



# ANNUAL REPORT & ACCOUNTS 2019

**IMMOTION**

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## We saw considerable success in winning new high-quality aquarium partners.



Recent events have, of course, been dominated by COVID-19 and we, like many businesses, have been very heavily impacted. Whilst we are seeing some early signs of the economies in the USA and Europe re-opening, it will take some time to understand the impact of the new realities, including social distancing requirements, on our Partners' operations in particular. We expect the disruption will continue well into 2021, with gradual improvement, and we have endeavoured to equip ourselves for this challenging

period by strengthening our balance sheet, protecting cash, reducing costs and seeking all available Government support.

The totally unexpected pandemic should not overshadow the achievements of 2019, a year of considerable progress for Immotion. Our business had begun to develop scale and, having invested heavily in proprietary content, software development and installations into Partner sites, profitability and positive operating cashflow were in clear sight.

Having clarified our strategy for this new and exciting market, we were focused on execution. We saw considerable success in winning new high-quality aquarium partners in both the USA and Europe and saw a strong performance from this cohort. This was a major endorsement of our offering. There is still considerable opportunity for growth in this segment and the lessons learned will be applied to a number of new sectors which we believe share common features once normal trading conditions return.

Given the nascent nature of our market, it is likely that we will evolve and refine our offering further seeking to become a more integral part of our Partners' offering where possible.

Despite the uncertainties being caused by COVID-19, we are confident that we have passed the 'forming and storming' phase of our development and, once normal trading conditions return, are set for profitable growth and establishing ourselves as a market leader in out of home immersive 'edutainment' solutions.

We have taken the steps as described above to help us navigate through this crisis so that we can then capitalise on the progress we have made to date when some degree of normality returns.

Sir Robin Miller  
Chairman  
25 June 2020



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2019 was a year of intense activity for the Group and our first full year as a listed company. It was only our second full year of trading, since the creation of the Group in December 2017.

As we have learned more about our nascent marketplace, we have adjusted our strategy accordingly. We had focused fully on growing our Partnership model, where we see significant opportunity for our immersive 'edutainment' experiences, that fit with high traffic destinations, operated by established sector participants. We believe there is a huge opportunity on a global basis across aquariums, zoos, science centres, museums and other selected high traffic entertainment destinations.

Our decision to focus was fully vindicated by progress up to the COVID-19 lockdown. Our Partner offering gained significant traction in the USA and Europe and revenue grew strongly. Our ImmotionVR

sites also traded well, though we do not intend to grow this part of our business due to the significantly greater returns seen from our Partner estate.

We ended 2019 with 303 installed headsets, almost doubling our installed base year on year from 158. The growth was driven by Partner installations, which increased from 46 to 185 at year end. At the time of writing we have an installed base of 332 headsets (234 Partner and 98 ImmotionVR), with a further 122 Partner headsets contracted, giving visibility through to 454 headsets.

	Installed	Contracted	Total
<b>USA</b>			
-Partners	115	94	209
-ImmotionVR	14	-	14
<b>UK</b>			
-Partners	58	6	64
-ImmotionVR	84	-	84
<b>ROTW</b>			
-Partners	61	22	83
-ImmotionVR	-	-	-
<b>Total</b>	<b>332</b>	<b>122</b>	<b>454</b>

Based on expected performance in normal pre COVID-19 trading conditions, this portfolio would, fully installed, have delivered monthly EBITDA profit and positive operating cashflow based on our cash operating costs pre COVID-19.

We would expect that in the coming months we will install the contracted headsets (including 36 at Mandalay Bay) but much will depend on the rate of Partner site re-openings, footfall levels, social distancing requirements and the overall level of public confidence as lockdowns are lifted.

## Partner Estate

Our Partner estate has grown from 46 headsets at the close of 2018 to 185 at year end 2019 and would reach 356 with the benefit of contracted but not yet installed headsets.

We were pleased with the performance of our Partner estate in 2019 and in particular the aquarium sites. Aquariums have performed consistently strongly with average weekly gross revenue per headset of £476 in the full year, versus £303 average for the overall Partner estate in 2019.

Given the nature of our pipeline of new sites, we expect to see the overall representation of the aquarium sector grow strongly. These sites outperform other partner sites and we would expect that this in normal circumstances would boost significantly the overall average weekly revenue per headset for our Partner estate.

We have secured Partnerships with many top leisure groups and leading aquariums in both Europe and the USA with the following being particularly noteworthy: Merlin Entertainments, MGM Resorts and Shedd Aquarium. We believe this is a testament to the attraction of our Partner proposition.

Our initial offering to Partners was based on a small footprint, typically two to six headsets and we looked at a range of sectors, including more broadly-based entertainment venues. Led by results, we have focused on the sectors above and have aimed to develop VR experiences that are a good fit with Partners' offerings (e.g. our Shark Dive and Swimming with Humpbacks experiences, targeted at aquariums). This has allowed us to narrow the range of content being produced and better focus our content creation team. We have also developed theming and branding alongside our hardware to better communicate with potential audiences and ultimately to drive revenues.

We believe that the evidence from the aquarium sector suggests that a focused offering for high traffic 'edutainment' verticals will provide superior performance to more general leisure entertainment sites for the following reasons:

- Natural fit with Partner core offering
- Lack of competing products at Partner venue
- Less "wear out" factor for content as visits to these types of venue are relatively infrequent

Accordingly, whilst we continue to seek further substantial growth opportunities in the aquarium sector, we are developing new products aimed at other global sectors which share similar characteristics with aquariums. For example, our new dinosaur experience will allow us to target zoos, science centres and museums.

With the larger installations, the aim is to become more of an integral part of the location rather than just a smaller ancillary offering. Sea Life London exemplifies a more integrated offering in a space constrained environment, with additional theming it is a more natural element of the visitor journey. Mandalay Bay is the exemplar of what can be done on a much larger scale, when space permits, allowing a full pre-show area, with interactive and immersive educational and fun exhibits.

We believe that these types of attractions will have much more impact on visitors and allow much larger numbers of visitors to enjoy the attraction, particularly during seasonal peaks, such as school and summer holidays. The focus will be on blue chip, high traffic Partners, where possible seeking longer deal terms and 'share of gate' revenues (akin to Mandalay Bay), which will drive quality of earnings and mitigate risk.

## ImmotionVR

Our ImmotionVR estate ended 2019 with 9 sites (117 headsets) including a new site at The O2 in London. At present, all ImmotionVR sites are closed and we will need to review these as lockdowns are lifted. Ordinarily we would expect that they would deliver a solid and profitable contribution across the year but, unlike our Partner business, they have fixed salary and (in a number of cases) fixed occupancy costs. Accordingly, their viability will depend on the level of footfall when sites re-open post COVID-19. Nevertheless, it was not part of the strategy to grow this part of the business as we believe better returns on investment are available in the Partner model.

## Financial Review

Total revenue for the period was £3,624,000 (2018: £2,854,000) of which £3,606,000 came from continuing operations (2018: £1,948,000).

Revenue from VR activities grew from £1,326,000 in 2018 to £2,932,000, increasing by 221 per cent.

The underlying EBITDA loss of £2,458,000 was in line with expectations.

Gross margin from continuing operations increased from 26.3% to 30.4%, resulting from the cessation of a number of loss making ImmotionVR centres, pre-dominantly driven by the mix effect of higher margin Partner business (essentially Immotion's % share of gross revenue). Margin in the Partner business was 39% and 13% in ImmotionVR (circa 20% excluding discontinued sites). Overall margin is expected to climb strongly as the mix of headsets moves in favour of the Partner business.

General and administration costs<sup>1</sup> from continuing operations were £3,591,000 (2018: £2,872,000). This represents a full year of trading at greater scale. Despite the growth of our business, we have sought to control costs. For example, we reduced the size of the CGI studio team in Manchester as we focus on a narrower range of content for the Partner business.

Restructuring and other one-off costs of £427,000<sup>2</sup> largely reflected the reduction of the studio team, many of whom were long-serving employees. This is broken down as follows:

Item	£	Comments
Payments to former director	90,000	Including 6 months' notice and ex gratia payments
Notice and redundancy payments to former employees	187,000	Relates to 17 employees
Payment to Consultant	50,000	For advice in relation to re-structuring of studio (settled in shares)
Other	100,000	Legal fees, employee relocation grants, branch closures and other restructuring costs.
	<b>427,000</b>	

After careful consideration, we have taken an impairment charge of £458,000 against the carrying value of intangible assets. This relates to early content developed when the Company was focused on developing large volumes of diverse content for the retail and family entertainment centre market and for use on a diverse group of machine types. All content produced now is focused on our key Partner vertical segments and on a limited range of motion platforms.

Overall cash outflow in the year was £237,000. Cash outflow from continuing operations was £2,246,000 including restructuring costs of £377,000 (a further £50,000 of restructuring costs were paid in shares to a consultant) and our continued expansion of the business, both in terms of hardware deployed at partner sites and further development of content and finishing of our proprietary operating system, resulted in combined capital expenditure of £3,841,000.

Tangible fixed asset additions of £2,883,000 reflected the roll out of our Partner estate and the building of buffer stock of 136 headsets (seats) ahead of year end for the Q1 2020 deployment schedule.

