

Registered number
13244615

Gravity Topco Limited
Annual Report and Financial Statements
For the year 1 January 2022 to 31 December 2022.

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Gravity Topco Limited
Financial statements
for the year ended 31 December 2022
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Company Information

Registered number

13244615

Registered office

Unit A2 Cradley Business Park
Overend Road
Cradley Heath
West Midlands
B64 7DW

Directors

D Tracey
C Milburn
N Russ
J Rivers
S Roddis (Resigned 8 June 2022)
S McKelvey (Appointed 8 June 2022)

Auditor

Grant Thornton UK LLP
Chartered Accountants and Statutory Auditors
17th Floor
103 Colmore Row
Birmingham
B3 3AG

Bankers

Lloyds Bank
114-116 Colmore Row
Birmingham
B3 3BD

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Group's strategic report

The directors present their strategic report for the year 1 January 2022 to 31 December 2022.

Principal activities

The principal activity of the company is that of an investment holding company.

The principal activities of the group comprise:

- Global design, manufacture, selling, marketing and distributing of own branded safety components used mostly to construct safety railings and barriers to separate people from hazards and roof edge and associated fall protection safety solutions; and
- Design, installation and recertification of roof edge and associated personal and collective fall protection systems together with training and risk assessment for the safe use of access at height equipment;
- Specialised fabrication services for safe access platforms plus a variety of other safety railing and barrier constructions for temporary and permanent installations;
- Global design, manufacture, selling, marketing and distribution of safe steelwork fixings used in secondary steelwork connections and the hanging of services in place of onsite welding therefore providing a safer working environment.

Business review

In order for comparisons to be made between the results of the Group in 2022 and the published results of the group in 2021, due to the shortened first period for the accounts. The following key performance indicators are presented for the full years trading in 2022:

	Year Ended 31 Dec 2022 (note 1)	Year Ended 31 Dec 2021 (note 2)	Period Ended 31 Dec 2021 (note 3)
Turnover	£187,012,000	£138,356,000	£106,881,000
Gross margin	57.8%	63.0%	58.4%
Operating profit (before intang. amortisation and share based payment)	£39,600,000	£35,870,000	£23,155,000
Operating profit % (before intang. amortisation and share based payment)	21.2%	25.9%	21.7%
Net cash generated from operating activities	£17,431,000	£13,651,000	£10,472,000
Staff costs (excluding share based payment, % of Turnover)	20.4%	20.5%	20.1%
Staff costs (excluding share based payment, Per head)	£40,931	£35,449	£26,405

(1) Audited figures for the year 1 January 2022 to 31 December 2022 as presented in these financial statements.

(2) Figures taken from the unaudited Safety Topco Group management accounts for the 12 months ended 31 December 2021. This comprises 3 months of Safety Topco Limited consolidated results and 9 months of Gravity Topco Limited consolidated results presented within these financial statements.

(3) Figures taken from the 2021 audited accounts of Gravity Topco Limited.

The group made a loss on ordinary activities before tax in the year of £69,879,000 (2021: £51,767,000) which is primarily driven by the amortisation of intangible assets and goodwill in the year amounting to £40,636,000 (2021: £28,406,000), a share based payment charge of £3,554,000 (2021: £2,469,000) and an interest charge of £70,653,000 (2021: £33,583,000) related to investor loan notes and preference shares all of which have no impact on cashflow. The directors are pleased to report that 2022, on a comparable basis, saw the Group deliver an exceptional performance with trading growing strong, closing the year fully in line with expectations. Sales have grown by 35.2% (2021: 31.4%) and operating profit (before the amortisation of intangibles and share based payment charge) by 10.4% (2021: 38.2%). The robust growth in sales in the year was driven by a combination of strong organic growth of £18.3m (2021: £21.1m) or 13.2% (2021: 20.0%) (on a like for like basis) and a series of strategic acquisitions made in the latter half of 2021 and throughout 2022 accounting for £32.0m (2021: £12.0m) or 23.1% (2021: 11.4%) of the growth. All the Group's regions around the world delivered strong strategically compliant levels of organic growth with virtually all business units delivering growth in the year. Regional growth levels remained strong as we continued to invest in regional and geographical expansion and new product development. Lower gross margins and operating profit percentages in 2022 were largely driven the mix of sales growth from different business units and newly acquired businesses, which improved as the group traded through 2022 which can be seen in the 2022 full year vs the 9 month period in 2021. Cash inflows from operating activities on a full year basis showed significant improvements on 2021 as focus was placed on the collection of cash from customers and organic inventory investment was lower than in 2021.

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Group's strategic report

Business review (continued)

In 2022, the group has continued to expand its geographical reach in terms of new and existing territories whilst completing a further five acquisitions. Three acquisitions were completed in mainland Europe and two were based in the UK. Our UK acquisitions solidified and broadened our safe access presence and product range whilst growing our regional presence in fall protection installation and recertification. In Europe we significantly strengthened our safety components presence whilst broadening our personal protection product ranges and markets both in the Benelux and in Germany and beyond. Around the rest of the group we continued our investment in growing levels of resources to support and drive the organic growth into future years.

Through the period we have continued to develop our low cost supply chain growing and developing our suppliers across the wider Far East and Indian geographies and ensuring the widely talked about supply chain delays were not seen by our customer base. We have remained operationally efficient which allowed us to react to the changing supply chain landscape around the world ensuring we continue to meet our high availability and delivery standards supporting our growth. Alongside these investments we have continued to develop and invest in our product ranges and digital technologies, we have continued to roll out our technology based certification system across more business units providing a more efficient and comprehensive recertification offering for our customers.

The Group continues to benefit from its country operating model within the EU seeing no significant impact from the post Brexit arrangements.

The Group continues to demonstrate sound financial management and, in the directors' opinion, has sufficient financial resources for the foreseeable future being a period of not less than twelve months from the date of approval of the Annual report and financial statements. During 2022 the group comfortably met all its obligations under its term loan and working capital facility and all covenants were met with significant headroom. As at 31 December 2022 the group was comfortably compliant with its obligations under its financial arrangements.

The Group staff cost excluding share-based payments for the year are £40,931,000 (2021: £35,449,000) and 20.4% (2021: 20.5%) of turnover. The staff cost per head increased from £35,000 to £41,000 in the current year. Therefore, the increase in absolute staff costs is due to the growth in the business and wage inflation. The staff cost as a percentage of turnover remain flat year on year indicating the Group's ability to effectively pass on the wage inflation to customers by increasing selling price.

Future expectations

The group intends to continue to pursue a medium-term strategy of profitable and cash generative growth within the safety sector. The group will continue to invest in its regional and geographical expansion and build upon the success generated by new product launches. Investments will continue to be made in new product development and technology. Where suitable opportunities present themselves the group will continue to drive growth through its acquisition strategy and post the Statement of Financial Position date the group has completed three further acquisitions the details of which can be found in note 36.

The group is monitoring and will continue to monitor the situation in Ukraine and Russia but has not been directly impacted by it. The group did not trade in these territories prior to the invasion and the increasing of sanctions and currently has no plans to do so in the near to medium future and our nearest business based in Warsaw, Poland has continued to trade strongly in 2022. The indirect impact of rising energy prices have been seen by the group, but these are very small part of the cost base of the group and inflationary price increases of our products have covered these underlying cost increases.

The group remains vigilant around the issues of Brexit, but sees very little risk in future from the implementation of Brexit policies, due to the international nature of the operating businesses and structure of the group.

The group continues to be aware of the presence of Covid-19 around the world but has seen very little disruption from it since the initial lockdowns in the second quarter of 2020. Plans remain in place to allow the Group to maintain its strategy should disruption be seen again.

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Group's strategic report

Principal risks and uncertainties

The Board and senior management team considers and monitors both existing and emerging risks on an ongoing basis. Many of the risks faced by the Group are similar to those risks faced by any business but those considered to be the principal risks for the Group are detailed below.

Ukraine invasion risk

The war in Ukraine has been going on for over 18 months now. Since the invasion, we have not seen any negative impact of this war on Group's performance. This is purely due to lack of any sector dependency and the compliance led safety nature of the products allows the Group to remain flexible and seek opportunities in sectors that typically benefit in periods of recession.

Inflation risk

The global surge in inflation post the Pandemic and Russia's invasion of Ukraine poses a risk and an uncertainty to the group. The key risk comes from the potential for costs to rise ahead of prices therefore affecting the profitability of the group. Throughout the period and historically the group has been, and in the Director's opinion, will continue to be able to pass on price increases into the market place that will ensure the group maintains its profitability even in times of high inflation. The structure of the group, its long term relationships with manufacturing partners in our low cost supply chain and the nature of the markets in which the group operates provides confidence about the ability to price appropriately based upon costs. The high levels of inflation seen during the year have prompted central banks to significantly raise interest rates in all major currencies. This has driven an increase in the cost of the group's borrowings which are linked to the central bank rates for GBP, USD, EUR and CAD. To mitigate this in April 2022 the group entered into three simple interest rate caps in GBP, USD and EUR limiting the impact of central base rate increases to 2.5%, 3.25% and 1.5% respectively providing an interest cap on 79% of the group's bank debt as at the year end.

Wage inflation risk

The global surge in inflation as discussed above, may result in the need to increase the wages to compensate employees for the increase in cost of living. The key risk comes from the potential for wages to rise ahead of prices therefore affecting the profitability of the group. Throughout the period and historically the group has been, and in the Director's opinion, will continue to be able to pass on price increases into the marketplace that will ensure the group maintains its profitability even in times of high inflation.

Brand and Reputation risk

The Group regards its brand names, trademarks, domain names, products and reputation in the global marketplace as key assets of the Group and they are a key part of the success of the Group. The life saving safety related nature of the products and services offered by the Group pose a risk to these assets if the Group were to suffer any sort of failure or be involved in litigation related to an injury or death arising from use of its products. The Group takes the design, development, manufacture and installation of its products seriously ensuring that it has the processes and procedures in place to ensure its products are of the highest standard. This includes regular auditing of all manufacturing and installation companies by our own employees alongside external certification of our facilities to ISO standards. In addition the Group operates a world class testing and certification centre to ensure that all of its products meet or exceed all of the international standards required. As such the Group believes it has good mitigation in place to address the risk of reputational damage.

IT and Cyber risk

The Group places significant reliance on its IT systems and any loss of these systems could have a serious impact on the Group's operations. In addition due to this reliance on the IT systems the Group is potentially susceptible to cyber risks, primarily in relation to malicious hacking and ransomware attacks. In order to mitigate these risks the Group is constantly monitoring its IT systems and the infrastructure that supports them updating and modifying them as knowledge grows in order to provide the strongest protection possible. In addition the Group also retains a third party to provide back up systems to the core systems should they become unavailable and undertakes external testing and review of its systems on a rolling basis.

Financial risk

The international nature of the Group's operations and its debt financing expose it to various financial risks. Please refer to the Directors report for further details.

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Group's strategic report

Statement by the directors in performance of their duties in accordance with s172(1) Companies Act 2006

The board of directors of Gravity Topco Limited consider, both individually and collectively, that they have acted in a way they consider, in good faith, would be the most likely to promote the success of the group for the benefit of its members as a whole whilst having due regard to the interests of stakeholders and matters set out in s172(1)(a-f), in particular with reference to the five year plan to 2026 that was committed to when the current shareholders made their investment.

