures to satisfy themselves that the group will be able to provide the support pledged should it be called upon by the Company during the period. The directors have 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

Snap Inc. maintains liability insurance for all directors and officers of the group (i.e., Snap Inc. and its subsidiaries). Snap Inc. has also provided an indemnity for all directors and officers of the group, which is a qualifying third-party indemnity provision for the purpose of the Companies Act 2006.

Disclosure of information to auditors

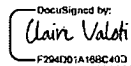
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself 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 S418 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 board of directors on 26 September 2022 and signed on its behalf by:

DocuSigned by:

F294001A168C403

C L Noorjala
Director

Snap Group Limited

Directors' responsibilities statement

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

Under Companies Act 2006, the directors are required to prepare such financial statements for each financial year. Under Companies Act 2006, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable 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;
- 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 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 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 the Company 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SNAP GROUP LIMITED

Opinion

We have audited the financial statements of Snap Group Limited for the year ended 31 December 2021 which comprise the Statement of comprehensive income, the Balance Sheet and the Statement of changes in equity and the related notes 1 to 30, 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 2021 and of its loss 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 directors' 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 for a period up to 27 September 2023.

Our responsibilities and the responsibilities of the directors 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 directors are 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 this gives rise to 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 SNAP GROUP LIMITED (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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

the strategic report and directors' report have 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 strategic report or 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, 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.

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 SNAP GROUP LIMITED (CONTINUED)

- 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 (FRS101 and Companies Act 2006) and the relevant tax compliance regulations.
- We understood how the Company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures, including internal legal counsel. We corroborated these enquiries through our review of board meeting minutes as well as considering the results of our audit procedures and noted no contradictory evidence. We further understood the adoption of accounting standards and considered the compliance with the above laws.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved review of board meeting minutes and enquiries of management around instances of fraud, non-compliance with laws and regulations and actual or potential litigation and claims, as well as review of legal expenses in the year and the claims and litigation register.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by enquiring of management to understand where it considered there was susceptibility to fraud, reviewing documentation of the company's policies and procedures including the Code of Conduct and assessing whether there were whistleblowing incidences with a potential financial reporting impact. We also considered performance targets and whether they might influence management to manipulate the financial statements. As a result, we identified a fraud risk relating to inappropriate revenue recognition, specifically in relation to the risk of management override of controls to record topside adjustments to revenue and existence of side agreements with key customers during the final quarter.
- We designed our audit procedures to respond to the identified fraud risk. We considered the controls that the company has established to address the risk identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors these controls. Our procedures involved understanding the revenue recognition process, incorporating data analytics into our testing of journal entries, testing on any topside adjustments to revenue, obtaining confirmations from sales directors on the existence of side agreements, testing material reversals post year end and performed cut-off testing near the year end to ascertain whether revenue is recorded in the appropriate period.

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

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

27 September 2022

Snap Group Limited**Statement of comprehensive income
For the year ended 31 December 2021**

	Note	2021 \$'000	2020 \$'000
Revenue	5, 6	1,247,670	869,807
Cost of sales		<u>(800,128)</u>	<u>(594,194)</u>
Gross profit		447,542	275,613
Operating expenses		(1,416,492)	(843,273)
Foreign exchange loss	8	<u>(754)</u>	<u>(1,582)</u>
Operating loss	7	(969,704)	(569,242)
Finance income	9	2,236	2,235
Finance costs	10	<u>(17,031)</u>	<u>(15,051)</u>
Loss before taxation		<u>(984,499)</u>	<u>(582,058)</u>
Tax on loss	14	5,916	10,685
Loss for the financial year		<u><u>(978,583)</u></u>	<u><u>(571,373)</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. Therefore, no separate statement of comprehensive income has been presented.

The notes on pages 18 to 42 form an integral part of these financial statements.

