

Registration number: 09763672

Snap Group Limited

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



Snap Group Limited

Contents

Company information	1
Strategic report	2
Directors' report	7
Directors' responsibilities statement	9
Independent auditor's report	10
Statement of comprehensive income	13
Balance sheet	14
Statement of changes in equity	16
Notes to the financial statements	17

Snap Group Limited

Company information

Directors	A L Reid C L Nooriala
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 2020

The directors present this Strategic report for the year ended 31 December 2020.

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. 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. Filters are entertaining, artistic overlays that appear after a Snapchatter takes a Snap. These Lenses and Filters can be memorialized on Snapchat, through Brand Profiles that aggregate content, filters, and lenses in a single, easy to find place. 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 catalog 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, visit a local business, call or text a business, download an app, or return to an app. Additionally, Snap's delivery framework continues to optimize 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.

Measuring Advertising Effectiveness

Snap offers third-party and first-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 behaviour like purchases, foot traffic, app installs, and online purchases.

Snap Group Limited

Strategic report (continued)

For the year ended 31 December 2020

Financial performance

In the year, the Company's revenue increased from \$654m to \$870m primarily due to international growth in advertising demand and expansion into new regions.

The loss for the year, after taxation is \$571m (2019: \$444m). The cost base was primarily driven by hosting costs of \$461m (2019: \$397m), intercompany operating expenses of \$671m (2019: \$490m), and direct cost of sales relating to the advertising business of \$81m (2019: \$75m).

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 2020.

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.

People

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.

The Company has long supported a Diversity, Equity and Inclusion, or DEI, program, and the Company has made progress on a number of fronts, including the introduction of 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. Snap Inc. published its first Diversity Annual Report in 2020 to discuss 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 and can be obtained from <https://citizen.snap.com/diversity>

As part of the Company's human capital resource objectives it seeks to recruit, retain, and incentivize 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 ongoing global COVID-19 pandemic.

Snap Group Limited

Strategic report (continued)

For the year ended 31 December 2020

Section 172(1) Companies Act 2006 (continued)

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 product innovation and user privacy. The Company's board does not directly get involved in reviewing user feedback or implementing new product features and updates as this is led by Snap Inc.

Advertisers

Substantially all of the Company's revenue comes from advertising. The Company regularly engages with advertisers and their representatives through direct interactions and seminars. 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 optimize 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 3rd 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 and solicit feedback.

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 (VTO) policy also applies to part-time employees and scales accordingly (i.e. 2 hours for 50% time). In addition, the Company operates our corporate philanthropic arm, Snap Philanthropy, which unites our global team around Snap's philanthropic mission of spreading kindness and inspiring creativity in our local communities by supporting organisations committed to championing youth, education, and the arts. 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.

Snap Group Limited

Strategic report (continued)

For the year ended 31 December 2020

Section 172(1) Companies Act 2006 (continued)

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.

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)

This section outlines Snap Group Limited's greenhouse gas (GHG) and energy usage for the year ending 31 December 2020, as required and, in accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

UK Energy use

Energy type	Emission type	Total volume	Calculated emission (tCO ₂ e)
Gas consumption	Scope 1 (direct)	548 mmBTU	29.11
Electricity consumption	Scope 2 (indirect)	403,963 kWh	99.65
Fuel used in personal cars for business use	Scope 3 (other indirect)	38 litre	0.12
		Total	128.88

Emissions Intensity Metrics

Intensity measurement	No of FTE for the period	Emissions intensity (tCO ₂ e / FTE / Year)
Number of FTE	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). Best practice government published emission factors were applied. These methods are widely recognised and recommended for the reporting of GHG emissions.

Energy usage, and associated emissions, were reported from 1st January 2020 – 31st December 2020 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.

Snap Group Limited

Strategic report (continued) For the year ended 31 December 2020

Streamlined Energy and Carbon Reporting (SECR) continued

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 "CO2 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: 26 March 2020
Transport Fuel	Year 2020 conversion factors, Cars, Average car, Unknown fuel (DEFRA)

Energy efficient action

We feel a deep responsibility to take action at the pace and scale that is needed as a company whose products have significant reach with the younger generations, who both care passionately about combating climate change and who will also experience its worst impacts. We also feel a moral imperative because we know climate change disproportionately impacts people of color. We are proud to be making our first big climate commitments and share what we are doing in our operations and on our platform to help reduce negative impacts and raise awareness about these high stakes issues. Our goal is to reduce our entire carbon footprint and do our part to contribute to a sustainable future through three key commitments.

