

AMENDED

Gravity Global Limited

Annual Report and Financial Statements

For the year ended 31 December 2021



Company Registration No. 11740098 (England and Wales)

Gravity Global Limited

Company Information

Directors	P Anderson M Lethbridge S Feast A Daynes
Secretary	S Feast
Company number	11740098
Registered office	69 Wilson Street London United Kingdom EC2A 2BB
Auditor	Moore Kingston Smith LLP Charlotte Building 17 Gresse Street London W1T 1QL
Business address	69 Wilson Street London United Kingdom EC2A 2BB

Gravity Global Limited

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Gravity Global Limited

Strategic Report

For the year ended 31 December 2021

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

Background

Gravity Global is the world's most awarded marketing consultancy specialising in supporting B2B clients and those who operate in complex markets.

On 7 September 2021, Gravity Global Limited and its subsidiaries ("the Group") were acquired by entities controlled by Elysian Capital, a UK private equity fund which specialises in working with entrepreneurial businesses such as Gravity Global. As part of the acquisition process, the founders of Gravity Global re-invested into the business and retain a very significant equity stake in the Group. The purpose of the investment from Elysian Capital was to provide Gravity Global with the financial resources to expand the Group. In the first half of 2022 Gravity Global made three acquisitions in North America adding ABM, Hubspot, content, strategy and branding capabilities. Further investments are planned over the next 24 months.

The business went from strength to strength in 2021, building on growth delivered in previous years across all practice areas.

The consolidated accounts included over the following pages reflect the performance of the Group in 2021 and 2020.

Fair review of the business

The directors are pleased with the performance of the Group in 2021 in what continued to be a challenging time for the sector.

The workforce continued to largely work remotely throughout 2021 with staff returning to the offices more regularly from Q2 2022 onwards. The primary focus of the directors continued to be managing the impact of the Covid-19 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.

Our staff continued to deliver outstanding work for our clients and this is reflected in the 163 awards won during the year, a new record for the Group.

Like for like adjusted EBITDA grew strongly in the year. Cash generation also continued to be excellent in the period, ensuring that the Group has cash available to invest in people, operations and in acquisitions.

The directors are delighted to report that the Group has undergone its first ESG audit and will continue to be audited annually to help the board of directors understand the ways in which we can continually improve. Continually improving our ESG credentials is key to our business, our staff and our clients. Our ESG initiatives are led by a board director who reports to the board monthly on our progress.

Gravity Global Limited

Strategic Report (Continued)

For the year ended 31 December 2021

Principal risks and uncertainties

The Group 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 Group's main commercial and financial risks to be:

Economic uncertainty

In common with all businesses, the performance of the Group will be influenced by the general economic environment. The Group 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 Group 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.

Staff retention and cost inflation

In line with many businesses in the UK, staff retention and staff cost inflation have been challenges for the Group. We continue to monitor our staffing needs and are focused on providing high quality career opportunities for all staff.

Client retention

Our business is 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 Group, 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 where appropriate. Liquidity risk is managed by ensuring sufficient funds are available to meet debts as they fall due. At the year-end the Group had £4.6m of cash available to it. The Group's long-term business forecasts and cash reserves support the view that the Group 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

An increasingly large proportion of the Group's revenues are generated in US Dollars and Euros. We ensure that such clients pay into US Dollar and Euro denominated bank accounts and use this cash to pay US Dollar and Euro costs which provides a natural hedge against exchange rate risks.

Covid-19 pandemic

The pandemic continues to impact the Group, 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 Group 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 to build a strategic and focused consultancy dedicated to growing the Group's offering.

Gravity Global Limited

Strategic Report (Continued)

For the year ended 31 December 2021

Information Security

Loss of the IT network or data held within it could result in significant reputational and financial damage. The Group has a dedicated IT function, with skill and experience in maintaining and monitoring the IT infrastructure. Business data is regularly backed up and stored in secure off-site locations. Email and internet filtering technology and firewall software is in place to restrict the impact of cyber-attacks. Regular notifications are sent to staff regarding the importance of remaining vigilant of phishing emails.

Tax risk

All transactions undertaken by the group have a business purpose and a commercial rationale. The Group does not engage in any aggressive tax planning and does not implement structures purely for tax planning purposes. In relation to tax compliance, it is the policy of the Group to fully comply with all applicable tax rules, regulations and disclosure requirements; submit all tax returns by their due dates and pay all applicable taxes as they fall due. The Group uses appropriately qualified and trained employees to look after the group's tax affairs and uses external advisors as appropriate.