Intangible asset additions were £1,005,000 reflecting our further investment in content, including the ongoing development of our dinosaur content scheduled for release in H2 2020, as well as the substantial completion of our proprietary software.

Net cash inflow from equity was £5,348,000 and net repayments on debt funding (including IFRS 16 leases) represented £560,000.

Net assets at period end were £6,275,000.

Underlying loss per share was 1.72p<sup>3</sup>. Total loss per share was 2.12p.

<sup>1</sup> Before depreciation, amortisation, impairment, share based payments, disposal losses and restructuring costs.

<sup>2</sup> Excludes discontinued operations

<sup>3</sup> Adjusted for impairment charges, restructuring costs and share based payments

## Post Period End Activity & Outlook

Following the equity fundraise of £2.85m in February 2020, the Company was extremely well poised, not only with its honed business model, but also with the imminent installation and expected April 2020 opening of its large format installation into MGM Resort's Mandalay Bay aquarium in Las Vegas. Together with other contracted installs then on hand, we expected to reach EBITDA breakeven in April 2020 and achieve positive operating cash flow shortly thereafter.

However, during March 2020, and as a direct result of the COVID-19 pandemic, the vast majority of the Company's Partner sites and all of our own ImmotionVR sites closed, following local and national government-imposed lockdowns. This has resulted in the Group having no revenue. At the time of writing, it appears that many sites will remain closed until at least 30 June 2020 and revenue through to 30 June will be zero or minimal.

In addition to the impact on existing Partner and ImmotionVR sites, the Company was unable to complete the major installation at Mandalay Bay (36 headsets) which was well underway before lockdown. Additionally, we were unable to install into a number of other contracted Partner sites (in addition to Mandalay Bay, the Company has a further 86 headsets contracted).

Beyond the contracted installs noted, we intend to invest very selectively for the remainder of 2020 unless a more rapid recovery emerges.

We remain optimistic about our growth prospects once more normal trading conditions return and we believe that potential Partners will continue to find our proposition compelling, particularly as many may be capital constrained and looking to re-build revenues. As we come out of lockdown and enter the recovery phase, we will continue marketing to prospective new Partners, particularly in the aquarium sector in both the USA and Europe. We will be cautious as to entering new Partnerships, being led by the extent of the wider recovery, as well as the quality of opportunity and commercial terms that can be struck.

Whilst in lockdown, we have taken the opportunity to review our recommended cleaning procedures and we are testing a new UV cleaning unit that could be used to achieve rapid sterilisation of headsets at Partner venues. Despite our view that family groups tend to go on our motion platforms together (as they are in clusters of 2-4 seats), we will also be working with Partners on any local social distancing requirements.

We have also undertaken a broad range of actions to manage the cost base and cash flow in light of the COVID-19 Pandemic including pay cuts for the majority of staff, furloughing staff and applications for the various government subsidies available. As a result, total monthly central cash operating costs, including certain costs normally capitalised have been reduced to circa £200,000 from circa £310,000.

In the USA, the Company has received a loan of \$161,000 under the Paycheck Protection Program, some or all of which should be forgiven, with any remainder subject to a nominal interest rate and repayable over two years. We have also applied for a loan under the USA's Economic Injury Disaster Loan programme.

In the UK, we have been receiving the furlough grant in respect of those employees furloughed. We are also pursuing a loan through the government's Coronavirus Business Interruption Loan Schemes.

We will continue to review all operating costs on an ongoing basis so that we can if necessary, flex the total operating costs to activity and revenue levels.

The Company also strengthened its balance sheet by undertaking a further equity fundraise, completed in late May, which raised £1.35m gross. This puts us in a stronger position to ride out the economic storm resulting from the COVID-19 pandemic.

The period since mid-March has been extremely challenging and we expect continued disruption for some time to come. We will remain focused on costs and working with key partners as the recovery takes hold. We believe we have built the foundations of a valuable business and we will do all we can to emerge from the other side of the current crisis.

**Martin Higginson**  
Chief Executive Officer  
25 June 2020



## Overview

During the year, the Group shifted its focus to our Partner model as we believe that it offers superior returns to our ImmotionVR operations and we believe is scalable.

It became clear that the returns from cultivating a long-term, collaborative relationship with our leisure destination partners would be far superior to that of a one-time hardware sale, and we made the decision during the year not to actively pursue hardware sales but to cultivate partnerships instead.

We continue to operate our own ImmotionVR Experience Sites, having closed several unprofitable sites in the year. The remaining sites are profitable and provide us with a valuable testbed and direct consumer feedback.

Our offering also evolved during the year – both visually through the upgrade of illuminated enclosures to make our installations stand out, and technologically through upgraded VR headsets which operate wirelessly.

Having created a broad base of content in 2018, our content team was able to focus on the creation of new partner-targeted VR experiences as well as creating content for third party clients which was a source of income for the Group during the year, alongside content licensing income.

Further analysis of divisional performance follows.



**The Group shifted its focus  
to our Partner model  
as we believe that  
it offers superior  
returns.**

## Partnerships

The Partnership model (referred to as Concessions in the previous Annual Report) sees the Group work with established high-footfall leisure destinations. Immotion provides, at its cost, VR hardware and experiences to the operator and provides ongoing support. The operator typically provides the site, staff and utilities. The parties share the revenue on a pre-agreed basis.

During the year, the Group significantly added to its Partner site base with installations at Blackpool Tower, a further ten LEGOLAND and LEGOLAND Discovery Centre sites, five SEA LIFE centres including their London and Sydney sites, and the Dubai Aquarium and Underwater Zoo. Aquariums were a particular area of focus due to strong returns seen in that cohort, with 14 aquarium installations taking place during the year.

As at 31 December 2019, the Group had 185 Partnership headsets in operation (2018: 46 headsets) at 37 locations (2018: 7 locations).



**Partner site  
average  
revenue per  
headset per  
week £303.**

Our primary key performance indicator (KPI) for the Partnerships model is revenue per installed headset per week. A number of Partnership arrangements terminated during the year following an unsuccessful trial period. Taking into account only the Partnership arrangements which were installed at the end of the year, the revenue per headset per week was £303 (2018: £265) during the year.

Aquarium partner sites performed particularly well for us in the year, averaging £476 revenue per headset per week (vs the £303 overall partner average). This explains our focus on the aquarium sector in the year, with 14 installations into aquariums during the year. We have continued to secure more aquarium partners in 2020 and other 'edutainment' locations such as zoos, though the COVID-19 outbreak has delayed contracted installations and stalled contract negotiations with further new Partners.



**Aquarium partner  
average revenue  
per headset per  
week £476.**

**ImmotionVR Experience Centres**

Under our ImmotionVR business model, the Group rents space in retail and family entertainment destinations, paying the costs of occupancy and staff. Customers are typically charged £6 for a single experience, £10 for a fifteen-minute pass, £20 for a thirty-minute pass or £30 for a one-hour pass. Bookings can be made in advance via the ImmotionVR website.

Due to the superior returns on capital seen under the Partnership model, the Group de-emphasised ImmotionVR during the year, closing unprofitable sites but not actively pursuing new sites to the same extent as in 2018. Three new sites were opened in the year in Glasgow, Brighton and a flagship site in London at The O2.



**ImmotionVR**  
average  
revenue per  
headset per  
week **£212.**

The primary key performance indicator (KPI) for ImmotionVR centres is revenue per installed headset per week. During the year, the Group's experience centres generated revenue per headset per week of £212 (2018: £255).

At the end of the year, there were 117 installed headsets (2018: 112) in operation across 9 ImmotionVR sites (2018: 11 sites).

Town/City	Venue	Headsets	Date Opened
Bristol	Cabot Circus	17	December 2017
Manchester	Arndale	8	June 2018
Castleford	Xscape	11	July 2018
Cardiff	St David's	15	August 2018
Thousand Oaks, California	The Oaks	14	October 2018
Birmingham	Star City	8	November 2018
Glasgow	Intu Braehead	12	January 2019
Brighton	Churchill Square	15	May 2019
London	The O2	17	July 2019
		<b>117</b>	

**Risks & Uncertainties**

The Group has a Risk Committee to identify and monitor risks which could threaten the Group's operations. The Risk Committee meets at least once each year and is comprised of the Audit Committee and the Finance Director.

The Risk Committee has the power to call on Executive Directors and senior management for the purposes of seeking information as well as making recommendations.

The Group's process for managing risks is as follows:



The risks are those which the Board considers, as at the date of this report, are the most critical to the continued operation of the Group. The risks described do not represent the totality of the risks facing the Group and should not be relied on as such by any person considering any investment decision in relation to the Company's ordinary shares.

