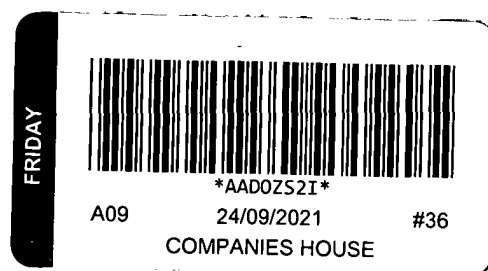


# Gravity Global Limited

## Annual Report and Financial Statements

### For the year ended 31 December 2020



Company Registration No. 11740098 (England and Wales)

# Gravity Global Limited

## Company Information

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

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# Gravity Global Limited

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# Gravity Global Limited

## Strategic Report

For the year ended 31 December 2020

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

### **Background**

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 Limited acquired 100% of the issued share capital of Nurture Agency Limited (now Gravity Global Digital Ltd). The consolidated accounts included in the following pages reflect the performance of the Group in 2020 alongside the performance of Gravity Global Digital Limited in the period from its acquisition to 31 December 2020.

The statutory audited accounts of Gravity London Limited, Gravity Oxford Ltd, Gravity Global Performance Marketing Ltd and Gravity Global Digital Ltd provide year-on-year comparable information.

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 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 Group 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 Gravity Global 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. The Group 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, Recover) 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.

The Group ended the year with like-for-like Adjusted EBITDA flat compared to 2019 which was an incredible achievement.

# Gravity Global Limited

## Strategic Report (Continued)

For the year ended 31 December 2020

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### **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.

#### *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 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 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 Group had £5.8m 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*

A significant part of the Group'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 Group's US Dollar and Euro bank accounts wherever possible.

#### *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 on building strategic and focused consultancies dedicated to growing the Group's offering. Central to this will be the continued investment in our Performance Marketing and Digital Development practices.

# Gravity Global Limited

## Strategic Report (Continued)

For the year ended 31 December 2020

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### 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 (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 Group.

Taking into account the full year effect of the acquisition of Gravity Global Digital Limited and after excluding non-recurring items, the business generated £13.3m (2019: £11.6m) of gross profit / net revenue and £3.9m (2019: £2.9m) of EBITDA in 2020. The business generated £3.1m (2019: £4.7m) of operating cash in the year.

On a reported basis gross profit / net revenue was £11.2m (2019: £9.6m) and reported EBITDA was £2.7m (2019: £2.0m) giving an EBITDA margin of 23.7% (2019: 20.8%). Staff cost to net revenue ratio was 53.2% (2019: 49.8%) over the year which the directors felt was particularly noteworthy considering the Covid-19 impact on revenues.

The Group reported cash at bank and in hand of £5.8m (2019: £4.8m) and net assets of £0.03m (2019: £0.4m) as at 31 December 2020. We highlight that £4.7m (2019: £1.7m) of the deferred consideration liability on the balance sheet at 31 December 2020 is not a cash liability of the business with the deferred consideration being payable in equity / shares in the Group. Once this deferred consideration is converted to equity then the Group balance sheet will appear to be far stronger. The directors are therefore very comfortable with the financial position of the Group. We recommend that the balance sheet of our largest trading entity, Gravity London Limited, be considered as a more accurate benchmark for the financial position of the Group given its 10-year trading record and significant cash reserves.

### Events after the reporting date

On 2 March 2021, the Group acquired 100% of the share capital of Larsen Walsh Consultants Limited.

On behalf of the board

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

M Lethbridge

Director

24/08/21.....

# Gravity Global Limited

## Directors' Report

For the year ended 31 December 2020

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

### Principal activities

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

### 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

### 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.

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

.....  
M Lethbridge

**Director**

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

# Gravity Global Limited

## Directors' Responsibilities Statement

For the year ended 31 December 2020

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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

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#### **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 2020 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 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 group's and the parent company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or 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 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 Global Limited

## Independent Auditor's Report (Continued)

### To the Members of Gravity Global Limited

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#### **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 the 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.

#### **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 Global Limited

## Independent Auditor's Report (Continued)

### To the Members of Gravity Global Limited

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#### **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 group and parent company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the group and parent 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 group and parent company comply 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 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.

