

REGISTERED NUMBER: 07820729 (England and Wales)

Group Strategic Report, Report of the Directors and
Audited Consolidated Financial Statements for the Year Ended 31 December 2023
for
Powtoon Limited

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Powtoon Limited

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for the Year Ended 31 December 2023

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Powtoon Limited

Company Information
for the Year Ended 31 December 2023

DIRECTORS: D Nathan
I Spitalnik
D Gonen

SECRETARY: Ms D Beth

REGISTERED OFFICE: 28 Church Road
Stanmore
HA7 4XR

REGISTERED NUMBER: 07820729 (England and Wales)

SENIOR STATUTORY AUDITOR: Gordon Levy BA, FCA

AUDITORS: Gordon Levy Limited
Statutory Auditors
Suite 5, 4th floor
3 Universal Square
Devonshire Street North
Manchester
M12 6JH

Powtoon Limited

Group Strategic Report for the Year Ended 31 December 2023

The directors present their strategic report of the company and the group for the year ended 31 December 2023.

FAIR REVIEW OF THE BUSINESS

Powtoon, Ltd. provides cloud-based, do-it-yourself animated presentation tools to business and education sectors.

Powtoon's greater vision is to bring a visual communication platform to enterprises to increase engagement, customer response, and results within everyday communications. Powtoon develops solutions across different layers of an organisation's business, whether c-suite, marketing, training, HR, IT, or customer support teams.

The company was founded in 2012 in London, United Kingdom, with an R&D centre located in Tel Aviv, Israel. We earn revenue primarily through a SaaS business model, selling subscriptions to our cloud-based software on an annual or monthly basis. We employ a "freemium" pricing strategy, offering free membership and access to our video and presentation tools alongside paid subscription plans for advanced video capabilities.

The Powtoon Enterprise solution inherently includes security and availability features, as well as team management tools to manage licences, members, and branding in an effort to enhance team sharing and collaboration. Users of the Powtoon for Business solution also have access to a dedicated customer success and support team to help them make the most of the platform and ensure that incidents are resolved timely.

In 2023 we have seen our revenue decline on the Self Serve side. Many factors may contribute to this, including high prior period growth and decreased demand associated with the reduction in social distancing efforts, increased competition.

On the Powtoon Enterprise side we experienced continuous growth in 2023. Our "land-and-expand" strategy has proven to be a continuous success whereby over time, customers expand the usage of Powtoon within their organisations.

Overall gross profit of the group increased by 3.8% in 2023 as a result of the above.

KEY RISKS

1. Macro-economic environment

Rising costs may impact Powtoon's operation costs. Our cash flow may be insufficient to fund the capital investments we need to make to grow our business. We may need to raise funding through issuing new equity and may also raise additional funds through additional borrowings. To obtain such funding, we may need to collateralise assets and agree to certain financial covenants.

As interest rates remain high across the world in response to inflation, the world may be edging toward a global recession in 2024 which might slow demand for our product offerings.

2. We may experience service interruptions.

Whilst we aim to provide 100% uptime in any given month there is a risk of not achieving this, due to technical errors (bugs), human error (by employees and contractors), interruptions experienced by key

vendors (such as cloud-based service or payment providers), higher than anticipated traffic and/or cyberattacks. This could result in lost business, increased user and subscriber support tickets and increased subscriber churn (lost renewals).

FUTURE DEVELOPMENTS STRATEGY GOING FORWARD

1. Self Serve B2C growth.

We focus on the following areas to drive our growth in the B2C segment:

- Grow our free user base: Our adoption is driven by a continuous cycle of subscribers collaborating on and sharing videos. Every time a free user uploads a video that someone else watches, that viewer experiences what can be created on our platform. As a result, our potential customer base expands each time our free users publish videos made with Powtoon. These actions attract viewers, who may then decide to register and eventually become paying Powtoon users.
- Convert free users into paying subscribers: We provide a high-quality free product with numerous features that have the potential to be used repeatedly, and we offer price- and feature-optimised tiering of our subscription plans to drive organic conversion of free users to subscribers over time.

2. Enterprise B2B growth

We focus on the following areas to drive our growth in the B2B segment:

- Concentrate on our strongest use cases and personas in our marketing efforts, i.e. L&D teams inside of large organisations as well as Internal comms and consulting
- Expand the number of employees, teams and departments using our platform and increase contract value organisation-wide and provide ongoing support from a customer success manager to ensure customers are satisfied and renew and grow their contract with Powtoon.
- Launch new products and features aimed at increasing the usage of Powtoon to the organisation level.
- Attend trade shows and exhibitions to enhance brand awareness and drive new leads to our business platform.