Risk	Potential Impact	Mitigation and Control
Impact of COVID-19 (and future pandemics)	COVID-19 has resulted in the closure of all of the Group's own ImmotionVR and partner sites. This has reduced the Group's revenue to nil and had a material impact on the Group's 2020 performance. There is currently no certainty as to how long COVID-19 will remain an issue and the risk of a future pandemic of similar or greater proportions cannot be ruled-out.	The Group is working on cleansing and distancing solutions which can be deployed at ImmotionVR and partner sites as the COVID-19 lockdown is lifted. The Group is also investigating alternative revenue streams which could reduce the Group's reliance on the out-of-home market.
Failure to implement the Group's strategy	A failure to implement the Group's strategy may have an adverse impact on its business, financial and other conditions, profitability and results of operations. There can be no assurance that the Group will be able to maintain or grow its financial performance to anticipated future levels.	The Group has regular Board meetings as well as constant communication with senior management to monitor and refine progress against its targets. Weekly KPIs are distributed to senior management to enable them to monitor performance.
Technological advances within the industry	Any industry which is heavily reliant on technology is prone to rapid change with new entrants and ideas continuously changing the market. There is a risk that the technologies adopted by the Group could become obsolete or uncompetitive which could have a material adverse impact on its prospects. Additionally, advances in hardware may require the Group to incur additional capital expenditure that is not currently foreseen, which could have an adverse material impact on the cash position of the Group, and potentially trigger the requirement for further capital.	Industry trends are monitored, and the Group sends representatives to key trade shows to establish what new products are coming to market.
Competition	The Group may be challenged by new or incumbent competitors (which could include well resourced, international players in the entertainment industry) which, in comparison with the Group, have greater market presence or brand recognition, access to more popular and/or engaging content, superior financial resources, economies of scale or lower cost bases, or the ability to withstand or respond more swiftly to changes in market conditions.	It is the Group's intent to build up a large install base of Immotion hardware which will create a barrier to entry. Another key focus is to ensure that the Group's hardware and VR experiences are amongst the best and most relevant in the market. Provision of hardware and experiences at no up-front cost to partners creates a further barrier to entry.
Cash requirement	The Group's partnership model and content creation require capital expenditure in advance of revenue generation.	Cash forecasts are maintained and regularly updated. The Group endeavours to allocate resources into opportunities which give the most effective payback. The Group aims to support its cash flow with debt financing where practical. The Group is focused on reaching a level of installed headsets sufficient to produce a positive operating cash flow as well as the ability to fund or part-fund ongoing capex alongside debt facilities.
Foreign exchange movements	The Group has certain contracts priced in foreign currencies and also has employees based overseas paid in foreign currencies. It is therefore exposed to the risk that adverse exchange rate movements could cause its costs to increase (relative to its reporting currency) resulting in reduced profitability for the Group. The Group also procures VR hardware in US dollars. There is a risk that the costs of such equipment increases against the Group on a Sterling basis.	The Group does not use speculative financial instruments to hedge against potential currency loss. The Group has foreign currency accounts which it uses to hold funds in Sterling and US Dollars generated from operations and settle liabilities denominated in those currencies. Working with its suppliers, the Group is seeking ways to reduce the cost of hardware.
Political uncertainty	The current political climate – Brexit trade discussions between the UK and the European Union, and the "trade war" with China in the USA – give rise to some uncertainty in relation to our supply chain including tariffs on items we import into the USA and trade with European customers.	The Group continue to monitor the political environment and will take action to protect or strengthen the Group's position as circumstances change.

**Martin Higginson**  
Chief Executive Officer  
25 June 2020

The Group aims to operate ethically and be socially responsible in its actions. Below are a number of the approaches through which this is achieved.

### **Business Conduct, Ethics and Anti-Corruption**

It is the Group's policy to conduct business in an honest way and without the use of corrupt practices or acts of bribery to obtain an unfair advantage.

The Group operates an Anti-Bribery and Anti-Corruption Policy which is given to all staff. The Group has a zero-tolerance approach to bribery and corruption and any breach of the policy results in disciplinary action which may include dismissal.

### **Health & Safety**

The safety of staff and customers at our ImmotionVR experience centres and at our partners' sites are of paramount importance. The Group conducts regular audits of its ImmotionVR sites with a significant focus on health & safety practices.

In response to the threat of COVID-19, the Group is developing, with a manufacturer, a UV cleansing unit which could be used to sterilise VR headsets between uses. These units, along with other safety measures such as protective screens, will be deployed post-lockdown at both ImmotionVR and partner sites in response to local conditions and requirements.

### **Relationship with Stakeholders**

Section 172 of the Companies Act 2006 requires that the Directors act in a way that they consider, in good faith, would most likely promote the long-term success of the business, taking into consideration the interests of its shareholders and other stakeholders.

The table sets out our key stakeholder groups, their interests and how the Group engages with them.



Stakeholder	Why we engage	How we engage
Our shareholders	We maintain and value regular dialogue with our shareholders throughout the year and place great importance on our relationship with them. We know that our investors expect a comprehensive insight into the financial performance of the Group, and awareness of long-term strategy and direction. As such, we aim to provide high levels of transparency and clarity of our results and long-term strategy and to build trust in our future plans.	<ul style="list-style-type: none"> <li>· Regular reports and analysis on investors and shareholders</li> <li>· Annual Report</li> <li>· Company website</li> <li>· Shareholder circulars</li> <li>· AGM</li> <li>· RNS announcements</li> <li>· Press releases</li> </ul>
Our employees	Without our employees we wouldn't have a business. Effective employee engagement leads to a happier, healthier workforce who are invested in the success of the Group. We strive to address any employee concerns regarding working conditions, health and safety, training and development, as well as workforce diversity. Engagement with our employees starts from the top and is driven effectively throughout the Group.	<ul style="list-style-type: none"> <li>· Evaluation and feedback processes for employees and management</li> <li>· Competitive rewards packages</li> <li>· Encouraging employee training and development</li> <li>· Online staff directory and intranet</li> <li>· Board level access and a relatively flat organisational structure.</li> </ul>
Regulatory bodies	The Group's operations are subject to a wide range of laws, regulations, and listing requirements including data protection, tax, employment, environmental and health and safety legislation, along with contractual terms.	<ul style="list-style-type: none"> <li>· Company website</li> <li>· RNS announcements</li> <li>· Annual Report</li> <li>· Direct contact with regulators</li> <li>· Compliance updates at Board Meetings</li> <li>· Consistent risk review</li> <li>· Liaison with professional advisors</li> </ul>
Our customers	Our relationship with our partners is collaborative and we are in constant dialogue to provide support and analytics as required. We listen to and engage with our customers on a regular basis to ensure that we understand their needs and can provide solutions that address them. We work hard to ensure that customer concerns are dealt with in a timely and professional manner.	<ul style="list-style-type: none"> <li>· Continual dialogue and review of feedback from customers to ensure satisfaction</li> <li>· Dedicated teams for support and account management to ensure consumer concerns are addressed</li> </ul>
Our suppliers	We have a number of key suppliers with whom we have built strong relationships. We establish effective engagement channels to ensure our relationships remain collaborative and forward focused, and to foster relationships of mutual trust and loyalty.	<ul style="list-style-type: none"> <li>· Taking a collaborative approach to problem solving with our suppliers</li> <li>· Clear parameters are given, backed-up by written agreements where required, to ensure the Group and supplier's actions are co-ordinated</li> </ul>

## The Board

The Board is comprised of three Executive Directors and two Non-Executive Directors. Both of the Non-Executive Directors are deemed to be independent.

The three Executive Directors are full time and are contracted to work for a minimum of forty hours per week. The two Non-Executive Directors are expected to devote such time as is necessary for proper performance of their duties.

The Board are of the view that the Directors have the necessary mix of experience, skills and personal qualities to enable the Group to deliver its strategy, although there is currently no gender diversity. The Board's composition is kept under continuous review.

The Directors are encouraged to undertake any activities or further training they deem necessary in order to keep their skills and knowledge relevant to the business.

Details of the current Directors, their roles and background are as follows:



### Sir Robin Miller Non-Executive Chairman

Robin has extensive PLC experience spanning many years, particularly in the media sector. He was formerly Chief Executive (1985-1998 and 2001-2003) and Chairman (1998-2001) of Emap Plc, a leading international media group in

consumer and trade publishing, commercial radio, music TV channels and events. Robin is currently Non-Executive Chairman of Digitalbox Plc and Non-Executive Director of Edge VCT, Premier Sports Holdings plc, Dennis Maps Ltd and Crash Media Group Ltd.



### Martin Higginson Co-Founder and Group Chief Executive Officer

Martin is a seasoned Technology, Media and Telecoms (TMT) entrepreneur. He has set up sold and listed multiple businesses. His first business, a BMX magazine, was sold to IPC Magazines in 1982. Following

three years with IPC he left to set up his own publishing and telecoms business Megafone. This was subsequently sold to Scottish Power Plc. During his time with Scottish Power he joined its subsidiary, Scottish Telecom, as Managing Director of the Internet and Interactive division, including Internet ISP Demon Internet. Following the flotation of Thus Plc (formerly Scottish Telecom) Martin moved on to establish Monsternob Group Plc which listed on AIM in 2003. Over a three year period it grew to become a Top 50 AIM listed business with a market capitalisation of £192m. This business was sold to Zed Worldwide in late 2006. Martin has subsequently founded a range of businesses including Cityblock Plc, a luxury student accommodation business which was privatised and sold to management in 2009; NetPlayTV Plc, an interactive TV gaming business which boasted exclusive partnerships with Virgin Media, Channel Five, and ITV; and Digitalbox Plc, a digital media business. Digitalbox was ranked as a Sunday Times Tech Track 100 Company in 2016 and 2017 and listed on AIM in February 2019. Martin holds the position of Non-Executive Director of Digitalbox Plc and has previously held Non-Executive Director positions with Legend Plc and Cupid Plc.