Key performance indicators

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

- Profit and loss account
 - Net revenue growth (gross profit)
 - Staff cost to net revenue ratio
 - Underlying EBITDA margin
- Balance sheet and liquidity
 - Operating cash conversion
 - Short term cash flow forecasting

On a reported basis the group grew net revenue from £11.2m in 2020 to £17.1m in 2021.

The consolidated Group balance sheet is healthy with net assets of £3.1m. Gravity Global repaid its outstanding debt to Beechbrook Capital during the year meaning that Gravity Global and its subsidiaries do not hold any third-party bank/similar debt.

The Group had £4.7m (2020: £5.8m) of cash at 31 December 2021 meaning that the Group has sufficient working capital to meet its obligations as they fall due over the next period.

Underlying operating cash conversion was greater than 100% during 2021 which the directors are extremely pleased with.

Events after the reporting date

On 2 March 2022, the Group acquired a majority interest in Gravity Global Holdings LLC. This in turn, acquired 100% of Morsekode, LLC on 3 March 2022 and 100% of Mojo Media Labs, LLC on 12 May 2022.

On behalf of the board

Mark Lethbridge
Mark Lethbridge (Sep 28, 2022 13:56 GMT+1)

M Lethbridge

Director

28/09/22

Gravity Global Limited

Directors' Report

For the year ended 31 December 2021

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

Principal activities

The company was incorporated on 24 December 2018. The principal activity of the group is that of an integrated marketing services consultancy.

Results and dividends

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

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors

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

P Anderson
M Lethbridge
S Feast
A Daynes

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 auditor of the company 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 auditor of the company is aware of that information.

On behalf of the board

Mark Lethbridge
Mark Lethbridge (Sep 28, 2022 13:56 GMT+1)

M Lethbridge
Director

Date: 28/09/22

Gravity Global Limited

Directors' Responsibilities Statement

For the year ended 31 December 2021

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 group and company, and of the profit or loss of the group 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Gravity Global Limited

Independent Auditor's Report

To the Members of Gravity Global Limited

Opinion

We have audited the financial statements of Gravity Global Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and notes to the financial statements, including 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 group's and the parent company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the group 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 group's and parent 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 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 our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Gravity Global Limited

Independent Auditor's Report (Continued)

To the Members of Gravity Global 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 group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 group's and parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Gravity Global Limited

Independent Auditor's Report (Continued)

To the Members of Gravity Global Limited

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.

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 group'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 group's or the parent 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 group or the parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Global Limited

Independent Auditor's Report (Continued)

To the Members of Gravity Global Limited

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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

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 audit work, for this report, or for the opinions we have formed.

Moore Kingston Smith LLP

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

Date: 29 September 2022

Chartered Accountants
Statutory Auditor

Charlotte Building
17 Gresse Street
London
W1T 1QL

Gravity Global Limited

Group Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 £	2020 £
Turnover	3	23,161,863	15,705,296
Cost of sales		(6,028,453)	(4,458,287)
Gross profit		<u>17,133,410</u>	<u>11,247,009</u>
Administrative expenses		(14,116,132)	(8,828,692)
Amortisation		(1,360,643)	(829,208)
Other operating income		49,595	142,677
Operating profit	4	<u>1,706,230</u>	<u>1,731,786</u>
Share of results of associates and joint ventures		-	13,607
Interest receivable and similar income	8	10,423	272
Interest payable - cash items		(949,552)	(1,057,603)
Interest payable - non cash items		(1,298,768)	(941,034)
Fair value gains and losses	10	(12,800)	-
Loss before taxation		<u>(544,467)</u>	<u>(252,972)</u>
Tax on loss	11	(213,366)	(97,029)
Loss for the financial year		<u><u>(757,833)</u></u>	<u><u>(350,001)</u></u>