ON BEHALF OF THE BOARD:



I Spitalnik - Director

26 September 2024

Powtoon Limited

Report of the Directors for the Year Ended 31 December 2023

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2023.

DIVIDENDS

There were no dividends distributed in the year ended 31 December 2023 (2022: £Nil).

DIRECTORS

The directors who served during the year and to the date of this report were:

I. Spitalnik

D. Gonen

D. Nathan (resigned 11 January 2024)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

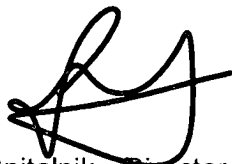
Powtoon Limited

Report of the Directors
for the Year Ended 31 December 2023

AUDITORS

The auditors, Gordon Levy Limited, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to be 'I Spitalnik', written over a horizontal line.

I Spitalnik - Director

26 September 2024

Report of the Independent Auditors to the Members of
Powtoon Limited

Opinion

We have audited the financial statements of Powtoon Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise the Consolidated Income Statement, Consolidated Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated Cash Flow Statement, 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 Financial Reporting Standard 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 of the parent company affairs as at 31 December 2023 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 the 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.

Report of the Independent Auditors to the Members of
Powtoon Limited

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors 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 Group Strategic Report or the Report of the Directors.

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 Statement of Directors' Responsibilities set out on page four, 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 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.

Auditors' 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 a Report of the Auditors 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.

Based on our understanding of the group and parent company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006. In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing. There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud tests with management.

As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

Report of the Independent Auditors to the Members of
Powtoon Limited

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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 a Report of the Auditors 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.



Gordon Levy BA, FCA (Senior Statutory Auditor)
for and on behalf of Gordon Levy Limited
Statutory Auditors
Suite 5, 4th floor
3 Universal Square
Devonshire Street North
Manchester
M12 6JH

26 September 2024

Powtoon Limited

Consolidated Income Statement
for the Year Ended 31 December 2023

	Notes	31.12.23 £	31.12.22 £
TURNOVER	3	13,633,884	13,832,203
Cost of sales		<u>(2,942,034)</u>	<u>(3,532,229)</u>
GROSS PROFIT		10,691,850	10,299,974
Administrative expenses		<u>(10,041,664)</u>	<u>(10,046,146)</u>
OPERATING PROFIT	5	650,186	253,828
Interest receivable and similar income		<u>7,795</u>	<u>13,266</u>
PROFIT BEFORE TAXATION		657,981	267,094
Tax on profit	6	<u>(116,777)</u>	<u>558,669</u>
PROFIT FOR THE FINANCIAL YEAR		<u>541,204</u>	<u>825,763</u>
Profit attributable to: Owners of the parent		<u>541,204</u>	<u>825,763</u>

The notes form part of these financial statements

Powtoon Limited

Consolidated Other Comprehensive Income
for the Year Ended 31 December 2023

	Notes	31.12.23 £	31.12.22 £
PROFIT FOR THE YEAR		541,204	825,763
OTHER COMPREHENSIVE INCOME			
Revaluation reserves		(106,330)	1,847
Other reserves		18,416	12,906
Income tax relating to components of other comprehensive income		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		(87,914)	14,753
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>453,290</u>	<u>840,516</u>
Total comprehensive income attributable to: Owners of the parent		<u>453,290</u>	<u>840,516</u>

The notes form part of these financial statements

Consolidated Balance Sheet
31 December 2023

	Notes	31.12.23		31.12.22	
		£	£	£	£
FIXED ASSETS					
Intangible assets	9		6,599,511		6,817,172
Tangible assets	10		177,837		183,475
Investments	11		-		-
			<u>6,777,348</u>		<u>7,000,647</u>
CURRENT ASSETS					
Debtors	12	1,987,657		1,425,662	
Cash at bank and in hand		4,112,665		3,862,975	
			<u>6,100,322</u>		<u>5,288,637</u>
CREDITORS					
Amounts falling due within one year	13	8,731,101		8,597,595	
NET CURRENT LIABILITIES					
			<u>(2,630,779)</u>		<u>(3,308,958)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			<u>4,146,569</u>		<u>3,691,689</u>
CAPITAL AND RESERVES					
Called up share capital	15		1,134		1,133
Share premium	16		495,149		493,560
Revaluation reserve	16		(82,202)		24,128
Other reserves	16		61,626		43,210
Retained earnings	16		3,670,862		3,129,658
SHAREHOLDERS' FUNDS					
			<u>4,146,569</u>		<u>3,691,689</u>