Snap Group Limited

Balance sheet

As at 31 December 2021

	Notes	2021 \$'000	2020 \$'000
ASSETS			
Fixed assets			
Intangible assets	15	4,436	10,127
Tangible fixed assets	16	12,537	9,226
Right-of-use assets	24	13,028	15,683
Deferred tax asset		3,620	5,767
		<u>33,621</u>	<u>40,803</u>
Current assets			
Inventory		163	457
Trade and other receivables: amounts falling due after more than one year	17	238,002	190,653
Trade and other receivables: amounts falling due within one year	17	255,379	173,384
Contract assets	18	93,348	81,215
Cash and cash equivalents	19	169,592	195,662
Total current assets		<u>756,484</u>	<u>641,371</u>
Current liabilities			
Trade and other payables: amounts falling due within one year	21	(766,559)	(485,107)
Lease liabilities	25	(2,902)	(2,717)
Contract liabilities	18	(3,582)	(52,571)
		<u>(16,559)</u>	<u>100,976</u>
Net current assets			
Total assets less current liabilities		<u>17,062</u>	<u>141,779</u>
Non-current liabilities			
Trade and other payables: amounts falling due after more than one year	21	(1,991,451)	(1,031,769)
Provisions	22	(10,338)	(15,532)
Lease liabilities	25	(12,523)	(15,722)
Net liabilities		<u>(1,997,250)</u>	<u>(921,244)</u>
EQUITY			
Called-up share capital	23	3	3
Share premium account	23	869,749	869,749
Share based payment reserve		(114,730)	(17,307)
Retained earnings	23	(2,752,272)	(1,773,689)
Total equity		<u>(1,997,250)</u>	<u>(921,244)</u>

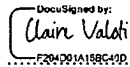
The notes on pages 18 to 42 form an integral part of these financial statements.

Snap Group Limited

Balance sheet (continued) As at 31 December 2021

The financial statements of Snap Group Limited (registration number: 09763672) were approved by the board of directors and authorised for issue on 26 September 2022.

They were signed on its behalf by:

DocuSigned by:

204001A158C49D
C L Noorjala
Director

The notes on pages 18 to 42 form an integral part of these financial statements.

Snap Group Limited

Statement of changes in equity
For the year ended 31 December 2021

	Called-up share capital S'000	Share premium account S'000	Share based payment reserve S'000	Retained earnings S'000	Total shareholders' funds S'000
Balance at 1 January 2020	3	869,749	(20,089)	(1,202,316)	(352,653)
Comprehensive income (loss)					
Loss for the financial year	-	-	-	(571,373)	(571,373)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(571,373)	(571,373)
Stock-based payments recharges	-	-	(73,233)	-	(73,233)
Stock-based payments transactions	-	-	71,317	-	71,317
Tax relating to stock-based payments	-	-	4,698	-	4,698
	-	-	2,782	-	2,782
Balance at 31 December 2020	3	869,749	(17,307)	(1,773,689)	(921,244)
Balance at 1 January 2021	3	869,749	(17,307)	(1,773,689)	(921,244)
Comprehensive income (loss)					
Loss for the financial year	-	-	-	(978,583)	(978,583)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(978,583)	(978,583)
Stock-based payments recharges	-	-	(171,074)	-	(171,074)
Stock-based payments transactions	-	-	68,311	-	68,311
Tax relating to stock-based payments	-	-	5,340	-	5,340
	-	-	(97,423)	-	(97,423)
Balance at 31 December 2021	3	869,749	(114,730)	(2,752,272)	(1,997,250)

The notes on pages 18 to 42 form an integral part of these financial statements.

Snap Group Limited

Notes to the financial statements For the year ended 31 December 2021

1 General information

Snap Group Limited (the 'Company') is a private company limited by share capital incorporated in England and Wales and domiciled in the United Kingdom ('UK').

The address of its registered office is:

7-11 Lexington Street

London

W1F 9AF

The nature of the Company's operations and its principal activities are set out in the Strategic report and Directors' report on pages 2 to 9.

These financial statements are presented in US Dollars ('USD') and the functional currency of the Company continues to be USD. The functional currency is determined by the primary economic environment in which the Company operates. Revenue generated by the Company is largely denominated in USD. The main costs of providing such services relating to the revenue are also largely denominated in USD.

2 Adoption of new and revised Standards

Impact of initial application of amendments to International Financial Reporting Standards and Interpretations

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have a material impact on the Company's financial statements.

3 Accounting policies

Basis of preparation

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 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.

Snap Group Limited

Notes to the financial statements For the year ended 31 December 2021

3 Accounting policies (continued)

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 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 IAS 1, 'International Accounting Standards'.
- 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'.
- Paragraphs 5, 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 30.

The principal accounting policies adopted are set out below.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance, and position are described in the Strategic report. The Company has net liabilities of \$(1,997,250,000) at 31 December 2021 (2020: \$(921,244,000)) and cash and cash equivalents of \$169,592,000 (2020: \$195,662,000). 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 27 September 2023. The directors have made enquiries and performed procedures to satisfy themselves that the group will be able to provide the support pledged should it be called upon by the Company during the period. The directors have 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.