Loss for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

Gravity Global Limited

Group Balance Sheet

As at 31 December 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Goodwill	12	10,479,171		10,599,061	
Other intangible assets	12	55,500		55,500	
Total intangible assets		10,534,671		10,654,561	
Tangible assets	13	173,976		186,406	
		10,708,647		10,840,967	
Current assets					
Debtors	17	3,813,375		4,196,220	
Cash at bank and in hand		4,646,564		5,754,430	
		8,459,939		9,950,650	
Creditors: amounts falling due within one year	18	(13,174,838)		(5,539,606)	
Net current (liabilities)/assets		(4,714,899)		4,411,044	
Total assets less current liabilities		5,993,748		15,252,011	
Creditors: amounts falling due after more than one year	19	(2,273,261)		(15,198,238)	
Provisions for liabilities					
Deferred tax liability	22	(47,896)		(21,441)	
		(47,896)		(21,441)	
Net assets		3,672,591		32,332	
Capital and reserves					
Called up share capital	25	17,447		15,000	
Share premium account		4,395,645		-	
Profit and loss reserves		(740,501)		17,332	
Total equity		3,672,591		32,332	

The financial statements were approved by the board of directors and authorised for issue on 28/09/22 and are signed on its behalf by:

Mark Lethbridge
Mark Lethbridge (Sep 28, 2022 13:56 GMT+1)

M Lethbridge
Director

Gravity Global Limited

Company Balance Sheet

As at 31 December 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Investments	14	21,137,419		18,365,675	
Current assets					
Debtors	17	2,280		309,509	
Cash at bank and in hand		53,656		4,051	
		55,936		313,560	
Creditors: amounts falling due within one year	18	(15,864,295)		(3,424,811)	
Net current liabilities		(15,808,359)		(3,111,251)	
Total assets less current liabilities		5,329,060		15,254,424	
Creditors: amounts falling due after more than one year	19	(2,273,261)		(15,198,238)	
Net assets		3,055,799		56,186	
Capital and reserves					
Called up share capital	25	17,447		15,000	
Share premium account		4,395,645		-	
Profit and loss reserves		(1,357,293)		41,186	
Total equity		3,055,799		56,186	

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £1,398,479 (2020 - £189,229 loss).

The financial statements were approved by the board of directors and authorised for issue on 28/09/22 and are signed on its behalf by:

Mark Lethbridge
Mark Lethbridge (Sep 28, 2022 13:56 GMT+1)

M Lethbridge
Director

Company Registration No. 11740098

Gravity Global Limited

Group Statement of Changes in Equity

For the year ended 31 December 2021

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2020		15,000	-	367,333	382,333
Period ended 31 December 2020:					
Loss and total comprehensive income for the period		-	-	(350,001)	(350,001)
Balance at 31 December 2020		15,000	-	17,332	32,332
Year ended 31 December 2021:					
Loss and total comprehensive income for the year		-	-	(757,833)	(757,833)
Issue of share capital	25	2,447	4,395,645	-	4,398,092
Balance at 31 December 2021		17,447	4,395,645	(740,501)	3,672,591

Gravity Global Limited

Company Statement of Changes in Equity

For the year ended 31 December 2021

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2020		15,000	-	230,415	245,415
Period ended 31 December 2020:					
Loss and total comprehensive income for the period		-	-	(189,229)	(189,229)
Balance at 31 December 2020		15,000	-	41,186	56,186
Year ended 31 December 2021:					
Loss and total comprehensive income for the year		-	-	(1,398,479)	(1,398,479)
Issue of share capital	25	2,447	4,395,645	-	4,398,092
Balance at 31 December 2021		17,447	4,395,645	(1,357,293)	3,055,799

Gravity Global Limited

Group Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash generated from operations	31	3,037,018		3,063,936	
Interest paid		(949,552)		(1,057,603)	
Income taxes paid		(326,795)		(177,178)	
Net cash inflow from operating activities		1,760,671		1,829,155	
Investing activities					
Purchase of intangible assets		-	(55,500)		
Purchase of tangible fixed assets		(93,375)	(91,833)		
Proceeds on disposal of tangible fixed assets		-	1,116		
Purchase of business (note 24)		63,034	(670,058)		
Payment of deferred consideration		(750,000)	-		
Interest received		10,423	272		
Net cash used in investing activities		(769,918)		(816,003)	
Financing activities					
Proceeds from issue of shares		2,447	-		
Loans from group companies		7,862,089	-		
Repayment of bank loans		(10,050,007)	-		
Payment of finance leases obligations		-	(15,324)		
Net cash used in financing activities		(2,185,471)		(15,324)	
Net (decrease)/increase in cash and cash equivalents		(1,194,718)		997,828	
Cash and cash equivalents at beginning of year		5,754,430		4,804,582	
Effect of foreign exchange rates		86,852		(47,980)	
Cash and cash equivalents at end of year		4,646,564		5,754,430	

Gravity Global Limited

Notes to the Financial Statements

For the year ended 31 December 2021

1 Accounting policies

Company information

Gravity Global Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 69 Wilson St, London, EC2A 2BB.