The financial statements were approved by the Board of Directors and authorised for issue on 26 September 2024 and were signed on its behalf by:



I Spitalnik - Director

The notes form part of these financial statements

Powtoon Limited (Registered number: 07820729)

Company Balance Sheet
31 December 2023

	Notes	31.12.23		31.12.22	
		£	£	£	£
FIXED ASSETS					
Intangible assets	9		6,599,511		6,817,172
Tangible assets	10		8,588		12,073
Investments	11		765		765
			<u>6,608,864</u>		<u>6,830,010</u>
CURRENT ASSETS					
Debtors	12	1,293,449		1,385,497	
Cash at bank		2,267,336		2,145,355	
		<u>3,560,785</u>		<u>3,530,852</u>	
CREDITORS					
Amounts falling due within one year	13	8,355,197		8,760,799	
NET CURRENT LIABILITIES			<u>(4,794,412)</u>		<u>(5,229,947)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,814,452</u>		<u>1,600,063</u>
CAPITAL AND RESERVES					
Called up share capital	15		1,134		1,133
Share premium	16		495,149		493,560
Retained earnings	16		1,318,169		1,105,370
SHAREHOLDERS' FUNDS			<u>1,814,452</u>		<u>1,600,063</u>
Company's profit for the financial year			<u>212,799</u>		<u>245,888</u>

The financial statements were approved by the Board of Directors and authorised for issue on 26 September 2024 and were signed on its behalf by:



I Spitalnik - Director

The notes form part of these financial statements

Powtoon Limited

Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2023

	Called up share capital £	Retained earnings £	Share premium £
Balance at 1 January 2022	1,130	2,303,895	492,244
Changes in equity			
Issue of share capital	3	-	1,316
Total comprehensive income	-	825,763	-
Balance at 31 December 2022	<u>1,133</u>	<u>3,129,658</u>	<u>493,560</u>
Changes in equity			
Issue of share capital	1	-	1,589
Total comprehensive income	-	541,204	-
Balance at 31 December 2023	<u>1,134</u>	<u>3,670,862</u>	<u>495,149</u>
	Revaluation reserve £	Other reserves £	Total equity £
Balance at 1 January 2022	22,281	30,304	2,849,854
Changes in equity			
Issue of share capital	-	-	1,319
Total comprehensive income	1,847	12,906	840,516
Balance at 31 December 2022	<u>24,128</u>	<u>43,210</u>	<u>3,691,689</u>
Changes in equity			
Issue of share capital	-	-	1,590
Total comprehensive income	(106,330)	18,416	453,290
Balance at 31 December 2023	<u>(82,202)</u>	<u>61,626</u>	<u>4,146,569</u>

The notes form part of these financial statements

Powtoon Limited

Company Statement of Changes in Equity
for the Year Ended 31 December 2023

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 January 2022	1,130	859,482	492,244	1,352,856
Changes in equity				
Issue of share capital	3	-	1,316	1,319
Total comprehensive income	-	245,888	-	245,888
Balance at 31 December 2022	<u>1,133</u>	<u>1,105,370</u>	<u>493,560</u>	<u>1,600,063</u>
Changes in equity				
Issue of share capital	1	-	1,589	1,590
Total comprehensive income	-	212,799	-	212,799
Balance at 31 December 2023	<u><u>1,134</u></u>	<u><u>1,318,169</u></u>	<u><u>495,149</u></u>	<u><u>1,814,452</u></u>

