

## Gravity Sketch Limited

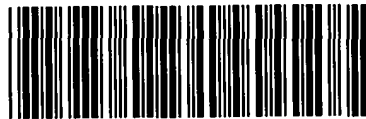
Directors' Report and Financial Statements

Year Ended

31 December 2022

Company Number 09228527

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COMPANIES HOUSE

# Gravity Sketch Limited

## Company Information

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<b>Directors</b>	T Hulme H W Nelis D M Paredes Fuentes O A Sosanya
<b>Registered number</b>	09228527
<b>Registered office</b>	Unit 5.01 Piano House 9 Brighton Terrace London SW9 8DJ
<b>Independent auditor</b>	Cooper Parry Group Limited 9 Appold Street London EC2A 2AP

# Gravity Sketch Limited

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# Gravity Sketch Limited

## Directors' Report For the Year Ended 31 December 2022

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The directors present their report and the financial statements for the year ended 31 December 2022.

### Principal activity

The principal activity of the Company continued to be that of design innovation.

### Directors

The directors who served during the year were:

T Hulme (appointed 22 February 2022)  
H W Nelis (appointed 22 February 2022)  
D M Paredes Fuentes  
O A Sosanya  
M J Bradley (resigned 22 February 2022)  
R C F Buckley (resigned 22 February 2022)

### Going concern

The financial statements have been prepared on a going concern basis. The directors believe that the Company's sales growth trajectory, its cash levels and its ability to control its operating costs put it in a good position to manage its business risks successfully. This, together with detailed forecasts prepared by the directors have demonstrated a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements and they consider it is appropriate to apply the going concern basis of accounting in preparing the financial statements.

### Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

### Auditor

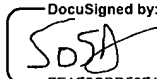
The auditor, Cooper Parry Group Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

### Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 25 May 2023

and signed on its behalf.

DocuSigned by:  
  
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O A Sosanya  
Director

## **Gravity Sketch Limited**

### **Directors' Responsibilities Statement For the Year Ended 31 December 2022**

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The directors are responsible for preparing the Directors' 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 Group and Company 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 the 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

# Gravity Sketch Limited

## Independent Auditor's Report to the Members of Gravity Sketch Limited

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### Opinion

We have audited the financial statements of Gravity Sketch Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 or 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.

## Gravity Sketch Limited

### Independent Auditor's Report to the Members of Gravity Sketch Limited (continued)

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#### 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.

#### Opinion 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; 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 Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

#### Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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.

## Gravity Sketch Limited

### Independent Auditor's Report to the Members of Gravity Sketch Limited (continued)

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#### Responsibilities of directors (continued)

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 Group 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:

Our assessment focused on key laws and regulations the entity has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice and relevant tax legislation. We are not responsible for preventing irregularities. Our approach to detect irregularity included, but was not limited to, the following:

- an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework, including a review of legal and professional nominal codes and board minutes in the year and post year end;
- obtaining an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions and sample testing of controls;
- an understanding of the entity's risk assessment process, including the risk of fraud;
- designing our audit procedures to respond to our risk assessment; and
- performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias, such as the bad debt provision.

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Gravity Sketch Limited

### Independent Auditor's Report to the Members of Gravity Sketch Limited (continued)

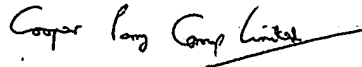
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#### Use of our report

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.

#### Other matters

Comparative information in the financial statements is derived from the company's prior period financial statements, which were not audited.



**Steven Leith** (Senior Statutory Auditor)  
For and on behalf of Cooper Parry Group Limited, Statutory Auditor  
9 Appold Street  
United Kingdom

Date: 25.05.2023

## Gravity Sketch Limited

### Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2022

	Note	2022 \$	Unaudited 2021 \$
Turnover	5	2,416,371	886,474
Cost of sales		(86,646)	-
<b>Gross profit</b>		<b>2,329,725</b>	<b>886,474</b>
Administrative expenses		(11,659,660)	(4,183,153)
Other operating income	6	1,140,459	2,130,473
<b>Operating loss</b>	7	<b>(8,189,476)</b>	<b>(1,166,206)</b>
Interest receivable and similar income	9	203,424	-
Interest payable and similar expenses		-	(6,644)
<b>Loss before taxation</b>		<b>(7,986,052)</b>	<b>(1,172,850)</b>
Tax on loss	10	304,332	245,565
<b>Loss for the financial year</b>		<b>(7,681,720)</b>	<b>(927,285)</b>
Currency translation differences		(1,636)	15,818
<b>Total comprehensive income for the year</b>		<b>(7,683,356)</b>	<b>(911,467)</b>

All of the loss and total comprehensive income for the current and prior year is attributable to owners of the parent company.