The plan is designed to deliver a long term sustainable beneficial impact to shareholders and stakeholders alike through controlled and manageable growth built around a deliverable level of both organic and acquired compliance driven growth. The compliance driven nature of the Group's products and services coupled with its diverse geographical spread and lack of sector dependency continue to ensure that, in the interests of shareholders and stakeholders, the Group has a robust and financially sound strategy, which delivers on its commitments to the shareholders and stakeholders alike. The Board has pursued this same strategy since the inception of the Group as "Kee Safety" in 2006 delivering on its commitments year on year and despite various global events in that period, (2008 and 2011 Financial crisis, Brexit, Covid-19, War in Ukraine and high inflation as examples) has consistently delivered growth in both turnover and operating profit. As such the Board continues to monitor actual performance against the medium term plan on a month to month basis, making amendments and changes as necessary whilst ensuring that targets are met or exceeded. This month to month performance and consistent delivery results against the plan is the way that shareholder and stakeholder expectations are met on a short, medium and long term basis.

Our employees are fundamental to the delivery of the plan. We aim, at all times, to be a responsible employer, with constant regard for the health and safety of all those that work for us. We have at all times during the year followed the relevant Governmental advice on health and safety protocols regarding the on-going Covid-19 pandemic to ensure we protect our employees welfare at all times. We invest significant amounts of time and money into the development of employees, in order to ensure we can provide both career development for them, whilst providing a skilled workforce to underpin our requirements for an increasing number of talented individuals to drive our growth. A significant and growing number of employees, in positions of responsibility, are also shareholders with over 10% of the employees as at 31 December 2022. Key to the delivery of the plan is employee awareness of the results of the group and as such each month's results is shared and communicated to all employees around the group in business unit update meetings.

Our relationship with our business partners including customers and suppliers is key to the continued growth of the business. The board fully understand the need to give this due consideration in the company's decision making process and as such will always look to ensure the group maintains good relationships. The group ensures that it can deliver and meet customer requirements and expectations promptly at all times and expects the same for its suppliers whilst ensuring that it acts in a fair and equitable manner at all times. During the year the group maintained normal trading relationships with all suppliers maintaining payments to these important partners in line with normal trading terms.

The board are acutely aware of the potential negative impact our operations can have on the environment. We are constantly looking for ways to reduce our environmental impact in everything we do and implement and refine our processes and ways of operating to ensure we do this on an ongoing basis. During the period the Group continued to improve the energy efficiency of its facilities, by installing more efficient lighting and improving access doors in its warehouses, as examples, as part of its ongoing facility refurbishments. The Group also continued to improve its processes to maximise container utilisation and minimise the sea miles travelled by its products to reach its final destination.

As the board of directors, our intention is to behave responsibly and ensure that our employees and we operate the business in a responsible and ethical manner, maintaining exemplary standards of business conduct and governance expected of a Safety business. We will continue to nurture and build of our global reputation for our high standards for the benefit of all stakeholders ensuring that we deliver on our plan in a long term sustainable manner.

This report was approved by the board on 29th September 2023 and signed on its behalf.

Nil Russ

N Russ
Director

Gravity Topco Limited
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Directors' Report

Registered number: 13244615

The directors present their report and the audited consolidated financial statements for the year 1 January 2022 to 31 December 2022.

Results

The loss for the period, after taxation, amounted to £75,379,000 (2021: £52,149,000).

The group's business activities together with the factors likely to affect its future development, performance and position are set out in the Group Strategic Report above. In addition, details of the group objectives, policies and processes for managing its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to foreign currency risk, credit risk, commodity price risk, cashflow interest rate risk and liquidity risk are described under financial risk management below.

The accounts have been prepared under FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Dividends

The directors do not recommend the payment of a dividend (2021: £nil).

Directors

The present directors of the company are set out below. The company maintains directors and officers liability insurance on behalf of the directors.

D Tracey

C Milburn

N Russ

J Rivers

S Roddis (Resigned 8 June 2022)

S McKelvey (Appointed 8 June 2022)

The directors have the benefit of the indemnity provisions contained in the Company's Article of Association ('Articles'), and the Company has maintained throughout the year directors' and officers' liability insurance for the benefit of the Company, the directors and its officers. The Company has entered into qualifying third party indemnity arrangements for the benefit of all its directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

Going concern

The group has solid financial resources, together with strong relationships with key customers and suppliers across different geographic areas and business sectors. As a consequence, the directors believe that the group is well placed to manage its business risks successfully.

The directors have a reasonable expectation that the group has adequate financial resources to continue in operational existence for the foreseeable future being a period of not less than twelve months from the date of approval of the Annual report and financial statements. They, therefore, continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Please refer to note 2.4 for more detail.

Research and development

The group undertakes research and development activities in order to introduce new products to the markets in which it operates and to continually evolve its existing product portfolio to provide a continuously grow the breadth of product within its portfolio.

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Directors' Report (continued)

Financial risk management

General

The group's operations expose it to a variety of financial risks including the effects of changes in foreign currency exchange rates, commodity price risk, credit risk, liquidity risk and cashflow interest rate risk.

The group's principal financial instruments comprise sterling and foreign currency cash and bank deposits, bank loans and overdrafts, simple interest rate caps, loan notes and preference shares together with trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the group's financial instruments can be analysed as follows:

Foreign currency risk

The group is exposed in its trading operations to the risk of changes in foreign currency exchange rates. The group both buys and sells goods in foreign currencies providing a natural hedge against a proportion of its foreign currency cashflows. The main foreign currencies in which the group operates are the Euro and the US dollar.

The group has structured its long-term borrowings to minimise the impact of changes in exchange rates on net assets denominated in foreign currencies and to ensure that interest payments can be met directly from the main currencies the group has cashflows in.

Commodity price risk

The group's exposure to the price of various commodities is high, therefore selling prices are monitored regularly to *reduce the impact of such risk; opportunities to reduce material cost and content are explored constantly.*

Credit risk

The group's principal financial assets are bank balances, cash and trade debtors, which represent the group's maximum exposure to credit risk in relation to financial assets.

Credit risk is managed by monitoring the aggregate amount and duration of exposure to, and creditworthiness of, new and existing customers. In addition, in certain territories the group takes out credit insurance for customers, subject to the terms and conditions of the insurer. The group has no significant concentration of credit risk, with exposure spread over a large number of customers in different geographies.

The Covid-19 outbreak and current high inflationary environment has potentially increased the credit risk in relation amounts owed from customers. As a result the Group has increased its vigilance around new and existing customer credit worthiness as well as increasing the activity levels around the collection of amounts owed. At the date of signing this has reduced the risk and to date the Group has not seen any increase in bad debts over normal levels.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit ratings agencies.

Liquidity risk

The group's policy has been to ensure continuity of funding through generating cash from its trading operations and arranging funding for operations via medium and long term external banking facilities and loan notes from shareholders. Further funding is provided by fixed rate loan notes and Preference shares.

Cash flow interest rate risk

Interest bearing assets comprise cash and bank deposits, all of which earn interest at floating rates. The group is party to a group bank overdraft facility for which a variable interest rate charge is applicable.

The group benefits from a multi-currency term loan facility with a banking syndicate led by Lloyds Bank Plc and HSBC Bank Plc. In order to combat interest rate risk the group has entered into three simple interest rate cap contracts in GBP, USD and EUR at cap rates of 2.5%, 3.25% and 1.5% effectively providing a cap on 79% of the group's bank loans at year end. These contract run until April 2025.

Environment

At all of the group's manufacturing and distribution locations around the world, the group seeks to maintain the highest standards, being aware of social and environmental legislation and responsibilities. The group is actively seeking to maximise the level of recycled materials used in the manufacture of its products and minimise the environmental impact of packing and distribution.

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Directors' Report (continued)

Employment

The group has a loyal workforce and does not experience significant staff turnover or labour relations problems. Performance and attendance is monitored and recorded forming an important part of employee assessment.

The group is committed to promoting policies to ensure that employees and those who seek to work for the group are treated equally regardless of sex, marital status, age, creed, colour, race or ethnic origin. The group gives full and fair consideration to applications for employment received from people with disabilities, having regard to their particular aptitudes and abilities. The group's policy is to provide equal opportunities to its entire staff on the basis of objective criteria and personal merit.

Streamlined Energy & Carbon Reporting

The group does not disclose its UK energy consumption as, under The Companies Act 2006 (Strategic Report and Director's Report) Regulation 2018, no subsidiary or parent company within the Group meets the criteria for a large company and as such the Group is not obliged to disclose energy consumption.

Climate change

Whilst the Group does not disclose its UK energy consumption it does strive to improve its carbon footprint and its impact on the environment in the actions it take as the Group develops. As examples of ongoing processes; the Group has a policy to replace all lighting with more efficient LED lighting as and when facilities are refurbished; the Group also strives to improve its logistical efficiency by shipping directly to end country of use, where possible, and ensuring that container utilisation is as close to maximum as possible. In 2022 the group launched a new environmental initiative, labelled "Use Less, Move Less, Waste Less" which is driving local and group wide initiatives all aimed at reducing our overall environmental impact.

Post statement of financial position events

Post Statement of Financial Position events are set out in note 36.

Matters covered in the strategic report

The principal activities, business review and future expectations are included in the Group Strategic Report. Details of the Group's principal risks and uncertainties, relations with, and regard for its Customers, Suppliers and Employees can be found in the S172 statement within the Strategic report.

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic report and 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Standard Applicable in the UK and Republic of Ireland'). 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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Directors' Report (continued)

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's and the group's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's and group's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 29th September 2023 and signed on its behalf.

Nil Russ

N Russ
Director

Independent auditor's report to the members of Gravity Topco Limited

Opinion

We have audited the financial statements of Gravity Topco Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022, which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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's affairs as at 31 December 2022 and of the group's loss for the period 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 of 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 and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as the situation in Russia and Ukraine, increasing interest rates and increasing cost of living, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

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.

Independent auditor's report (Continued) to the members of Gravity Topco Limited

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

Independent auditor's report (Continued) to the members of Gravity Topco Limited

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Group and industry in which it operates through our commercial and sector experience, discussions with management, those charge with governance, inspection of the Group's legal correspondence and board minutes. We enquired of management whether they were aware of any instances of noncompliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud;
- Through the understanding that we obtained, we determined that the most significant legal and regulatory frameworks which are directly relevant to specific assertions in the financial statements are those related to the financial frameworks (FRS 102 and the Companies Act 2006) and the relevant tax compliance regulations in the jurisdictions in which the Group and its subsidiaries operates.
- We understood how the Company and Group is complying with those legal regulatory frameworks by making enquiries of management. We corroborated our enquires through our review of board minutes and certain other procedures;
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - potential management bias in determining accounting estimates
 - the occurrence of revenues; and
 - journal entries (in particular manual journal entries determined to be large or relating to unusual transactions).Our procedures included :
 - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
 - challenging assumptions and judgements made by management in its significant accounting estimates;
 - identifying and testing journal entries, with a focus on material manual journals and in particular any journal entries posted with unusual account combinations.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training, and ;
 - knowledge of the industry in which the Group operates; and
 - understanding of the legal and regulatory requirements specific to the Group.
- We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

"<http://www.frc.org.uk/auditorsresponsibilities>"www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Independent auditor's report (Continued)
to the members of Gravity Topco Limited**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken 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.