The notes form part of these financial statements

Powtoon Limited

Consolidated Cash Flow Statement
for the Year Ended 31 December 2023

	Notes	31.12.23 £	31.12.22 £
Cash flows from operating activities			
Cash generated from operations	1	2,856,744	3,231,418
Taxation		(160,354)	818,280
Net cash from operating activities		<u>2,696,390</u>	<u>4,049,698</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(2,399,426)	(3,358,844)
Purchase of tangible fixed assets		(56,659)	(43,260)
Exchange rate adjustment		-	(73,488)
Interest received		7,795	13,266
Net cash from investing activities		<u>(2,448,290)</u>	<u>(3,462,326)</u>
Cash flows from financing activities			
Share issue		1	3
Premium share issue		1,589	-
Net cash from financing activities		<u>1,590</u>	<u>3</u>
Increase in cash and cash equivalents		<u>249,690</u>	<u>587,375</u>
Cash and cash equivalents at beginning of year	2	<u>3,862,975</u>	<u>3,275,600</u>
Cash and cash equivalents at end of year	2	<u><u>4,112,665</u></u>	<u><u>3,862,975</u></u>

The notes form part of these financial statements

Notes to the Consolidated Cash Flow Statement
for the Year Ended 31 December 2023

1. **RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	31.12.23	31.12.22
	£	£
Profit before taxation	657,981	267,094
Depreciation charges	2,679,384	2,788,469
Revaluations	(87,914)	-
Finance income	(7,795)	(13,266)
	<u>3,241,656</u>	<u>3,042,297</u>
Increase in trade and other debtors	(562,095)	(285,408)
Increase in trade and other creditors	177,183	474,529
Cash generated from operations	<u><u>2,856,744</u></u>	<u><u>3,231,418</u></u>

2. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2023

	31.12.23	1.1.23
	£	£
Cash and cash equivalents	<u>4,112,665</u>	<u>3,862,975</u>

Year ended 31 December 2022

	31.12.22	1.1.22
	£	£
Cash and cash equivalents	<u>3,862,975</u>	<u>3,275,600</u>

3. **ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.1.23	Cash flow	At 31.12.23
	£	£	£
Net cash			
Cash at bank and in hand	3,862,975	249,690	4,112,665
	<u>3,862,975</u>	<u>249,690</u>	<u>4,112,665</u>
Total	<u><u>3,862,975</u></u>	<u><u>249,690</u></u>	<u><u>4,112,665</u></u>

The notes form part of these financial statements

1. **STATUTORY INFORMATION**

Powtoon Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

2. **ACCOUNTING POLICIES**

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies.

The financial statements are presented in GBP as that is the functional currency of the entities.

Significant judgements and estimates

Basis of consolidation. The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2023. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Significant judgements and estimates. The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In preparing these financial statements the directors have made the following judgements:

- Determine whether there are indicators of impairment of the group's intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine the expected useful life of each class of intangible asset. This has been determined using both judgement and in comparison to similar assets held by other companies operating in the same or similar industries. Amortisation policies are reviewed annually to ensure their accuracy.
- Determine the fair value of the employee share options issued. This has been estimated using the Black Scholes model. The fair value of the options is re-calculated yearly to make sure that the share based payments cost included in administrative expenses is a reliable estimate.
- Determine the tax relief claim in relation to relevant R&D projects. This has been assessed via a review of underlying records to determine what expenses constitute qualifying expenditure. Qualifying expenditure was then subject to HMRC tax credit calculations.

The were no other key sources of estimation and uncertainty.

2. ACCOUNTING POLICIES - continued

Turnover

The turnover and profit before taxation are attributable to the one principal activity of the group.

Turnover is the amount derived from the provision of services and stated after trade discounts, other sales taxes and net of VAT. Revenue is recognised on a straight line basis based on the service provision period.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Development costs are being amortised evenly over their estimated useful life of 6 years.

Computer software is being amortised at 33.33% straight line on cost.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Long leasehold	- 10% straight line
Fixtures and fittings	- 33% straight line
Computer equipment	- 33% straight line

Financial instruments

Classification. All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt 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.

Recognition and measurement. Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

2. ACCOUNTING POLICIES - continued

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment. With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

2. ACCOUNTING POLICIES - continued

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

On consolidation, the assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken directly to a separate component of equity.

Going concern

The accounts are prepared on a going concern basis, which assumes that the group will continue operations for the foreseeable future. The group's ability to meet future working capital requirement and therefore continue as a going concern is dependent on it being able to maintain its cash flow. Given that the group is profit making and that projections prepared by the directors demonstrate future revenue growth the business is well placed to operate within its existing cash resources.

Pensions

The company operates a defined contribution pension scheme. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in other creditors in the balance sheet. The assets of the scheme are held separately from those of the company in an independently administered fund.