All amounts relate to continuing operations.

The notes on pages 14 to 27 form part of these financial statements.

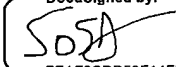
**Gravity Sketch Limited**  
Registered number:09228527

**Consolidated Balance Sheet**  
As at 31 December 2022

	Note	2022 \$	Unaudited 2021 \$
<b>Fixed assets</b>			
Tangible assets	11	1,905	6,360
		<u>1,905</u>	<u>6,360</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	648,762	512,452
Cash and cash equivalents	14	24,547,485	4,514,767
		<u>25,196,247</u>	<u>5,027,219</u>
Creditors: amounts falling due within one year	15	(2,024,862)	(1,629,634)
<b>Net current assets</b>		<u>23,171,385</u>	<u>3,397,585</u>
<b>Total assets less current liabilities</b>		<u>23,173,290</u>	<u>3,403,945</u>
<b>Net assets</b>		<u><u>23,173,290</u></u>	<u><u>3,403,945</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	49	37
Share premium account	17	32,732,871	5,567,423
Foreign exchange reserve	17	152,896	154,532
Share based payment reserve	17	287,241	-
Profit and loss account	17	(9,999,767)	(2,318,047)
<b>Total equity</b>		<u><u>23,173,290</u></u>	<u><u>3,403,945</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

DocuSigned by:  
  
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 O A Sosanya  
 Director

The notes on pages 14 to 27 form part of these financial statements.

**Gravity Sketch Limited**  
Registered number:09228527

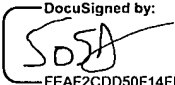
**Company Balance Sheet**  
As at 31 December 2022

	Note	2022 \$	As restated Unaudited 2021 \$
<b>Fixed assets</b>			
Tangible assets	11	1,905	6,360
Investments	12	32,289	29,857
		34,194	36,217
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	2,132,077	709,752
Cash and cash equivalents	14	24,319,505	4,315,103
		26,451,582	5,024,855
Creditors: amounts falling due within one year	15	(1,568,242)	(1,487,540)
<b>Net current assets</b>		24,883,340	3,537,315
<b>Total assets less current liabilities</b>		24,917,534	3,573,532
<b>Net assets</b>		24,917,534	3,573,532
<b>Capital and reserves</b>			
Called up share capital	16	49	37
Share premium account	17	32,732,871	5,567,423
Foreign exchange reserve	17	149,734	149,734
Share based payment reserve	17	287,241	-
Profit and loss account	17	(8,252,361)	(2,143,662)
<b>Total equity</b>		24,917,534	3,573,532

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss of the Company for the year was \$6,108,699 (as restated 2021 - \$732,431).

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

DocuSigned by:  
  
 O A Sosanya - FEA2CDD50F14FF...  
**Director**

The notes on pages 14 to 27 form part of these financial statements.

## Gravity Sketch Limited

### Consolidated Statement of Changes in Equity For the Year Ended 31 December 2022

	Called up share capital	Share premium account	Foreign exchange reserve	Share based payment reserve	Profit and loss account	Total equity
	\$	\$	\$	\$	\$	\$
At 1 January 2022	37	5,567,423	154,532	-	(2,318,047)	3,403,945
<b>Comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(7,681,720)	(7,681,720)
Currency translation differences	-	-	(1,636)	-	-	(1,636)
<b>Total comprehensive income for the year</b>	-	-	(1,636)	-	(7,681,720)	(7,683,356)
<b>Contributions by and distributions to owners</b>						
Shares issued during the year	12	27,165,448	-	-	-	27,165,460
Share based payment charge	-	-	-	287,241	-	287,241
<b>At 31 December 2022</b>	<b>49</b>	<b>32,732,871</b>	<b>152,896</b>	<b>287,241</b>	<b>(9,999,767)</b>	<b>23,173,290</b>

The notes on pages 14 to 27 form part of these financial statements.