**David Marks**  
**Co-Founder and Group Finance Director**

David began his career with Arthur Andersen in its corporate recovery & restructuring department, during which time he was involved in some of the largest and most complex restructuring

assignments in the UK at the time. David then pursued a career in corporate finance and M&A, initially with UBS and latterly with Deutsche Bank. In 2001 David was appointed as a Partner responsible for making private equity investment at Nikko Principal Investments Limited, the European Principal Finance arm of Nikko Cordial, one of Japan's largest securities businesses. David subsequently joined AIM-listed Monsternob Group Plc, initially as a Non-Executive Director and subsequently as Group Finance Director. He steered the Company as it rapidly expanded internationally across Europe, USA and Asia. David has also been involved in a number of early stage ventures as both an investor and board member and with Martin created Digitalbox Group which was a member of the UK Fast Track 100 in both 2016 and 2017. David has an honours degree in Law from the University of Glasgow and is a member of the Institute of Chartered Accountants of Scotland.



**Nicholas Lee**  
**Group Non-Executive Director**

Nicholas has extensive capital markets experience and is actively involved in AIM. Having read Engineering at St. John's College, Cambridge, he commenced his career at Coopers & Lybrand where he qualified as a chartered accountant. He

joined Dresdner Kleinwort, where he worked in the corporate finance department advising a range of companies across a number of different sectors. When he left in 2009, he was a Managing Director and Head of Investment Banking for Dresdner Kleinwort's hedge fund/alternative asset manager clients. He now holds a number of directorships of public companies.



**Rod Findley**  
**Group Commercial Director**

Rod has over 20 years' experience as a director, writer and creative director and has won a range of awards for his creative work. He has a Bachelor of Arts degree from McGill University in Montreal and an MFA in Film at USC.

He is founder and CEO of C.2K Entertainment Inc, which was acquired by Immotion Group on 21 December 2017. Thanks to his strong reputation for creating narratives and engaging consumers using pioneering technology, Rod has delivered campaigns (broadcast, digital and print) for major brands such as Toshiba, Sony, Guthy-Renker and Canon. International broadcasters NHK and WoWoW have broadcast his long-form documentary and narrative work. Rod began using the power of virtual reality with major projects on behalf of Toyota and AbbVie.

The Board typically meets once every two months to discuss significant matters including strategic decisions and performance. The Company's day-to-day operations are managed by the Executive Directors. Any Director needing independent professional advice in the furtherance of his duties may obtain this advice at the expense of the Company.

The Company Secretary also attends meetings of the Board, takes minutes and circulates them shortly thereafter. The Company Secretary is also responsible for coordinating Board meetings and circulating Board papers in advance.



The Board has established Audit, Disclosure, Nomination, Remuneration and Risk Committees with formally delegated duties and responsibilities, details of which are provided below.

### Audit Committee

The Audit Committee is chaired by Nicholas Lee and meets at least twice per year. Sir Robin Miller also serves on the Audit Committee. The Audit Committee's responsibilities include:

- (i) ensuring that appropriate financial reporting procedures are properly maintained and reported on;
- (ii) meeting with the Group's auditors to discuss matters of relevance, including risk issues;
- (iii) ensuring the internal controls of the Group are properly maintained;
- (iv) reviewing the financial statements prior to issue to the shareholders;
- (v) reviewing reports from the Group's auditors;
- (vi) reviewing and approving the scope and content of the Group's annual risk assessment programme and the annual audit; and
- (vii) monitoring the independence of the external auditors.

The Group's Finance Director and the external auditors attend meetings of the Audit Committee by invitation. The Committee also holds separate meetings with the auditors as appropriate.

The Group does not have an internal audit function as this is not considered appropriate given the scale of the Group's operations. However, the Group operates internal peer review with the scope of evaluating and testing the Group's internal control procedures to standardise processes around best practice. Any significant issues are reported to the Chair of the Audit Committee and shared with the external auditors as appropriate.

### Disclosure Committee

The Disclosure Committee is chaired by Martin Higginson and has been established to ensure compliance with the AIM Rules and the Market Abuse Regulations (MAR) concerning the management of inside information. The Disclosure Committee works closely with the Board to ensure that the Company's nominated adviser is provided with any information it reasonably requests in order for it to carry out its responsibilities under the AIM Rules and the AIM Rules for Nominated Advisers. The Disclosure Committee meet as required. David Marks and Sir Robin Miller also sit on the Disclosure Committee.

### Nomination Committee

The Nomination Committee is chaired by Sir Robin Miller and has been established to identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee will meet as required. Nicholas Lee also serves on the Nomination Committee.

### Remuneration Committee

The Remuneration Committee is chaired by Sir Robin Miller and meets at least once per year. Nicholas Lee also serves on the Remuneration Committee. The Remuneration Committee's responsibilities include reviewing the performance of the Executive Directors, setting their remuneration levels, determining the payment of bonuses and considering the grant of options under the share option schemes. Martin Higginson and David Marks will also attend the Remuneration Committee but shall not be involved in decisions regarding their own remuneration and, other than providing input to the Non-Executives, shall not have a vote on the Remuneration Committee.

Members of the Remuneration Committee do not participate in decisions concerning their own remuneration.

Whilst the Quoted Companies Alliance Corporate Governance Code suggests that the Chairman of the Board should not also chair the Remuneration Committee, given that Sir Robin Miller is only one of two independent Non-Executives, it is considered appropriate by the Group for him to serve in this position.

### Risk Committee

The Company has a Risk Committee, comprised of the Audit Committee and the Finance Director, which meets at least once each year. The committee examines the key risks that impact the Company and assesses the adequacy of the Company's mitigation strategies. It has the power to call on Executive Directors and senior management for the purposes of seeking information as well as making recommendations.

## Attendance

Directors' attendance at meetings of the Board and its Committees during 2019 were as follows:

	Board	Audit	Disclosure	Nomination	Remuneration	Risk
Martin Higginson	9/9	-	-	-	-	-
David Marks	9/9	2/2	-	-	-	1/1
Rod Findley	4/9	-	-	-	-	-
Ian Liddell (resigned 9 <sup>th</sup> December 2019)	5/9	-	-	-	-	-
Sir Robin Miller	5/9	2/2	-	-	1/1	1/1
Nicholas Lee	5/9	2/2	-	-	1/1	1/1

Three of the nine Board meetings which took place during the year were to approve specific transactions via a duly appointed sub-committee of Martin Higginson and David Marks and therefore the attendance of the other directors was not required.

No formal meetings of the Nomination or Disclosure Committees took place during the year.

The Board keep under review the effectiveness of its performance, the performance of the Committees and the performance of individual Directors. It is the view of the Board that no changes to the composition of the Board are required at the current time.

## Compliance with Corporate Governance Codes

As an AIM-quoted company, the Company is required to apply a recognised corporate governance code and demonstrate how it complies with that code and where it departs from it.

The Directors of the Company have taken the decision to apply the Quoted Companies' Alliance Corporate Governance Code (the "QCA Code").

As far as the Directors are aware, the Company is fully compliant with the principles of the QCA Code other than the Chairman of the Board also being chair of the Remuneration Committee.

Full details of the QCA Code's ten principles and the steps the Company takes to adhere to them can be found at:  
[www.immotion.co.uk/investors/corporate-governance/](http://www.immotion.co.uk/investors/corporate-governance/)

**The Directors of  
the Company have  
formally taken the  
decision to apply the  
QCA Code.**





## Financial Controls

The Board has overall responsibility for the Group's system of internal financial control and for reviewing its effectiveness. The purpose of the system of control is to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against misstatement or loss.

The Audit Committee keeps the Company's internal controls and risk management systems under review.

The Finance Director is the executive within the Group responsible for day-to-day financial management of the Group's affairs and its internal accounting.

## Risk Management Review

Risk management is ultimately the responsibility of the Board but is overseen by the Risk Committee. The Group's key risks are recorded in a risk register and those risks together with their respective mitigants, controls and corrective actions are reviewed regularly by the Risk Committee.

## Shareholder Relations

The Company regularly updates its investor relations website which can be found at: [www.immotion.co.uk/investors](http://www.immotion.co.uk/investors).

The Company is happy to engage directly with shareholders to answer any questions they have where it is possible to do so without releasing price-sensitive information. The investor relations website includes details of how to contact the Company by email and telephone.

## Going Concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion the Directors have considered the financial position of the Group, taking into consideration the recent placings together with its forecasts and projections for 18 months from the reporting date, and taking into account reasonably possible changes in trading performance. The going concern basis of accounting has therefore been adopted in preparing the financial statements. However, the Directors note that there may be material uncertainty in relation to going concern due to the effects of COVID-19 and the impact of ongoing losses.

## Long-Term Viability Statement

At the time of approving the financial statements, the Directors are of the opinion that the Group will be in a position to continue in operation and to meet its liabilities as they fall due.

The Directors' expectations are based on assessment of the Group's current financial position, financial projections over the next 18 months, and the principal risks facing the Group.

### Key assumptions made in coming to this view include:

- (i) that the assumptions made in preparing the Group's financial projections will come to fruition which include the expected future installations into partner sites;
- (ii) that no unforeseen risks affect the Group; and
- (iii) that there is a gradual recovery from COVID-19 to historical trading levels.