David White BA FCA
Senior Statutory Auditor
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
29th September 2023

Gravity Topco Limited
Financial statements
for the year ended 31 December 2022

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2022 £ '000	4 March to 31 December 2021 £ '000
Turnover	3	187,012	106,881
Cost of sales		(76,586)	(44,490)
Cost of sales - exceptional	24	(2,262)	-
Gross profit		<u>108,164</u>	<u>62,391</u>
Other Administrative expenses		(68,564)	(39,236)
Share based payment charge	2.20	(3,554)	(2,469)
Goodwill and intangible asset amortisation	10	(40,636)	(28,406)
Total Administrative Expenses		<u>(112,754)</u>	<u>(70,111)</u>
Group operating loss	4	<u>(4,590)</u>	<u>(7,720)</u>
Profit on sale of fixed assets		49	-
Revaluation of assets held at fair value	16	5,297	-
Interest receivable and similar income	7	18	4
Interest payable and similar charges	8	(70,653)	(44,051)
Loss on ordinary activities before taxation		<u>(69,879)</u>	<u>(51,767)</u>
Tax on loss on ordinary activities	9	(5,500)	(382)
Loss for the financial year		<u>(75,379)</u>	<u>(52,149)</u>
Other comprehensive income for the period			
Foreign exchange translation difference		21,506	(607)
Total comprehensive loss for the period		<u><u>(53,873)</u></u>	<u><u>(52,756)</u></u>

The results included above are generated from continuing operations.

The accompanying principal accounting policies and notes on pages 19 to 48 form part of these financial statements.

Gravity Topco Limited
Financial statements
as at 31 December 2022

Registered number: 13244615

Consolidated Statement of Financial Position

	Notes	31 December 2022 £ '000	31 December 2021 £ '000
Fixed assets			
Intangible assets	10	569,524	546,912
Tangible assets	11	<u>7,706</u>	<u>6,049</u>
		577,230	552,961
Current assets			
Stocks	14	39,850	26,734
Debtors	15	61,888	43,321
Financial instruments held at fair value	16	5,297	-
Cash at bank and in hand	13	<u>11,577</u>	<u>7,418</u>
		118,612	77,473
Creditors: amounts falling due within one year	17	(52,056)	(32,889)
Net current assets		<u>66,556</u>	<u>44,584</u>
Total assets less current liabilities		<u>643,786</u>	<u>597,545</u>
Creditors: amounts falling due after more than one year	18	(730,884)	(639,742)
Provisions for liabilities			
Deferred taxation	21	(10,178)	(7,068)
Other provisions	24	<u>(2,307)</u>	<u>(45)</u>
		(12,485)	(7,113)
Net liabilities		<u>(99,583)</u>	<u>(49,310)</u>
Capital and reserves			
Called up share capital	26	999	977
Share premium		24	-
Share based payment reserve	27	6,023	2,469
Profit and loss account	28	(106,629)	(52,756)
Equity shareholders' deficit		<u>(99,583)</u>	<u>(49,310)</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 29th September 2023:

N Russ
 Director *Neil Russ*

The accompanying principal accounting policies and notes on pages 19 to 48 form part of these financial statements.

Gravity Topco Limited
Financial statements
for the year ended 31 December 2022
Consolidated Statement of Cash Flows

	Notes	2022 £ '000	Period ended 31 Dec 2021 £ '000
Operating activities			
Loss for the financial year		(75,379)	(52,149)
Adjustments for:			
Gain on revaluation of investments	16	(5,297)	-
Interest receivable	7	(18)	(4)
Interest payable	8	70,653	44,051
Taxation	9	5,500	382
Depreciation of tangible fixed assets	11	1,838	1,191
Profit on sale of tangible fixed assets		(49)	-
Amortisation of intangible assets	10	40,636	28,406
Share based payment charge	27	3,554	2,469
Increase in stocks		(6,976)	(3,969)
Increase in trade and other debtors		(13,910)	(5,773)
Increase/(decrease) in trade and other creditors		3,245	(1,815)
Cash generated from operations		23,797	12,789
Corporation tax paid		(6,366)	(2,317)
Net cash generated by operating activities		17,431	10,472
Cash flows from investing activities			
Interest received	7	18	4
Payments to acquire intangible fixed assets	10	(117)	(180)
Payments to acquire tangible fixed assets	11	(2,716)	(1,427)
Foreign exchange translation on fixed assets		(7,396)	-
Payments in respect of acquisitions, net of cash acquired	35	(16,966)	(172,356)
Proceeds from sale of tangible fixed assets		232	6
Payment of deferred and contingent consideration in respect of acquisitions	17	(12,524)	(11,453)
Payment of fees relating to acquisitions	35	(429)	(6,577)
Net cash used in investing activities		(39,898)	(191,983)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital	26	46	977
Proceeds from the issue of preference shares	19	-	225,743
Proceeds from new loan notes	19	-	153,000
Repayment of bank loans	23	-	(140,734)
Repayment of loan notes	23	-	(256,937)
Repayment of other loans	23	(2,094)	-
Proceeds from new bank loan	22	31,696	223,500
Bank interest and other charges paid	19	(16,639)	(7,817)
Foreign exchange translation on loans	23	12,152	-
Payment of fees relating to new bank loan	23	(1,213)	(8,903)
Capital element of finance lease payments	23	(192)	(97)
Interest element of finance lease payments		(59)	(20)
Net cash generated by financing activities		23,697	188,712
Net (decrease)/increase in cash		1,230	7,201
Foreign exchange translation adjustment	23	121	(564)
Net cash generated		1,351	6,637
Cash and cash equivalents at 1 January/beginning of period		6,637	-
Cash and cash equivalents at 31 December	13	7,988	6,637
Cash and cash equivalents comprise:			
Cash at bank	13	11,577	7,418
Bank overdrafts	17	(3,589)	(781)
		7,988	6,637

The accompanying principal accounting policies and notes on pages 19 to 48 form part of these financial statements.

Gravity Topco Limited
Financial statements
as at 31 December 2022

Registered number: 13244615

Company Statement of Financial Position

	Notes	31 December 2022 £ '000	31 December 2021 £ '000
Fixed assets			
Investments	12	6,683	3,129
		<u>6,683</u>	<u>3,129</u>
Debtors: amounts receivable after one year	15	<u>249,426</u>	<u>233,679</u>
Total assets less current liabilities		256,109	236,808
Creditors: amounts falling due after more than one year	18	(289,243)	(251,113)
Net liabilities		<u>(33,134)</u>	<u>(14,305)</u>
Capital and reserves			
Called up share capital	26	999	977
Share premium		24	-
Share based payment	27	6,023	2,469
Profit and loss account	28	(40,180)	(17,751)
Equity shareholders' deficit		<u>(33,134)</u>	<u>(14,305)</u>

The company has taken advantage of the exemption under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive income in these financial statements. The loss after tax of the parent company for the period 1 January 2022 to 31 December 2022 was £22,429,000 (2021: 17,751,000).

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 29th September 2023:

Neil Russ
N Russ
Director
Date: 29th September 2023

The accompanying principal accounting policies and notes on pages 19 to 48 form part of these financial statements.

Gravity Topco Limited
Financial statements
for the year ended 31 December 2022

Consolidated statement of changes in equity

Consolidated	Share capital (Note 26) £ '000	Share premium £ '000	Share based payment (Note 27) £ '000	Profit and loss account Note (28) £ '000	Total equity £ '000
At 4 March 2021	-	-	-	-	-
Comprehensive income					
Loss for the period	-	-	-	(52,149)	(52,149)
Other comprehensive income					
Foreign exchange translation	-	-	-	(607)	(607)
Total comprehensive income for the financial year	-	-	-	(52,756)	(52,756)
Contributions by and distributions to owners					
Shares issued	977	-	-	-	977
Share based payment	-	-	2,469	-	2,469
At 31 December 2021	977	-	2,469	(52,756)	(49,310)
At 1 January 2022	977	-	2,469	(52,756)	(49,310)
Comprehensive income					
Loss for the financial year	-	-	-	(75,379)	(75,379)
Other comprehensive income					
Foreign exchange translation	-	-	-	21,506	21,506
Total comprehensive loss for the financial year	-	-	-	(53,873)	(53,873)
Contributions by and distributions to owners					
Shares issued	22	24	-	-	46
Share based payment	-	-	3,554	-	3,554
At 31 December 2022	999	24	6,023	(106,629)	(99,583)

Company statement of changes in equity

At 4 March 2021	-	-	-	-	-
Loss for the period	-	-	-	(17,751)	(17,751)
Total comprehensive income for the financial year	-	-	-	(17,751)	(17,751)
Contributions by and distributions to owners					
Shares issued	977	-	-	-	977
Share based payment	-	-	2,469	-	2,469
At 31 December 2021	977	-	2,469	(17,751)	(14,305)
At 1 January 2022	977	-	2,469	(17,751)	(14,305)
Loss for the year	-	-	-	(22,429)	(22,429)
Total comprehensive loss for the financial year	-	-	-	(22,429)	(22,429)
Contributions by and distributions to owners					
Shares issued	22	24	-	-	46
Share based payment	-	-	3,554	-	3,554
At 31 December 2022	999	24	6,023	(40,180)	(33,134)

The accompanying principal accounting policies and notes on pages 19 to 48 form part of these financial statements.

Gravity Topco Limited
Financial statements
for the year ended 31 December 2022

Notes to the financial statements

1 Company information

The Company is a limited company incorporated in the United Kingdom, its registered office is Unit A2, Cradley Business Park, Overend Road, Cradley Heath, West Midlands, B64 7DW.

Principal activities are detailed in the Strategic Report at page 2.

2 Accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102') and with the Companies Act 2006. The financial statements have been prepared on a going concern basis, under the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling ("£") and rounded in thousands.

The group financial statements consolidate the financial statements of Gravity Topco Limited and all its subsidiary undertakings for the period 1 January to 31 December 2022. As last year was the first period of trading since incorporation, the comparative numbers are for the period 4 March to 31 December 2021.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group and company accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.24.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- The parent company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent company profit and loss account.
 - Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations of the group and the parent company would be identical;
 - No statement of cash flows has been presented for the parent company on the basis that the company is a qualifying entity and consolidated statement of cash flows, included in these financial statements, include the company's cash flows;
 - Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
 - The requirement to present related party disclosures between parent company and fellow subsidiaries where ownership is all 100%; and
 - No disclosures have been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.
- The parent company has elected to take the exemption from disclosing share-based payment arrangements.

2.2 Basis of consolidation

The consolidated financial statements present the results of the group and its own subsidiaries ("the group") as they formed a single entity. Uniform accounting policies are applied throughout the period and all intercompany transactions and balances between group companies are eliminated in full on consolidation.

Where a subsidiary has different accounting policies to the group, adjustments are made to those subsidiary financial statements to apply the group's accounting policies when preparing the consolidated financial statements.

The consolidated financial statements incorporate the results of business combinations using the purchase method. 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.

Gravity Topco Limited
Financial statements
for the year ended 31 December 2022

Notes to the financial statements

2 Accounting policies (continued)

Where control of a subsidiary is lost, the gains or loss is recognised in the Consolidated Statement of Comprehensive Income. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gains or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

Where control of a subsidiary is achieved in stages, the initial acquisition that gave the group control is accounted for as a business combination. Thereafter where the group increases its controlling interest in the subsidiary the transaction is treated as transaction between equity holders. Any difference between the fair value of the consideration paid are the carrying amount of the non-controlling interest acquired is recognised directly in equity. No changes are made to the carrying value of assets, liabilities or provisions for contingent liabilities.

2.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of acquisition) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination. Part of the cost of the acquisition is dependent on the trading performance of the acquired business following the transaction. Any contingent consideration, which is not deemed to be employment related, is based on the estimates of the future performance of the acquired business. The contingent consideration is classified as a financial liability, measured at fair value as at acquisition and carried at amortised cost subsequently.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination the excess is expensed outright in the consolidated statement of comprehensive income.