## Gravity Sketch Limited

### Unaudited Consolidated Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital	Share premium account	Foreign exchange reserve	Profit and loss account	Total equity
	\$	\$	\$	\$	\$
At 1 January 2021	37	5,567,423	138,714	(1,390,762)	4,315,412
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(927,285)	(927,285)
Currency translation differences	-	-	15,818	-	15,818
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>-</u>	<u>15,818</u>	<u>(927,285)</u>	<u>(911,467)</u>
<b>At 31 December 2021</b>	<u><u>37</u></u>	<u><u>5,567,423</u></u>	<u><u>154,532</u></u>	<u><u>(2,318,047)</u></u>	<u><u>3,403,945</u></u>

The notes on pages 14 to 27 form part of these financial statements.

## Gravity Sketch Limited

### Company Statement of Changes in Equity For the Year Ended 31 December 2022

	Called up share capital \$	Share premium account \$	Foreign exchange reserve \$	Share based payment reserve \$	Profit and loss account \$	Total equity \$
At 1 January 2022 (As restated)	37	5,567,423	149,734	-	(2,143,662)	3,573,532
<b>Comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(6,108,699)	(6,108,699)
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,108,699)</u>	<u>(6,108,699)</u>
<b>Contributions by and distributions to owners</b>						
Shares issued during the year	12	27,165,448	-	-	-	27,165,460
Share based payment charge	-	-	-	287,241	-	287,241
<b>At 31 December 2022</b>	<u><u>49</u></u>	<u><u>32,732,871</u></u>	<u><u>149,734</u></u>	<u><u>287,241</u></u>	<u><u>(8,252,361)</u></u>	<u><u>24,917,534</u></u>

The notes on pages 14 to 27 form part of these financial statements.

## Gravity Sketch Limited

### Unaudited and Restated Company Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital	Share premium account	Foreign exchange reserve	Profit and loss account	Total equity
	\$	\$	\$	\$	\$
At 1 January 2021 (As restated)	37	5,567,423	138,714	(1,411,231)	4,294,943
<b>Comprehensive income for the year</b>					
Loss for the year (As restated)	-	-	-	(732,431)	(732,431)
Currency translation differences (As restated)	-	-	11,020	-	11,020
<b>Total comprehensive income for the year</b>	-	-	11,020	(732,431)	(721,411)
<b>At 31 December 2021 (As restated)</b>	<b>37</b>	<b>5,567,423</b>	<b>149,734</b>	<b>(2,143,662)</b>	<b>3,573,532</b>

The notes on pages 14 to 27 form part of these financial statements.

# Gravity Sketch Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 1. General information

Gravity Sketch Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act. The address of the registered office is given on the Company Information page.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The financial statements are for the year ending 31 December 2022 (2021 - year ended 31 December 2021).

The financial statements have been rounded to the nearest \$ except share capital.

The following principal accounting policies have been applied:

#### 2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Consolidated Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

#### 2.3 Going concern

The financial statements have been prepared on a going concern basis. The directors believe that the Company's sales growth trajectory, its cash levels and its ability to control its operating costs put it in a good position to manage its business risks successfully. This, together with detailed forecasts prepared by the directors have demonstrated a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements and they consider it is appropriate to apply the going concern basis of accounting in preparing the financial statements.

# Gravity Sketch Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.4 Foreign currency translation

##### Functional and presentation currency

During the year, the functional currency of the Group has changed from GBP to USD. The directors have also changed the presentational currency from GBP to USD (see note 4).

##### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign exchange gains and losses are presented in the profit or loss within 'administrative expenses'.

On consolidation, the results of overseas operations are translated into USD at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Exchange differences arising on translation of the prior year comparative, due to the change in functional and presentational currency from GBP to USD, are recognised in other comprehensive income.