Share-based transactions

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Profit and Loss Account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a marking vesting condition. The fair value of the award also takes into account non-vesting conditions. There are either factors beyond the control of the party (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of the options are modified before they vest, the increase in the fair value of the options, measured immediately before and after modification, is also charged to the Profit and Loss Account over the remaining vesting period.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2023

3. **TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the group.

The company has not broken down turnover by geographical location as the directors consider it prejudicial to the interests of the company.

4. **EMPLOYEES AND DIRECTORS**

	31.12.23	31.12.22
	£	£
Wages and salaries	1,147,458	1,251,173
Social security costs	96,278	107,722
Other pension costs	8,962	9,799
	<u>1,252,698</u>	<u>1,368,694</u>

The average number of employees during the year was as follows:

	31.12.23	31.12.22
Powtoon UK	9	9
Powtoon Israel	59	63
	<u>68</u>	<u>72</u>

The average number of employees by undertakings that were proportionately consolidated during the year was 22 (2022 - 24).

	31.12.23	31.12.22
	£	£
Directors' remuneration	<u>174,000</u>	<u>120,962</u>

5. **OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	31.12.23	31.12.22
	£	£
Depreciation - owned assets	61,712	84,408
Development costs amortisation	2,617,087	2,614,504
Foreign exchange difference	515,948	(188,352)
Operating lease payments in respect of land and buildings	441,104	412,555

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2023

6. **TAXATION**

Analysis of the tax charge/(credit)

The group tax charge/(credit) on the profit for the year was as follows:

	31.12.23	31.12.22
	£	£
Current tax:		
UK Corporation tax	-	(658,621)
US corporation tax	-	-
Israel Corporation tax	116,777	99,952
	<u>116,777</u>	<u>99,952</u>
Total group tax on profit	<u>116,777</u>	<u>(558,669)</u>

Reconciliation of UK tax charge/(credit) included in profit and loss:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.23	31.12.22
	£	£
UK profit/ (loss) before tax	212,799	(412,733)
Standard corporation tax calculation in the UK at 25% (2022 19%)	53,200	-
	<u>212,799</u>	<u>(412,733)</u>

Effects of:

Expenses not deductible for tax purposes	7,976	9,097
Capital allowances	(4,341)	(24,237)
Utilisation of tax losses	(216,434)	-
Adjustment to tax charge in respect to previous periods	-	-
R&D claim	-	(658,621)
	<u>-</u>	<u>(658,621)</u>
UK tax charge/(credit)	<u>-</u>	<u>(658,621)</u>

Powtoon Limited are carrying forward losses of £4,222,008 (2022 £4,438,422). The deferred tax asset related to those losses at the current tax rate is £1,055,502 (2022: £843,300) but it is not recognised in the accounts because it is uncertain whether the company will use the carried forward losses in the near future.

7. **INDIVIDUAL INCOME STATEMENT**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2023

8. **AUDITORS' REMUNERATION**

The fee for for the audit of the financial statements was £10,000 (2022: £8,000).

9. **INTANGIBLE FIXED ASSETS**

Group

	Development costs £	Computer software £	Totals £
COST			
At 1 January 2023	16,701,622	37,061	16,738,683
Additions	2,399,426	-	2,399,426
	<hr/>	<hr/>	<hr/>
At 31 December 2023	19,101,048	37,061	19,138,109
	<hr/>	<hr/>	<hr/>
AMORTISATION			
At 1 January 2023	9,884,450	37,061	9,921,511
Amortisation for year	2,617,087	-	2,617,087
	<hr/>	<hr/>	<hr/>
At 31 December 2023	12,501,537	37,061	12,538,598
	<hr/>	<hr/>	<hr/>
NET BOOK VALUE			
At 31 December 2023	6,599,511	-	6,599,511
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2022	6,817,172	-	6,817,172
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Company

	Development costs £	Computer software £	Totals £
COST			
At 1 January 2023	16,701,622	37,061	16,738,683
Additions	2,399,426	-	2,399,426
	<hr/>	<hr/>	<hr/>
At 31 December 2023	19,101,048	37,061	19,138,109
	<hr/>	<hr/>	<hr/>
AMORTISATION			
At 1 January 2023	9,884,450	37,061	9,921,511
Amortisation for year	2,617,087	-	2,617,087
	<hr/>	<hr/>	<hr/>
At 31 December 2023	12,501,537	37,061	12,538,598
	<hr/>	<hr/>	<hr/>
NET BOOK VALUE			
At 31 December 2023	6,599,511	-	6,599,511
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2022	6,817,172	-	6,817,172
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2023