# Gravity Global Limited

## Independent Auditor's Report (Continued)

To the Members of Gravity Global Limited

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### Use of our report

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



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

25 August 2021.

**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 2020

		Year ended 31 December 2020 £	Period ended 31 December 2019 £
	Notes		
<b>Turnover</b>	<b>3</b>	15,705,296	15,545,862
Cost of sales		(4,458,287)	(5,926,794)
<b>Gross profit</b>		11,247,009	9,619,068
Administrative expenses		(9,657,900)	(8,296,120)
Other operating income		142,677	-
<b>Operating profit</b>	<b>4</b>	1,731,786	1,322,948
Share of results of associates and joint ventures		13,607	9,277
Interest receivable and similar income	<b>8</b>	272	700
Interest payable and similar expenses	<b>9</b>	(1,998,637)	(861,426)
<b>(Loss)/profit before taxation</b>		(252,972)	471,499
Tax on (loss)/profit	<b>10</b>	(97,029)	(104,166)
<b>(Loss)/profit for the financial year</b>		(350,001)	367,333

(Loss)/profit 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 2020

	Notes	2020 £	£	2019 £	£
<b>Fixed assets</b>					
Goodwill	11	10,599,061		7,923,336	
Other intangible assets	11	55,500		-	
Total intangible assets		10,654,561		7,923,336	
Tangible assets	12	186,406		194,313	
Investments	13	-		9,277	
		10,840,967		8,126,926	
<b>Current assets</b>					
Debtors	16	4,196,220		2,648,756	
Cash at bank and in hand		5,754,430		4,804,582	
		9,950,650		7,453,338	
<b>Creditors: amounts falling due within one year</b>	17	(5,539,606)		(3,529,475)	
<b>Net current assets</b>		4,411,044		3,923,863	
<b>Total assets less current liabilities</b>		15,252,011		12,050,789	
<b>Creditors: amounts falling due after more than one year</b>	18	(15,198,238)		(11,613,881)	
<b>Provisions for liabilities</b>	21	(21,441)		(54,575)	
<b>Net assets</b>		32,332		382,333	
<b>Capital and reserves</b>					
Called up share capital	25	15,000		15,000	
Profit and loss reserves		17,332		367,333	
<b>Total equity</b>		32,332		382,333	

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

# Gravity Global Limited

## Company Balance Sheet

As at 31 December 2020

	Notes	2020 £	£	2019 £	£
<b>Fixed assets</b>					
Investments	13	18,365,675		14,433,478	
<b>Current assets</b>					
Debtors	16	309,509		114,132	
Cash at bank and in hand		4,051		94	
		313,560		114,226	
<b>Creditors: amounts falling due within one year</b>	17	(3,424,811)		(2,688,408)	
<b>Net current liabilities</b>		(3,111,251)		(2,574,182)	
<b>Total assets less current liabilities</b>		15,254,424		11,859,296	
<b>Creditors: amounts falling due after more than one year</b>	18	(15,198,238)		(11,613,881)	
<b>Net assets</b>		56,186		245,415	
<b>Capital and reserves</b>					
Called up share capital	25	15,000		15,000	
Profit and loss reserves		41,186		230,415	
<b>Total equity</b>		56,186		245,415	

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 £189,229 (2019 - £230,415 profit).

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 Global Limited

## Group Statement of Changes in Equity

For the year ended 31 December 2020

	Notes	Share capital £	Profit and loss reserves £	Total £
<b>Balance at 31 December 2018</b>		-	-	-
<b>Period ended 31 December 2019:</b>				
Profit and total comprehensive income for the period		-	367,333	367,333
Issue of share capital	25	15,000	-	15,000
<b>Balance at 31 December 2019</b>		15,000	367,333	382,333
<b>Period ended 31 December 2020:</b>				
Loss and total comprehensive income for the period		-	(350,001)	(350,001)
<b>Balance at 31 December 2020</b>		15,000	17,332	32,332



# Gravity Global Limited

## Company Statement of Changes in Equity

For the year ended 31 December 2020

	Notes	Share capital £	Profit and loss reserves £	Total £
<b>Balance at 24 December 2018</b>		-	-	-
<b>Period ended 31 December 2019:</b>				
Profit and total comprehensive income for the period		-	230,415	230,415
Issue of share capital	25	15,000	-	15,000
<b>Balance at 31 December 2019</b>		15,000	230,415	245,415
<b>Period ended 31 December 2020:</b>				
Loss and total comprehensive income for the period		-	(189,229)	(189,229)
<b>Balance at 31 December 2020</b>		15,000	41,186	56,186