First, we worked with the Science-Based Targets Initiative (SBTi) to set aggressive carbon reduction goals in line with the more ambitious goal of restricting warming to 1.5°C. Second, we committed to continually achieve 100% renewable electricity use across all our global facilities. Third, for the emissions that remain, we commit to — and have achieved — Carbon Neutral Snap. That commitment to carbon neutrality is for both historic and future emissions: We have become historically carbon neutral by offsetting our emissions going back to our founding through 2020, and we commit to continuing to be carbon neutral going forward through a combination of renewables, reductions, high-quality offsets, and carbon removals.

Going forward these three levers — absolute reduction, renewable energy, and carbon offsets and removals — will help ensure we can contribute to a thriving planet.

Read more in the Planet section of our CitizenSnap Report (which starts on page 50)
https://storage.googleapis.com/snap-inc/citizen-snap/2021_CitizenSnap_Report.pdf

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, which includes the Company are discussed on pages 11 to 41 of Snap Inc.'s 2020 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 22 September 2021 and signed on its behalf by:



A L Reid
Director

Snap Group Limited

Directors' report For the year ended 31 December 2020

The directors present this annual report and financial statements of the Company for the year ended 31 December 2020.

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:

D M A. Lewis (resigned 8 April 2020)

A L Reid

C L Noorjala (appointed 16 December 2020)

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 2020 are set out on page 13. The loss for the financial year amounted to \$571m (2019: \$444m) per the profit and loss account.

The directors do not recommend payment of a dividend for the year (2019: \$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, prepaid royalties, deferred royalties, and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. An allowance for impairment is made where there is an identified loss event 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.

Branches outside the UK

The Company has branch offices in Gibraltar and Singapore. The Gibraltar branch office was established in 2019 and the Singapore branch office was established in 2020.

Snap Group Limited

Directors' report (continued)

For the year ended 31 December 2020

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 \$921m (2019: \$353m). Snap Inc., the Company's ultimate parent, has provided a letter of support to enable the Company to settle all liabilities as they fall due up to 22 September 2022. The 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 that covers the Company's directors. Snap Inc. has also provided an indemnity to the Company's directors, 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
- she has taken all the steps that she ought to have taken as a director in order to make 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 22 September 2021 and signed on its behalf by:



.....
A L Reid
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 2020 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 2020 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 up to 22 September 2022.

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 there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 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 9, 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)

Our approach was as follows:

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

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

Use of our report

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

Ernst & Young LLP

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

27 September 2021

Snap Group Limited

Statement of comprehensive income For the year ended 31 December 2020

	Note	2020 \$	2019 \$
Revenue	5	869,807,193	653,941,827
Cost of sales	6	(594,193,961)	(495,084,122)
Gross profit		275,613,232	158,857,705
Operating expenses	7	(843,273,190)	(598,920,987)
Other operating income		-	4,315,929
Foreign exchange (loss)/gain	8	(1,582,300)	629,804
Operating loss		(569,242,258)	(435,117,549)
Finance income	9	2,234,350	2,787,999
Finance costs	10	(15,050,534)	(11,464,467)
Loss before taxation		(582,058,442)	(443,794,017)
Tax on loss	14	10,684,862	15,411
Loss for the financial year		(571,373,580)	(443,778,606)

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 17 to 41 form an integral part of these financial statements.