**Culture**

The Directors recognise the importance of creating a corporate culture which is consistent with the Group's business models and strategy.

Virtual Reality has a broad appeal and is enjoyed by people of all genders and ages. It is the Group's intention that its non-discriminatory policy when hiring staff will produce a workforce as diverse as its customer base, increasing the value of feedback from within the organisation.

The Group is geographically spread with operations in the UK and USA, and partner sites further afield. It is therefore crucial that knowledge sharing across regions is facilitated and encouraged.

The Group encourages an environment of openness and debate and welcomes all feedback from within.

Each department within the Group prepares a weekly report of key issues which are circulated amongst the Executive Directors and senior management, a process which facilitates internal feedback and knowledge sharing.

The Board believe that the current culture is appropriate to enable the Group to deliver its strategy, though they also recognise that it is inevitable that there is always room for improvement in this area and any new initiatives to facilitate communication and promote diversity will be implemented as required.



**The Directors recognise the importance of creating a corporate culture which is consistent with the Group's business models and strategy.**

The Audit Committee is chaired by Nicholas Lee and meets at least twice per year. Sir Robin Miller also serves on the Audit Committee. The Audit Committee's responsibilities include:

- (i) ensuring that appropriate financial reporting procedures are properly maintained and reported on;
- (ii) meeting with the Group's auditors to discuss matters of relevance, including risk issues;
- (iii) ensuring the internal controls of the Group are properly maintained;
- (iv) reviewing the financial statements prior to issue to the shareholders;
- (v) reviewing reports from the Group's auditors;
- (vi) reviewing and approving the scope and content of the Group's annual risk assessment programme and the annual audit; and
- (vii) monitoring the independence of the external auditors.

The Group's Finance Director and the external auditors attend meetings of the Audit Committee by invitation. The Committee also holds separate meetings with the auditors as appropriate.

The Audit Committee met twice during the year to approve the 2018 accounts and the 2019 interim accounts

### Significant Accounting Issues

The main accounting issues which the Audit Committee focused their attention on during the period were:

- (i) The carrying value of the Group's goodwill and intangible assets – the Audit Committee have reviewed the goodwill and intangible assets on the Group's balance sheet in the context of future earnings expected to be generated from those assets. The decision has been taken to fully impair certain VR experiences developed or partially developed where their expected future earnings are expected to be negligible.
- (ii) The capitalisation of staff time spent creating VR experiences – the Group has a dedicated team of VR content creators who have created a range of VR experiences during the period which are generating revenue for the group and are expected to continue doing so. Where the conditions of IAS 38 are met, the Group capitalises internal and external costs associated with development of these experiences as intangible assets. The Audit Committee concluded that they were comfortable that the Group's accounting policy was compliant with IAS 38.
- (iii) The first time adoption of IFRS 16 – the Audit Committee have reviewed the Group's adoption of IFRS 16 in relation to its property leases and concluded that they are comfortable that the Group's financial statements are consistent with the requirements of IFRS 16.



## Impact of New Accounting Standards on Future Reports

The new International Financial Reporting Standards (IFRS) to be adopted by the Group from 1 January 2020 are set out in note 3. They are not expected to have a material impact on the Group.

### Internal Audit

The Group does not have an internal audit function as this is not considered appropriate given the scale of the Group's operations, however the Group operates internal peer review with the scope of evaluating and testing the Group's internal control procedures to standardise processes around best practice. Any significant issues are reported to the Chair of the Audit Committee and shared with the external auditors as appropriate.

### Internal Controls

The Board has overall responsibility for the Group's system of internal financial control and for reviewing its effectiveness. The purpose of the system of control is to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against misstatement or loss.

The Audit Committee keeps the Company's internal controls and risk management systems under review.

The Finance Director is the executive within the Group responsible for day-to-day financial management of the Group's affairs and its internal accounting.

### External Auditors

The Audit Committee have reviewed the independence and effectiveness of Haysmacintyre LLP, the Group's external auditors, and are satisfied in both respects.

Haysmacintyre LLP's fees in the year in respect of audit services were £58k (2018: £53k) and in respect of non-audit services were £26k (2018: £111k) as detailed in note 8.

Haysmacintyre LLP have signified their willingness to continue in office and a resolution to reappoint Haysmacintyre LLP as auditor to the Company will be proposed at the AGM.

**Nicholas Lee**  
**Chairman of the Audit Committee**  
**25 June 2020**

The Remuneration Committee determines the remuneration packages for Executive Directors and other senior employees and keeps the Group's policy on pay and benefits under review generally.

The Remuneration Committee will keep under review the long-term incentivisation of Executive Directors and senior employees, balancing the need to control costs while ensuring that pay and benefits offered by the Group are appropriate for attracting and retaining high calibre staff.

The Committee will continue to have due regard to remuneration reports from independent sources, to the guidance of its professional advisers and to good practice generally.

## Directors' Remuneration

Directors' remuneration for the year of 2019 is shown in the table below:

	Salary 2019 £	Consultancy 2019 £	Severance 2019 £	Benefits 2019 £	Pension 2019 £	Total 2019 £	Total 2018 £
M Higginson	145,000	50,000	-	8,266	1,180	204,446	263,807
D Marks	179,200	-	-	-	1,180	180,380	237,369
R Findley	132,577	-	-	5,842	-	138,419	130,561
I Liddell <sup>1</sup>	136,782	-	30,000	-	2,380	169,162	54,128
R Miller	30,000	15,000	-	-	-	45,000	22,865
N Lee	35,000	-	-	-	794	35,794	16,742
A Ritchie	-	-	-	-	-	-	10,763
	<b>658,559</b>	<b>65,000</b>	<b>30,000</b>	<b>14,108</b>	<b>5,534</b>	<b>773,201</b>	<b>736,235</b>

<sup>1</sup> Resigned 9th December 2019

There are no Directors' service contracts with notice periods in excess of 12 months.



## Directors & their Interests

The Directors' beneficial interests in the Company were as follows:

	25 June 2020 Shares of £0.00040108663	31 December 2019 Shares of £0.00040108663	31 December 2018 Shares of £0.00040108663
M Higginson <sup>1</sup>	24,026,945	24,026,945	23,109,514
D Marks	9,767,580	9,767,580	9,767,580
R Findley	10,084,349	10,084,349	9,501,016
I Liddell (resigned 9 December 2019)	4,902,857	4,902,857	4,902,857
R Miller	350,024	350,024	350,024
N Lee	241,743	241,743	241,743

<sup>1</sup> Includes shares indirectly held in M Higginson's pension scheme

The Directors hold share options in the Company as detailed below:

	EMI Options Shares	Unapproved Options Shares	Total Options
M Higginson	1,950,000	-	1,950,000
D Marks	1,750,000	-	1,750,000
R Findley	-	1,250,000	1,250,000
I Liddell (resigned 9 December 2019) <sup>1</sup>	-	666,667	666,667
	<b>3,700,000</b>	<b>1,916,667</b>	<b>5,616,667</b>

All of the above options were issued on 12 July 2018.

The options have the following vesting criteria:

- (i) One-ninth of the options vest on 12 July 2019;
- (ii) One-ninth of the options vest on 12 July 2020;
- (iii) One-ninth of the options vest on 12 July 2021;
- (iv) One-third of the options vest on announcement of the 2019 Annual Report, subject to performance criteria being met; and
- (v) One-third of the options vest on announcement of the 2020 Annual Report, subject to performance criteria being met.

<sup>1</sup> I Liddell was originally issued 1,000,000 EMI Options but, following his resignation as a director, 333,333 options lapsed and the remainder became unapproved. The remaining options comprise all of the options with vesting criteria (i), (ii) and (iii) and half of the options with vesting criteria (iv) and (v).

Sir Robin Miller  
Chairman of the Remuneration Committee  
25 June 2020



The Directors present their report and audited financial statements for the year ended 31 December 2019.

## Principal Activities

The principal activities of the Group are: (i) the provision of virtual reality (VR) experiences to partner sites; and (ii) the sale of VR experiences in its own ImmotionVR sites.

The principal activity of the Company is that of a holding company.

## Board of Directors

The Directors who served during the year were:

Martin Higginson  
David Marks  
Rodney Findley  
Ian Liddell (resigned 9 December 2019)  
Sir Robin Miller  
Nicholas Lee

## Future Developments

The Company has chosen in accordance with section 414C(11) of the Companies Act 2006 to include the disclosure of likely future developments in the Chief Executive's Statement on pages 4 to 7.

## Dividends

No dividends were paid during the year (2018: £Nil). The Board is not recommending the payment of a final dividend in respect of the year ended 31 December 2019.

## Earnings per Share

Loss per share in the period from continuing operations was 2.13p (2018: 2.31p) and diluted loss per share from continuing operations in the period was 2.13p (2018: 2.31p).

Underlying loss per share from continuing operations in the period was 1.72p (2018: 1.80p) and diluted underlying profit per share from discontinued operations in the period was 0.01p (2017: 0.09p).

## Going Concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion the Directors have considered the financial position of the Group, taking into consideration the recent placing, together with its forecasts and projections for 18 months from the reporting date that take into account reasonably possible changes in trading performance. The going concern basis of accounting has therefore been adopted in preparing the financial statements.