# Gravity Global Limited

## Group Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 £	£	2019 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	31	3,063,936		4,735,827	
Interest paid		(1,057,603)		(861,426)	
Income taxes paid		(177,178)		(600,532)	
<b>Net cash inflow from operating activities</b>		<u>1,829,155</u>		<u>3,273,869</u>	
<b>Investing activities</b>					
Purchase of intangible assets		(55,500)		-	
Purchase of tangible fixed assets		(91,833)		(79,761)	
Proceeds on disposal of tangible fixed assets		1,116		5,420	
Purchase of subsidiaries		(1,168,832)		(11,817,726)	
Cash acquired from subsidiaries		498,774		3,511,421	
Interest received		272		700	
<b>Net cash used in investing activities</b>		<u>(816,003)</u>		<u>(8,379,946)</u>	
<b>Financing activities</b>					
Issue of share capital		-		15,000	
Proceeds of new bank loans		-		10,000,000	
Payment of finance leases obligations		(15,324)		(3,600)	
<b>Net cash (used in)/generated from financing activities</b>		<u>(15,324)</u>		<u>10,011,400</u>	
<b>Net increase in cash and cash equivalents</b>		<u>997,828</u>		<u>4,905,323</u>	
Cash and cash equivalents at beginning of year		4,804,582		-	
Effect of foreign exchange rates		(47,980)		(100,741)	
<b>Cash and cash equivalents at end of year</b>		<u><u>5,754,430</u></u>		<u><u>4,804,582</u></u>	

# Gravity Global Limited

## Notes to the Financial Statements

For the year ended 31 December 2020

---

### 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. Monetary amounts in these financial statements are rounded to the nearest £.

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 financial statements incorporate those of Gravity Global Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2020. 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.

Gravity Global Digital Ltd (formerly Nurture Agency Ltd) and Gravity Global Shared Services sp. z.o.o have 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 Gravity Global Digital Limited for the 2 month period from its acquisition on 2 November 2020. The group profit and loss account and statement of cash flows include the results and cash flows of Gravity Global Shared Services sp. z.o.o for the 2 month period from its acquisition on 29 October 2020. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

### 1 Accounting policies

(Continued)

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. In the group financial statements, associates are accounted for using the equity method.

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. In the group financial statements, joint ventures are accounted for using the equity method.

#### 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.

Taking into account the full year effect of the acquisition of Gravity Global Digital Limited and after excluding non-recurring items, the business generated EBITDA of £3.9m (2019: £2.9m) and generated £3.1m (2019: £4.7m) of operating cash. Even after the acquisition of Gravity Global Digital Limited and Gravity Global Shared Services Sp. zoo are factored in, the business generated a net cash inflow of £1.0m in the year which the directors are very pleased with. The Group finished the year with £5.8m of cash reserves. The reported profit and loss account shows a loss for the year of £350,001 (2019 - profit of £367,333) after the previously mentioned non-cash items and as at the balance sheet date had net assets of £32,332 (2019 - £382,333). The Group's balance sheet includes non-cash liabilities of £4.7m relating to previous acquisitions which will convert to equity in the future at which point the Group's balance sheet will look significantly improved.

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 group 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 group has assessed the potential risks and the impact on the business as a result of the pandemic. The group 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 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.

# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

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### 1 Accounting policies

(Continued)

#### 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.

#### 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 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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#### 1.7 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.

# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

### 1 Accounting policies

(Continued)

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% - 33% straight line
Computer equipment	25% - 33% straight line
Motor vehicles	20% straight line and 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.

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.

# Gravity Global 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.

#### 1.10 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.

##### **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.

# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

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### 1 Accounting policies

(Continued)

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.

#### **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 direct issue 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.



# Gravity Global 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 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.

#### **1.13 Provisions**

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

#### **1.14 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.

#### **1.15 Retirement benefits**

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

#### **1.16 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.

# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

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### 1 Accounting policies

(Continued)

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.