Adjustments to contingent consideration are accounted for as a change in estimate adjusting the cost of the business combination and included in goodwill.

Intangibles assets are recognised separately from goodwill where they meet the recognition criteria, are separable and arise from contractual or other legal rights. Intangible assets acquired on acquisition are separately recognised if they met these requirements.

2.4 Going concern

At December 2022, the group had net liabilities of £123,245,000 (2021: £49,310,000), but of its borrowings £730,884,000 (2021: £628,945,000) were due after more than one year and of these £462,039,000 (2021: £412,326,000) were loan notes and interest bearing preference shares due to shareholders. The group had a net cash generated from operating activities of £18,582,000, a cash balance (net of overdrafts) of £7,988,000 (2021: £6,637,000), an undrawn RCF facility of £6,750,000 (2021: £6,750,000) and a undrawn committed acquisition facility of £6,500,000 (2021: 6,500,000). At all times during the period the Group comfortably met its financial covenant tests. As part of its ongoing planning process the Directors have prepared detailed profit and loss, balance sheet and cash flow forecasts to 31 December 2024 and as such these include the twelve months following the date of approval of these accounts. These were based upon the latest near term forecast and management's trading expectations beyond this based upon the group's medium-term plans and historical performance against these plans. These demonstrate on a forecast and stress tested, including a reverse stress test, basis that the group will have both sufficient funds available to meet its obligations as they fall due and will remain covenant compliant for at least the twelve months from the date of approval of these accounts. The directors have therefore prepared the financial statements on a going concern basis.

2.5 Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiary undertakings are accounted for at cost less impairment in the individual financial statements.

Gravity Topco Limited
Financial statements
for the year ended 31 December 2022

Notes to the financial statements

2 Accounting policies (continued)

2.6 Intangible assets

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) in respect of acquisitions is capitalised and is measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- Goodwill - 15 years
- Patents - 15 Years
- Software - 4-5 Years
- Brand - 10-15 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

2.7 Tangible fixed assets and depreciation

All fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to recoverable amount. Any such write down would be charged to Other Administrative Expenses. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Buildings	- the lower of 25 years or length of lease. - 50 years for freehold property
Plant and machinery	- 6 - 15 years
Motor vehicles	- 3 - 4 years
Office equipment	- 3 - 5 years

The assets' residual values, useful lives and depreciation method 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 this is recognised in the consolidated statement of comprehensive income.

2.8 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.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

2.9 Stocks

Stocks and work in progress are valued at the lower of cost and estimated net realisable value, after making due allowance for obsolete and slow-moving items. Stocks and work in progress are recognised as an expense in the period in which the related revenue is recognised. Cost is determined on a first-in first-out basis. The cost of work in progress and finished goods comprises materials costs and directly attributable overheads. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

2.10 Debtors

Short term debtors including loans receivable are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Gravity Topco Limited
Financial statements
for the year ended 31 December 2022

Notes to the financial statements

2 Accounting policies (continued)

2.11 Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at transaction price, net of transaction costs and are measured subsequently at amortised cost using the effective interest method. Transaction costs are amortised over the life of the loan.

2.12 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover is stated at the fair value of consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of Safety Components , Safety Systems and Installed Safety Systems.

Turnover from the sale of goods is recognised when the following conditions are met:

- the group has transferred the significant risks and rewards of ownership to the buyer;
- the amount of turnover can be measured reliably;
- it is probable that the group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Turnover on long term installed safety systems contracts is determined based upon the stage of completion of the contract which is determined with reference to the costs incurred to date as a percentage of the total expected costs for the contract.

Sale of Services, including System recertifications, Safety training and Consultancy services.

Turnover from the provision of services is recognised in the period in which the services are provided in accordance with the stage of completion of the services when the following conditions are met:

- the amount of turnover can be measured reliably;
- it is probable that the group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred to complete the services can be measured reliably.

2.13 Operating leases: Lessee

Rentals paid under operating leases are charged to the Consolidated Statement of comprehensive income on a straight line basis over the period of the lease.

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.

2.14 Provisions for liabilities

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

2.15 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred. Professional and arrangement fees are netted off debt and released to the income statement to give a constant rate of return.

Gravity Topco Limited
Financial statements
for the year ended 31 December 2022

Notes to the financial statements

2 Accounting policies (continued)

2.16 Related party transactions

Under the terms of Financial Reporting Standard 102 Section 33 'Related Party Disclosures', the company is exempt from the requirement to disclose transactions with entities that are wholly owned subsidiaries of Gravity Topco Limited.

The group discloses transaction with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the group financial statements.

2.17 Taxation

Current tax is recognised as the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

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

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed. Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.18 Foreign currencies

Functional currency and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in Sterling.

Transactions and balances

Transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise. However, in the consolidated financial statements exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in other comprehensive income and are not reclassified to profit or loss.

Gravity Topco Limited
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Notes to the financial statements

2 Accounting policies (continued)

Translation of group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated from their functional currency to Sterling (£) using the closing exchange rate. Income and expenses are translated using the average rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising on the translation of group companies are recognised in other comprehensive income and are reclassified to profit or loss where control of a subsidiary is lost.

2.19 Finance leasing and hire purchase commitments

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased assets or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined, the group's incremental borrowing rate is used.

Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the assets. Assets are assessed for impairment in each reporting date.

The capital element of the lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

2.20 Share based payments

Group

The group provides share-based payment arrangements to certain employees.

Equity-settled arrangements are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of the grant. The fair value is expensed on a straight line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

Where equity-settled arrangements are modified, and are of the benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share-based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the profit and loss.

The group has no material cash-settled arrangements.

Company

The company has no employees and thus there is no charge in the profit and loss for share-based payments. The charge for share-based payments has been recognised as an increase in cost of investment in subsidiaries.

2.21 Defined contribution pension plan

The Company 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 Group has 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 accruals as a liability in the Consolidated Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.22 Research and development expenditure

Research and development expenditure is normally written off as incurred. Development expenditure incurred on an individual project may be capitalised as an asset if and only if certain criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic life, which is generally 4 to 6 years.

Gravity Topco Limited
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Notes to the financial statements

2 Accounting policies (continued)

2.23 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable, payable, loans from banks and other third parties, loans to related parties and interest rate caps with banks.

Debt instruments (other than those wholly repayable or receivable within one period), 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 period, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

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 the consolidated statement of comprehensive income.

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 reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

Financial assets and liabilities within the scope of FRS102 Section 12 (Derivatives) and , are initially recognised at fair value, which is normally the transaction price. If a financial asset arises from a financing transaction, it is initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument (as determined at initial recognition) and adjusted for transaction costs. Subsequent measurement of the financial assets and liabilities will be fair value, with the change in fair value recognised in profit and loss. The group has only entered into three basic interest caps that falls under this. See note 16.

2.24 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following estimates had the most significant effect on amounts recognised in the financial statements.

Contingent consideration

As part of the acquisition process, a forecast is prepared which projects the financial performance of the business over the expected earn-out period. These forecasts are reviewed and updated based on actual performance. Part of the cost of the acquisition is sometimes dependent on the trading performance of the acquired business following the transaction. The contingent consideration is based on these estimates of the future performance of the acquired business at the date of acquisition and is recorded as a financial liability reflecting the time value of money, see notes 16 and 17.

Business combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value of intangible assets which meet the recognition criteria under FRS 102, management uses estimates of future cash flows through using these intangible assets and discount rates.

Gravity Topco Limited
Financial statements
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Notes to the financial statements

2 Accounting policies (continued)

2.24 Significant judgements and estimates (continued)

Goodwill and intangible asset amortisation

In relation to Goodwill, Management expect the benefits of this to be consumed by the entity over the course of fifteen years. This is due to the turnover of both employees and customers and the synergies which will be internally generated over this period taking more precedent by this point in time. Management have therefore deemed the useful economic life of goodwill to be 15 years.

Brand intangible assets are considered to have a useful economic life of either 10 or 15 years with reference to the life of other brands with similar backgrounds. Software intangible assets are considered to have a useful economic of 4 or 5 years at which point they will require further investment to maintain operability.

Impairment of non-financial assets and goodwill

Management consider that the group is composed of six individual cash generating units due to the commercial management structure of the business which ensures that these individual units are the lowest level at which management plan and resource the business. Management consider there to be no indicators or events that would lead to an impairment of any of the intangible assets.

Share based payments

The company has issued 2,275,000 C2 (2021: 31,700,000 B1, B2, C1 and C2) £0.01 Ordinary shares to employees of the Group for a par value of £22,750 (2021: £317,000) (see note 25). As these shares carry certain forfeit clauses linked to continued employment this issue of shares is considered a share based payment under FRS 102.

Management have concluded that the shares should be treated as an equity settled scheme. This judgment has been reached when considering the probability of multiple events happening that would result in the shares being settled, specifically that a repayment event is more likely than an employee who has been granted shares ceasing to be employed by the Company.

A Binomial model was used to calculate a future expected value on an exit event, being the only point at which shares can be sold, assuming a five year timescale and exit on 31 March 2026. A risk free interest rate of 1.43%, dividend rate of 0%, asset volatility rate of 30%, discount for lack of marketability of 20% and employee turnover of 5% per annum were assumed. We consider these assumptions to be appropriate for the valuation of shares issued in the current year because, the end point is fixed on Group's valuation and not time. A total share based payment value was recalculated using the model to be £17,572,500 (2021: £16,395,827). The balance as at year end will be charged to the profit and loss evenly over the remaining period to vesting date. The charge in the period is therefore taken to be £3,554,271 (2021: £2,469,000). Further assumptions are detailed in note 26.

Provision for bad debts

A specific provision is made at each reporting date for estimated losses resulting from the viability of the Group's customers to make the required payment. The provision is based on the Group's regular assessment of the credit worthiness and financial conditions of the customer. See note 15.

Provision for slow moving stocks

A specific provision is made at each reporting date for stocks that are considered to be excessive and above normal levels. See note 14.