Snap Group Limited

Balance sheet

As at 31 December 2020

	Notes	2020 \$	2019 \$
ASSETS			
Fixed assets			
Intangible assets	15	10,127,322	9,866,190
Tangible fixed assets	16	9,226,393	6,460,548
Right-of-use assets	25	15,683,061	18,389,640
Deferred tax asset		5,766,525	-
		<u>40,803,301</u>	<u>34,716,378</u>
Current assets			
Inventory	17	457,861	552,545
Trade and other receivables: amounts falling due after more than one year	18	190,653,406	184,514,872
Trade and other receivables: amounts falling due within one year	18	173,383,515	147,591,914
Contract assets	19	81,214,687	64,813,569
Cash and cash equivalents	20	195,662,248	64,288,787
Total current assets		<u>641,371,717</u>	<u>461,761,687</u>
Current liabilities			
Trade and other payables: amounts falling due within one year	22	(485,107,092)	(435,689,608)
Lease liabilities	26	(2,717,439)	(2,607,003)
Contract liabilities	19	(52,572,176)	(3,348,851)
		<u>100,975,010</u>	<u>20,116,225</u>
Net current assets		<u>141,778,311</u>	<u>54,832,603</u>
Non-current liabilities			
Trade and other payables: amounts falling due after more than one year	22	(1,031,768,798)	(385,601,657)
Provisions	23	(15,531,804)	(4,091,837)
Lease liabilities	26	(15,721,636)	(17,792,519)
Net liabilities		<u>(921,243,927)</u>	<u>(352,653,410)</u>
EQUITY			
Called-up share capital	24	2,607	2,607
Share premium account	24	869,749,026	869,749,026
Share based payment reserve		(17,306,349)	(20,089,412)
Retained earnings	24	(1,773,689,211)	(1,202,315,631)
Total equity		<u>(921,243,927)</u>	<u>(352,653,410)</u>

The notes on pages 17 to 41 form an integral part of these financial statements.

Snap Group Limited

Balance sheet (continued)

As at 31 December 2020

The financial statements of Snap Group Limited (registration number: 09763672) were approved by the board of directors and authorised for issue on 22 September 2021.

They were signed on its behalf by:



.....
A L Reid

Director

The notes on pages 17 to 41 form an integral part of these financial statements.

Snap Group Limited

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

	Called-up share capital	Share premium account	Share based payment reserve	Retained earnings	Total shareholders' funds
	\$	\$		\$	\$
Balance at 1 January 2019	2,607	869,749,026	(20,705,771)	(758,537,025)	90,508,837
Comprehensive income (loss)					
Loss for the financial year	-	-	-	(443,778,606)	(443,778,606)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(443,778,606)	(443,778,606)
Stock-based payments recharges	-	-	(22,880,727)	-	(22,880,727)
Stock-based payments transactions	-	-	23,497,086	-	23,497,086
	-	-	616,359	-	616,359
Balance at 31 December 2019	2,607	869,749,026	(20,089,412)	(1,202,315,631)	(352,653,410)
Balance at 1 January 2020	2,607	869,749,026	(20,089,412)	(1,202,315,631)	(352,653,410)
Comprehensive income (loss)					
Loss for the financial year	-	-	-	(571,373,580)	(571,373,580)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(571,373,580)	(571,373,580)
Stock-based payments recharges	-	-	(73,233,403)	-	(73,233,403)
Stock-based payments transactions	-	-	71,318,038	-	71,318,038
Tax relating to stock-based payments	-	-	4,698,428	-	4,698,428
	-	-	2,783,063	-	2,783,063
Balance at 31 December 2020	2,607	869,749,026	(17,306,349)	(1,773,689,211)	(921,243,927)

The notes on pages 17 to 41 form an integral part of these financial statements

Snap Group Limited

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

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 8.

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 other amendments to International Financial Reporting Standards and Interpretations

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

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

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

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 (continued) For the year ended 31 December 2020

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 \$921m (2019: \$353m). Snap Inc., the Company's ultimate parent, has provided a letter of support to enable the Company to settle all liabilities as they fall due up to 22 September 2022. The 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 (continued)

For the year ended 31 December 2020

3 Accounting policies (continued)

Revenue recognition

Revenue is recognized when control of the promised goods or services is transferred to its customers, in an amount that reflects the consideration the Company expected to receive in exchange for those goods or services. The Company determines collectability by performing ongoing credit evaluations and monitoring customer accounts receivable balances. VAT and other sales-related taxes payable to the taxation authority 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 recognizing 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 stylized 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 recognized when the advertisement is displayed. Revenue related to fixed fee arrangements is recognized ratably 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 fulfillment, inventory risk, and discretion in establishing price. For advertising revenue arrangements where the Company is not the principal, the Company recognizes 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 license fees relating to the sale of advertising space to related parties.