## Post Balance Sheet Events

On 12th February 2020, the Company issued 39,310,339 new ordinary shares at a price of £0.0725 per share, raising gross proceeds of £2.85m via a placing.

On 27th May 2020, the Company issued 54,062,200 new ordinary shares at a price of £0.025 per share, raising gross proceeds of £1.35m via a placing.

COVID-19 is a developing situation and as at the date of signing the financial statements, the Group is unable to generate any revenue. COVID-19 is considered to be a non-adjusting post Statement of Financial Position event and no adjustment is made in the financial statements as a result.

The rapid development and fluidity of the COVID-19 virus make it difficult to predict the ultimate impact at this stage. In line with most experts, we believe that the impact of the virus outbreak will be material on the general economy. This has already had a material impact on the Group's financial performance and will continue to do so until lockdown is lifted at Partner sites and they can re-open. Thereafter the level of revenue will depend on overall footfall at Partner sites and the impact of any social distancing requirements or general consumer demand for the Group's experiences. Management has modelled various scenarios on the impact of COVID-19 and how to mitigate the risks but there is considerable uncertainty as to the timing of any recovery to more normal trading conditions.

## Treasury Operations & Financial Instruments

The Group operates a centralised treasury function which is responsible for managing liquidity, interest and foreign currency risks associated with the Group's activities.

The Group's principal financial instrument is cash, the main purpose of which is to fund the Group's operations.

The Group has various other financial assets and liabilities such as trade receivables and trade payables naturally arising from its operations.

The Group's exposure and approach to capital and financial risk, and approach to managing these is set out in note 25 to the consolidated financial statements.

## Research & Development

During the year the Group invested in research and development in order to continue its development of a content management system and VR experiences. The Group has claimed R&D tax credits where eligible.

## Employee Engagements

The Group engages with its employees regularly in numerous ways including via an intranet which is a source of key information which staff can access as required. Details of the Group's performance are shared with all employees at appropriate times using these methods.

## Employee Policies

The Group has established employment policies which are compliant with current legislation and codes of practice. The Group is an equal opportunities employer.

## Payment of Suppliers

The Group's policy is to pay suppliers in accordance with the relevant contractual terms between the Group and the supplier. Where no specific terms are agreed, the Group's standard policy is 30 days.

## Directors' Indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company. Appropriate directors' and officers' liability insurance cover is in place in respect of all the Directors.

## Directors' Conflicts of Interest

In the event that a Director becomes aware that they, or their connected parties, have an interest in an existing or proposed transaction involving the Group, they will notify the Board in writing or at the next Board meeting.

## Significant Shareholdings

As at 31 December 2019, the following shareholders owned 3% or more of the Company:

Shareholder	Shares	%
Unicorn AIM VCT	24,999,999	8.74%
Martin Higginson <sup>1</sup>	24,026,945	8.40%
Cavendish Asset Management - AIM Fund	17,967,510	6.28%
Rathbone Nominees Limited	17,938,067	6.27%
Leonie Dobbie	12,633,607	4.41%
Rod Findley	10,084,349	3.52%
David Marks	9,767,580	3.41%

As at 25 June 2020, the following shareholders owned 3% or more of the Company:

Shareholder	Shares	%
Unicorn AIM VCT	29,137,930	7.68%
Cavendish Asset Management - AIM Fund	27,217,510	7.17%
Rathbone Nominees Limited	26,218,772	6.91%
Martin Higginson <sup>1</sup>	24,026,945	6.33%
Herald Investment Trust	12,896,551	3.40%
Leonie Dobbie	12,633,607	3.33%
Downing ONE VCT	12,137,931	3.20%

<sup>1</sup> Includes shares indirectly held in M Higginson's pension scheme

## Political Donations

The Group did not make any political donations during 2019 (2018: £Nil).

## Matters Covered in the Chairman's Statement & Financial Statements

Certain matters which are required to be disclosed in the Directors' Report (such as review of the business and future developments) have been omitted as they are included within the Strategic Report (on pages 8 to 11) and the Chief Executive's Statement (on pages 4 to 7) and within the notes to the Financial Statements.

## Annual General Meeting

The Company's Annual General Meeting will be held later in the year.

## Statement as to Disclosure of Information to the Auditor

As far as the Directors are aware they have each taken all necessary steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

## Auditors

Haysmacintyre LLP have signified their willingness to continue in office and a resolution to reappoint Haysmacintyre LLP as auditor to the Company will be proposed at the AGM.

Approved by the Board on 25 June 2020 and signed on its behalf by.

Martin Higginson  
Director

## DIRECTORS' RESPONSIBILITIES STATEMENT

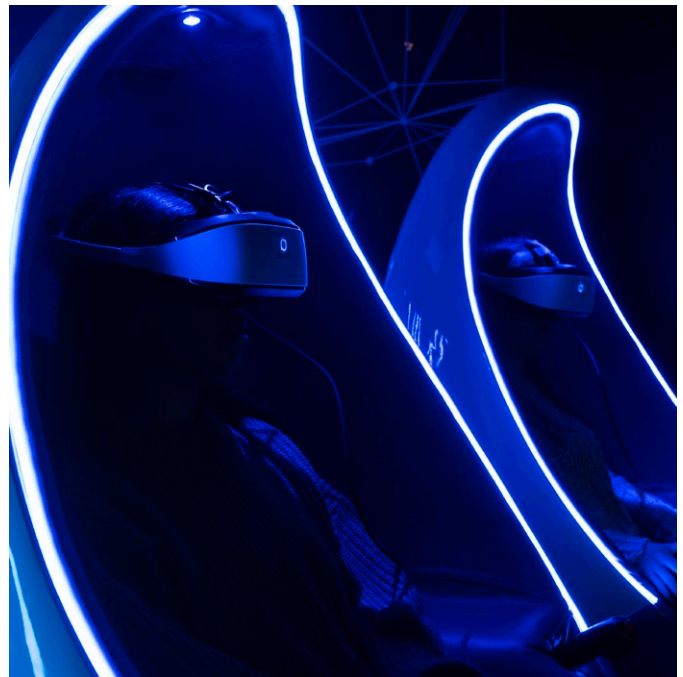
The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

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 International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether IFRS as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's and the Group's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the corporate and financial information on the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein. The work carried out by the auditors does not include consideration of the maintenance and the integrity of the website and accordingly the auditor accepts no responsibility for any changes that have occurred to the financial statements when they are presented on the website.



## Opinion

We have audited the financial statements of Immotion Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated and Parent Company Cash Flow Statements 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, 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.

## Material Uncertainty Related to Going Concern

We draw attention to Note 4 in the financial statements, which indicates that the Group incurred a loss after taxation of £5,415k and had a net cash outflow of £237k during the year ended 31 December 2019. The recent COVID-19 outbreak has affected the Group's ability to generate revenue, and it is difficult to predict at this stage the duration of disruption to sales activity. The Directors have modelled scenarios and may seek additional funding to provide sufficient cash to mitigate the risks provided by COVID-19.

As stated in Note 4, these facts, along, with other matters may indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the material uncertainty related to going concern section, we determined the matters described below to be the key audit matters to be communicated in our report.

### Key Audit Matter: Revenue Recognition

There is a risk that group revenue, comprising the sale of content, partner revenue, VR revenue and hardware, is not recognised in line with the accounting policies in note 4 in accordance with IFRS 15.

#### How the matter was addressed in the audit

Our audit work included, but was not restricted to:

- Considering the stated accounting policies in respect of revenue recognition and whether these are consistent with IFRS 15;
- A detailed review of how revenue is recognised;
- A review of the judgments made; and
- Testing a sample of transactions recorded either side of the balance sheet date for correct application of cut-off.

No material misstatements were identified as a result of the audit procedures performed.

## Key Audit Matter: Impairment of Goodwill and Other Intangibles

There is a risk as to the valuation of goodwill and other separately identifiable intangible assets arising during previous acquisitions at 31 December 2019 and the need for impairment.

### How the matter was addressed in the audit

Our audit work included, but was not restricted to:

- Reviewing and assessing the impairment review prepared by management and challenging the assumptions;
- Reviewing and assessing future budgets and cash flow forecasts; and
- Making enquiries of management and assessing expected future performance and potential growth in the future.

Our audit work did not identify any material errors in the valuation of goodwill and other separately identifiable intangible assets.

## Key Audit Matter: Capitalisation of Development Costs

There is a risk that the capitalised software development costs may have been capitalised without meeting the relevant recognition criteria of IAS 38 'intangible assets'.

### How the matter was addressed in the audit

Our audit work included, but was not restricted to:

- Reviewing and assessing the criteria for capitalising development costs under IAS 38 and ensuring these had been met;
- Reviewing and assessing the methodology of calculating development costs;
- Reviewing and assessing the client's impairment review of each ongoing project at the year end and assessment of whether they meet the criteria of an intangible asset; and
- Reviewing and assessing management's rationale for capitalising costs and consideration of whether there is sufficient indication of future economic benefits to justify capitalisation.

## Our Application of Materiality

The scope and focus of our audit was influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Materiality for the Financial Statements as a whole was set at £74,000, determined by reference to Group loss. We report to the Audit Committee any corrected or uncorrected misstatements arising exceeding £3,700. Performance materiality was set at £55,500, being 75% of materiality. This was considered an appropriate level of materiality given the focus on revenue generating activities.