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Notes to the financial statements

3 Analysis of turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax.

By geographical market:

	2022 £ '000	2021 £ '000
UK	66,347	33,129
Europe	35,360	18,943
North America	77,020	48,946
Rest of world	8,285	5,863
	<u>187,012</u>	<u>106,881</u>
Sale of goods	168,010	94,707
Sale of services	19,002	12,174
	<u>187,012</u>	<u>106,881</u>

4 Operating loss

	2022 £ '000	2021 £ '000
Consolidated operating loss is stated after charging / (crediting) :		
Depreciation of owned fixed assets	1,691	1,044
Depreciation of assets held under finance leases and hire purchase contracts	147	147
Amortisation of goodwill	35,602	25,066
Amortisation of software	154	70
Amortisation of brand value	4,866	3,270
Operating lease rentals - plant and machinery	796	451
Operating lease rentals - land and buildings	2,448	2,114
Realised foreign exchange gain	(123)	(58)
Auditor's remuneration		
- fees payable to the company's auditor for the statutory audit of the Company's and consolidated annual accounts	325	275
- fees payable to the auditor in respect of financial diligence services	-	471
- fees payable to the auditor in respect of tax compliance services	315	72

5 Directors' remuneration

	2022 £ '000	2021 £ '000
Remuneration in respect of the directors was as follows:		
Emoluments (including benefits in kind)	451	320
Pension contributions to defined contribution pension schemes	14	10
Total directors remuneration	<u>465</u>	<u>330</u>
Amounts paid to third parties for non-executive directors' services	<u>300</u>	<u>112</u>
- these amounts are paid to the Institutional investors management company who employ the Non-Executive Directors.		
Highest paid director:		
Emoluments	183	137
Company contributions to defined contribution pension plans	8	6
	<u>191</u>	<u>143</u>

Number of directors to whom retirement benefits accrued:

	2022 Number	2021 Number
Defined contribution plans	<u>2</u>	<u>2</u>

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Notes to the financial statements

6	Employees	2022 £ '000	2021 £ '000
	Group		
	Staff costs, including the directors, during the year were as follows:		
	Wages and salaries	33,150	18,690
	Social security costs	3,688	2,006
	Other pension costs	1,269	771
		<u>38,107</u>	<u>21,467</u>
	Equity settled non cash share based payment	3,554	2,469
		<u>41,661</u>	<u>23,936</u>
	The average number of persons, including the directors, employed by the group during the period was:		
		Number	Number
	Administration	217	165
	Manufacturing	249	248
	Sales and Marketing	465	400
		<u>931</u>	<u>813</u>
	Company		
	The company had no employees during the period other than the directors who did not receive any remuneration from the company. The compensation of the directors for the services they rendered as a director is borne by the other entities within the Group which can't be split and is included in Note 5 above.		
7	Interest receivable and similar income	2022 £ '000	2021 £ '000
	Bank interest receivable	17	-
	Other interest receivable	1	4
		<u>18</u>	<u>4</u>
8	Interest payable and similar charges	2022 £ '000	2021 £ '000
	Bank loans and overdrafts	16,700	8,488
	Other debts	49,712	33,583
	Amortisation of the cost of loan finance	1,575	953
	Implied interest on discounted deferred consideration	2,607	1,007
	Finance charges payable under finance leases and hire purchase contracts	59	20
		<u>70,653</u>	<u>44,051</u>

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9 Taxation on loss on ordinary activities	2022 £ '000	2021 £ '000
Analysis of charge in period		
Current tax:		
UK corporation tax on loss for the period	1,261	801
Overseas tax	3,171	2,302
Adjustments in respect of previous periods relating to UK tax	667	(45)
Adjustments in respect of previous periods relating to overseas tax	-	(409)
	<u>5,402</u>	<u>2,649</u>
Deferred tax:		
Origination and reversal of timing differences	298	(942)
Adjustments in respect of prior periods	175	-
Movement in deferred tax liability arising on discounting of deferred consideration	(157)	(252)
Movement in deferred tax liability arising on brand value	(218)	(739)
Movement in deferred tax liability due to change in rate from 19% to 25%	-	(334)
	<u>98</u>	<u>(2,267)</u>
Total tax charge for the year	<u>5,500</u>	<u>382</u>

Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 19%. The effective rate for the period is -8.13% (2021: -3.79%) which is below the UK rate of corporation tax. The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

Total taxation charge reconciliation	2022 £ '000	2021 £ '000
Loss on ordinary activities before tax	<u>(69,879)</u>	<u>(51,767)</u>
Standard rate of corporation tax in the UK	19.00%	19.00%
	£ '000	£ '000
Loss on ordinary activities multiplied by the standard rate of corporation tax	(13,277)	(9,836)
Effects of:		
Expenses not deductible for tax purposes	7,506	10,503
Capital allowances for period in excess of depreciation	(31)	-
Other tax adjustments, reliefs and transfers	9,208	-
Differences between UK and foreign tax rates	1,069	169
Adjustment in respect of prior periods (current & inter-co)	667	(454)
Adjustments in respect of prior periods (deferred tax)	175	-
Remeasurement of deferred tax for changes in tax rates	36	-
Movement in deferred tax not recognised	147	-
Total tax charge	<u>5,500</u>	<u>382</u>

Factors that may affect future tax charges

The main rate of corporation tax will remain unchanged at 19% in 2022, but will rise to 25% from 1 April 2023 based on announcement at the budget in 2021.

Deferred tax has been measured at the average tax rates that are expected to apply in the year in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted by the statement of financial position date.

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10 Intangible fixed assets	Brands	Goodwill on Consolidation	Software	Patents	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Cost					
At 1 January 2022	54,241	520,150	937	14	575,342
Additions in relation to current period acquisitions (note 35)	4,527	26,038	-	-	30,565
Additions in the year	-	-	117	-	117
Measurement adjustment in relation to prior year acquisitions	-	4,130	-	-	4,130
Exchange difference	2,970	27,664	-	-	30,634
At 31 December 2022	<u>61,738</u>	<u>577,982</u>	<u>1,054</u>	<u>14</u>	<u>640,788</u>
Amortisation					
At 1 January 2022	3,294	25,066	70	-	28,430
Charge for the period	4,866	35,602	154	14	40,636
Exchange difference	458	1,740	-	-	2,198
At 31 December 2022	<u>8,618</u>	<u>62,408</u>	<u>224</u>	<u>14</u>	<u>71,264</u>
Net book value					
At 31 December 2022	<u>53,120</u>	<u>515,574</u>	<u>830</u>	<u>-</u>	<u>569,524</u>
At 1 January 2022	<u>50,947</u>	<u>495,084</u>	<u>867</u>	<u>14</u>	<u>546,912</u>

In accordance with FRS102 19.19, Gravity Topco Limited group have taken the advantage of the one year window to revise goodwill acquired on acquisition.

Goodwill, Brands and Software are being amortised in equal annual instalments over their estimated economic life of 15 years, 10 to 15 years and 4 to 5 years respectively. Amortisation of intangible assets is included in administrative expenses.

The Brands intangible assets comprise the brand names of the group's products, the group's name and the names of the trading subsidiaries and are recognised separately from goodwill as they possess sufficient legal and contractual rights to meet the recognition criteria under FRS102.

Software is the capitalisation of the externally incurred development costs in relation to bespoke software developed and now used by the group to underpin certain revenue streams. These costs are amortised over the expected life of the product before it will require significant upgrades and this can range between 4 - 5 years.

During the current year, we revised the fair values of assets and liabilities for businesses acquired in the prior year. This resulted in a £4,130,000 adjustment to Goodwill as the fair value changes were because of facts and circumstances that existed as at acquisition date. This is split into £2,262,000 onerous contract provision, £1,246,000 additional contingent consideration, £444,000 additional purchase consideration and £178,000 other fair value changes.

The company has no intangible assets.

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11 Tangible fixed assets

Group

	Land and buildings	Plant and machinery	Motor vehicles	Office equipment	Total
	<i>At cost</i>	<i>At cost</i>	<i>At cost</i>	<i>At cost</i>	
	£ '000	£ '000	£ '000	£ '000	£ '000
Cost					
At 1 January 2022	1,942	3,278	531	1,396	7,147
On acquisition (note 35)	2	468	2	144	616
Additions	362	1,173	416	765	2,716
Reclassification	17	(39)	-	22	-
Disposals	-	(563)	(342)	(142)	(1,047)
Exchange difference	127	210	18	117	472
At 31 December 2022	<u>2,450</u>	<u>4,527</u>	<u>625</u>	<u>2,302</u>	<u>9,904</u>
Depreciation					
At 1 January 2022	152	541	16	389	1,098
Charge for the year	244	842	192	560	1,838
On disposals	-	(490)	(232)	(142)	(864)
Exchange difference	76	-	-	50	126
At 31 December 2022	<u>472</u>	<u>893</u>	<u>(24)</u>	<u>857</u>	<u>2,198</u>
Carrying amount					
At 31 December 2022	<u>1,978</u>	<u>3,634</u>	<u>649</u>	<u>1,445</u>	<u>7,706</u>
At 31 December 2021	<u>1,790</u>	<u>2,737</u>	<u>515</u>	<u>1,007</u>	<u>6,049</u>

Land and building comprise leasehold property improvement costs and one freehold property which is held at a depreciated cost of £837,000 (2021: £837,000) at 31 December 2022.

The company has no tangible assets.

	2022	2021
	£ '000	£ '000
Carrying value of plant and machinery included above held under finance leases and hire purchase contracts	<u>196</u>	<u>343</u>

Gravity Topco Limited
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Notes to the financial statements

12 Investments	2022	2021
Company	Investments in subsidiary undertakings £ '000	Investments in subsidiary undertakings £ '000
Cost		
Opening balance	3,129	-
Acquisitions made in the period	-	660
Additions relating to share based payments	3,554	2,469
Closing balance	<u>6,683</u>	<u>3,129</u>

The companies in which Gravity Topco Limited's direct or indirect interest at 31 December 2022 was 100% are as follows:

Company (and number)	Country of incorporation	Ordinary shares held by company	Principal activity	Nature of shareholding
Gravity Midco I Limited (*) 13244463	England	100%	Holding Company	Direct
Gravity Midco II Limited (*) 13244474	England	100%	Holding Company	Direct
Gravity Bidco Limited (*) 13244484	England	100%	Holding Company	Direct
Gravity US Inc	USA	100%	Holding Company	Direct
Barton Industrial Services Limited (*) NI019057	Northern Ireland	100%	Safety systems and components	Direct
Unisystemer AS Asker	Norway	100%	Safety systems and components	Direct
A2M Limited (*) 08994829	England	100%	Safety systems and components	Direct
Lighthouse Safety Training Limited (*) 05138380	England	100%	Health and Safety Training	Direct
Heightsafe Systems Limited (*) 07064393	England	100%	Safety systems and components	Direct
Heightsafe Holdings Limited (*) 13584001	England	100%	Holding Company	Direct
Total Envelope Solutions Limited (*) 11211338	England	100%	Dormant Company	Direct
HS Asbestos Services Limited (*) 07724469	England	100%	Dormant Company	Direct
HSRoofclad Limited (*) 11212246	England	100%	Dormant Company	Direct
Safety Topco Limited (*) 11007525	England	100%	Holding Company	Direct
Safety Midco Limited (*) 11007798	England	100%	Holding Company	Direct
Safety Bidco Limited (*) 11008108	England	100%	Holding Company	Indirect
Kee Safety Group Limited (*) 08715491	England	100%	Holding Company	Indirect
Ensco 1020 Limited (*) 08766188	England	100%	Holding Company	Indirect
KSG (2011) Limited (*) 07470886	England	100%	Holding Company	Indirect
Kee Safety International Limited (*) 05857579	England	100%	Holding Company	Indirect
KIGH 2004 Limited (*) 05150187	England	100%	Holding Company	Indirect
KIGH 2000 Limited (*) 03952999	England	100%	Holding Company	Indirect
K.I.G. Limited (*) 03182765	England	100%	Head Office and Holding Company	Indirect
Kee Safety Limited (*) 03182766	England	100%	Safety systems and components	Indirect
Tubeclamps Limited (*) 00497622	England	100%	Safety systems and components	Indirect
Kee Safety Logistics Limited (*) 03182749	England	100%	Safety systems and components	Indirect
Kee Safety GmbH	Germany	100%	Safety systems and components	Indirect
Kee Safety Inc	USA	100%	Safety systems and components	Indirect
Kee Safety Limited	Canada	100%	Safety systems and components	Indirect
Access Technologies Limited (*) 02879801	England	100%	Safe access solutions	Indirect
Kee Safety SAS	France	100%	Safety systems and components	Indirect
Easyfit Inc	USA	100%	Safety systems and components	Indirect
Kee Safety LLC	UAE	100%	Safety systems and components	Indirect
Kee Safety Sp zoo	Poland	100%	Safety systems and components	Indirect

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Notes to the financial statements