10. **TANGIBLE FIXED ASSETS**

Group

	Long leasehold £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 January 2023	95,764	219,124	318,320	633,208
Additions	-	4,341	52,318	56,659
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2023	95,764	223,465	370,638	689,867
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION				
At 1 January 2023	46,085	89,309	314,339	449,733
Charge for year	9,478	21,575	31,244	62,297
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2023	55,563	110,884	345,583	512,030
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE				
At 31 December 2023	40,201	112,581	25,055	177,837
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2022	49,679	129,815	3,981	183,475
	<hr/>	<hr/>	<hr/>	<hr/>

Company

	Fixtures and fittings £
COST	
At 1 January 2023	32,534
Additions	4,341
	<hr/>
At 31 December 2023	36,875
	<hr/>
DEPRECIATION	
At 1 January 2023	20,461
Charge for year	7,826
	<hr/>
At 31 December 2023	28,287
	<hr/>
NET BOOK VALUE	
At 31 December 2023	8,588
	<hr/>
At 31 December 2022	12,073
	<hr/>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2023

11. **FIXED ASSET INVESTMENTS**

Company	Share in group undertakings £
COST	
At 1 January 2023	765
Additions	-
	<hr/>
At 31 December 2023	765
	<hr/>
NET BOOK VALUE	
At 31 December 2023	765
	<hr/> <hr/>
At 31 December 2022	765
	<hr/> <hr/>

The company's investments at the Balance sheet date in the share capital of companies include the following:

Subsidiaries

Powtoon Ltd

Registered office: 30 Haarba'a Street, Tel Aviv 6473926, Israel

Nature of business: Developer of animated online software

Class of shares:	%	Holding:	31.12.2023	31.12.2022
Ordinary		100	£	£
Aggregate capital and reserves			2,299,510	2,086,519
Profit for the year			336,970	599,105
			<hr/> <hr/>	<hr/> <hr/>

Powtoon Inc

Registered office: 201 Spear Street, STE 1100, San Francisco, CA 94105, USA

Nature of business: Retailer of animated online software

Class of shares:	%	Holding:	31.12.2023	31.12.2022
Ordinary		100	£	£
Aggregate capital and reserves			11,533	17,701
Loss for the year			(6,132)	(4,810)
			<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2023

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.12.23	31.12.22	31.12.23	31.12.22
	£	£	£	£
Trade debtors	432,926	555,639	431,837	555,639
Amounts owed by group undertakings	-	-	1,264	-
Other debtors	661,280	31,433	32,578	28,583
Tax	658,521	658,621	658,521	658,621
VAT	46,856	-	11,528	-
Prepayments and accrued income	188,074	179,969	157,721	142,654
	<u>1,987,657</u>	<u>1,425,662</u>	<u>1,293,449</u>	<u>1,385,497</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.12.23	31.12.22	31.12.23	31.12.22
	£	£	£	£
Trade creditors	234,442	338,679	186,448	291,229
Amounts owed to group undertakings	-	-	847,126	1,020,781
Tax	17,734	61,411	-	-
Social security and other taxes	130,744	155,928	20,470	18,520
Severance pay fund	72,471	105,801	-	-
VAT	-	24,415	-	65,387
Other creditors	811,604	252,030	-	-
Accruals and deferred income	7,464,106	7,659,331	7,301,153	7,364,882
	<u>8,731,101</u>	<u>8,597,595</u>	<u>8,355,197</u>	<u>8,760,799</u>

14. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group

	Non-cancellable operating leases	
	31.12.23	31.12.22
	£	£
Within one year	451,221	311,504
Between one and five years	714,433	-
	<u>1,165,654</u>	<u>311,504</u>

Powtoon Limited

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2023

15. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.23 £	31.12.22 £
82,443	Ordinary shares	0.01	824	823
31,000	Preference shares	0.01	310	310
			<u>1,134</u>	<u>1,133</u>