## An Overview of the Scope of Our Audit

Our audit scope included the audit of each of the subsidiaries for the year ended 31 December 2019 except C.2K Entertainment Inc. Our audit work for the audited subsidiaries therefore covered revenue, loss and assets and liabilities. The subsidiary audits were performed to subsidiary level materiality which was calculated for each subsidiary with reference to their respective loss and was lower than Group materiality in each case. C.2K Entertainment Inc was audited to Group materiality. The subsidiaries, Immotion Limited and Ranger Rob UK Limited, were exempt from audit by virtue of S479A of Companies Act 2006 and were audited to Group materiality.



## Other Information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## 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 by Exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, set out on page 27, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### 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.

#### Laura Mott (Senior Statutory Auditor)

For and on behalf of Haysmacintyre LLP, Statutory Auditors  
10 Queen Street Place, London EC4R 1AG

25 June 2020



		Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
	Note		
<b>Revenue</b> – continuing operations	7	3,606	1,948
<b>Cost of sales</b> – continuing operations		(2,509)	(1,436)
<b>Gross profit</b>		1,097	512
Administrative expenses– continuing operations		(6,524)	(4,264)
<b>Loss from Operations</b>	8	<b>(5,427)</b>	<b>(3,752)</b>

**Memorandum:**

<b>Adjusted EBITDA</b>		<b>(2,494)</b>	<b>(2,360)</b>
Depreciation		(1,304)	(405)
Amortisation		(561)	(178)
Impairment of intangible assets		(458)	-
Share based payments		(171)	(137)
Acquisition & listing costs		-	(672)
Loss on disposal of fixed assets		(12)	-
Restructuring costs		(427)	-
<b>Loss from Operations</b>		<b>(5,427)</b>	<b>(3,752)</b>

Finance costs	10	(108)	(57)
Finance income	11	4	2
<b>Loss before taxation and attributable to equity holders of the parent</b>		<b>(5,531)</b>	<b>(3,807)</b>
Taxation	12	84	159
<b>Loss from continuing operations</b>		<b>(5,447)</b>	<b>(3,648)</b>
Discontinued operations (net of tax)	32	32	(175)
<b>Loss after taxation</b>		<b>(5,415)</b>	<b>(3,823)</b>
<b>Other comprehensive expense</b>			
Loss on translation of subsidiary		(29)	(16)
<b>Loss after taxation and attributable to equity holders of the parent and total comprehensive income for the period</b>		<b>(5,444)</b>	<b>(3,839)</b>
<b>Earnings/(Loss) per share (pence)</b>			
Basic (continuing)	13	(2.13)	(2.31)
Basic (discontinuing)		0.01	(0.11)
		<b>(2.12)</b>	<b>(2.42)</b>
<b>Earnings/(Loss) per share (pence)</b>			
Diluted (continuing)	13	(2.13)	(2.31)
Diluted (discontinuing)		0.01	(0.11)
		<b>(2.12)</b>	<b>(2.42)</b>

The notes on pages 37 to 70 form part of the group financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share capital £'000	Share premium £'000	Foreign exchange reserve £'000	Retained (deficit)/ earnings £'000	Total equity £'000
<b>Balance at 1 January 2018</b>	-	<b>3,704</b>	-	<b>(175)</b>	<b>3,529</b>
Issue of shares	26	6,786	-	-	6,812
Issue costs deducted from equity	-	(439)	-	-	(439)
Loss after tax	-	-	-	(3,823)	(3,823)
Equity settled share-based payments	-	-	-	137	137
Bonus Issue	52	(52)	-	-	-
Currency translation of overseas subsidiary	-	-	(16)	-	(16)
<b>Balance at 31 December 2018</b>	<b>78</b>	<b>9,999</b>	<b>(16)</b>	<b>(3,861)</b>	<b>6,200</b>
Issue of shares	37	5,684	-	-	5,721
Issue costs deducted from equity	-	(373)	-	-	(373)
Loss after tax	-	-	-	(5,415)	(5,415)
Equity settled share-based payments	-	-	-	171	171
Currency translation of overseas subsidiary	-	-	(29)	-	(29)
<b>Balance at 31 December 2019</b>	<b>115</b>	<b>15,310</b>	<b>(45)</b>	<b>(9,105)</b>	<b>6,275</b>

The notes on pages 37 to 70 form part of the group financial statements.



	Note	31 December 2019 £'000	31 December 2018 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	3,132	1,574
Intangible fixed assets	15	4,020	4,038
<b>Total non-current assets</b>		<b>7,152</b>	<b>5,612</b>
<b>Current assets</b>			
Inventories	16	-	133
Trade and other receivables	17	803	1,410
Cash and cash equivalents	18	474	711
<b>Total current assets</b>		<b>1,277</b>	<b>2,254</b>
<b>Total assets</b>		<b>8,429</b>	<b>7,866</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	19	(1,060)	(886)
Loans and borrowings	19	(101)	(229)
Lease liabilities	19	(401)	-
Deferred tax liability	24	(27)	(26)
Contract liabilities	20	(14)	(189)
<b>Total current liabilities</b>		<b>(1,603)</b>	<b>(1,330)</b>
<b>Non-current liabilities</b>			
Other payables	19	-	(54)
Loans	19	(55)	(218)
Lease liabilities	19	(496)	-
Deferred tax liability	24	-	(64)
		(551)	(336)
<b>Total liabilities</b>		<b>(2,154)</b>	<b>(1,666)</b>
<b>Total net assets</b>		<b>6,275</b>	<b>6,200</b>
<b>Capital and reserves attributable to owners of the parent</b>			
Share capital	26	115	78
Share premium	28	15,310	9,999
Foreign exchange reserve	28	(45)	(16)
Retained deficit	28	(9,105)	(3,861)
<b>Total equity</b>		<b>6,275</b>	<b>6,200</b>

The financial statements were approved by the Board and authorised for issue on 25 June 2020

**Martin Higginson**  
Chief Executive Officer

**David Marks**  
Group Finance Director

The notes on pages 37 to 70 form part of the group financial statements.

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
<b>Cash flows from operating activities</b>		
Loss before tax including discontinued operations	(5,499)	(3,982)
Adjustments for:		
Share based payments	171	137
Depreciation of property plant and equipment	1,304	405
Depreciation of stock transfers	(2)	(20)
Loss on disposal of fixed assets	12	-
Amortisation of intangible assets	561	178
Impairment of intangible assets	458	231
Finance costs	108	57
Finance income	(4)	(2)
Foreign exchange on retranslation of fixed assets	(32)	(28)
Foreign exchange loss	(29)	(16)
Corporation tax received/(paid)	289	(13)
<b>Cash flows from operating activities before changes in working capital</b>	<b>(2,663)</b>	<b>(3,053)</b>
Decrease / (Increase) in inventories	133	(133)
Decrease / (increase) in trade and other receivables	339	(458)
(Decrease) / Increase in trade and other payables	(55)	168
<b>Cash used in operations</b>	<b>(2,246)</b>	<b>(3,476)</b>
<b>Investing activities</b>		
Purchase of intangible assets	(1,005)	(1,542)
Purchase of property, plant and equipment	(2,883)	(1,524)
Disposals of property, plant and equipment	15	76
Foreign exchange on retranslation of fixed assets	32	-
<b>Net cash used in investing activities</b>	<b>(3,841)</b>	<b>(2,990)</b>
<b>Financing activities</b>		
Finance costs	(108)	(57)
Finance income	4	2
New loans and finance leases	1,166	179
Loan repayments	(560)	(89)
Issue of convertible loan stock	-	488
Issue of new share capital	5,721	6,324
Costs on issue of shares	(373)	(439)
<b>Net cash from financing activities</b>	<b>5,850</b>	<b>6,408</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(237)</b>	<b>(58)</b>
Cash and cash equivalents at beginning of the period	711	769
<b>Cash and cash equivalents at end of the period</b>	<b>474</b>	<b>711</b>

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
<b>Reconciliation of net cash flow to movement in net debt:</b>		
Net (decrease) / increase in cash and cash equivalents	(237)	(58)
New loans and finance leases	(1,166)	(179)
Repayment of loans	560	89
	<u>(843)</u>	<u>(148)</u>
<b>Movement in net funds in the year</b>		
Net funds at 1 January	264	412
<b>Net (debt) / funds at 31 December</b>	<u><u>(579)</u></u>	<u><u>264</u></u>
 <b>Breakdown of net (debt) / funds</b>		
Cash and cash equivalents	474	711
Loans and borrowings	(156)	(447)
Lease liabilities	(897)	-
<b>Net (debt) / funds at 31 December</b>	<u><u>(579)</u></u>	<u><u>264</u></u>

The notes on pages 37 to 70 form part of the group financial statements.



## 1. GENERAL INFORMATION

Immotion Group plc is a public limited company incorporated and domiciled in the United Kingdom. The address of the registered office is East Wing, Ground Floor, The Victoria, Mediacity, Manchester, M50 3SP. The Group is listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

The principal activity of the Group during the year was the production of virtual reality content, experiences, equipment and software design.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 4.