12 Investments (continued)

Company	Country of incorporation	Ordinary shares held by company	Principal activity	Nature of shareholding
Simplified Safety Inc	USA	100%	Internet safety products sales	Indirect
Simplified Safety Limited (*) 069032580	England	100%	Internet safety products sales	Indirect
Simplified Safety GmbH	Germany	100%	Internet safety products sales	Indirect
Simplified Safety B.V.	Netherlands	100%	Internet safety products sales	Indirect
Kee Systems Limited (*) 02391277	England	100%	Safety systems and components	Indirect
LNA Solutions Limited	USA	100%	Safety systems and components	Indirect
Easi-Dec Access Systems Limited (*) 01845301	England	100%	Safe access solutions	Indirect
Safesite Limited (*) 02609468	England	100%	Safety systems and components	Indirect
Kee Safety Far East Limited	Hong Kong	100%	Sourcing of safety systems and components	Indirect
Kee Safety Shanghai Limited	China	100%	Sourcing of safety systems and components	Indirect
Skyway Safe Access Equipment Limited	Republic of Ireland	100%	Safety systems and components	Indirect
Skyway Safe Access Equipment (NI) Limited NI601274	Northern Ireland	100%	Safety systems and components	Indirect
Sesco LLC	USA	100%	Safety systems and components	Indirect
Harcon Services Limited (*) 03943245	England	100%	Safety systems and components	Indirect
VTD Nederland B.V.	Netherlands	100%	Safety systems and components	Indirect
Handelsonderneming Buisklem B.V.	Netherlands	100%	Safety systems and components	Indirect
Gevaco B.V.	Netherlands	100%	Safety systems and components	Indirect
Steadfast (Anglia) Limited (*) 04161232	England	100%	Safety systems and components	Indirect
Portaramp (UK) Limited (*) 05556499	England	100%	Safe access solutions	Indirect
Fisher Alvin Holdings Limited (*) 07533810	England	100%	Property and Holding company	Indirect
Fisher Alvin Limited (*) 05571445	England	100%	Safety systems and components	Indirect
Flexible Lifeline Systems Inc	USA	100%	Safety systems and components	Indirect
Roof Edge Fabrications Limited (*) SC111926	Scotland	100%	Safety systems and components	Indirect
Roof Anchor Company Limited (*) SC165987	Scotland	100%	Safety systems and components	Indirect
W H Maintenance Limited (*) SC191024	Scotland	100%	Safety systems and components	Indirect
Lighthouse Safety LLC	USA	100%	Safety systems and components	Indirect
High Engineering Limited	Canada	100%	Safety systems and components	Indirect
Kee Safety (Singapore) Pvt Limited	Singapore	100%	Safety systems and components	Indirect
APS Safety Systems Limited (*) SC356962	Scotland	100%	Safety systems and components	Indirect
Highwire Limited (*) 03417319	England	100%	Safety systems and components	Indirect
Oxford Safety Components Limited (*) 03967319	England	100%	Safety systems and components	Indirect
Planet Platforms (Holdings) Limited (*) 06114976	England	100%	Safety systems and components	Indirect
Planet Platforms Limited (*) 01546757	England	100%	Safety systems and components	Indirect
Safeguard U.S. Inc.	USA	100%	Safety systems and components	Indirect
Safeguard Safety Inc.	Canada	100%	Safety systems and components	Indirect
Safety and Access Limited (*) 02560824	England	100%	Safe access training	Indirect
Martin Castle Limited (*) 06463316	England	100%	Safe access training	Indirect
FlexDecks Inc	USA	100%	Safe access solutions	Indirect

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12 Investments (continued)

Company	Country of incorporation	Ordinary shares held by company	Principal activity	Nature of shareholding
Megametal B.V.	Netherlands	100%	Safety systems and components	Indirect
Omega Industrial Products Inc	USA	100%	Safety systems and components	Indirect
Alpha Fabrications L.L.C	USA	100%	Safety systems and components	Indirect
Kee Safety India	India	100%	Safety systems and components	Indirect
Mantech Safety Systems (*) 08264974	England	100%	Safety systems and components	Indirect
Safety Engineering Products Limited (*) 08264974	England	100%	Safety systems and components	Indirect
XSPplatforms Work at Height B.V.	Netherlands	100%	Safety systems and components	Indirect
XSPplatforms Intellectual Property B.V	Netherlands	100%	Safety systems and components	Indirect
All Risk BV	Netherlands	100%	Safety systems and components	Indirect
Lunado B.V.	Netherlands	100%	Safety systems and components	Indirect
AMH Flachdach-Sicherungs GmbH	Germany	100%	Safety systems and components	Indirect

All the above subsidiaries are included in the consolidation.

The directors confirm that in accordance with sections 479A and 479C of the Company Act 2006, Gravity Topco Limited as parent company provides parental guarantee to its subsidiaries marked with (*) therefore the subsidiaries are claiming exemption from the requirement of the UK Companies Act 2006 relating to the audit of the individual accounts.

The company indirectly holds 100% of the share capital of the following dormant companies in the UK, Kee Klamp Limited, Key Safety Limited, Key Klamp Limited, Key Klamps Limited, Key Clamp Limited, Key Clamps Limited, Kee Clamp Limited, Kee Clamps Limited, Kee Klamps Limited, Alvin Key Clamps Limited, Fastmat Limited and Dunn and Cowe Limited.

13 Cash and cash equivalents

Group	2022 £ '000	2021 £ '000
Cash in bank and in hand	11,577	7,418
Bank overdrafts (note 17)	(3,589)	(781)
	<u>7,988</u>	<u>6,637</u>
Company		
Cash at bank and in hand	<u>-</u>	<u>-</u>

14 Stocks Group	2022 £ '000	2021 £ '000
Raw materials and consumables	21,386	7,103
Work in progress	562	794
Finished goods and goods for resale	<u>17,902</u>	<u>18,837</u>
	<u>39,850</u>	<u>26,734</u>

The company holds no inventory.

Stock recognised in cost of sales during the period as an expense was £43,060,000 (2021: £25,617,000).

The book value of inventories is not materially different from their replacement cost.

Inventories are stated after provisions for impairment of £7,570,000 (2021: £6,141,000) and the charge in the period was £267,000 (2021: gain £171,000).

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15 Debtors	2022	2021
	£ '000	£ '000
Debtors due within one year		
Group		
Trade debtors	48,421	33,871
Other taxation	1,031	879
Other debtors	850	1,064
Prepayments	6,789	2,864
Amount due from customers for contract work	4,797	4,643
	<u>61,888</u>	<u>43,321</u>

The company has no debtors less than one year.

An impairment gain of £212,000 (2021: loss £130,000) was recognised against trade debtors during the period.

Debtors due after more than one year

Company	2022	2021
	£ '000	£ '000
Amounts owed by group undertakings	<u>249,426</u>	<u>233,679</u>

Amounts owed by group undertakings are interest bearing and unsecured and are repayable on demand but repayment will not be sought within 12 months. Interest is charged at 5.0% over SONIA, USD SOFR, CDOR or EURIBOR (subject to a downward only interest rate ratchet based upon adjusted leverage).

16 Financial instruments held as current assets	2022	2021
	£ '000	£ '000
Fair value		
Interest rate cap	<u>5,297</u>	<u>-</u>
Increase/(decrease) in fair value included in the profit and loss account for the		
Interest rate cap	<u>5,297</u>	<u>-</u>
	<u>5,297</u>	<u>-</u>

During the current year, the Group entered into three different interest rate cap contracts with Lloyds Bank. A cap of 2.5% on floating GBP-SONIA daily rate on £87,812,339 notional amount over 36 months for a monthly premium of £45,067. A cap of 1.5% to be applied on floating EURIBOR daily rate on €49,500,000 notional amount over 36 months for a monthly premium of €23,104. A cap of 3.25% on floating USD SOFR daily rate on \$95,961,889 notional amount over 36 months for a monthly premium of \$50,759.

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17 Creditors: amounts falling due within one year	2022	2021
Group	£ '000	£ '000
Bank overdrafts	3,589	781
Obligations under finance lease and hire purchase contracts	153	153
Trade creditors	10,529	8,591
Corporation tax	3,355	5,045
Other taxes and social security costs	3,054	2,234
Other creditors	-	300
Contingent consideration (prior year acquisitions)	3,379	-
Contingent consideration (see note 34)	15,523	9,461
Accruals and deferred income	12,474	6,324
	<u>52,056</u>	<u>32,889</u>
Movement in deferred consideration	2022	2021
	£ '000	£ '000
At 1 January	20,050	-
Current year acquisitions	15,997	31,503
Adjustment to prior year acquisitions	3,379	-
Paid during the current	(12,524)	(11,453)
At 31 December	<u>26,902</u>	<u>20,050</u>
Current	18,902	9,461
Non-current	8,000	10,589
Total	<u>26,902</u>	<u>20,050</u>

The company has no creditors falling due within one year.

Contingent consideration of £12,524,000 (2021: 11,453,000) was paid in the period.

Total contingent consideration is based upon attainment of EBITDA and ROS targets in the two years post acquisition with upward and downward adjustments in consideration based upon actual performance compared to the targets. At 31 December 2022 the minimum amount payable is £10,804,000 (2021: £703,000) and the maximum amount payable is £29,614,000 (2021: £44,280,000).

The bank overdrafts are secured by the group's assets and are subject to fixed and floating charges and guarantees over the obligations of all subsidiary companies within the Gravity Topco Limited Group.

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18 Creditors: amounts falling due after one year	2022	2021
Group	£ '000	£ '000
11.5% Cumulative Investor Preference Shares	275,390	245,872
4.5% Cumulative Investor Senior PIK Preference Shares	10,865	4,114
4.5% Cumulative Investor Senior ILN Preference Shares	2,988	1,127
7.0% Unsecured 31/3/2031 Cumulative Investor Loan Notes	37,270	34,771
7.0% Unsecured 31/3/2031 Cumulative Investor PIK Notes	135,526	126,442
Bank loans (net of the unamortised cost of raising the bank loans)	260,829	216,619
Obligations under finance lease and hire purchase contracts	16	208
Contingent consideration (see note 34)	8,000	10,589
	730,884	639,742
Company	2022	2021
	£ '000	£ '000
11.5% Cumulative Investor Preference Shares	275,390	245,872
4.5% Cumulative Investor Senior PIK Preference Shares	10,865	4,114
4.5% Cumulative Investor Senior ILN Preference Shares	2,988	1,127
	289,243	251,113
19 Loan analysis	2022	2021
Group	£ '000	£ '000
Gross bank term loan	268,417	224,569
Unamortised cost of raising bank term loan	(7,588)	(7,950)
11.5% Cumulative Investor Preference Shares	275,390	245,872
4.5% Cumulative Investor Senior PIK Preference Shares	10,865	4,114
4.5% Cumulative Investor Senior ILN Preference Shares	2,988	1,127
7.0% Unsecured 31/3/2031 Cumulative Investor Loan Notes	37,270	34,771
7.0% Unsecured 31/3/2031 Cumulative Investor PIK Notes	135,526	126,442
	722,868	628,945
Company	2022	2021
	£ '000	£ '000
11.5% Cumulative Investor Preference Shares	275,390	245,872
4.5% Cumulative Investor Senior PIK Preference Shares	10,865	4,114
4.5% Cumulative Investor Senior ILN Preference Shares	2,988	1,127
	289,243	251,113

The Bank term loan is a multicurrency facility currently denominated in Sterling, US dollars, Canadian dollars and Euros. The loan is repayable in full on 31 March 2028. Interest is payable at 5.0% over SONIA, USD SOFR, CORRA or EURIBOR (subject to a downward only interest rate ratchet). The initial value of the loan drawn on 31 March 2021 was £210,000,000. Additional loan drawn in the current year was £31,696,000 (2021: £13,500,000).