Snap Group Limited

Notes to the financial statements

For the year ended 31 December 2021

3 Accounting policies (continued)

Revenue recognition

Revenue is recognised when control of the promised goods or services is transferred to 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. Indirect tax, including value added tax, is 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 recognising revenue when, or as, the Company satisfies a performance obligation.

Revenue from rendering of services to third parties

The Company generates substantially all of its revenues by offering various advertising products on Snapchat, which include Snap Ads and AR Ads, referred to as advertising revenue. AR Ads include Sponsored Filters and Sponsored Lenses. Sponsored Filters allow users to interact with an advertiser's brand by enabling stylised brand artwork to be overlaid on a Snap. Sponsored Lenses allow users to interact with an advertiser's brand by enabling branded augmented reality experiences.

The substantial majority of advertising revenue is generated from the display of advertisements on Snapchat 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. Revenue related to agreements based on the number of impressions delivered is recognised when the advertisement is displayed. Revenue related to fixed fee arrangements is recognised rateably over the service period, typically less than 30 days in duration, and such arrangements do not contain minimum impression guarantees.

In arrangements where another party is involved in providing specified services to a customer, the Company evaluates whether the Company is the principal or agent. In this evaluation, the Company considers if the Company obtains control of the specified goods or services before they are transferred to the customer, as well as other indicators such as the party primarily responsible for fulfilment, inventory risk, and discretion in establishing price. For advertising revenue arrangements where the Company is not the principal, the Company recognises revenue on a net basis. For the periods presented, revenue for arrangements where the Company is the agent was not material.

Rendering of services to group companies

The Company also generates intercompany revenue from the sale of advertising services to related parties.

Snap Group Limited

Notes to the financial statements

For the year ended 31 December 2021

3 Accounting policies (continued)

Finance income

Finance income is primarily composed of interest income, which is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Finance income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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 the end of each reporting period, 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 period.

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 period 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 period 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 period. 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.

Snap Group Limited

Notes to the financial statements For the year ended 31 December 2021

3 Accounting policies (continued)

Tax (continued)

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 period, 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.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets less residual values on a straight line basis over their expected useful economic lives. The principal annual periods used for this purpose are:

Asset class	Depreciation rate
Leasehold improvements	Term of lease
Fixtures, fittings, and equipment	5 years
Computer equipment	3 years
Property, plant, and equipment	3 years

The estimated useful lives, residual values, and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant, and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Snap Group Limited

Notes to the financial statements
For the year ended 31 December 2021

3 Accounting policies (continued)

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Intellectual property	5 years straight line

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit and loss when the asset is derecognised.

Impairment of non-financial assets

Non-derivative 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.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset company that generates cash flows that largely are independent from other assets and companies. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (company of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Snap Group Limited

Notes to the financial statements For the year ended 31 December 2021

3 Accounting policies (continued)

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at the inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Snap Group Limited

Notes to the financial statements For the year ended 31 December 2021

3 Accounting policies (continued)

Leases (continued)

The Company as lessee (continued)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation period starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the Balance sheet.

The Company applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

Overseas branches

The assets and liabilities of overseas branches are translated into the Company's presentation currency at the rate of exchange as at the reporting date, and their income statements are translated at the average exchange rates for the year. All assets and liabilities, equity, income and expenses relating to transactions between the entity and its branches are eliminated.

Defined contribution pension

Pension contributions are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Snap Group Limited

Notes to the financial statements For the year ended 31 December 2021

3 Accounting policies (continued)

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

Financial assets of the Company include cash and trade and other receivables. Trade and other receivables are initially recognised when they are originated and are measured at the transaction price. These financial assets did not contain a significant financing component for the periods presented.

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

Financial liabilities of the Company include trade and other payables. Financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

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.

Snap Group Limited

Notes to the financial statements

For the year ended 31 December 2021

3 Accounting policies (continued)

Share-based payments

Where Snap Inc. has granted rights to its equity instruments to employees of the Company, such arrangements are accounted for as equity-settled share-based payment arrangements. Refer to note 29 for further details. Restricted stock units ('RSUs') granted to employees before 31 December 2016 generally contain both service-based and event-based conditions to vest in the underlying shares. RSUs granted after 31 December 2016 generally contain service-based conditions to vest in the underlying shares. The event-based condition will be satisfied on either: (1) a change in control event, such as a sale of all or substantially all of Snap Inc.'s assets or a merger involving the sale of a majority of the outstanding shares of Snap Inc.'s voting shares, or (2) the effective date of the registration statement of Snap Inc. in connection with a qualifying initial public offering. The event-based condition was satisfied in March 2017. The event-based condition did not impact the timing of recognition of the expense. Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on an accelerated attribution basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of the service-based condition. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management 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.