The group consists of Gravity Global Limited and all of its subsidiaries.

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.

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

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

The consolidated group financial statements consist of the financial statements of the parent company Gravity Global Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Larsen Walsh Consultants Limited has been included in the group financial statements using the purchase method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows of Larsen Walsh Consultants Limited for the 10 month period from its acquisition on 1 March 2021. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates.

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

1 Accounting policies

(Continued)

Investments in joint ventures and associates are carried in the group balance sheet at cost plus post-acquisition changes in the group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures and associates include acquired goodwill.

If the group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the group does not recognise further losses unless it has incurred obligations to do so or has made payments on behalf of the joint venture or associate.

Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the group's interest in the entity.

1.3 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 directors highlight that the profit and loss account includes a significant number of non-cash items relating to the acquisition of subsidiaries and the revaluation of other non-cash equity instruments. By way of an example, taking into account the full year effect of the acquisition of Larsen Walsh Consultants Limited, the Group generated £6.8m (2020: £3.1m) of operating cash in the year which the directors are very pleased with. The Group also finished the year with £4.6m (2020: £5.8m) of cash reserves which provides significant liquidity.

On a reported basis the Group generated a loss after tax for the year is £894,096 (2020: £350,001). However, after adding back the non-cash accounting adjustments of amortisation, depreciation and non-cash finance charges, the Group was profitable. As at the balance sheet date the Group had net assets of £3,536,328 (2020: £32,332), reflecting a significant strengthening of the net asset position compared to prior year.

As a result, the directors believe that the Group and 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.

1.4 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.

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

1 Accounting policies

(Continued)

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business 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 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.6 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 where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

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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1.7 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 improvements	Over the life of the lease
Fixtures and fittings	20% straight line
Computer equipment	25% straight line
Motor vehicles	25% reducing balance

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 recognised in the profit and loss account.

1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

1 Accounting policies

(Continued)

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.9 Impairment of fixed assets

At each reporting period end date, the group 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.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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.

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.

1.10 Financial instruments

The group 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 group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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.

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

1 Accounting policies

(Continued)

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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

The warrants issued by the group are initially recognised at fair value on the date of issue and are subsequently re-measured at their fair value. Changes in the fair value of warrant instruments are recognised in profit or loss in finance costs or finance income as appropriate.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

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

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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

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 if, and only if, there is 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.

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

1 Accounting policies

(Continued)

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 schemes are charged as an expense as they fall due.

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss 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 leased asset are consumed.

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 in the period are included in profit or loss.

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

2 Judgements and key sources of estimation uncertainty

In the application of the group'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.

Depreciation

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 13 for the carrying amount of the property, plant and equipment and note 1.7 for the useful economic lives for each class of asset.

Amortisation

The annual amortisation charge for intangible assets is sensitive to changes in the estimated lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. Goodwill impairment reviews are also performed annually. These reviews require an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise for the cash generating unit and a suitable discount rate to calculate present value. See note 12 for the carrying amount of the intangible assets and notes 1.5 and 1.6 for the useful economic lives for each class of asset.

Deferred consideration

The group made an estimation of the deferred value of consideration on acquisitions in the year. When assessing the value, management considered the discounted cash flows up to the date of deferred consideration date.

Provisions

Provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. The difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

3 Turnover and other revenue

	2021 £	2020 £
Turnover analysed by class of business		
Rendering of services	23,161,863	15,705,296
	<u>23,161,863</u>	<u>15,705,296</u>
Other significant revenue		
Interest income	10,423	272
Other income	49,599	142,487
	<u>60,022</u>	<u>142,759</u>
Turnover analysed by geographical market		
United Kingdom	11,282,938	7,865,410
Europe	4,673,431	3,479,583
Rest of World	7,205,494	4,360,303
	<u>23,161,863</u>	<u>15,705,296</u>

4 Operating profit

	2021 £	2020 £
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(88,015)	47,980
Research and development costs	1,665,740	107
Other income	(49,599)	(142,487)
Depreciation of owned tangible fixed assets	105,840	96,816
Depreciation of tangible fixed assets held under finance leases	-	5,141
Loss on disposal of tangible fixed assets	130	-
Amortisation of intangible assets	1,360,643	829,208
Operating lease charges	407,495	373,336
	<u>3,402,194</u>	<u>1,210,051</u>