The group's senior facility agreement provides a frame work for the transition to the replacement for EURIBOR as and when this benchmark is superseded by the new benchmark. No date has yet been established for the transition of the remaining benchmark.

The Investor preference shares accrue value at an annual interest rate of 11.5% and are repayable in full on 31 March 2031. The PIK and ILN preference shares accrue interest of 4.5% on a notional capital value of £120,000,000 and £33,000,000 respectively and are repayable in full on 31 March 2031. The PIK preference shares rank above the ILN preference shares which rank above the Investor Preference shares. All preference shares are only repayable once the Investor Loan Notes and Investor PIK Notes have been settled in full.

The Investor Loan Notes and Investor PIK Notes are unsecured and carry an annual interest of 7.0% and are repayable in full on 31 March 2031.

The aforesaid bank term loan is secured by the group's assets and are subject to fixed and floating charges and guarantees over the obligations of all subsidiary companies within the Gravity Topco Limited Group.

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20	Obligations under finance leases and hire purchase contracts	2022 £ '000	2021 £ '000
	Amounts payable:		
	Within one year	153	153
	Within two to five years	16	208
		<u>169</u>	<u>361</u>

Finance lease and hire purchase contracts relate to the liability under a standard hire purchase agreement related to the acquisition of various pieces of capital equipment. At the end of the lease period ownership transfers to the group for the payment of nominal sums.

21	Deferred taxation	2022 £ '000	2021 £ '000
	Group		
	Deferred tax recognised comprises:		
	Deferred tax liability arising on discounting of contingent consideration	680	508
	Deferred tax asset arising on restricted corporate interest deductibility	(3,537)	(3,537)
	Deferred tax asset arising on inventory and debtor provisions	969	970
	Deferred tax asset arising on profit in inventory provisions	1,317	1,159
	Capital allowances	(2,049)	(4,612)
	Deferred tax liability arising on the capitalisation of brand	12,798	12,580
		<u>10,178</u>	<u>7,068</u>
		2022 £ '000	2021 £ '000
	At 1 January 2022	7,068	-
	On acquisitions completed in the period	3,012	9,335
	Charged/(credited) to the profit and loss account	98	(2,267)
	At 31 December 2022	<u>10,178</u>	<u>7,068</u>

The net deferred tax liability expected to reverse in 2023 is £1,211,000 (2022: £1,273,000). This primarily relates to the reversal of timing differences on acquired brand assets through amortisation of the asset and the timing differences caused by the impact of the unwinding and associated interest charge of contingent consideration.

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22 Financial assets and liabilities

Group	2022	2021
Financial assets	£ '000	£ '000
Financial assets measured at amortised cost		
Cash at bank and in hand	11,577	7,118
Trade and other debtors	49,271	34,935
	<u>60,848</u>	<u>42,353</u>
Financial assets measured at fair value		
Interest rate cap	5,297	-
Financial liabilities		
	2022	2021
	£ '000	£ '000
Financial liabilities measured at amortised cost		
Bank overdrafts	(3,589)	(781)
Bank and other loans	(722,868)	(628,945)
Finance leases	(169)	(361)
Trade creditors	(10,529)	(8,591)
Other creditors and accruals	(12,474)	(6,624)
	<u>(749,629)</u>	<u>(645,302)</u>
Financial liabilities measured at fair value		
Contingent consideration	(26,902)	(20,050)
Company	2022	2021
Financial assets	£ '000	£ '000
Financial assets measured at amortised cost		
Amounts owed by group undertakings	-	-
Financial liabilities	2022	2021
	£ '000	£ '000
Financial liabilities measured at amortised cost		
Bank and other loans	(289,243)	(251,113)

23 Reconciliation of changes in net debt

	Cash & Cash	Long-term	Short-term	Net Debt
	Equivalents	borrowings	borrowings	
	£ '000	£ '000	£ '000	£ '000
At 1 January 2022	7,418	(629,153)	(934)	(622,669)
Cash flows				
Proceeds of new bank term loan	31,696	(31,696)	-	-
Costs related to raising bank term loan	(1,213)	1,213	-	-
Capital element of finance lease payments	(192)	-	192	-
Payments in respect of acquisitions	(29,919)	-	-	(29,919)
Repayments of other loans	-	(2,094)	-	(2,094)
Cashflows of the Group	3,666	-	(2,808)	858
Non-cash				
Accrued Interest	-	(49,713)	-	(49,713)
Finance Leases	-	192	(192)	-
Amortisation of cost of raising bank term loan	-	6,375	-	6,375
Loans from acquisitions	-	2,094	-	2,094
Foreign exchange movement	121	(12,152)	-	(12,031)
At 31 December 2022	<u>11,577</u>	<u>(714,934)</u>	<u>(3,742)</u>	<u>(707,099)</u>

Payments in respect of acquisitions includes all cashflows related to current and prior periods acquisitions.

Cash and Cash equivalents comprises cash at bank and in hand.

Long-term borrowings comprises obligations due under finance lease and hire purchase agreements, Preference shares, PIK and ILN loan notes and gross bank loans due after more than one year.

Short-term borrowings comprises obligations due under finance lease and hire purchase agreements due within one year and bank overdrafts.

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24 Other provisions

	Onerous lease £ '000	Onerous Contract £ '000	Total £ '000
At 1 January 2022	45	-	45
On acquisition of subsidiary	-	2,262	2,262
At 31 December 2022	<u>45</u>	<u>2,262</u>	<u>2,307</u>

The onerous lease provision relates to the closure of the group's facilities in Reading and may need to be settled in any period up to 2023.

The onerous contract provision relates to a loss-making contract that existed at the point of acquiring a business. Therefore, this has been treated as an exception cost of sales.

25 Financial risk management

The group has exposures to the following main areas of risk – foreign currency risk, credit risk, liquidity risk, and cash flow interest rate risk.

Foreign currency risk

The group is exposed in its trading operations to the risk of changes in foreign currency exchange rates. The group both buys and sells goods in foreign currencies providing a natural hedge against a proportion of its foreign currency cashflows. The main foreign currencies in which the group operates are the Euro and the US dollar. The group may enter into short term forward currency contracts from time to time, to cover net cashflow imbalances if appropriate. At the balance sheet date the Group has no open forward currency contracts.

The group has structured its long term borrowings to minimise the impact of changes in exchange rates on net assets denominated in foreign currencies.

Commodity price risk

The group's exposure to the price of various commodities is high, therefore selling prices are monitored regularly to reduce the impact of such risk; opportunities to reduce material cost and content are explored constantly.

Credit risk

The group's principal financial assets are bank balances, cash and trade debtors, which represent the group's maximum exposure to credit risk in relation to financial assets.

Credit risk is managed by monitoring the aggregate amount and duration of exposure to, and creditworthiness of, new and existing customers. In addition, in certain territories the group takes out credit insurance for customers, subject to the terms and conditions of the insurer. The group has no significant concentration of credit risk, with exposure spread over a large number of customers in different geographies.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit ratings agencies.

Liquidity risk

The group's policy has been to ensure continuity of funding through generating cash from its trading operations and arranging funding for operations via medium and long term external banking facilities. Further funding is provided by fixed rate loan notes and preference shares.

Cash flow interest rate risk

Interest bearing assets comprise cash and bank deposits, all of which earn interest at floating rates. The group is party to a group bank overdraft facility for which a variable interest rate charge is applicable.

The group benefits from a multi-currency term loan facility with a banking syndicate led by Lloyds Bank plc and HSBC Bank Plc. In order to combat interest rate risk the group, from time to time, enters into interest rate cap derivative contracts. See note 16 for more details on the interest rate cap contracts.

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26	Share capital	Nominal value	2022 Number	2021 Number	2022 £ '000	2021 £ '000
	Allotted, called up and fully paid:					
	A Ordinary shares	£0.01 each	66,000,000	66,000,000	660	660
	B1 Ordinary shares	£0.01 each	2,909,402	2,909,402	29	29
	B2 Ordinary shares	£0.01 each	4,012,288	4,012,288	40	40
	C1 Ordinary shares	£0.01 each	6,090,598	6,090,598	61	61
	C2 Ordinary shares	£0.01 each	20,962,712	18,687,712	209	187
					<u>999</u>	<u>977</u>
		Nominal value	Number	Number	Amount £ '000	Amount £ '000
	Shares issued during the period:					
	A Ordinary shares	£0.01 each	66,000,000	66,000,000	660	660
	B1 Ordinary shares	£0.01 each	2,909,402	2,909,402	29	29
	B2 Ordinary shares	£0.01 each	4,012,288	4,012,288	40	40
	C1 Ordinary shares	£0.01 each	6,090,598	6,090,598	61	61
	C2 Ordinary shares	£0.01 each	20,962,712	18,687,712	209	187
					<u>999</u>	<u>977</u>

Rights to a dividend

No dividends are payable by the company until the Bank term loan, Investor PIK and ILN Loan notes, Senior Preference and Preference shares (including accrued interest) have been repaid in full. Thereafter a dividend may be payable, as determined by the Board in accordance with the Articles, in respect of any accounting period. Each class of share ranks pari passu in respect of the rights to a dividend.

Return on capital

Each class of shares ranks pari passu in respect of the return of capital, surplus assets and retained profits.

Rights to vote

The A, B1 and C1 class of share is entitled to one vote for each share held and the B2 and C2 class of shares have no voting rights. In certain cases of financial underperformance or financial breach as set out in the Articles the holders of the A Ordinary shares shall be entitled to 95% of the voting rights of the company, both in terms of a poll vote at an ordinary meeting or a vote on a written resolution.

27	Share based payment reserve	2022 £ '000	2021 £ '000
	At 1 January	2,469	-
	Charged to Profit & Loss Account in period	3,554	2,469
	At 31 December	<u>6,023</u>	<u>2,469</u>

On 31 March 2021 2,275,000 C2 (2021: 31,700,000 B1, B2, C1 and C2) £0.01 Ordinary shares were subscribed for by employees of the Group for a par value of £22,750 (2021: £317,000) (see note 25). As these shares carry certain forfeit clauses linked to continued employment this issue of shares is considered a share based payment under FRS 102.

A Binomial model was used to calculate a future expected value on an exit event, being the only point at which shares can be sold, assuming a five year timescale and exit on 31 March 2026. A risk free interest rate of 1.43%, dividend rate of 0%, asset volatility rate of 30%, discount for lack of marketability of 20% and employee turnover of 5% per annum were assumed. We consider these assumptions to be appropriate for the valuation of shares issued in the current year because, the end point is fixed on Group's valuation and not time. A total share based payment value was recalculated using the model to be £17,572,500 (2021: £16,395,827). The balance as at year end will be charged to the profit and loss evenly over the remaining period to vesting date. The charge in the period is therefore taken to be £3,554,271 (2021: £2,469,000).

The risk free rate is based on the yield to maturity on a zero-coupon UK government bond maturing in line with the expected life is used as a proxy of risk-free rate.

Expected volatility is estimated based on the historic share price volatility of comparable quoted companies.

To reflect the illiquidity of the shares, we have applied a discount for lack of marketability ("DLOM") based on the average strike put option model defined by professor John D. Finnerty ("the Finnerty model").

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28 Profit and loss account

The Profit and Loss reserve includes all current and prior period retained profits and losses of the group.

29 Capital commitments

2022
£ '000

2021
£ '000

Amounts of tangible fixed assets contracted for but not provided in the accounts 105 226

Amounts relate to purchase of tangible fixed assets that have not been fully delivered at 31 December 2022 but for which the Group is contractually bound to purchase when delivered.