Snap Group Limited

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

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 (continued) For the year ended 31 December 2020

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 (continued) For the year ended 31 December 2020

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. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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 (continued) For the year ended 31 December 2020

3 Accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. In respect of work in progress and finished goods, cost includes overheads, transportation, and duty costs where appropriate. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving, and defective inventories.

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at 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 (continued) For the year ended 31 December 2020

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 (continued)

For the year ended 31 December 2020

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 (continued) For the year ended 31 December 2020

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 reflected 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 (continued) For the year ended 31 December 2020

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

	2020 \$	2019 \$
Disaggregation of revenue		
Sale of goods	797,141	2,374,802
Rendering of services	788,943,963	603,342,061
Rendering of services - Intercompany	80,066,089	48,224,964
	<u>869,807,193</u>	<u>653,941,827</u>
Timing of revenue recognition		
Goods transferred at a point in time	797,141	2,374,802
Services transferred overtime	869,010,052	651,567,025
	<u>869,807,193</u>	<u>653,941,827</u>

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

	2020 \$			2019 \$		
	Third Party	Intercompany	Total	Third Party	Intercompany	Total
North America (1)	46,483,560	223,055	46,706,615	39,239,403	1,650,944	40,890,347
Europe (2)	351,962,065	55,978,362	407,940,427	243,703,419	33,339,106	277,042,525
Rest of World	391,072,424	24,087,727	415,160,151	321,465,838	14,543,117	336,008,955
	<u>789,518,049</u>	<u>80,289,144</u>	<u>869,807,193</u>	<u>604,408,660</u>	<u>49,533,167</u>	<u>653,941,827</u>

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

(2) Europe includes Russia and Turkey.

Snap Group Limited

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

6 Cost of sales

		2020	2019
	Note	\$	\$
Advertising cost of sales		81,057,888	74,797,135
Hosting costs		460,834,612	396,700,774
Inventory cost of goods sold		217,614	1,257,407
Other cost of sales		52,083,847	22,328,806
		<u>594,193,961</u>	<u>495,084,122</u>

7 Operating expenses

		2020	2019
	Note	\$	\$
Amortisation of intangible assets	15	4,461,950	4,461,950
Depreciation of tangible fixed assets	16	2,201,905	2,630,950
Depreciation of right-of-use assets	25	2,706,579	2,412,733
Intercompany royalty expense		31,377,015	32,138,093
Intercompany management services expense		171,921,063	117,063,753
Intercompany research and development expense		416,789,563	305,257,944
Intercompany sales and marketing expense		50,920,077	35,608,541
Sales and marketing costs		7,513,123	12,658,805
Staff costs	11	136,201,521	63,841,884
General and administrative overheads		19,180,394	22,846,334
		<u>843,273,190</u>	<u>598,920,987</u>

8 Foreign exchange differences

	2020	2019
	\$	\$
Foreign exchange losses/(gains)	<u>1,582,300</u>	<u>(629,804)</u>

9 Finance income

	2020	2019
	\$	\$
Finance income from group undertakings	85,562	53,058
Other finance income	2,148,788	2,734,941
	<u>2,234,350</u>	<u>2,787,999</u>

Snap Group Limited

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

10 Finance costs

	2020	2019
	\$	\$
Finance costs from group undertakings	11,845,978	8,279,913
Interest on lease liabilities	1,251,155	1,287,641
Other finance cost	1,953,401	1,896,913
	<u>15,050,534</u>	<u>11,464,467</u>

11 Staff costs

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

	2020	2019
	No.	No.
Administration	57	44
Sales and operations	110	98
Engineering	76	42
	<u>243</u>	<u>184</u>

Their aggregate remuneration in the year comprised:

	2020	2019
	\$	\$
Wages and salaries	112,908,769	52,338,076
Social security costs and benefits	21,332,736	10,157,223
Pension costs	1,469,980	1,049,349
Other	490,036	297,236
	<u>136,201,521</u>	<u>63,841,884</u>

Included in wages and salaries is share-based payments expense of \$71,318,038 (2019: \$23,497,086).

