

Gravity London Limited

Annual Report and Financial Statements

For the year ended 31 December 2020



Company Registration No. 06749773 (England and Wales)

Gravity London Limited

Company Information

Directors	M Lethbridge P Anderson S Feast
Secretary	S Feast
Company number	06749773
Registered office	69 Wilson Street London United Kingdom EC2A 2BB
Auditor	Moore Kingston Smith LLP Charlotte Building 17 Gresse Street London W1T 1QL

Gravity London Limited

Contents

	Page
Strategic report	1 - 3
Directors' report	4
Directors' responsibilities statement	5
Independent auditor's report	6 - 9
Statement of comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13 - 28

Gravity London Limited

Strategic Report

For the year ended 31 December 2020

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

Background

Gravity London Limited (the "Company") is a subsidiary of Gravity Global Limited ("Gravity Global"). Gravity Global is the world's most awarded marketing consultancy specialising in supporting B2B clients and those who operate in complex markets.

On 2 November 2020, Gravity Global acquired Nurture Agency Limited (now Gravity Global Digital Ltd). The acquisition of Gravity Global Digital Ltd forms part of a broader strategy to build out a global B2B marcomms consultancy capable of delivering brand-to-demand marketing communications activities on a global scale. The acquisition of Gravity Global Digital Ltd adds significant depth to the Group's (Gravity Global Ltd and its subsidiaries) digital platform development capabilities and has enabled the Group to provide an even more integrated service to its clients. The Group continues to grow, and we expect to complete further acquisitions in 2021.

Fair review of the business

The directors are pleased with the performance of the Company in 2020 in what has been an incredibly challenging year for the sector.

With the onset of the Covid-19 pandemic in Q1 2020 the directors took the early decision to close the Group's offices across the UK.

The primary focus of the directors has been managing the impact of the pandemic on our staff, by supporting them and their families, and on our clients by ensuring that they can continue to receive the same high quality of service from us that they always have, regardless of where the team is located.

The employees throughout the Group really stepped up during the year to ensure that our clients could continue to deliver on their strategic goals. At the outset of the Covid-19 pandemic we experienced some reductions in client budgets as part of their initial response to the uncertainty. However, our strong retained client base enabled us to navigate the uncertainty better than many in our sector. Gravity Global responded to the crisis by developing and launching a strategic framework on how to communicate during the pandemic. Our 4R's initiative (Respond, Re-imagine, Rebound, Recovery) gained significant traction, especially on social media, and was adopted by many of our clients.

The Group continued to win awards for excellence across the client base and we are extremely proud of how we supported our clients through the toughest of markets.

Gravity London Limited

Strategic Report (Continued)

For the year ended 31 December 2020

Principal risks and uncertainties

The Company regularly reviews business risk and aims to mitigate these risks wherever possible through its internal systems and controls and where appropriate, targeted staff training. The directors consider the Company's main commercial and financial risks to be:

Economic uncertainty

In common with all businesses, the performance of the Company will be influenced by the general economic environment. The Company closely monitors leading market indicators particularly within sectors in which our major clients and suppliers operate. In addition, we work closely with all of our clients and suppliers to ensure that we remain informed of how their businesses are performing and the key challenges that they face. The Company reforecasts, as a minimum, on a quarterly basis and closely monitors its cash flow. It has historically and will continue to act promptly and decisively to address its business operations and cost base as and when trading or cash flow circumstances dictate.

Client retention

Our businesses are focussed on delivering the very best in strategic thinking, research, creative and communications campaign planning, offering a premium service for our valued clients. We deliver this proactive approach every day by regularly monitoring and responding to our clients' needs and pre-agreed KPI's. Many of our clients work with us on a retained basis which provides greater contractual certainty for all parties.

Credit and cash flow risk

The Company, in common with all others, is potentially exposed to the risk of non-recovery of its debts. This risk is mitigated through close liaison with our clients, understanding their businesses by credit checking and having credit limits in place for all customers.

Liquidity risk is managed by ensuring sufficient funds are available to meet debts as they fall due. At the year-end the Company had £4.1m of cash available to it. The Company's long-term business forecasts and cash reserves support the view that the Company will have adequate resources to meet its debts as they fall due for the foreseeable future and for at least 12 months from the signing of these financial statements.

Exchange rate fluctuations

A significant part of the Company's activity is UK based but for its material overseas trade it mitigates exchange rate risk to a greater extent by ensuring that its overseas customers settle, and their related suppliers are paid, via the Company's US Dollar and Euro bank accounts wherever possible.