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

5 Auditor's remuneration

	2021 £	2020 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	8,500	8,200
Audit of the financial statements of the company's subsidiaries	59,000	53,400
	<u>67,500</u>	<u>61,600</u>
For other services		
Taxation compliance services	9,600	7,305
All other non-audit services	2,000	1,680
	<u>11,600</u>	<u>8,985</u>

6 Employees

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

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Client services and creative	132	111	-	-
Administration	8	12	-	-
Total	<u>140</u>	<u>123</u>	<u>-</u>	<u>-</u>

Their aggregate remuneration comprised:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Wages and salaries	8,113,488	5,277,426	-	-
Social security costs	963,919	574,909	-	-
Pension costs	152,419	279,119	-	-
	<u>9,229,826</u>	<u>6,131,454</u>	<u>-</u>	<u>-</u>

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

7 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	401,153	512,251
Company pension contributions to defined contribution schemes	2,955	3,900
	<u>404,108</u>	<u>516,151</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2020 - 3).

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

	2021 £	2020 £
Remuneration for qualifying services	142,635	180,118
Company pension contributions to defined contribution schemes	985	1,300
	<u>143,620</u>	<u>181,418</u>

8 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Interest on bank deposits	19	272
Interest on Directors Current Account	9,411	-
Other interest income	993	-
	<u>10,423</u>	<u>272</u>

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

9 Interest payable and similar expenses

	2021 £	2020 £
Interest on financial liabilities measured at amortised cost:		
Interest on loans	1,062,495	974,595
Interest on finance leases and hire purchase contracts	-	827
Other interest on financial liabilities	110,947	82,181
	<u>1,173,442</u>	<u>1,057,603</u>
Other finance costs:		
Finance costs for financial instruments measured at fair value through profit or loss	719,383	810,619
Unwinding of discount on provisions	347,861	130,000
Other interest	7,634	415
	<u>2,248,320</u>	<u>1,998,637</u>

10 Fair value gains and losses

	2021 £	2020 £
Amounts written off financial assets held at cost	<u>(12,800)</u>	<u>-</u>

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

11 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	229,991	101,341
Adjustments in respect of prior periods	3,290	(1,883)
Group tax relief	(46,047)	-
Total current tax	187,234	99,458
Deferred tax		
Origination and reversal of timing differences	26,132	(2,429)
Total tax charge for the year	213,366	97,029

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

	2021 £	2020 £
Loss before taxation	(544,467)	(252,972)
<i>Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)</i>	(103,449)	(48,065)
Tax effect of expenses that are not deductible in determining taxable profit	21,323	180,670
Tax effect of interest not deductible	66,094	-
Unutilised tax losses carried forward	(2,391)	-
Group relief	(54,915)	-
Permanent capital allowances in excess of depreciation	-	(6,212)
Amortisation on assets not qualifying for tax allowances	258,522	-
Research and development tax credit	-	(21,930)
Other non-reversing timing differences	(221)	478
Effect of overseas tax rates	2,271	(3,600)
Under/(over) provided in prior years	-	(1,883)
Deferred tax	26,132	(2,429)
Taxation charge for the year	213,366	97,029

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

12 Intangible fixed assets

Group	Goodwill £	Software £	Total £
Cost			
At 1 January 2021	12,036,736	55,500	12,092,236
Additions - separately acquired	1,018,929	-	1,018,929
Revaluation	221,824	-	221,824
At 31 December 2021	13,277,489	55,500	13,332,989
Amortisation and impairment			
At 1 January 2021	1,437,675	-	1,437,675
Amortisation charged for the year	1,360,643	-	1,360,643
At 31 December 2021	2,798,318	-	2,798,318
Carrying amount			
At 31 December 2021	10,479,171	55,500	10,534,671
At 31 December 2020	10,599,061	55,500	10,654,561

The company had no intangible fixed assets at 31 December 2021 or 31 December 2020.