30 Defined contribution pension schemes

The pension cost charge for the period represents contributions paid by the group to the funds and this amounted to £1,269,000 (2021: £771,000). Contributions totalling £Nil (2021: £Nil) were payable to the fund at the period end.

31 Other financial commitments
Group

The group's future minimum operating lease payments are as follows:

	Land and buildings 2022 £ '000	Other 2022 £ '000	Total 2022 £ '000
Falling due:			
within one year	2,581	672	3,253
within two to five years	6,219	1,001	7,220
in over five years	5,765	71	5,836
	<u>14,565</u>	<u>1,744</u>	<u>16,309</u>

Other refers to operating leases for office equipment, motor vehicles, plant and machinery.

32 Guarantees

The assets of companies in the group are subject to fixed and floating charges and guarantees in relation to overdrafts.

33 Related party transactions

At 31 December 2022 the Group had amounts owing in respect of preference shares and accrued interest of £258,128,000 (2021: £223,945,000) to Gravity Investment Sarl, a key shareholder interest of £34,183,000 (2021: £23,146,000) was charged in the period. The Group had amounts owing in respect of loan notes and accrued interest of £173,482,000 (2021: £161,212,000) to Gravity Financing Sarl a party related to Gravity Investment Sarl, a key shareholder interest of £12,270,000 (2021: £8,212,000) was charged in the period. In addition the Group was charged £300,000 (2021: £225,000) of monitoring fees by Intermediate Capital Group Plc, the ultimate controlling party of Gravity Investment Sarl. The Group also had amounts owing in respect of preference shares and accrued interest to certain directors and management of £30,430,000 (2021: £27,168,000) and interest of £3,262,000 (2021: £2,224,000) was charged in the period.

	2022 £ '000	2021 £ '000
Key management personnel		
Emoluments (including benefits in kind)	562	478
Bonus payments	-	363
Pension contributions to defined contribution pension schemes	18	19
Key management personnel remuneration	<u>580</u>	<u>860</u>
Equity settled non cash share based payment	<u>715</u>	<u>436</u>

34 Immediate and ultimate controlling party

ICG Plc is deemed to be the ultimate controlling party by virtue of its control of voting rights and its majority shareholding.

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35 Acquisitions

The Group has acquired 100% share capital of five entities during the year. The details of each acquisition are set out below:

Safety Engineering Products Limited

On 29 April 2022, Gravity Bidco Limited (a group company) acquired 100% of the share capital of Safety Engineering Products Limited a specialist in manufacture and distribution of fall protection equipment based in England. In the period since acquisition, the company has contributed revenues of £2,171,000 to the group result and a profit after tax of £1,086,000.

Assets and liabilities acquired

	Vendors' book value	Fair value adjustments	Fair value to the group
	£ '000	£ '000	£ '000
Tangible fixed assets	51	-	51
Intangible fixed assets - brand	-	551	551
Deferred tax liability	(16)	(357)	(373)
Corporate tax liability	(235)	-	(235)
Stocks & Work in progress	332	395	727
Debtors	748	-	748
Cash at bank	800	-	800
Other creditors and provisions	(686)	-	(686)
Net assets acquired	<u>994</u>	<u>589</u>	<u>1,583</u>
Satisfied by:			
Cash			3,485
Discounted contingent consideration			4,282
Acquisition costs			<u>98</u>
			<u>7,865</u>
Goodwill arising on consolidation (see note 10)			<u>6,282</u>

The fair value adjustments relate to the following:

- the recognition of an intangible asset in respect of the brand acquired and associated deferred tax provision
- valuation of stocks at selling less costs of disposal and recognition of associated deferred tax provision

Contingent consideration is based upon attainment of an EBITDA target in the first year post acquisition with upward and downward adjustments in consideration based upon actual performance in the year compared to the target for the year. The minimum amount payable is £Nil and the maximum amount payable is £4,762,000.

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35 Acquisitions (Continued)

XSPlatforms Work at Height B.V., XSPlatforms Intellectual Property B.V. and Allrisk B.V.

On 7 June 2022, K.I.G. Limited (a group company) acquired the entire issued share capital of XSPlatforms Work at Height B.V. and XSPlatforms Intellectual Property B.V. Allrisk B.V. and the trading assets related to XS Platforms fall protection business in North America, a fall protection supply, suspended platforms and scaffolding group of companies based in the Netherlands. In the period since acquisition, the company has contributed revenues of £3,457,000 to the group result and profit after tax of £503,000.

Assets and liabilities acquired

	Vendors'	Fair value	Fair value
	book value	adjustments	to the group
	£ '000	£ '000	£ '000
Tangible fixed assets	242	-	242
Intangible fixed assets - brand	-	1,032	1,032
Deferred tax liability	(21)	(513)	(534)
Stocks & Work in progress	997	436	1,433
Debtors	1,971	-	1,971
Cash at bank	402	-	402
Other creditors and provisions	(4,093)	(983)	(5,076)
Net liabilities acquired	(502)	(28)	(530)

Satisfied by:

Cash	2,494
Discounted contingent consideration	6,094
Acquisition costs	133
	<u>8,721</u>
Goodwill arising on consolidation (see note 10)	<u>9,251</u>

The fair value adjustments relate to the following:

- the recognition of an intangible asset in respect of the brand acquired and associated deferred tax provision
- valuation of stocks at selling less costs of disposal and recognition of associated deferred tax provision

Contingent consideration is based upon attainment of an EBITDA target in the first year post acquisition with upward and downward adjustments in consideration based upon actual performance in the year compared to the target for the year. The minimum amount payable is £Nil and the maximum amount payable is £6,676,000.

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35 Acquisitions (Continued)

Lunado B.V.

On 30 September 2022, K.I.G. Limited (a group company) acquired Heightsafe Systems Limited via it's acquisition of it's non-trading parent company, Lunado B.V. is a supplier of high-quality products to advertising agencies, printers, sign makers, stand builders and other resellers, based in Netherlands. In the period since acquisition, the company has contributed revenues of £2,593,000 to the group result and a loss after tax of £94,000.

Assets and liabilities acquired

	Vendors'	Fair value	Fair value
	book value	adjustments	to the group
	£ '000	£ '000	£ '000
Tangible fixed assets	175	-	175
Intangible fixed assets - brand	-	2,448	2,448
Deferred tax liability	-	(916)	(916)
Corporate tax liability	150	-	150
Stocks & Work in progress	2,551	801	3,352
Debtors and Prepayments	1,541	-	1,541
Cash at bank	181	-	181
Other creditors and provisions	(981)	-	(981)
Net assets acquired	3,617	2,333	5,950

Satisfied by:

Cash	13,128
Contingent consideration	3,578
Acquisition costs	51
	16,757
Goodwill arising on consolidation (see note 10)	10,807

The fair value adjustments relate to the following:

- the recognition of an intangible asset in respect of the brand acquired and associated deferred tax provision
- valuation of stocks at selling less costs of disposal and recognition of associated deferred tax provision

Contingent consideration is based upon attainment of an EBITDA target in the first year post acquisition with upward and downward adjustments in consideration based upon actual performance in the year compared to the target. The minimum amount payable is £Nil and the maximum amount payable is £3,991,000.

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35 Acquisitions (Continued)

AMH Flachdach-Sicherungs GmbH

On 29 November 2022, K.I.G. Limited (a group company) acquired the entire issued share capital of AMH Flachdach-Sicherungs GmbH, a specialist in design, distribution, installation and recertification of roof fall protection systems, based in Germany. In the period since acquisition, the company has contributed revenues of £212,000 to the group result and profit after tax of £89,000.

Assets and liabilities acquired

	Vendors'	Fair value	Fair value
	book value	adjustments	to the group
	£ '000	£ '000	£ '000
Tangible fixed assets	35	-	35
Intangible fixed assets - brand	-	247	247
Deferred tax liability	-	(145)	(145)
Corporate tax liability	(40)	-	(40)
Stocks & Work in progress	348	280	628
Debtors and Prepayments	115	-	115
Cash at bank	256	-	256
Other creditors and provisions	(89)	-	(89)
Net assets acquired	<u>625</u>	<u>382</u>	<u>1,007</u>

Satisfied by:

Cash	601
Discounted contingent consideration	445
Acquisition costs	15
	<u>1,061</u>
Goodwill arising on consolidation (see note 10)	<u>54</u>

The fair value adjustments relate to the following:

- the recognition of an intangible asset in respect of the brand acquired and associated deferred tax provision
- valuation of stocks at selling less costs of disposal and recognition of associated deferred tax provision

Contingent consideration is based upon attainment of an EBITDA target in the first year post acquisition with upward and downward adjustments in consideration based upon actual performance in the year compared to the target for the year. The minimum amount payable is £Nil and the maximum amount payable is £496,000.

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35 Acquisitions (Continued)

Mantech Safety Systems Limited

On 30 November 2022, K.I.G. Limited (a group company) acquired the entire issued share capital of Mantech Safety Systems Limited, a provider of fall protection equipment and safe access solutions, based in England. In the period since acquisition, the company has contributed revenues of £Nil to the group result and profit after tax of £Nil.

Assets and liabilities acquired

	Vendors'	Fair value	Fair value
	book value	adjustments	to the group
	£ '000	£ '000	£ '000
Tangible fixed assets	113	-	113
Intangible fixed assets - brand	-	249	249
Deferred tax liability	(21)	(108)	(129)
Corporate tax liability	(64)	-	(64)
Debtors	282	-	282
Cash at bank	51	-	51
Other creditors and provisions	(456)	-	(456)
Net assets / (liabilities) acquired	(95)	141	46

Satisfied by:

Cash	767
Discounted contingent consideration	1,124
Acquisition costs	63
	1,954
Goodwill arising on consolidation (see note 10)	1,908

The fair value adjustments relate to the following:

- the recognition of an intangible asset in respect of the brand acquired and associated deferred tax provision
- Contingent consideration is based upon attainment of an EBITDA target in the first year post acquisition with upward and downward adjustments in consideration based upon actual performance in the year compared to the target for the year. The minimum amount payable is £Nil and the maximum amount payable is £1,308,000.

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Acquisition of Universal Safety Systems Limited

On 2 March 2023, K.I.G. Limited (a group company) acquired the entire issued share capital of Universal Safety Systems Limited, manufacturers and distributors of work at height safety equipment based in England. Upfront consideration of £5,270,000 was paid with further estimated earnout payments becoming due in 2024 of £8,000,000 subject to post acquisition results. We have not included the required disclosures for this acquisition as the fair value exercise was incomplete at the time of signing these accounts.

Acquisition of Preferred Access Ramp Systems Limited

On 31 May 2023, K.I.G. Limited (a group company) acquired the entire issued share capital of the Preferred Access Ramp Systems Limited, a manufacturer and assembler of ramps and stairways for both commercial and documents use company, based in England. Upfront consideration of £1,130,000 was paid with further estimated earnout payments becoming due in 2024 of £1,450,000 subject to post acquisition results. We have not included the required disclosures for this acquisition as the fair value exercise was incomplete at the time of signing these accounts.

Acquisition of Abrake SL

On 3 August 2023, K.I.G. Limited (a group company) acquired the entire issued share capital of the Abrake SL, a fall protection distribution, installation and recertification business based in Spain. Upfront consideration of €1,427,000 was paid with further estimated earnout payments becoming due in 2024 of €2,827,000 subject to post acquisition results. We have not included the required disclosures for this acquisition as the fair value exercise was incomplete at the time of signing these accounts.