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 period 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 of tax returns by tax authorities.

Snap Group Limited

Notes to the financial statements For the year ended 31 December 2021

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Value of intellectual property

The Company determines the estimated useful lives, residual values, and related charges for its intellectual property with reference to the estimated periods that the Company intends to derive future economic benefits from the use of these assets. Management will revise the amortisation charge where useful lives or residual values are materially different from those previously estimated. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic reviews could result in a change in useful economic lives and residual values and therefore amortisation expenses in the future periods. The estimates used in the value in use calculations are reviewed internally and approved by the Company.

5 Revenue

	2021 \$'000	2020 \$'000
Disaggregation of revenue		
Sale of goods	264	797
Rendering of services	1,065,876	788,944
Rendering of services - Intercompany	181,530	80,066
	<u>1,247,670</u>	<u>869,807</u>
Timing of revenue recognition		
Goods transferred at a point in time	264	797
Services transferred over time	1,247,406	869,010
	<u>1,247,670</u>	<u>869,807</u>

6 Revenue by principal place of business

An analysis of the Company's revenue by class of business and principal place of business is set out below.

	2021 \$'000			2020 \$'000		
	Third Party	Intercompany	Total	Third Party	Intercompany	Total
North America (1)	36,437	34,574	71,011	46,484	223	46,707
Europe (2)	499,481	113,598	613,079	351,962	55,978	407,940
Rest of World	530,222	33,358	563,580	391,072	24,088	415,160
	<u>1,066,140</u>	<u>181,530</u>	<u>1,247,670</u>	<u>789,518</u>	<u>80,289</u>	<u>869,807</u>

(1) North America includes Mexico, the Caribbean, and Central America.

(2) Europe includes Russia and Turkey. Effective March 2022, we halted advertising sales to Russian and Belarusian entities.

Snap Group Limited

Notes to the financial statements For the year ended 31 December 2021

7 Operating loss

The operating loss is stated after charging:

		2021	2020
	Note	\$'000	\$'000
Amortisation of intangible assets	15	5,691	4,462
Depreciation of tangible fixed assets	16	2,618	2,202
Depreciation of right-of-use assets	24	2,655	2,707
Staff costs	11	152,801	136,203
Auditor's remuneration	13	273	252
Carrying amount of stock sold		<u>84</u>	<u>609</u>

8 Foreign exchange differences

	2021	2020
	\$'000	\$'000
Foreign exchange losses	<u>754</u>	<u>1,582</u>

9 Finance income

	2021	2020
	\$'000	\$'000
Finance income from group undertakings	68	86
Other finance income	<u>2,168</u>	<u>2,149</u>
	<u>2,236</u>	<u>2,235</u>

10 Finance costs

	2021	2020
	\$'000	\$'000
Finance costs from group undertakings	13,895	11,847
Interest on lease liabilities	1,154	1,251
Other finance cost	<u>1,982</u>	<u>1,953</u>
	<u>17,031</u>	<u>15,051</u>

Snap Group Limited

Notes to the financial statements For the year ended 31 December 2021

11 Staff costs

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

	2021	2020
	No.	No.
Administration	87	57
Sales and operations	143	110
Engineering	141	76
	<u>371</u>	<u>243</u>

Their aggregate remuneration in the year comprised:

	2021	2020
	\$'000	\$'000
Wages and salaries	128,270	112,910
Social security costs and benefits	22,155	21,333
Pension costs	2,213	1,470
Other	163	490
	<u>152,801</u>	<u>136,203</u>

Included in wages and salaries is share-based payments expense of \$68,311,000 (2020: \$71,318,000).

12 Directors' remuneration

The directors' services to the Company during the period have been considered insignificant. Therefore, the directors did not receive any remuneration for their qualifying services. The directors do not hold any equity in the Company and did not participate in a defined benefit or money purchase pension scheme.

13 Auditor's remuneration

	2021	2020
	\$'000	\$'000
Services provided by the Company's auditor		
Fees payable for the audit of the Company's financial statements	<u>273</u>	<u>252</u>

Snap Group Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

14 Tax on loss

	2021 \$'000	2020 \$'000
Current tax	(6,565)	(8,727)
Deferred tax	649	(1,958)
Tax on loss	(5,916)	(10,685)

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

	2021 \$'000	2020 \$'000
Loss before taxation	(984,499)	(582,058)
Tax at the UK corporation standard tax rate of 19% (2020: 19%)	(187,055)	(110,591)
Effects of:		
Amounts not recognised	187,587	98,170
Other	(6,448)	1,736
Tax charge for the year	(5,916)	(10,685)

As of 31 December 2021, the Company had recognized a deferred tax asset for share based payments with relation to its Gibraltar place of business in the amount of \$3,620,000 (2020: \$5,767,000) recoverable against future profits. The amount recognized directly in equity during the period is \$(1,497,000) (2020: \$3,809,000).