#### 2.5 Turnover

Turnover is recognised for software subscriptions over the subscription period. Subscription turnover is recognised on a straight-line basis over the term of the contract, beginning on the date the customer gains access to the software. Subscription fees are invoiced at the beginning of each subscription period, typically annually, and recognised as turnover when earned. If payments are received in advance, they are recognised as deferred income and amortised over the corresponding subscription period.

Turnover from any additional services, such as training or consulting, is recognised separately from subscription turnover when the service is provided. Turnover from these services is recognised over the service period.

#### 2.6 Government grants

Grants are accounted for under the accruals model. Grants of a revenue nature are recognised in "other income" on a systematic basis over the period in which the Company recognises the related costs for which the grant is intended to compensate.

# Gravity Sketch Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.7 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

#### 2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

#### 2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### 2.10 Taxation

Tax is recognised in the profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

# Gravity Sketch Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Computer equipment - 18 months straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

#### 2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

#### 2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### 2.14 Equity instruments

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

#### 2.15 Financial instruments

The Group enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in the case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

# Gravity Sketch Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.15 Financial instruments (continued)

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in profit or loss.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

#### 2.16 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting 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 market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the the Company and Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

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

Where equity instruments are granted to persons other than employees, the fair value of the goods and services received are charged to profit or loss.

#### 2.17 Defined contribution pension plan

The Company and Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Company and Group as no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in other creditors as a liability. The assets of the plan are held separately from the Company and Group in independently administered funds.

# Gravity Sketch Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application 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.

In preparing these financial statements, the directors have had to make the following judgements:

- Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Determine whether there are indicators of impairment of the company's trade and intercompany debtors. Factors taken into consideration in reaching such a decision include economic viability of the debtor and expected future financial performance of the other party to the debtor.

The estimates 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 revisions affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors are of the opinion that there are no estimation uncertainties applied in the application of the accounting policies.

### 4. Prior year adjustment

During the year the directors have reconsidered the functional and presentational currency of the Group and Company. The Group raised additional capital in USD and has seen its operations expand significantly in the United States of America. In relation to revenue and operating costs, the Group now predominantly operates in USD, Therefore, management has concluded that the primary economic environment in which the Group operates is denominated in USD and hence the functional and presentational currency should be USD instead of GBP as it has been in previous years. This has resulted in a change in accounting policy of presentational currency from GBP to USD with the change applied retrospectively. This change to functional currency does not result in the prior year adjustment and the change in presentational currency has resulted in the restatement of the Company's prior year balances to USD. As all transactions and balances have been restated/translated to the new presentational currency, it is not meaningful to disclose the quantification of the impact of the adjustment, and so no quantitative impact of this restatement is disclosed in the financial statements.

## Gravity Sketch Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 5. Turnover

An analysis of turnover by class of business is as follows:

	2022	Unaudited 2021
	\$	\$
Software license revenue	2,363,026	791,105
Other revenue	53,345	95,369
	2,416,371	886,474

Analysis of turnover by country of destination:

	2022	Unaudited 2021
	\$	\$
UK	1,241	339
Europe	662,637	324,259
US	1,641,292	527,843
Rest of the world	111,201	34,033
	2,416,371	886,474

#### 6. Other operating income

Other operating income relates to grant income. An analysis of grant income by type is shown below:

	2022	Unaudited 2021
	\$	\$
Government grants - revenue in nature	1,140,459	2,130,473
	1,140,459	2,130,473

#### 7. Operating loss

The operating loss is stated after charging:

	2022	Unaudited 2021
	\$	\$
Exchange differences	499,546	95,014
	499,546	95,014

#### 8. Employees

The average monthly number of employees, including directors, during the year was 72 (2021 - 29).