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

	2020	2019
	\$	\$
Services provided by the Company's auditor		
Fees payable for the audit of the Company's annual financial statements	<u>252,055</u>	<u>223,510</u>

Snap Group Limited

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

14 Tax on loss

	2020 \$	2019 \$
Current tax	(8,726,988)	(15,411)
Deferred tax	(1,957,874)	-
Tax on loss	(10,684,862)	(15,411)

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:

	2020 \$	2019 \$
Loss before taxation	(582,058,442)	(443,794,017)
Tax on loss at standard UK rate of corporation tax at standard rate of 19% (2019: 19%)	(110,591,104)	(84,320,863)
Effects of:		
Amounts not recognised	98,169,747	85,639,384
Other	1,736,495	(1,333,932)
Tax charge for the year	(10,684,862)	(15,411)

As of December 31, 2020 the Company had recognized a deferred tax asset for share based payments with relation to its Gibraltar place of business in the amount of \$5,766,515 (2019: nil). The amount recognized directly in equity during the period is \$3,808,641 (2019: nil).

As of December 31, 2020, the Company had \$1,689,887,275 (2019:\$1,162,643,686) of UK tax losses that can be carried over indefinitely. A deferred tax asset has not been recognised in respect of these losses as their future utilization 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 not substantively enacted as of 31 December 2020, deferred tax asset as at the balance sheet date is measured at the enacted tax rate of 19%.

Snap Group Limited

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

15 Intangible assets

Cost or valuation	Intellectual property \$
At 1 January 2020	22,863,738
Additions	4,723,082
Disposals	-
At 31 December 2020	27,586,820
Accumulated amortisation	
At 1 January 2020	(12,997,548)
Amortisation charge	(4,461,950)
At 31 December 2020	(17,459,498)
Carrying amount	
At 31 December 2020	<u>10,127,322</u>
At 31 December 2019	<u>9,866,190</u>

None of the intangible assets were internally generated.

Snap Group Limited

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

16 Property, plant and equipment

	Leasehold improvements	Furniture, fittings, and equipment	Computer equipment	Property, plant, and equipment	Total
	\$	\$	\$	\$	\$
Cost					
Balance at 1 January 2020	5,265,302	1,221,194	673,952	6,084,147	13,244,595
Additions	2,163,796	337,479	1,136,370	1,685,635	5,323,280
Disposals	-	-	-	(3,060,906)	(3,060,906)
Transfers	2,772,947	-	-	(2,772,947)	-
Balance at 31 December 2020	<u>10,202,045</u>	<u>1,558,673</u>	<u>1,810,322</u>	<u>1,935,929</u>	<u>15,506,969</u>
Accumulated depreciation					
Balance at 1 January 2020	(2,111,620)	(661,673)	(428,770)	(3,581,984)	(6,784,047)
Disposals	-	-	-	2,705,376	2,705,376
Depreciation	(1,146,901)	(267,613)	(358,043)	(429,348)	(2,201,905)
Balance at 31 December 2020	<u>(3,258,521)</u>	<u>(929,286)</u>	<u>(786,813)</u>	<u>(1,305,956)</u>	<u>(6,280,576)</u>
Carrying amount at 31 December 2020	<u>6,943,524</u>	<u>629,387</u>	<u>1,023,509</u>	<u>629,973</u>	<u>9,226,393</u>
Carrying amount at 31 December 2019	<u>3,153,682</u>	<u>559,521</u>	<u>245,182</u>	<u>2,502,163</u>	<u>6,460,548</u>

17 Inventory

	2020	2019
	\$	\$
Finished goods and goods for resale in transit	<u>457,861</u>	<u>552,545</u>

Snap Group Limited

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

18 Trade and other receivables

	2020 \$	2019 \$
Trade receivables	111,951,733	102,190,604
Amounts owed by group undertakings - loans and borrowings	7,625,713	4,270,869
Amounts owed by group undertakings	10,350,926	5,503,078
Other receivables	28,782	156,440
Income tax receivable	9,152,576	5,575,256
Prepayments	998,270	698,280
VAT receivable	93,766	-
Prepaid royalty	25,100,000	25,100,000
Deferred royalty	8,081,749	4,097,387
	<u>173,383,515</u>	<u>147,591,914</u>

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

During the period, Snap Inc. acquired (2019: acquired and divested) certain assets, which led to changes in intellectual property in Snap Inc., details of which can be found in Snap Inc.'s 2020 and 2019 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 \$39,910,571 (2019: \$20,637,492, offset by \$15,158,264 due to Snap Inc.'s divestitures). Additionally, the Company recorded \$nil (2019: \$4,315,929) in other operating income for the Company's share of Snap Inc.'s gain upon divestitures.