As of 31 December 2021, the Company had \$2,723,352,000 (2020: \$1,689,887,000) of U.K. tax losses that can be carried over indefinitely. A deferred tax has not been recognised in respect of these losses as their future utilisation is uncertain.

Factors affecting future tax charge

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 substantively enacted as of 31 December 2021, U.K. deferred tax asset as at the balance sheet date is measured at the enacted tax rate of 25%.

An increase in the Gibraltar corporation tax rate from 10% to 12.5% (effective from 1 August 2021) was substantively enacted on 21 July 2021. As the rate increase was substantively enacted as of 31 December 2021, Gibraltar deferred tax asset as at the balance sheet date is measured at the enacted tax rate of 12.5%.

Snap Group Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

15 Intangible assets

Cost or valuation	Intellectual property \$'000
At 1 January 2021	27,587
Additions	-
Disposals	-
At 31 December 2021	<u>27,587</u>
Accumulated amortisation	
At 1 January 2021	(17,460)
Amortisation charge	(5,691)
At 31 December 2021	<u>(23,151)</u>
Carrying amount	
At 31 December 2021	<u>4,436</u>
At 31 December 2020	<u>10,127</u>

None of the intangible assets were internally generated.

16 Property, plant and equipment

	Leasehold improvements \$'000	Furniture, fittings, and equipment \$'000	Computer equipment \$'000	Property, plant, and equipment \$'000	Total \$'000
Cost					
Balance at 1 January 2021	10,202	1,559	1,810	1,936	15,507
Additions	<u>2,596</u>	<u>38</u>	<u>2,422</u>	<u>873</u>	<u>5,929</u>
Balance at 31 December 2021	<u>12,798</u>	<u>1,597</u>	<u>4,232</u>	<u>2,809</u>	<u>21,436</u>
Accumulated depreciation					
Balance at 1 January 2021	(3,259)	(929)	(787)	(1,306)	(6,281)
Depreciation	<u>(1,123)</u>	<u>(279)</u>	<u>(766)</u>	<u>(450)</u>	<u>(2,618)</u>
Balance at 31 December 2021	<u>(4,382)</u>	<u>(1,208)</u>	<u>(1,553)</u>	<u>(1,756)</u>	<u>(8,899)</u>
Carrying amount at 31 December 2021	<u>8,416</u>	<u>389</u>	<u>2,679</u>	<u>1,053</u>	<u>12,537</u>
Carrying amount at 31 December 2020	<u>6,943</u>	<u>630</u>	<u>1,023</u>	<u>630</u>	<u>9,226</u>

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Notes to the financial statements (continued) For the year ended 31 December 2021

17 Trade and other receivables

	2021 \$'000	2020 \$'000
Trade receivables	115,356	111,952
Amounts owed by group undertakings - loans and borrowings	5,231	7,626
Amounts owed by group undertakings	80,317	10,351
Other receivables	272	122
Income tax receivable	7,927	9,153
Prepayments	3,611	998
Prepaid royalty	25,100	25,100
Deferred royalty	17,565	8,082
	<u>255,379</u>	<u>173,384</u>

Amounts owed by group undertakings are unsecured and repayable within 12 months. The amounts owed either bear interest at an arm's length interest rate, or do not bear any interest.

During the periods presented, Snap Inc. acquired certain assets, which led to changes in intellectual property in Snap Inc., details of which can be found in Snap Inc.'s 2021 and 2020 Annual Reports on Form 10-K, which can be obtained as set out in note 30. As a result, Snap Inc. licensed additional rights to the Company leading to an increase in the deferred royalty recognised by the Company of \$94,833,000 (2020: \$39,911,000).