## Gravity Sketch Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 9. Interest receivable

	2022	Unaudited 2021
	\$	\$
Bank interest receivable	203,424	-
	<u>203,424</u>	<u>-</u>

#### 10. Taxation

	2022	Unaudited 2021
	\$	\$
<b>Corporation tax</b>		
Research and development claim in respect of prior year	(304,332)	(245,646)
Foreign tax	-	81
	<u>-</u>	<u>81</u>
<b>Total current tax</b>	<u>(304,332)</u>	<u>(245,565)</u>

#### Factors affecting tax credit for the year

The tax assessed for the year is higher than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022	Unaudited 2021
	\$	\$
Loss on ordinary activities before tax	(7,986,052)	(1,172,850)
	<u>(7,986,052)</u>	<u>(1,172,850)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(1,517,350)	(222,842)
<b>Effects of:</b>		
Research and development claim in respect of prior year	(304,332)	(245,646)
Expenses not deductible for tax purposes	79,349	17,272
Income not taxable for tax purposes	(159,963)	-
Movement in deferred tax not recognised	1,640,473	227,028
Differences in tax rates	(42,509)	(21,377)
	<u>(42,509)</u>	<u>(21,377)</u>
<b>Total tax credit for the year</b>	<u>(304,332)</u>	<u>(245,565)</u>

## Gravity Sketch Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 10. Taxation (continued)

##### Factors that may affect future tax charges/credits

A change in the main UK corporation tax rate was substantively enacted on 24 May 2021. From 1 April 2023 the main corporation tax rate will increase from 19% to 25% on profits over £250,000. The rate for small profits under £50,000 will remain at 19%. Where the Company's profits fall between £50,000 and £250,000, the lower and upper limits, it will be able to claim an amount of marginal relief providing a gradual increase in the corporation tax rate. The Group has carried forward tax losses which has given rise to a deferred tax asset of \$2,324,922 (2021 - \$222,338) which has not been recognised due to uncertainty as to imminent future recoverability.

#### 11. Tangible fixed assets

##### Group and Company

	<b>Computer equipment \$</b>
<b>Cost</b>	
At 1 January 2022	55,693
At 31 December 2022	55,693
<b>Depreciation</b>	
At 1 January 2022	49,333
Charge for the year	4,455
At 31 December 2022	53,788
<b>Net book value</b>	
At 31 December 2022	1,905
At 31 December 2021	6,360

## Gravity Sketch Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 12. Fixed asset investments

##### Company

	Investments in subsidiary companies \$
<b>Cost</b>	
At 1 January 2022	29,857
Additions	2,432
At 31 December 2022	32,289

##### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Gravity Sketch GmbH	Prielmayerstrasse 3, 80335 München, Germany	Ordinary	100%
Gravity Sketch Inc.	228 East 45th Street, Suite 9E, New York, NY 10017, USA	Ordinary	100%

#### 13. Debtors

	Group	Group	Company	Company
	2022	Unaudited 2021	2022	As restated Unaudited 2021
	\$	\$	\$	\$
Trade debtors	215,846	376,113	215,846	243,420
Amounts owed by group undertakings	-	-	1,490,747	329,993
Other debtors	291,353	33,762	283,921	33,762
Prepayments and accrued income	141,563	102,577	141,563	102,577
	648,762	512,452	2,132,077	709,752

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

## Gravity Sketch Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 14. Cash and cash equivalents

	Group	Group	Company	Company
	2022	Unaudited 2021	2022	As restated Unaudited 2021
	\$	\$	\$	\$
Cash at bank and in hand	24,547,485	4,514,767	24,319,505	4,315,103
	<u>24,547,485</u>	<u>4,514,767</u>	<u>24,319,505</u>	<u>4,315,103</u>

#### 15. Creditors: Amounts falling due within one year

	Group	Group	Company	Company
	2022	Unaudited 2021	2022	As restated Unaudited 2021
	\$	\$	\$	\$
Trade creditors	36,147	17	683	17
Other taxation and social security	174,631	82,812	174,631	66,920
Other creditors	78,168	201,337	71,641	201,337
Accruals and deferred income	1,735,916	1,345,468	1,321,287	1,219,266
	<u>2,024,862</u>	<u>1,629,634</u>	<u>1,568,242</u>	<u>1,487,540</u>