Covid-19 pandemic

The pandemic continues to impact the Company, our employees and our clients. We have regular check-ins with our staff to ensure that we are aware of any challenges impacting our team. We remain in close contact with all of our clients to ensure that they are receiving world-class support and that the strategies which we are proposing are aligned with their business goals.

Development and performance

The Board's growth strategy is to expand the Company in both its existing markets (through new service lines and offerings) and overseas, by organic growth and where appropriate, strategic partnerships and acquisitions.

In a rapidly changing and competitive environment the focus of the directors is on building strategic and focused consultancies dedicated to growing the Company's offering. Central to this will be the continued investment in our Performance Marketing and Digital Development practices.

Gravity London Limited

Strategic Report (Continued)

For the year ended 31 December 2020

Key performance indicators

The key performance indicators monitored by the directors are those that best demonstrate the financial performance and strength of the Company. Specifically, we look at year on year trends as follows:

- Profit and loss account
 - Net revenue (gross profit)
 - EBITDA margin
 - Staff cost to net revenue ratio
- Balance sheet
 - Operating and free cash conversion
 - The level of net current assets and cash balances to monitor the financial health and liquidity of the Company.

On a reported basis gross profit / net revenue was £6.8m (2019: £7.5m) with the reduction in revenue being wholly attributable to the impact of the Covid-19 pandemic. Operating profit grew to £1.9m (2019: £1.8m).

At 31 December, the Company reported cash at bank and in hand of £4.1m (2019: £4.3m) after funding the acquisition of Nurture Agency Limited. It had net assets of £6.1m (2019: £6.1m) as at 31 December 2020.

Events after the reporting date

There were no reportable events after the reporting date.

On behalf of the board

Mark Lethbridge

Mark Lethbridge (Aug 24, 2021 16:01 GMT+2)

M Lethbridge

Director

24/08/21.....

Gravity London Limited

Directors' Report

For the year ended 31 December 2020

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

Principal activities

The principal activity of the company continued to be that of providing integrated marketing services.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

M Lethbridge

P Anderson

S Feast

Results and dividends

The results for the year are set out on page 10.

Ordinary dividends were paid amounting to £1,500,000. The directors do not recommend payment of a final dividend.

Auditor

The auditor, Moore Kingston Smith LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mark Lethbridge

Mark Lethbridge (Aug 24, 2021 16:01 GMT+2)

M Lethbridge

Director

Date: 24/08/21.....

Gravity London Limited

Directors' Responsibilities Statement

For the year ended 31 December 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Gravity London Limited

Independent Auditor's Report

To the Members of Gravity London Limited

Opinion

We have audited the financial statements of Gravity London Limited (the 'company') for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Gravity London Limited

Independent Auditor's Report (Continued)

To the Members of Gravity London Limited

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 the 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 and the Directors' Report.

We have nothing to report in respect of the following matters where 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Gravity London Limited

Independent Auditor's Report (Continued)

To the Members of Gravity London Limited

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Gravity London Limited

Independent Auditor's Report (Continued)

To the Members of Gravity London Limited

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 for no purpose other than to draw to the attention of the company's members those matters we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and the company's members as a body, for our work, for this report, or for the opinions we have formed.



Esther Carder (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP

25 August 2021
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Chartered Accountants
Statutory Auditor

Charlotte Building
17 Gresse Street
London
W1T 1QL

Gravity London Limited

Statement of Comprehensive Income

For the year ended 31 December 2020

		Year ended 31 December 2020 £	Year ended 31 December 2019 £
	Notes		
Turnover	3	10,598,481	13,125,209
Cost of sales		(3,822,959)	(5,588,730)
Gross profit		6,775,522	7,536,479
Administrative expenses		(5,263,394)	(5,551,365)
Other operating income		374,193	146,038
Exceptional item	4	-	(334,702)
Operating profit	5	1,886,321	1,796,450
Share of results of associates and joint ventures		9,409	13,500
Interest receivable and similar income	9	-	645
Interest payable and similar expenses	10	(836)	(993)
Profit before taxation		1,894,894	1,809,602
Taxation	11	(320,894)	(156,450)
Profit for the financial year		1,574,000	1,653,152

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

Gravity London Limited

Balance Sheet

As at 31 December 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	13	55,500		-	
Tangible assets	14	69,322		108,256	
			124,822		108,256
Current assets					
Debtors	17	5,639,607		4,566,457	
Cash at bank and in hand		4,063,912		4,298,418	
			9,703,519		8,864,875
Creditors: amounts falling due within one year	18	(3,691,414)		(2,906,193)	
Net current assets			6,012,105		5,958,682
Total assets less current liabilities			6,136,927		6,066,938
Provisions for liabilities	20		(3,184)		(7,195)
Net assets			6,133,743		6,059,743
Capital and reserves					
Called up share capital	22	1,500,000		1,500,000	
Profit and loss reserves		4,633,743		4,559,743	
Total equity			6,133,743		6,059,743