	2021 \$'000	2020 \$'000
Amounts falling due after more than one year:		
Other receivables	2,185	2,206
Prepaid royalty	52,149	77,249
Deferred royalty	183,668	111,198
	<u>238,002</u>	<u>190,653</u>
 Total trade and other receivables	 <u>493,381</u>	 <u>364,037</u>

Snap Group Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

18 Contract balances

The timing of revenue recognition, billings, and cash collections results in billed accounts receivables (trade receivables), unbilled receivables (contract assets, also known as accrued revenue), and customer advances and deposits (contract liabilities, also known as deferred revenue). Generally, billing occurs subsequent to revenue recognition resulting in contract assets. However, the Company sometimes receives advances or deposits from its customers, before revenue is fully recognised, resulting in contract liabilities. These assets and liabilities are reported on the balance sheet on a contract-by-contract basis at the end of each reporting period. Changes in the contract asset and liability balances during the year ended 31 December 2021 and 31 December 2020, were not materially impacted by factors other than increase in trade and timing of invoicing.

Revenue recognised during the year ended 31 December 2021 and 31 December 2020 that was included in the contract liability balance at the beginning of each year was \$52,571,000 and \$3,146,000, respectively. Deferred revenue amounts included below are expected to be recognised as revenue in the next 12 months.

	2021 \$'000	2020 \$'000
Contract assets		
Amounts falling due within one year:		
Accrued revenue	93,348	81,215
	2021 \$'000	2020 \$'000
Contract liabilities		
Amounts falling due within one year:		
Deferred revenue with third parties	3,582	3,455
Deferred revenue with group undertakings	-	49,116
	<u>3,582</u>	<u>52,571</u>

19 Cash and cash equivalents

	2021 \$'000	2020 \$'000
Cash at bank and in hand	169,592	195,662

20 Cash pooling arrangement

The Company is party to a cash pooling arrangement with related parties. Any amounts borrowed by the Company from the cash pool or provided by the Company to the cash pool bear interest at the multi-currency pool interest rate ('MCP') adjusted by a spread agreed to by the Company and the counterparty from time to time, which rate shall not exceed the maximum permissible rate by law. The MCP is generally redetermined on a daily basis based on a daily market rate.

Receivables arising from the cash pooling arrangement are included within amounts owed by group undertakings, and amounts borrowed from the cash pooling arrangement are included within amounts owed to group undertakings.

Snap Group Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

21 Trade and other payables

Amounts falling due within one year

	2021 \$'000	2020 \$'000
Trade payables	29,461	15,364
Amounts owed to group undertakings - loans and borrowings	44,923	47,750
Amounts owed to group undertakings	528,784	299,778
Accrued expenses	151,912	113,031
Income tax payable	877	-
Social security and other taxes	1,031	860
VAT payable	9,571	8,324
	<u>766,559</u>	<u>485,107</u>

	2021 \$'000	2020 \$'000
Amounts falling due between two and five years		
Amounts owed to group undertakings - loans and borrowings	1,794,874	909,579
Amounts owed to group undertakings	131,426	70,339
	<u>1,926,300</u>	<u>979,918</u>

	2021 \$'000	2020 \$'000
Amounts falling due after more than five years		
Amounts owed to group undertakings	<u>65,151</u>	<u>51,851</u>

	2021 \$'000	2020 \$'000
Trade and other payables: amounts falling due after more than one year	<u>1,991,451</u>	<u>1,031,769</u>

Amounts owed to group undertakings are unsecured and have been apportioned between those repayable within one year, 2-5 years, and over 5 years. The amounts owed either bear interest at an arm's length interest rate or (in the case of certain amounts falling due within one year) do not bear any interest.

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Notes to the financial statements (continued) For the year ended 31 December 2021

22 Provisions

	Provision for dilapidations	Provision for social security liability relating to stock-based compensation	Total
	\$'000	\$'000	\$'000
Balance at 1 January 2021	-	15,532	15,532
Net additions/(utilisation) during the year	864	(6,058)	(5,194)
Balance at 31 December 2021	864	9,474	10,338

The provision for social security relating to stock-based compensation is expected to be extinguished over the next 4 years in line with the vesting period of RSUs (see note 29). The provision for dilapidations is expected to be extinguished during 2026 and 2027.

23 Called-up share capital and reserves

Allotted, called-up and fully paid shares

	2021		2020	
	Shares	\$	Shares	\$
Ordinary shares of £1 each	2,000	2,607	2,000	2,607

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

The Company's other reserves are as follows:

Share premium account

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

Retained earnings

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

Share-based payment reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees as part of their remuneration. Refer to Note 29 for further details.

Snap Group Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

24 Leases

Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period

	Office spaces S'000
Cost	
Balance at 1 January 2021	20,802
Additions	<u>-</u>
Balance at 31 December 2021	<u>20,802</u>
Accumulated depreciation	
Balance at 1 January 2021	(5,119)
Depreciation	<u>(2,655)</u>
Balance at 31 December 2021	<u>(7,774)</u>
Carrying amount at 31 December 2021	<u><u>13,028</u></u>

The average lease term is 5 years (2020: 6 years).