## Gravity Sketch Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 16. Share capital

	<b>2022</b>	<b>As restated Unaudited 2021</b>
	<b>\$</b>	<b>\$</b>
<b>Allotted, called up and fully paid</b>		
1,816,752 (2021 - 2,054,800) Ordinary shares of £0.00001 each	<b>23</b>	26
116,106 (2021 - 114,700) Ordinary A shares of £0.00001 each	<b>1</b>	1
750,400 (2021 - 750,400) Seed shares of £0.00001 each	<b>10</b>	10
850,171 (2021 - Nil) Series A-1 shares of £0.00001 each	<b>12</b>	-
5,682 (2021 - Nil) Series A-2 shares of £0.00001 each	-	-
238,048 (2021 - Nil) Series A-3 shares of £0.00001 each	<b>3</b>	-
	<b>49</b>	37
	<b>49</b>	37

The Group's sterling denominated share capital has been translated into the functional currency using the spot exchange rate at the dates of the transaction.

The Ordinary shares have voting, dividend and distribution rights, and are not redeemable.

The Ordinary A shares have dividend and distribution rights and are not redeemable. The shares have no voting rights.

The Seed shares have voting, dividend and distribution rights.

The Series A-1 shares have voting, dividend and preferential right to capital distribution, and are not redeemable.

The Series A-2 shares have voting, dividend and preferential right to capital distribution, and are not redeemable.

The Series A-3 shares have voting, dividend and preferential right to capital distribution, and are not redeemable.

On 22 February 2022, the Company issued 819,205 Series A-1 shares at a nominal value of £0.00001 per share with a premium of \$29.4058 per share.

On 22 February 2022, the Company issued 5,682 Series A-2 shares at a nominal value of £0.00001 per share with a premium of \$29.4058 per share.

On 21 March 2022, the Company issued 30,966 Series A-1 shares at a nominal value of £0.00001 per share with a premium of \$29.4058 per share.

On 16 March 2022, the Company converted 238,048 Ordinary shares to Series A-3 shares both with a nominal value of £0.00001 per share. The conversion was done at a premium of \$29.4058 per share.

## Gravity Sketch Limited

### Notes to the Financial Statements For the Year Ended 31 December 2022

#### 17. Reserves

The Group's reserves are as follows:

##### Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

##### Foreign exchange reserve

The foreign currency translation reserve relates to differences arising on consolidation as the subsidiary companies are in different functional currencies in addition to differences on translation of foreign currency balances on the transition of the presentational and functional currency to USD (see note 4).

##### Share based payment reserve

The share based payment reserve represents the fair value of the equity instruments granted.

##### Profit and loss account

The profit and loss account represents the cumulative profits or losses net of dividends paid and other adjustments.

#### 18. Share based payments

As at 31 December 2022, there were 334,416 share options issued to 75 members of staff under the Enterprise Management Incentive Share Option Plan which was adopted by the Group on 22 August 2018. The options have been granted with various time-based vesting conditions specific to each individual employee.

As at 31 December 2022, 294,632 share options had vested and are exercisable.

	Weighted average exercise price (pence) 2022 \$	Number 2022 \$	Weighted average exercise price (pence) 2021 \$	Unaudited 2021 \$
Outstanding at the beginning of the year	0.00001	364,354	0.00001	322,430
Granted during the year	0.00001	599,815	0.00001	41,924
Cancelled during the year	0.00001	(629,753)	0.00001	-
<b>Outstanding at the year end</b>	<b>0.00001</b>	<b>334,416</b>	<b>0.00001</b>	<b>364,354</b>

The Group recognised total expenses of \$287,241 (2021 - \$Nil as this was not material to the financial statements) related to equity settled share based payment transactions in the year. Share options have been valued using the Black-Scholes model.

# Gravity Sketch Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 19. Commitments under operating leases

At 31 December 2022 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group and Company	Group and Company As restated Unaudited
	2022	2021
	\$	\$
Not later than 1 year	-	228,315
Later than 1 year and not later than 5 years	-	479,919
	<u>-</u>	<u>708,234</u>

### 20. Related party transactions

The Company and Group have taken advantage of the exemption available under Section 33.1A not to disclose transactions with other wholly owned members of the Group.

### 21. Controlling party

The directors consider there to be no ultimate controlling party. The consolidated results of the Group and Company are not included in the financial statements of any other entity.