The financial statements were approved by the board of directors and authorised for issue on 24/08/21 and are signed on its behalf by:

Mark Lethbridge
Mark Lethbridge (Aug 24, 2021 16:01 GMT+2)

M Lethbridge
Director

Company Registration No. 06749773

Gravity London Limited

Statement of Changes in Equity

For the year ended 31 December 2020

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2019		1,500,000	3,706,591	5,206,591
Period ended 31 December 2019:				
Profit and total comprehensive income for the period		-	1,653,152	1,653,152
Dividends	12	-	(800,000)	(800,000)
Balance at 31 December 2019		1,500,000	4,559,743	6,059,743
Period ended 31 December 2020:				
Profit and total comprehensive income for the period		-	1,574,000	1,574,000
Dividends	12	-	(1,500,000)	(1,500,000)
Balance at 31 December 2020		1,500,000	4,633,743	6,133,743

Gravity London Limited

Notes to the Financial Statements

For the year ended 31 December 2020

1 Accounting policies

Company information

Gravity London Limited is a private company limited by shares incorporated in England and Wales. The registered office is 69 Wilson Street, London, United Kingdom, EC2A 2BB.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Gravity Global Limited. These consolidated financial statements are available from its registered office, which is the same as the company's.

Gravity London Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

1 Accounting policies

(Continued)

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The company made a profit for the year of £1,574,000 (2019 - £1,653,152) and as at the balance sheet date had net assets of £6,133,743 (2019 - £6,059,743). The company's turnover and profits were reduced from the prior year as a result of the impact of the coronavirus pandemic and the measures taken to contain it, including the introduction of the tier system and the temporary lockdown imposed in England in November 2020.

The directors continue to monitor the impact of the COVID-19 pandemic and have prepared detailed cash flow projections which are based on their current expectations of trading prospects. The company has positive cash reserves at the date of approval of the financial statements and has been trading profitably since the year end. This will enable it to continue to meet its liabilities as they fall due for at least the next twelve months.

The company has assessed the potential risks and the impact on the business as a result of the pandemic. The company does not have a high level of fixed costs, however should there be a negative impact, a cost deferral and reduction plan will be put in place in order to minimise the impact of any potential risks. This will be proportionate to any anticipated drop off in revenues and cash inflows.

As a result the directors are confident that they have the ability to respond effectively to continued uncertainty and as a result, the directors believe that the company will be able to continue to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of the financial statements. Consequently the financial statements have been prepared on a going concern basis.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 3 to 7 years.

Gravity London Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

1 Accounting policies

(Continued)

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	20% straight line
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1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	Over the life of the lease
Plant and equipment	20% straight line
Fixtures and fittings	20% straight line
Computer equipment	25% straight line
Motor vehicles	20% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

1.8 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Gravity London Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

1 Accounting policies

(Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

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

Current tax

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

Gravity London Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date 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. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Gravity London Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

1 Accounting policies

(Continued)

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

Gravity London Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Revenue Recognition

Revenue from contracts is assessed on an individual basis with revenue earned being ascertained based on the stage of completion of the contract which is estimated using a combination of the milestones in the contract and the time spent to date compared to the total time expected to be required to undertake the contract. Estimates of the total time required to undertake the contracts are made on a regular basis and subject to management review.

Useful economic lives of tangible assets

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 14 for the carrying amount of the property, plant and equipment and note 1.6 for the useful economic lives for each class of asset.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 17 for the net carrying amount of the debtors and associated impairment provision.

Useful economic lives of intangible assets

The annual depreciation charge for software is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments and economic utilisation. See note 13 for the carrying amount of the property, plant and equipment and note 1.5 for the useful economic lives for each class of asset.

3 Turnover and other revenue

	2020	2019
	£	£
Turnover analysed by class of business		
Rendering of services	10,598,481	13,125,209

Gravity London Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

3 Turnover and other revenue

(Continued)

	2020 £	2019 £
Other significant revenue		
Interest income	-	645
Other income	90,385	-
	<u>90,385</u>	<u>-</u>
	2020 £	2019 £
Turnover analysed by geographical market		
UK	4,621,791	6,717,553
Europe	2,505,233	879,171
Rest of World	3,471,457	5,528,485
	<u>10,598,481</u>	<u>13,125,209</u>

4 Exceptional costs/(income)

	2020 £	2019 £
Exceptional item	-	334,702
	<u>-</u>	<u>334,702</u>

Exceptional item in the prior year relates to group restructuring costs.