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

13 Tangible fixed assets

Group	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2021	50,658	171,378	130,992	18,416	371,444
Additions	690	24,442	68,243	-	93,375
Business combinations	-	1,751	6,075	-	7,826
Disposals	-	-	(3,578)	(18,416)	(21,994)
At 31 December 2021	51,348	197,571	201,732	-	450,651
Depreciation and impairment					
At 1 January 2021	23,952	86,641	65,882	8,563	185,038
Depreciation charged in the year	9,062	47,544	45,808	3,427	105,841
Eliminated in respect of disposals	-	-	(2,214)	(11,990)	(14,204)
At 31 December 2021	33,014	134,185	109,476	-	276,675
Carrying amount					
At 31 December 2021	18,334	63,386	92,256	-	173,976
At 31 December 2020	26,706	84,737	65,110	9,853	186,406

The company had no tangible fixed assets at 31 December 2021 or 31 December 2020.

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

	Group 2021 £	2020 £	Company 2021 £	2020 £
Motor vehicles	-	9,853	-	-

14 Fixed asset investments

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Investments in subsidiaries	15	-	-	21,137,419	18,365,675

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

14 Fixed asset investments	(Continued)
Movements in fixed asset investments	
Company	Shares in subsidiaries
	£
Cost or valuation	
At 1 January 2021	18,365,675
Additions	2,549,920
Valuation changes	221,824
	<hr/>
At 31 December 2021	21,137,419
	<hr/>
Carrying amount	
At 31 December 2021	21,137,419
	<hr/>
At 31 December 2020	18,365,675
	<hr/>

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Gravity London Limited	1	Integrated Marketing Services	Ordinary	100.00	-
Gravity Oxford Ltd	2	Strategic and Creative Marketing Communications Solutions	Ordinary	100.00	-
Gravity Global Performance Marketing Ltd	3	Digital Marketing Strategy	Ordinary	100.00	-
AGA Consult Limited	1	Dormant	Ordinary	-	100.00
AGA Public Relations Limited	1	Dormant	Ordinary	-	100.00
Gravity Worldwide Limited	1	Dormant	Ordinary	-	100.00
Gravity Global Digital Ltd	1	Digital Marketing	Ordinary	100.00	-
Gravity Global Shared Services Sp. Zoo	4	Software Development Services	Ordinary	100.00	-
Larsen Walsh Consultants Limited	1	Strategic and Creative Marketing Communications Solutions	Ordinary	100.00	-

Registered office key

- 1 69 Wilson Street, London, United Kingdom, EC2A 2BB
- 2 Wooden Barn, Little Baldon, Oxford, OX44 9PU
- 3 47-49 Colegate, Norwich, United Kingdom, NR3 1DD
- 4 Tarnowska 18, 33-300 Nowy Sącz, Poland

All of the above subsidiaries have been included within the consolidated results however Gravity Oxford Ltd, Gravity Global Performance Marketing Ltd and Larsen Walsh Consultants Ltd were exempt from an audit by virtue of s479A of Companies Act 2006.

16 Financial instruments

	Group 2021 £	2020 £	Company 2021 £	2020 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	3,505,034	3,992,672	-	295,170
Carrying amount of financial liabilities				
Measured at amortised cost	12,827,950	17,309,459	18,137,556	18,623,049

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

17 Debtors

	Group 2021	2020	Company 2021	2020
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	2,833,432	3,596,447	-	-
Corporation tax recoverable	-	44,642	-	-
Amounts owed by group undertakings	-	-	-	295,170
Other debtors	163,254	134,956	2,280	14,339
Prepayments and accrued income	815,605	419,992	-	-
	<u>3,812,291</u>	<u>4,196,037</u>	<u>2,280</u>	<u>309,509</u>
Amounts falling due after more than one year:				
Deferred tax asset (note 22)	<u>1,084</u>	<u>183</u>	<u>-</u>	<u>-</u>
Total debtors	<u>3,813,375</u>	<u>4,196,220</u>	<u>2,280</u>	<u>309,509</u>

18 Creditors: amounts falling due within one year

	Notes	Group 2021	2020	Company 2021	2020
		£	£	£	£
Bank loans	20	-	50,007	-	-
Trade creditors		1,334,608	886,652	30	5,913
Amounts owed to group undertakings		7,693,863	-	15,598,012	3,408,098
Corporation tax payable		254,540	135,635	-	-
Other taxation and social security		553,516	1,109,634	-	-
Other creditors		400,270	56,764	254,253	-
Accruals and deferred income		2,938,041	3,300,914	12,000	10,800
		<u>13,174,838</u>	<u>5,539,606</u>	<u>15,864,295</u>	<u>3,424,811</u>