The maturity analysis of lease liabilities is presented in note 25.

Snap Group Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

25 Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Office spaces
	\$'000
Balance at 1 January 2021	18,439
Additions	
Accretion of interest	1,154
Payments - lease	(4,080)
Foreign exchange loss	(88)
Balance at 31 December 2021	<u>(15,425)</u>
Current	2,902
Non-current	<u>12,523</u>
	<u>15,425</u>

Set out below is the maturity analysis of lease liabilities:

	2021
	\$'000
Year 1	3,828
Year 2	3,866
Year 3	3,989
Year 4	3,809
Year 5	2,360
Onwards	108
	<u>17,961</u>
Unaccrued interest	<u>(2,536)</u>
	<u>15,425</u>
 Analysed as:	
Non-current	12,523
Current	<u>2,902</u>
	<u>15,425</u>

The following are the amounts recognised in profit or loss:

	2021
	\$'000
Depreciation expense of right-of-use assets	2,655
Interest expense on lease liabilities	1,154
Total amount recognised in profit or loss	<u>3,809</u>

The total cash outflow during the year for leases amounted to \$4,080,000 (2020: \$(3,784,000))

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Notes to the financial statements (continued) For the year ended 31 December 2021

26 Contingent liabilities

At 31 December 2021, there were no material pending matters or settlements outstanding.

27 Capital commitments

During 2021 the Company entered into an agreement for lease of office space. The lease term is 10 years commencing in 2022 and total cost of the lease is GBP 79 million over the lease term.

28 Events after the balance sheet date

On 31 August 2022, Snap Inc. announced a plan to reduce headcount as part of a broader strategic reprioritisation. On 1 September, the Company began a collective consultation process with employees in relation to proposed redundancies. Given the early stages of the process, an estimate of its financial effect cannot be made as of the date of these financial statements.

29 Share-based payments

Share-based Compensation Plans

The Company provides benefits to eligible employees in the form of Snap Inc. stock-based awards. Snap Inc. maintains three stock-based employee compensation plans which are managed at the group level. Further detailed information regarding these plans are discussed on pages 82 to 84 of Snap Inc.'s 2021 annual report on Form 10-K, which is not part of these financial statements and can be obtained at <https://investor.snap.com>.

The Company measures and recognises compensation expense for share-based payment awards, including share options and RSUs granted to employees, based on the grant date fair value of the awards. The grant date fair value of share options is estimated using a Black-Scholes option pricing model. The fair value of share-based compensation for share options is recognised on an accelerated attribution basis over the vesting period during which services are provided in exchange for the award.

RSUs granted to employees before 31 December 2016 generally contain both service-based and event-based conditions to vest in the underlying shares. Awards granted after 31 December 2016 generally contain only service-based conditions to vest in the underlying shares. The event-based condition will be satisfied on either: (1) a change in control event, such as a sale of all or substantially all of Snap Inc.'s assets or a merger involving the sale of a majority of the outstanding shares of Snap Inc.'s voting shares, or (2) the effective date of the registration statement of Snap Inc. in connection with a qualifying initial public offering. The event-based condition was determined to be a non-vesting condition as defined in IFRS 2 - Share-based payment and was satisfied in March 2017.

The grant date fair value of RSUs is estimated based on the fair value of Snap Inc.'s underlying Class A common stock. For awards with event-based conditions, the fair market value at grant date has been adjusted downwards to factor in the likelihood of meeting the event-based condition. The service condition for RSUs granted prior to February 2018 is generally satisfied over four years, 10% after the first year of service, 20% over the second year, 30% over the third year, and 40% over the fourth year. The service condition for RSUs granted after February 2018 is generally satisfied in equal monthly or quarterly instalments over three or four years. For RSUs, the Company recognises share-based compensation expense using the accelerated attribution basis over the vesting period.

Share-based compensation expense recognised in the profit or loss account for all periods presented is based on awards that are expected to vest less estimated forfeitures. The Company estimates the forfeiture rate of its share-based awards at the group level based on an analysis of actual forfeitures, employee turnover, and other factors. A modification of the terms of a share-based award is treated as an exchange of the original award for a new award with total compensation cost equal to the grant-date fair value of the original award plus the incremental value of the modification to the award.