#### 1.17 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.

#### 1.18 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 Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

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### **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 12 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 11 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.

# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

### 2 Judgements and key sources of estimation uncertainty

(Continued)

#### **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.

### 3 Turnover and other revenue

	2020 £	2019 £
<b>Turnover analysed by class of business</b>		
Rendering of services	15,705,296	15,545,862
	<u>15,705,296</u>	<u>15,545,862</u>
	2020 £	2019 £
<b>Other significant revenue</b>		
Interest income	272	700
Other income	142,487	-
	<u>142,487</u>	<u>-</u>
	2020 £	2019 £
<b>Turnover analysed by geographical market</b>		
United Kingdom	7,865,410	9,092,353
Europe	3,479,583	926,244
Rest of World	4,360,303	5,527,265
	<u>15,705,296</u>	<u>15,545,862</u>

### 4 Operating profit

	2020 £	2019 £
Operating profit for the period is stated after charging/(crediting):		
Exchange losses	47,980	100,741
Research and development costs	107	141
Other income	(142,487)	-
Depreciation of owned tangible fixed assets	96,816	111,589
Depreciation of tangible fixed assets held under finance leases	5,141	5,141
Loss on disposal of tangible fixed assets	-	120
Amortisation of intangible assets	829,208	608,467
Operating lease charges	373,336	457,837
	<u>829,208</u>	<u>608,467</u>

# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

### 5 Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	8,200	6,500
Audit of the financial statements of the company's subsidiaries	53,400	38,500
	<u>61,600</u>	<u>45,000</u>
<b>For other services</b>		
Taxation compliance services	7,305	5,000
All other non-audit services	1,680	-
	<u>8,985</u>	<u>5,000</u>

### 6 Employees

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

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Client services and creative	111	77	-	-
Administration	12	12	-	-
	<u>123</u>	<u>89</u>	<u>-</u>	<u>-</u>

Their aggregate remuneration comprised:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Wages and salaries	5,277,426	4,165,187	-	-
Social security costs	574,909	447,282	-	-
Pension costs	279,119	182,586	-	-
	<u>6,131,454</u>	<u>4,795,055</u>	<u>-</u>	<u>-</u>

# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

### 7 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	512,251	555,182
Company pension contributions to defined contribution schemes	3,900	3,390
	<u>516,151</u>	<u>558,572</u>

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

	2020 £	2019 £
Remuneration for qualifying services	180,118	191,159
Company pension contributions to defined contribution schemes	1,300	1,130
	<u>181,418</u>	<u>192,289</u>

### 8 Interest receivable and similar income

	2020 £	2019 £
<b>Interest income</b>		
Interest on bank deposits	272	700
	<u>272</u>	<u>700</u>

### 9 Interest payable and similar expenses

	2020 £	2019 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on loans	974,595	796,638
Interest on finance leases and hire purchase contracts	827	993
Other interest on financial liabilities	82,181	63,795
	<u>1,057,603</u>	<u>861,426</u>
<b>Other finance costs:</b>		
Finance costs for financial instruments measured at fair value through profit or loss	810,619	-
Unwinding of discount on provisions	130,000	-
Other interest	415	-
	<u>941,034</u>	<u>-</u>
<b>Total finance costs</b>	<u>1,998,637</u>	<u>861,426</u>

# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

### 10 Taxation

	2020 £	2019 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	101,341	116,210
Adjustments in respect of prior periods	(1,883)	(8,370)
Total current tax	<u>99,458</u>	<u>107,840</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<u>(2,429)</u>	<u>(3,674)</u>
Total tax charge for the period	<u>97,029</u>	<u>104,166</u>

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

	2020 £	2019 £
(Loss)/profit before taxation	<u>(252,972)</u>	<u>471,499</u>
<i>Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)</i>	(48,065)	89,585
Tax effect of expenses that are not deductible in determining taxable profit	180,670	47,416
Unutilised tax losses carried forward	-	2,442
Permanent capital allowances in excess of depreciation	(6,212)	3,438
Research and development tax credit	(21,930)	(26,661)
Other non-reversing timing differences	478	-
Effect of overseas tax rates	(3,600)	-
Under/(over) provided in prior years	(1,883)	(8,502)
Deferred tax	<u>(2,429)</u>	<u>(3,552)</u>
Taxation charge for the period	<u>97,029</u>	<u>104,166</u>

# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

### 11 Intangible fixed assets

Group	Goodwill £	Software £	Total £
<b>Cost</b>			
At 1 January 2020	8,531,803	-	8,531,803
Additions - separately acquired	3,807,821	55,500	3,863,321
Revaluation	(302,888)	-	(302,888)
At 31 December 2020	12,036,736	55,500	12,092,236
<b>Amortisation and impairment</b>			
At 1 January 2020	608,467	-	608,467
Amortisation charged for the year	829,208	-	829,208
At 31 December 2020	1,437,675	-	1,437,675
<b>Carrying amount</b>			
At 31 December 2020	10,599,061	55,500	10,654,561
At 31 December 2019	7,923,336	-	7,923,336

The company had no intangible fixed assets at 31 December 2020 or 31 December 2019.



# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

### 12 Tangible fixed assets

Group	Leasehold improvements	Fixtures and fittings	Computer equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2020	62,560	121,040	107,067	18,416	309,083
Additions	19,787	52,344	19,702	-	91,833
Business combinations	-	-	4,223	-	4,223
Disposals	(31,689)	(2,006)	-	-	(33,695)
At 31 December 2020	50,658	171,378	130,992	18,416	371,444
<b>Depreciation and impairment</b>					
At 1 January 2020	40,780	45,602	24,966	3,422	114,770
Depreciation charged in the year	14,861	41,039	40,916	5,141	101,957
Eliminated in respect of disposals	(31,689)	-	-	-	(31,689)
At 31 December 2020	23,952	86,641	65,882	8,563	185,038
<b>Carrying amount</b>					
At 31 December 2020	26,706	84,737	65,110	9,853	186,406
At 31 December 2019	21,780	75,438	82,101	14,994	194,313

The company had no tangible fixed assets at 31 December 2020 or 31 December 2019.

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

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

# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

### 13 Fixed asset investments

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Investments in subsidiaries	14	-	-	18,365,675	14,433,478
Investments in joint ventures		-	9,277	-	-
		-	9,277	18,365,675	14,433,478

#### Movements in fixed asset investments Group

	Shares in group undertakings and participating interests £
<b>Cost or valuation</b>	
At 1 January 2020 and 31 December 2020	9,277
<b>Impairment</b>	
At 1 January 2020	-
Disposals	9,277
At 31 December 2020	9,277
<b>Carrying amount</b>	
At 31 December 2020	-
At 31 December 2019	9,277

# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

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### 13 Fixed asset investments

(Continued)

#### Movements in fixed asset investments Company

Shares in  
group  
undertakings  
£

#### Cost or valuation

At 1 January 2020

14,433,478

Additions

4,235,085

Valuation changes

(302,888)

At 31 December 2020

18,365,675

#### Carrying amount

At 31 December 2020

18,365,675

At 31 December 2019

14,433,478

# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

### 14 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 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 Limited	2	Strategic and Creative Marketing Communications Solutions	Ordinary	100.00	-
Gravity Global Performance Marketing Limited (Formerly Further Digital Marketing Limited)	3	Digital Marketing Strategy	Ordinary	100.00	-
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
Gravity Global Digital Limited (Formerly Nurture Agency Limited)	1	Marketing	Ordinary	100.00	-
Gravity Global Shared Services Sp. Zoo (formerly Sendfriend Spolka Sp. Zoo)	4	Marketing	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

### 15 Financial instruments

	Group 2020 £	2019 £	Company 2020 £	2019 £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	3,992,672	2,467,597	295,170	43,472
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	17,309,459	13,539,916	18,623,049	14,302,289

# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

### 16 Debtors

	Group 2020	2019	Company 2020	2019
	£	£	£	£
<b>Amounts falling due within one year:</b>				
Trade debtors	3,596,447	2,026,882	-	-
Corporation tax recoverable	44,642	56,834	-	-
Amounts due from group undertakings	-	-	295,170	40,907
Other debtors	134,956	67,446	14,339	73,225
Prepayments and accrued income	419,992	497,594	-	-
	<u>4,196,037</u>	<u>2,648,756</u>	<u>309,509</u>	<u>114,132</u>
<b>Amounts falling due after more than one year:</b>				
Deferred tax asset (note 22)	183	-	-	-
	<u>183</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total debtors</b>	<u>4,196,220</u>	<u>2,648,756</u>	<u>309,509</u>	<u>114,132</u>