19 Creditors: amounts falling due after more than one year

	Notes	Group 2021	2020	Company 2021	2020
		£	£	£	£
Other borrowings	20	-	9,768,476	-	9,768,476
Other creditors		2,273,261	5,429,762	2,273,261	5,429,762
		<u>2,273,261</u>	<u>15,198,238</u>	<u>2,273,261</u>	<u>15,198,238</u>

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

19 Creditors: amounts falling due after more than one year

(Continued)

Other creditors falling due after more than one year includes deferred share consideration totalling £2,161,349 (2020: £3,831,643) relating to liabilities that in the future will partially convert to equity and partially to cash. The deferred share consideration is in relation to the acquisition of Gravity Global Digital Ltd in the previous period and Larsen Walsh Consultants Ltd (see note 24) in the current year. Other creditors falling due after more than one year also includes deferred cash consideration in relation to the acquisition of Larsen Walsh Consultants Limited (see note 24).

Other creditors falling due after more than one year included the fair value liability of £nil (2020: £848,119) in relation to warrant instruments attached to the other loans (see note 20). The warrant instrument was exercised in the year.

20 Loans and overdrafts

	Group 2021 £	2020 £	Company 2021 £	2020 £
Bank loans	-	50,007	-	-
Other loans	-	9,768,476	-	9,768,476
	<u>-</u>	<u>9,818,483</u>	<u>-</u>	<u>9,768,476</u>
Payable within one year	-	50,007	-	-
Payable after one year	-	9,768,476	-	9,768,476
	<u>-</u>	<u>9,818,483</u>	<u>-</u>	<u>9,768,476</u>

Other loans in the prior year comprised of borrowings linked to the acquisition of subsidiaries. Interest was charged at a variable rate between 8.5% and 9.5% based on cash flow plus LIBOR. The loan was guaranteed by group companies and was repaid in the year.

21 Provisions for liabilities

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Deferred tax liabilities	22	<u>47,896</u>	<u>21,441</u>	<u>-</u>	<u>-</u>

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

22 Deferred taxation

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

	Liabilities	Liabilities	Assets	Assets
	2021	2020	2021	2020
Group	£	£	£	£
Accelerated capital allowances	47,896	21,441	1,084	183

The company has no deferred tax assets or liabilities.

	Group	Company
	2021	2021
	£	£
Movements in the year:		
Liability at 1 January 2021	21,258	-
Charge to profit or loss	8,142	-
Liability at 31 December 2021	29,400	-

23 Retirement benefit schemes

	2021	2020
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	152,419	279,119

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. At year end, the amounts outstanding in respect of pension contributions payable is £17,100.

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

24 Acquisitions

On 1 March 2021 the group acquired 100% of the issued capital of Larsen Walsh Consultants Limited. The cost of the acquisition comprised of cash consideration and contingent deferred share consideration. The contingent deferred share consideration is based on the attainment of the targets set out in the sale purchase agreement.

	Book Value	Adjustments	Fair Value
	£	£	£
Property, plant and equipment	7,826	-	7,826
Trade and other receivables	192,078	-	192,078
Cash and cash equivalents	1,657,306	-	1,657,306
Trade and other payables	(12,828)	-	(12,828)
Tax liabilities	(313,391)	-	(313,391)
Total identifiable net assets	<u>1,530,991</u>	<u>-</u>	<u>1,530,991</u>
Goodwill			<u>1,018,929</u>
Total consideration			<u>2,549,920</u>
The consideration was satisfied by:			£
Cash			1,594,015
Deferred shares			2,316,254
Deferred cash			366,166
			<u>2,549,920</u>
Contribution by the acquired business for the reporting period included in the consolidated statement of comprehensive income since acquisition:			£
Turnover			1,029,132
Profit after tax			<u>609,239</u>

25 Share capital

Group and company	2021	2020	2021	2020
Ordinary share capital	Number	Number	£	£
Issued and fully paid				
Ordinary A Shares of 1p each	1,657,482	1,500,000	16,575	15,000
Ordinary B Shares of 1p each	87,236	-	872	-
	<u>1,744,718</u>	<u>1,500,000</u>	<u>17,447</u>	<u>15,000</u>

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

25 Share capital

(Continued)

The Ordinary A and Ordinary B shares have attached to them equal voting, dividend and capital distribution rights. The A Ordinary shares are not redeemable.

During the year, the company issued 157,482 Ordinary A shares of 1p each for total consideration of £2,829,718.

During the year, the company issued 87,236 Ordinary B shares of 1p each for total consideration of £1,568,374.