173 Ordinary shares shares of 0.01 each were allotted as fully paid at a premium of £9.18 per share during the year.

16. **RESERVES**

Group

	Retained earnings £	Share premium £	Revaluation reserve £	Other reserves £	Totals £
At 1 January 2023	3,129,658	493,560	24,128	43,210	3,690,556
Profit for the year	541,204				541,204
Movement in year	-	1,589	(106,330)	18,416	(86,325)
At 31 December 2023	<u>3,670,862</u>	<u>495,149</u>	<u>(82,202)</u>	<u>61,626</u>	<u>4,145,435</u>

Company

	Retained earnings £	Share premium £	Totals £
At 1 January 2023	1,105,370	493,560	1,598,930
Profit for the year	212,799		212,799
Movement in year	-	1,589	1,589
At 31 December 2023	<u>1,318,169</u>	<u>495,149</u>	<u>1,813,318</u>

17. **PENSION COMMITMENTS**

	31.12.23 £	31.12.22 £
Contributions to defined contribution scheme	8,962	9,799
Total pension contributions in financial year	<u>8,962</u>	<u>9,799</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2023

18. RELATED PARTY DISCLOSURES

	31.12.2023	31.12.2022
	£	£
Payments made to related party: Greenwave Global Ltd	395,784	597,000

Relationship to company: the director of Greenwave Global Ltd is a relative of a director of Powtoon Ltd.

19. SHARE-BASED PAYMENT TRANSACTIONS

The fair value of the share options were measured using the Black Scholes model based on the following assumptions: dividend yield of 0%, expected volatility of 90%, risk free interest rate of 1.54%-4.46% and expected life of 6.25 years.

The following table summarises stock option activity for the year ended 31 December 2023:

	Number of Options	Weighted Avg. exercise price USD
Outstanding as at 1 January 2023	5,405	15
Granted during the year	40	15
Exercised during the year	(135)	15
Cancelled during the year	(245)	15
Outstanding as at 31 Dec 2023	5,065	15

Powtoon Limited

Consolidated Trading and Profit and Loss Account
for the Year Ended 31 December 2023

	31.12.23		31.12.22	
	£	£	£	£
Sales		13,633,884		13,832,203
Cost of sales				
Purchases	1,452,817		1,612,526	
Bank charges	-		18,991	
Research & development	1,489,217		1,900,712	
		<u>2,942,034</u>		<u>3,532,229</u>
GROSS PROFIT		10,691,850		10,299,974
Other income				
Deposit account interest	2,862		574	
Tax repayment interest	4,933		12,692	
		<u>7,795</u>		<u>13,266</u>
		10,699,645		10,313,240
Expenditure				
Directors' salaries	174,000		120,962	
Directors' social security	23,074		16,648	
Pensions	8,962		9,799	
Rent	464,494		490,048	
Insurance	23,154		14,629	
Light and heat	6,624		8,729	
Wages	973,458		1,130,211	
Social security	73,204		91,074	
Telephone	14,353		20,388	
Post and stationery	28,991		45,570	
Travelling	52,940		64,526	
Research and development	1,908,163		2,199,675	
Management fees	395,784		596,987	
Computer costs	209,506		216,286	
Consultancy fees	443,211		380,531	
Events & seminars	128,177		105,115	
Sundry expenses	13,037		15,900	
Audit and accountancy	133,747		51,734	
Share options expense	22,203		13,398	
Legal fees	196,015		404,380	
Donations	4,477		5,596	
Foreign exchange losses	515,948		(188,352)	
Advertising	1,401,677		1,304,025	
Entertainment	17,100		13,359	
		<u>7,232,299</u>		<u>7,131,218</u>
Carried forward		10,699,645		10,313,240

This page does not form part of the statutory financial statements

Powtoon Limited

Consolidated Trading and Profit and Loss Account
for the Year Ended 31 December 2023

	31.12.23		31.12.22	
	£	£	£	£
Brought forward	7,232,299	10,699,645	7,131,218	10,313,240
Worker meals	90,486		89,974	
	<u> </u>	7,322,785	<u> </u>	7,221,192
		3,376,860		3,092,048
Finance costs				
Bank charges		40,080		36,485
		<u> </u>		<u> </u>
		3,336,780		3,055,563
Depreciation				
Development costs	2,617,087		2,706,255	
Computer software	-		21,684	
Long leasehold	13,806		10,004	
Fixtures and fittings	17,297		-	
Computer equipment	30,609		50,526	
	<u> </u>	2,678,799	<u> </u>	2,788,469
NET PROFIT		<u> </u>		<u> </u>
		657,981		267,094

This page does not form part of the statutory financial statements