	2020 \$	2019 \$
Amounts falling due after more than one year:		
Other receivables	2,206,361	2,127,516
Prepaid royalty	77,248,714	102,348,714
Deferred royalty	111,198,331	80,038,642
	<u>190,653,406</u>	<u>184,514,872</u>
Total trade and other receivables	<u>364,036,921</u>	<u>332,106,786</u>

Snap Group Limited

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

19 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 recognized, 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 2020 and 31 December 2019, were not materially impacted by factors other than increase in trade.

Revenue recognized during the year ended 31 December 2020 and 31 December 2019 that was included in the contract liability balance at the beginning of each year was \$3,348,851 and \$3,146,099, respectively. Deferred revenue amounts included below are expected to be recognised as revenue in the next 12 months.

	2020	2019
	\$	\$
Contract assets		
Amounts falling due within one year:		
Accrued revenue	81,214,687	64,813,569
	2020	2019
	\$	\$
Contract liabilities		
Amounts falling due within one year:		
Deferred revenue with third parties	3,456,176	3,348,851
Deferred revenue with group undertakings	49,116,000	-
	<u>52,572,176</u>	<u>3,348,851</u>

20 Cash and cash equivalents

	2020	2019
	\$	\$
Cash at bank and in hand	<u>195,662,248</u>	<u>64,288,787</u>

21 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 2020

22 Trade and other payables

Amounts falling due within one year

	2020 \$	2019 \$
Trade payables	15,363,984	7,154,759
Payments on account	-	1,648,204
Amounts owed to group undertakings - loans and borrowings	47,749,626	32,971,634
Amounts owed to group undertakings	299,777,773	300,818,070
Accrued expenses	113,031,320	88,469,351
Social security and other taxes	859,840	575,840
VAT payable	8,324,549	4,051,750
	<u>485,107,092</u>	<u>435,689,608</u>

	2020 \$	2019 \$
Amounts falling due between two and five years		
Amounts owed to group undertakings - loans and borrowings	909,578,614	296,827,346
Amounts owed to group undertakings	<u>70,338,959</u>	<u>31,263,924</u>
	<u>979,917,573</u>	<u>328,091,270</u>

	2020 \$	2019 \$
Amounts falling due after more than five years		
Amounts owed to group undertakings	<u>51,851,225</u>	<u>57,510,387</u>

	2020 \$	2019 \$
Trade and other payables: amounts falling due after more than one year	<u>1,031,768,798</u>	<u>385,601,657</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 equal to LIBOR plus an arm's length interest rate spread or (in the case of certain amounts falling due within one year) do not bear any interest.

23 Provisions

	Provision for social security liability relating to stock-based compensation \$
Balance at 1 January 2020	4,091,837
Net additions during the year	<u>11,439,967</u>
Balance at 31 December 2020	<u>15,531,804</u>

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).

Snap Group Limited

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

24 Called-up share capital and reserves

Allotted, called-up and fully paid shares

	2020		2019	
	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.

25 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 \$
Cost	
Balance at 1 January 2020	20,802,373
Additions	-
Balance at 31 December 2020	<u>20,802,373</u>
Accumulated depreciation	
Balance at 1 January 2020	(2,412,733)
Depreciation	(2,706,579)
Balance at 31 December 2020	<u>(5,119,312)</u>
Carrying amount at 31 December 2020	<u><u>15,683,061</u></u>

Snap Group Limited

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

25 Leases (company as a lessee) (continued)

The average lease term is 6 years (2019: 7 years).

The maturity analysis of lease liabilities is presented in note 26.