5 Operating profit

	2020 £	2019 £
Operating profit for the period is stated after charging/(crediting):		
Exchange losses	40,214	77,361
Other income	(90,385)	-
Depreciation of owned tangible fixed assets	48,829	43,328
Depreciation of tangible fixed assets held under finance leases	5,141	5,141
Operating lease charges	273,863	96,083
	<u>273,863</u>	<u>96,083</u>

6 Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	18,500	18,500
	<u>18,500</u>	<u>18,500</u>
For other services		
All other non-audit services	1,680	1,600
	<u>1,680</u>	<u>1,600</u>

Gravity London Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

7 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Creative and PR	47	46
Finance and administration	8	8
	<u>55</u>	<u>54</u>

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	2,904,892	2,865,870
Social security costs	348,934	318,676
Pension costs	56,832	47,661
	<u>3,310,658</u>	<u>3,165,937</u>

8 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	512,251	583,981
Company pension contributions to defined contribution schemes	3,900	3,565
	<u>516,151</u>	<u>587,546</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2019 - 3).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2020 £	2019 £
Remuneration for qualifying services	180,118	201,075
Company pension contributions to defined contribution schemes	1,300	1,188
	<u>181,418</u>	<u>202,263</u>

Gravity London Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

9 Interest receivable and similar income

	2020	2019
	£	£
Interest income		
Interest on bank deposits	-	645
	<u> </u>	<u> </u>

10 Interest payable and similar expenses

	2020	2019
	£	£
Interest on bank overdrafts and loans	9	-
Interest on finance leases and hire purchase contracts	827	993
	<u> </u>	<u> </u>
	836	993
	<u> </u>	<u> </u>

11 Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	357,689	379,539
Adjustments in respect of prior periods	(798)	(7,890)
Group tax relief	(357,689)	(215,199)
Payment of loss relief from group company	325,703	-
	<u> </u>	<u> </u>
Total current tax	324,905	156,450
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	(4,011)	-
	<u> </u>	<u> </u>
Total tax charge	320,894	156,450
	<u> </u>	<u> </u>

Gravity London Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

11 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £	2019 £
Profit before taxation	1,894,894	1,809,602
<i>Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)</i>	360,030	343,824
Tax effect of expenses that are not deductible in determining taxable profit	2,602	36,417
Group relief	(357,689)	(215,199)
Permanent capital allowances in excess of depreciation	(4,943)	(702)
Under/(over) provided in prior years	(798)	(7,890)
Movement on deferred tax	(4,011)	-
Payment of group relief to group company	325,703	-
Taxation charge for the period	320,894	156,450

12 Dividends

	2020 £	2019 £
Interim paid	1,500,000	800,000

13 Intangible fixed assets

	Goodwill £	Software £	Total £
Cost			
At 1 January 2020	4,124,393	-	4,124,393
Additions - separately acquired	-	55,500	55,500
At 31 December 2020	4,124,393	55,500	4,179,893
Amortisation and impairment			
At 1 January 2020 and 31 December 2020	4,124,393	-	4,124,393
Carrying amount			
At 31 December 2020	-	55,500	55,500
At 31 December 2019	-	-	-

Gravity London Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

14 Tangible fixed assets

	Leasehold land and buildings	Fixtures and fittings	Computer equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2020	71,006	165,512	309,799	25,705	572,022
Additions	-	3,913	11,123	-	15,036
At 31 December 2020	71,006	169,425	320,922	25,705	587,058
Depreciation and impairment					
At 1 January 2020	49,723	163,178	240,154	10,711	463,766
Depreciation charged in the year	14,201	2,614	32,014	5,141	53,970
At 31 December 2020	63,924	165,792	272,168	15,852	517,736
Carrying amount					
At 31 December 2020	7,082	3,633	48,754	9,853	69,322
At 31 December 2019	21,283	2,334	69,645	14,994	108,256

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2020 £	2019 £
Motor vehicles	9,853	14,994
Depreciation charge for the year in respect of leased assets	5,141	5,141

15 Fixed asset investments

	2020 £	2019 £
Investments in subsidiaries	-	-

16

Gravity London Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

15 Fixed asset investments (Continued)

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 January 2020 & 31 December 2020	6,000,000
Impairment	
At 1 January 2020 & 31 December 2020	6,000,000
Carrying amount	
At 31 December 2020	-
At 31 December 2019	-

16 Subsidiaries

During the year, Gravity London Limited resigned as 50% shareholder in AGA Consult LLP. The company still holds an interest in the following dormant subsidiary companies.