26 Operating lease commitments

Lessee

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

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Within one year	339,664	325,696	-	-
Between two and five years	70,618	338,571	-	-
	<u>410,282</u>	<u>664,267</u>	<u>-</u>	<u>-</u>

27 Financial commitments, guarantees and contingent liabilities

A composite guarantee has been given to the Newton Bidco Limited's bank loan 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 Global Limited
Gravity London Limited
Gravity Oxford Ltd
Gravity Global Performance Marketing Ltd
Gravity Global Digital Ltd
Larsen Walsh Consultants Limited

At the balance sheet date, the Newton Bidco Limited's indebtedness to its lenders was £10,500,000.

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

28 Events after the reporting date

On 2 February 2022, Gravity Global Limited incorporated Gravity Global US Holdings, Inc, a US incorporated company.

On 2 March 2022, Gravity Global US Holdings, Inc. acquired a majority interest in Gravity Global Holdings LLC.

On 2 March 2022 (prior to Inc acquiring Holdings LLC) Gravity Global Houston LLC acquired the B2B trade of 9th Wonder - Houston LLC.

On 3 March 2022, Gravity Global Holdings LLC acquired 100% of the capital of Morsekode LLC.

On 12 May 2022, Gravity Global Holdings LLC acquired 100% of the capital of Mojo Media Labs, LLC.

29 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2021	2020
	£	£
Aggregate compensation	2,767,746	853,938

Other information

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

At 31 December 2021, Gravity London Limited was owed £nil (2020: £1,876) by its directors. All director loans are repayable on demand and are included within other debtors due within one year.

At 31 December 2021, Larsen Walsh Consultants Limited was owed £418 by its directors. All director loans are repayable on demand and are included within other debtors due within one year.

At the year end, a profit share of £nil (2020: £13,397) was receivable from AGA Consult LLP. Previously Gravity London Limited held a 50% share in the company however they resigned as a member during 2020.

During the year, the group provided services to a company in which a director is related by virtue of family interest. The total value of services provided was was £4,200 (2020: £10,200). At the year end, there was deferred income of £350 (2020: £350 accrued income) and an amount of £2,340 (2020: £1,260) due to Gravity London Limited in relation to these services.

During the period, Gravity Global Digital Limited made purchases totalling £77,640 (2020: £nil) from Statik Space Limited, which is a related party by virtue of common directorship. An amount of £77,640 (2020: £nil) was outstanding at year end.

At the period end, there was a balance of £83 (2020: £1,778) due from one of the directors of Gravity Global Digital Ltd.

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

30 Controlling party

The immediate parent undertaking of the company is Newton Bidco Limited, a company registered in England and Wales. The immediate parent company of Newton Bidco Limited is Newton Midco Limited, a company registered in England and Wales. The ultimate parent company of the group is Newton Topco Limited, a company incorporated in England and Wales.

Gravity Global Limited is the smallest 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.

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

The company is controlled by Elysian Capital III LP of 1 Southampton Street, London, WC2R 0LR, on the basis that it controls a controlling interest in the voting rights of the share capital of Newton Topco Limited.

31 Cash generated from group operations

	2021 £	2020 £
Loss for the year after tax	(757,833)	(350,001)
Adjustments for:		
Share of results of associates and joint ventures	-	(9,409)
Taxation charged	213,366	97,029
Finance costs	2,248,320	1,057,603
Investment income	(10,423)	(272)
Loss on disposal of tangible fixed assets	7,791	-
Amortisation and impairment of intangible assets	1,360,644	829,208
Depreciation and impairment of tangible fixed assets	105,840	101,957
Foreign exchange gains on cash equivalents	(86,851)	47,980
Amounts written off investments	-	18,686
(Decrease) in provisions	-	(31,689)
Movements in working capital:		
Decrease/(increase) in debtors	531,517	(838,897)
(Decrease)/increase in creditors	(405,963)	2,141,741
Cash generated from operations	3,206,408	3,063,936

Gravity Global Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

32 Analysis of changes in net funds/(debt) - group

	1 January 2021 £	Cash flows £	Market value movements £	31 December 2021 £
Cash at bank and in hand	5,754,430	(1,107,866)	-	4,646,564
Borrowings excluding overdrafts	(9,818,483)	10,537,866	(719,383)	-
	<u>(4,064,053)</u>	<u>9,430,000</u>	<u>(719,383)</u>	<u>4,646,564</u>