26 Lease liabilities

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

	Office spaces \$
Balance at 1 January 2020	20,399,522
Additions	
Accretion of interest	1,251,155
Payments - lease	(3,783,910)
Foreign exchange loss	572,308
Balance at 31 December 2020	<u>18,439,075</u>
Current	2,717,439
Non-current	<u>15,721,636</u>
	<u>18,439,075</u>

Set out below is the maturity analysis of lease liabilities:

	2020 \$
Year 1	3,868,569
Year 2	3,923,955
Year 3	4,036,368
Year 4	4,036,368
Year 5	3,853,553
Onwards	<u>2,497,299</u>
	22,216,112
Unaccrued interest	<u>(3,777,037)</u>
	<u>18,439,075</u>
Analysed as:	
Non-current	15,721,636
Current	<u>2,717,439</u>
	<u>18,439,075</u>

Snap Group Limited

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

26 Lease liabilities (continued)

The following are the amounts recognised in profit or loss:

	2020	2019
	\$	\$
Depreciation expense of right-of-use assets	2,706,579	2,412,733
Interest expense on lease liabilities	1,251,155	1,287,641
Total amount recognised in profit or loss	3,957,734	3,700,374

The total cash outflow during the year for leases amounted to \$3,783,910 (2019: \$3,536,304)

27 Contingent liabilities

At 31 December 2020, there were no material pending matters or settlements outstanding.

28 Events after the balance sheet date

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

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 81 to 83 of Snap Inc.'s 2020 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 recognizes 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 recognized 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 recognizes share-based compensation expense using the accelerated attribution basis over the vesting period.

Snap Group Limited

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

29 Share-based payments (continued)

Share-based compensation expense recognized 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.

RSUs

The following tables summarize the RSU activity for the Company's employees during the year ended 31 December 2019 and 2020:

	Class A outstanding RSUs	Weighted average grant-date fair value per RSU US\$
Unvested at 31 December, 2018	3,499,293	11.14
Granted	2,192,098	11.79
Vested	(2,082,961)	10.05
Forfeited	(190,299)	10.89
Unvested at 31 December, 2019	3,418,131	12.77
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

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.

Snap Group Limited

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

29 Share-based payments (continued)

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 2020 was \$72,535,065 (2019: \$22,880,727).

Total unrecognized compensation cost of RSUs was \$60,471,185 (2019: \$17,143,994) as of 31 December 2020 and is expected to be recognized over a weighted-average period of 1.4 years (2019: 1.6 years).

For the year ended 31 December 2020, in connection with the settlement of RSUs to shares issued to employees, to pay applicable taxes on behalf of the employee, Snap Inc. sold 1,071,087 shares (2019: 1,017,294) of common stock on behalf of employees. For the year ended 31 December, 2020, the Company remitted \$23,025,069 (2019: \$12,359,840) in cash to meet the related tax withholding requirements on behalf of the Company's employees. As of 31 December 2020, the Company recorded a \$72,431,647 (2019: \$22,880,727) liability within amounts owed to group undertakings for the reimbursement of its employees' taxable income upon vesting of RSUs payable to Snap Inc.

Share Options

The following tables summarize the stock option award activity for the Company's employees under the Share Plans during the year ended 31 December 2019 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, 2018	116,332	\$14.72	4.00	\$-
Granted	-	-	-	N/A
Exercised	-	-	-	N/A
Forfeited	(3,069)	-	-	N/A
Outstanding at 31 December, 2019	113,263	\$14.72	3.00	\$182,353
Exercisable at 31 December, 2019	113,263	\$14.72	3.00	\$182,353
Vested and expected to vest at 31 December, 2019	113,263	\$14.72	3.00	\$182,353
Outstanding at 31 December, 2019	113,263	\$14.72	3.00	\$182,353
Granted	-	-	-	N/A
Exercised	(62,605)	-	-	N/A
Forfeited	(478)	-	-	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

Snap Group Limited

Notes to the financial statements (continued)

For the year ended 31 December 2020

29 Share-based payments (continued)

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 2019 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 2020 was \$801,757 (2019: \$nil) As of 31 December 2020, the Company recorded a \$801,757 (2019: \$nil) 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, recognized in the year ended 31 December 2020 was \$71,318,038 (2019: \$23,497,086).

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 2020. The financial statements of Snap Inc. are available at <https://investor.snap.com> and are not part of these financial statements.