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Notes to the financial statements (continued) For the year ended 31 December 2021

29 Share-based payments (continued)

RSUs

The following tables summarise the RSU activity for the Company's employees during the year ended 31 December 2021 and 2020:

	Class A outstanding RSUs	Weighted average grant-date fair value per RSU US\$
Unvested at 31 December, 2019	3,418,131	12.77
Granted	5,896,670	21.61
Vested	(3,196,474)	14.66
Forfeited	(139,951)	18.05
Unvested at 31 December, 2020	5,978,376	20.06
Unvested at 31 December, 2020	5,978,376	20.06
Granted	906,916	58.74
Vested	(3,214,403)	20.59
Forfeited	(168,835)	20.22
Unvested at 31 December, 2021	3,502,054	28.85

Each RSU issued to employees of the Company by Snap Inc. settles to one share of Snap Inc.'s Class A common stock. No amounts are paid or payable by the recipient on receipt of the RSU. The RSUs may be entitled to dividends when and if declared by Snap Inc. The RSUs do not entitle the award-holder to any voting rights.

The total fair value, as determined by the then fair value of Snap Inc.'s underlying Class A common stock on settlement date, of RSUs vested during the year ended 31 December 2021 was \$187,570,000 (2020: \$72,432,000).

Total unrecognised compensation cost of RSUs was \$40,891,000 (2020: \$60,471,000) as of 31 December 2021 and is expected to be recognised over a weighted-average period of 1.4 years (2020: 1.4 years).

For the year ended 31 December 2021, in connection with the settlement of RSUs to shares issued to employees, to pay applicable taxes on behalf of the employee, Snap Inc. sold 1,004,140 shares (2020: 1,017,087) of common stock on behalf of employees. For the year ended 31 December 2021, the Company remitted \$59,993,000 (2020: \$23,025,000) in cash to meet the related tax withholding requirements on behalf of the Company's employees. As of 31 December 2021, the Company recorded a \$187,570,000 (2020: \$72,432,000) liability within amounts owed to group undertakings for the reimbursement of its employees' taxable income upon vesting of RSUs payable to Snap Inc.

Snap Group Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

29 Share-based payments (continued)

Share Options

The following tables summarise the stock option award activity for the Company's employees under the Share Plans during the year ended 31 December 2021 and 2020:

	Class A number of shares	Weighted average exercise price US\$	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at 31 December, 2019	113,263	\$14.72	3.00	\$182,353
Granted	-	-	-	N/A
Transferred	(478)	-	-	N/A
Exercised	(62,605)	-	-	N/A
Forfeited or expired	-	-	-	N/A
Outstanding at 31 December, 2020	50,180	\$14.72	2.00	\$1,719,170
Exercisable at 31 December, 2020	50,180	\$14.72	2.00	\$1,719,170
Vested and expected to vest at 31 December, 2020	50,180	\$14.72	2.00	\$1,719,170
Outstanding at 31 December, 2020	50,180	\$14.72	2.00	\$1,719,170
Granted	-	-	-	N/A
Transferred	478	-	-	N/A
Exercised	(15,117)	-	-	N/A
Forfeited or expired	-	-	-	N/A
Outstanding at 31 December, 2021	35,541	\$14.72	1.00	\$1,157,482
Exercisable at 31 December, 2021	35,541	\$14.72	1.00	\$1,157,482
Vested and expected to vest at 31 December, 2021	35,541	\$14.72	1.00	\$1,157,482

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying share option awards and the closing market price of Snap Inc.'s Class A common share as of 31 December 2021 and 2020.

Each option granted to employees of the Company by Snap Inc. settles to one share of Snap Inc.'s Class A common stock. No amounts are paid or payable by the recipient on receipt of the option. The options may be entitled to dividends when and if declared by Snap Inc. The options do not entitle the option-holder to any voting rights. Employees must pay the option exercise price or elect to use the cashless exercise method to exercise a vested option. Options may be exercised at any time from the date of vesting to the date of their expiration subject to restriction on cashless exercises.

The total intrinsic value of options exercised during the period ending 31 December 2021 was \$755,000 (2020: \$801,000). As of 31 December 2021, the Company recorded a \$755,000 (2020: \$801,000) liability within amounts owed to group undertakings for the reimbursement of its employees' taxable income upon exercise of options payable to Snap Inc.

Total share-based payments expense, inclusive of both RSUs and share options, recognised in the year ended 31 December 2021 was \$68,311,000 (2020: \$71,317,000).

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Notes to the financial statements (continued) For the year ended 31 December 2021

30 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 the United States 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 2021. The financial statements of Snap Inc. are available at <https://investor.snap.com> and are not part of these financial statements.