Name of undertaking	Registered office key	Nature of business	Class of shares held	% Held	Direct	Indirect
AGA Consult Limited	1	Dormant	Ordinary	100.00	-	-
The A.G.A Group Limited	1	Dormant	Ordinary	100.00	-	-
AGA Public Relations Limited	1	Dormant	Ordinary	100.00	-	-
Gravity Worldwide Limited	1	Dormant	Ordinary	100.00	-	-

Registered Office addresses:

1 69 Wilson Street, London, United Kingdom, EC2A 2BB

17 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	1,892,810	1,487,048
Corporation tax recoverable	44,642	56,834
Amounts due from group undertakings	3,458,034	2,721,243
Other debtors	18,343	8,385
Prepayments and accrued income	225,778	292,947
	<u>5,639,607</u>	<u>4,566,457</u>

Gravity London Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

18 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Obligations under finance leases	19	-	15,324
Trade creditors		723,268	627,661
Amounts due to group undertakings		598,229	72,476
Amounts due to undertakings in which the company has a participating interest		-	19,553
Corporation tax		-	164,340
Other taxation and social security		309,641	391,673
Other creditors		55,020	139,645
Accruals and deferred income		2,005,256	1,475,521
		<u>3,691,414</u>	<u>2,906,193</u>

19 Finance lease obligations

	2020 £	2019 £
Future minimum lease payments due under finance leases:		
Within one year	-	15,324

Finance lease payments represent rentals payable by the company for a motor vehicle. The lease includes purchase options at the end of the lease period, and no restrictions are placed on the use of the asset. The lease term is 3 years and the lease is on a fixed repayment basis.

20 Provisions for liabilities

	Notes	2020 £	2019 £
Deferred tax liabilities	21	3,184	7,195

21 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2020 £	Liabilities 2019 £
Balances:		
Accelerated capital allowances	3,184	7,195

Gravity London Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

21 Deferred taxation

(Continued)

	2020 £
Movements in the year:	
Liability at 1 January 2020	7,195
Credit to profit or loss	(4,011)
Liability at 31 December 2020	<u>3,184</u>

22 Share capital

	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
500,000 Ordinary A Shares of £1 each	500,000	500,000
500,000 Ordinary B Shares of £1 each	500,000	500,000
500,000 Ordinary C Shares of £1 each	500,000	500,000
	<u>1,500,000</u>	<u>1,500,000</u>

All shares rank equally.

23 Financial commitments, guarantees and contingent liabilities

A composite guarantee has been given to the Gravity Global Limited's lenders in respect of any debts or liabilities owing to the lenders by any party to the guarantee. The parties to the guarantee are the companies listed below:

Gravity London Limited
Gravity Oxford Limited
Gravity Global Performance Marketing Ltd
Gravity Global Digital Ltd

At the balance sheet date, the Gravity Global Limited's indebtedness to its lenders was £9,805,976.

Gravity London Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

24 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £	2019 £
Within one year	243,250	249,500
Between two and five years	237,000	480,250
	<u>480,250</u>	<u>729,750</u>

25 Related party transactions

As permitted by FRS 102 Section 33 "related party disclosures", the financial statements do not disclose transactions with the immediate parent company and wholly owned fellow subsidiaries on the basis that group financial statements are prepared.

During the year, the company purchased services from AGA Consult LLP of £nil (2019: £280,509). Previously Gravity London Limited held a 50% share in the company however they resigned as a member during the year. During the year, a profit share of £13,397 (2019: £13,500) was receivable from AGA Consult LLP. At the balance sheet date, an amount of £13,397 was due from AGA Consult LLP (2019: £19,553 due to).

During the year, the company provided services to a company in which a director is related by virtue of family interest. The total value of services provided was £10,200 (2019: £58,615). At the year end, there was deferred income of £350 (2019: £28,239 accrued) and an amount of £1,260 (2019: £nil) due to Gravity London Limited in relation to these services.

26 Directors' transactions

At the year end, an aggregate amount of £1,876 (2019: £1,685) was owed to the company by three of the directors. During the year, a total of £nil (2019: £2,289) was advanced to the directors and a total of £nil (2019: £214,622) was repaid by the directors. During the year, a total of £191 (2019: £nil) was owed to a director.

27 Controlling party

The immediate and ultimate parent undertaking of the company is Gravity Global Limited, a company incorporated in England and Wales.

Gravity Global Limited is the smallest and largest group for which consolidated financial statements including the company are prepared. The consolidated financial statements of Gravity Global Limited are available from its registered office, 69 Wilson Street, London, United Kingdom, EC2A 2BB.

The directors consider there to be no single ultimate controlling party.