### 17 Creditors: amounts falling due within one year

		Group 2020	2019	Company 2020	2019
	Notes	£	£	£	£
Bank loans and overdrafts	19	50,007	-	-	-
Obligations under finance leases	20	-	15,324	-	-
Trade creditors		886,652	772,768	5,913	10,285
Amounts due to group undertakings		-	-	3,408,098	2,655,039
Amounts due to undertakings in which the group has a participating interest		-	33,053	-	-
Corporation tax payable		135,635	218,391	-	-
Other taxation and social security		1,109,634	549,917	-	-
Other creditors		56,764	156,950	-	-
Accruals and deferred income		3,300,914	1,783,072	10,800	23,084
		<u>5,539,606</u>	<u>3,529,475</u>	<u>3,424,811</u>	<u>2,688,408</u>

# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

### 18 Creditors: amounts falling due after more than one year

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Other borrowings	19	9,768,476	9,925,604	9,768,476	9,925,604
Other creditors		5,429,762	1,688,277	5,429,762	1,688,277
		<u>15,198,238</u>	<u>11,613,881</u>	<u>15,198,238</u>	<u>11,613,881</u>

Other creditors falling due after more than one year includes deferred share consideration totalling £3,831,643 (2019: £1,688,277) relating to liabilities that in the future will convert to equity and will not have a cash impact on the business. The deferred share consideration is in relation to the acquisition of Gravity Global Performance Marketing Ltd in the previous period and Gravity Global Digital 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 Gravity Global Digital Ltd (see note 24).

Other creditors falling due after more than one year also includes the fair value liability of £848,119 in relation to warrant instruments attached to the other loans (see note 19). The warrant instrument is exercisable upon certain conditions being met and provides the holders a right to receive 5% of the company's B ordinary shares at £0.01 per share.

### 19 Loans and overdrafts

	Group 2020 £	2019 £	Company 2020 £	2019 £
Bank loans	50,007	-	-	-
Other loans	9,768,476	9,925,604	9,768,476	9,925,604
	<u>9,818,483</u>	<u>9,925,604</u>	<u>9,768,476</u>	<u>9,925,604</u>
Payable within one year	50,007	-	-	-
Payable after one year	9,768,476	9,925,604	9,768,476	9,925,604

Other loans comprises of borrowings linked to the acquisition of three subsidiaries in the prior period. Interest is charged at a variable rate between 8.5% and 9.5% depending on cash flow plus LIBOR. The loan is guaranteed by group companies. The loan is repayable at the earlier of five years or upon the occurrence of the group listing, a change of control or the sale of all or substantially all of the assets of the Group whether in a single transaction or a series of related transactions.

# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

### 20 Finance lease obligations

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

Finance lease payments represent rentals payable by the group 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.

### 21 Provisions for liabilities

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Dilapidations		-	31,689	-	-
Deferred tax liabilities	22	21,441	22,886	-	-
		21,441	54,575	-	-

### 22 Deferred taxation

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

	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
<b>Group</b>				
Accelerated capital allowances	21,441	22,886	183	-

The company has no deferred tax assets or liabilities.

	Group 2020 £	Company 2020 £
<b>Movements in the year:</b>		
Liability at 1 January 2020	22,886	-
Credit to profit or loss	(2,429)	-
Transfer on acquisition	801	-
Liability at 31 December 2020	21,258	-

# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

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### 23 Retirement benefit schemes

	2020	2019
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	279,119	182,586

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.



# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

### 24 Acquisitions

On 2 November 2020 the group acquired 100% of the issued capital of Gravity Global Digital Ltd (formerly Nuture Agency Ltd). 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	3,333	-	3,333
Trade and other receivables	720,576	-	720,576
Cash and cash equivalents	498,773	-	498,773
Borrowings	(50,007)	-	(50,007)
Trade and other payables	(549,314)	-	(549,314)
Tax liabilities	(195,294)	-	(195,294)
Deferred tax	(801)	-	(801)
Total identifiable net assets	<u>427,266</u>	<u>-</u>	<u>427,266</u>
Goodwill			<u>3,807,819</u>
Total consideration			<u>4,235,085</u>
The consideration was satisfied by:			£
Cash			1,168,832
Deferred shares			2,316,254
Deferred cash			750,000
			<u>4,235,085</u>
Contribution by the acquired business for the reporting period included in the consolidated statement of comprehensive income since acquisition:			£
Turnover			1,058,538
Profit after tax			<u>95,698</u>

On 29 October 2020, the group acquired 100% of the issued capital of Gravity Global Shared Services Sp. Zoo (formerly Sendfriend Spolka Sp. Zoo). The cost of the acquisition comprised of cash consideration of £987.

# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

### 25 Share capital

	Group and company	
	2020	2019
	£	£
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
15,000 Ordinary Shares of £1 each	15,000	15,000

### 26 Financial commitments, guarantees and contingent liabilities

A composite guarantee has been given to the company'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 company's indebtedness to its lenders was £9,805,976. See note 19 for further details in relation to the loan.

### 27 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	
	2020	2019	2020	2019
	£	£	£	£
Within one year	325,696	299,486	-	-
Between two and five years	338,571	528,249	-	-
	<u>664,267</u>	<u>827,735</u>	<u>-</u>	<u>-</u>

### 28 Events after the reporting date

On 1 March 2021 the company purchased 100% of the shares in Larsen Walsh Consulting Limited. The consideration was a combination of cash and deferred consideration.

# Gravity Global Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2020

### 29 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2020 £	2019 £
Aggregate compensation	853,938	693,898

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 2020, Gravity Global Performance Marketing Limited was owed £217 (2019: £217) by its directors. The loans are repayable on demand and are included within other debtors due within one year.

During the year, advances of £nil (2019: £165,331) were made to the directors of Gravity Global Performance Marketing Limited. These were repayable on demand. Gravity Global Performance Marketing Limited also paid personal expenses totalling £nil (2019: £2,157) on behalf of the directors. Amounts repaid by the director during the year totalled £nil (2019: £169,666).

During the year, personal expenses totalling £nil (2019: £2,289) were paid by Gravity Oxford Limited on behalf of the directors of Gravity Oxford Limited. Amounts repaid by the directors during the year totalled £nil (2019: £214,622).

During the year, Gravity London Limited 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 £nil was due to AGA Consult LLP (2019: £19,553).

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 £10,200 (2019: £58,615). At the year end, there was deferred income of £350 (2019: £28,239 accrued income) and an amount of £1,260 (2019: £nil) due to Gravity London Limited in relation to these services.

During the period, Gravity Global Digital Ltd made purchases totalling £22,500 (May 2020: £40,500) from We Are Delta Ltd, which is a related party by virtue of common ownership. No amounts were outstanding at year end.

In the period, sales totalling £1,791,522 (May 2020: £1,840,031) were made to Kurtosys Systems Limited, who is a previous shareholder of Gravity Global Digital Ltd. At the balance sheet date, an amount of £95,696 (May 2020: £410,095) was due to the group from Kurtosys Systems Limited.

At the period end, there was a balance of £1,778 (May 2020: £10,798 due to) 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 2020

### 30 Directors' transactions

At the year end, an aggregate amount of £1,876 (2019: £1,685) was owed to the group by two 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.

### 31 Cash generated from group operations

	2020 £	2019 £
(Loss)/profit for the year after tax	(350,001)	367,333
Adjustments for:		
Share of results of associates and joint ventures	(9,409)	(9,277)
Taxation charged	97,029	104,166
Finance costs	1,057,603	861,426
Investment income	(272)	(700)
(Gain)/loss on disposal of tangible fixed assets	-	120
Amortisation and impairment of intangible assets	829,208	608,467
Depreciation and impairment of tangible fixed assets	101,957	116,730
Foreign exchange gains on cash equivalents	47,980	100,741
Amounts written off investments	18,686	-
(Decrease)/increase in provisions	(31,689)	31,689
Movements in working capital:		
(Increase)/decrease in debtors	(838,897)	921,427
Increase in creditors	2,141,741	1,633,705
<b>Cash generated from operations</b>	<b>3,063,936</b>	<b>4,735,827</b>