## 2. STANDARDS, AMENDMENTS & INTERPRETATIONS ADOPTED IN THE CURRENT FINANCIAL YEAR ENDED 31 DECEMBER 2019

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended standards and interpretations during the year that are applicable to the Group.

IFRS 16 is effective from 1 January 2019. The standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model. Lessees are required to recognise a right-of-use asset and related lease liability for their operating leases and show depreciation of leased assets and interest on lease liabilities separately in their income statement. IFRS 16 requires the Group to recognise substantially all of its operating leases on the balance sheet.

The Group adopted IFRS 16 effective 1 January 2019 on a modified retrospective basis. Accordingly, prior year financial information has not been restated and will continue to be reported under IAS 17: Leases. The right-of-use asset and lease liability have initially been measured at the present value of remaining lease payments, with the right-of-use asset being subject to certain adjustments.

When applying IFRS 16, the Group has applied the following practical expedients, on transition date:

- Reliance on the previous identification of a lease (as provided by IAS 17) for all contracts that existed on the date of initial application;
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- The accounting for operating leases with a remaining term of less than 12 months as at 1 January 2019 as short-term leases.

The following table reconciles the opening balance for the lease liabilities as at 1 January 2019 based on the operating lease obligations as at 31 December 2018:

	£'000
<b>Loss for the period to 31 December 2019:</b>	<b>(5,415)</b>
Add back: notional interest charged on finance leases	53
Add back: depreciation on right-of-use asset	349
Less: rent which would have been charged before transition:	(396)
Revised loss for the period to 31 December 2019:	(5,409)
<b>Additional profit/(loss) gained as a result of transition:</b>	<b>6</b>

The following table reconciles the minimum lease commitments disclosed in the Group's financial statements as at 31 December 2018 to the amount of lease liabilities on 1 January 2019:

	£'000
<b>Minimum operating lease commitment at 31 December 2018:</b>	<b>1,338</b>
Less: short term leases not recognised under IFRS 16	(53)
Less: leases terminated before 31 December 2019	(51)
Less: service charge commitments	(155)
<b>Undiscounted lease payments:</b>	<b>1,079</b>
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(132)
<b>Lease liabilities recognised at 1 January 2019</b>	<b>947</b>
New leases in 2019	223
Interest for year to 31 December 2019	53
Rental payments for 12 months to 31 December 2019	(396)
<b>Lease liability at 31 December 2019</b>	<b>827</b>

### 3. NEW AND REVISED IFRS STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

#### Definition of Material – Amendments to IAS 1 and IAS 8 (effective 1 January 2020)

The IASB has made amendments to IAS 1, 'Presentation of Financial Statements', and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, to clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and;
- The meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendment is not expected to have a material impact on the Group.

## 4. ACCOUNTING POLICIES

### Principal accounting policies

The Company is a public company incorporated and domiciled in the United Kingdom. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs") and those parts of the Companies Act 2006 which apply to companies preparing their financial statements under IFRSs. The financial statements are presented to the nearest round thousand (£'000) except when otherwise indicated.

### Basis of Consolidation

The Group comprises a holding company and a number of individual subsidiaries and all of these have been included in the consolidated financial statements in accordance with the principles of acquisition accounting as laid out by IFRS 3 Business Combinations.

### Going concern

The Group incurred a loss after taxation of £5,415k for the year and a net cash outflow of £237k. The loss in the year and the post year end operational disruption and economic uncertainty created by COVID-19 lockdowns indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern unless losses after taxation are reduced significantly and/or new equity funds raised as required.

On 12 February 2020, the Group raised £2.85 million (before costs) through an additional issue of shares for cash. On 27 May 2020, the Group raised a further £1.35 million (before costs) through an additional issue of shares for cash.

The Directors have prepared forecasts covering the period to December 2021, assessing the trading projections and cash flow excluding the potential impact of COVID-19 which is considered below. The projections include the likely headset roll out and the revenue that will be generated should the Group meet their projections.

The uncertainty as to the future impact on the Group of the recent COVID-19 outbreak has been considered as part of the Directors' consideration of the going concern basis of preparation. All revenue generating activity ceased during March 2020 for an indeterminate period of time and, as such, the Group is currently

generating almost no revenue. Lockdown has to date resulted in the Group stopping the installation of any new equipment at new Partner sites.

The Directors have modelled various scenarios for when lockdown may be lifted and have modelled the potential impact on sales and the results of the Group, again covering the period to December 2021. In preparing this analysis, a number of scenarios were modelled ranging from the lockdown ending on 1 July 2020 to the lockdown ending on 1 September 2020, with a reduction in forecast sales ranging from 30% to 50% for the rest of 2020. In each scenario, mitigating actions within the control of management have been modelled. However, it is difficult to predict the overall outcome and impact of COVID-19 at this stage.

The models prepared showed that there may be a requirement for additional funding to continue being able to operate as a going concern. This was a significant factor in the Group's decision to raise additional funds on 27 May 2020.

The Directors note the commitment to provide financial support made by the UK Government for UK businesses, including a £330bn funding package. Whilst there remains uncertainty around this, the Directors believe that the Group would qualify for financial assistance schemes within this package. The Group has obtained funding through the Paycheck Protection Program in the USA.

Based on the models prepared and the indications (as noted above with the two fundraises post year-end) regarding the ability to obtain further funding, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

### Business combinations and goodwill

Acquisitions of subsidiaries and business are accounted for using the acquisition method. The assets and liabilities and contingent liabilities of the subsidiaries are measured at their fair value at the date of acquisition. Any excess of acquisition over fair values of the identifiable net assets acquired is recognised as goodwill. Goodwill arising on consolidation is recognised as an asset and reviewed for impairment twice annually. Any impairment is recognised immediately in profit or loss accounts and is not subsequently reversed. Acquisition related costs are recognised in the income statement as incurred.

### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the 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:



### Partners

Partner revenue is recognised on the date which the sale to the customer takes place. The Group acts as the principal in the transaction and therefore recognises the revenue charged to the end user in full with the concession partners' shares deducted as a cost of sale.

### Hardware sales

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be reliably measured;
- 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 reliably measured.

Hardware sales revenue is normally recognised on the date that the hardware is delivered to the customer. In the event that a customer is not ready to take delivery of the hardware and have requested a delayed delivery date, the Group applies the specifics of IFRS 15 Bill-and-Hold arrangements. Revenue is then recognised in advance of delivery. Under the Bill-and-Hold arrangements:

- the goods are complete and ready for collection;
- the goods are separately identified from the Group's other stock and are not used to fulfil any other orders;
- the customer has specifically requested that the goods be held pending collection; and
- normal payment terms apply to the Bill-and-Hold arrangement.

### Content

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the performance obligations of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Content revenue is recognised on the date which the sale to the customer takes place. The Group considers the performance obligations to have been transferred upon delivery of the service.

No element of financing is deemed present as the sales are made with standard credit terms of 30 days which is consistent with market practice. The Group does not expect to have any contracts where the period between the transfer of the promised services or goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

### Leases

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives.

The lease liability is included in Payables in the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the tangible fixed assets in the Statement of Financial Position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment losses where applicable.

### Foreign currency

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pound sterling, which is the functional currency of the Group, and the presentational currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the Group Company's functional currency (foreign currencies) are recorded at rates of exchange prevailing on the dates of the transactions. At the reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of the gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income and expense in the period of disposal of the operation. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rates.

### Intangible assets

Intangible assets include goodwill arising on the acquisition of subsidiaries and represents the difference between the fair value of the consideration payable and the fair value of the net assets that have been acquired. The residual element of Goodwill is not being amortised but is subject to twice-annual impairment review.

Also included within intangible assets are various assets separately identified in business combinations (such as customer lists) to which the Directors have ascribed a commercial value and a useful economic life. The ascribed value of these intangible assets is being amortised on a straight-line basis over their estimated useful economic life, which is considered to be 3 years.



### Internally generated intangible assets

An internally-generated intangible asset arising from the Group's development activities is capitalised and held as an intangible asset in the statement of financial position when the costs relate to a clearly defined project; the costs are separately identifiable; the outcome of such a project has been assessed with reasonable certainty as to its technical feasibility and its ultimate commercial viability; the aggregate of the defined costs plus all future expected costs in bringing the product to market is exceeded by the future expected sales revenue; and adequate resources are expected to exist to enable the project to be completed. Internally generated intangible assets are amortised over their estimated useful lives, being 3 years from completion of development. Other development expenditure is recognised as an expense in the income statement in the period in which it is incurred.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument.

The Group always recognises lifetime expected credit losses for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for facts that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecasted conditions at the reporting date, including time value of money where appropriate. Lifetime expected credit losses are losses which will result from all possible default events over the expected life of a financial instrument.

### Contract liabilities

Contract liabilities comprise payments in advance of revenue recognition and revenue deferred due to contract performance obligations not completed. They are classified as current liabilities if the contract performance payments are due to be completed within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Contract liabilities are recognised initially at fair value and subsequently at amortised cost.

### Trade & other receivables

Trade and other receivables are measured at initial recognition at fair value, and subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in profit or loss.

### Cash & cash equivalents

Cash and cash equivalents are recognised as financial assets. They comprise cash held by the Group and short-term bank deposits with an original maturity date of three months or less.

### Trade payables

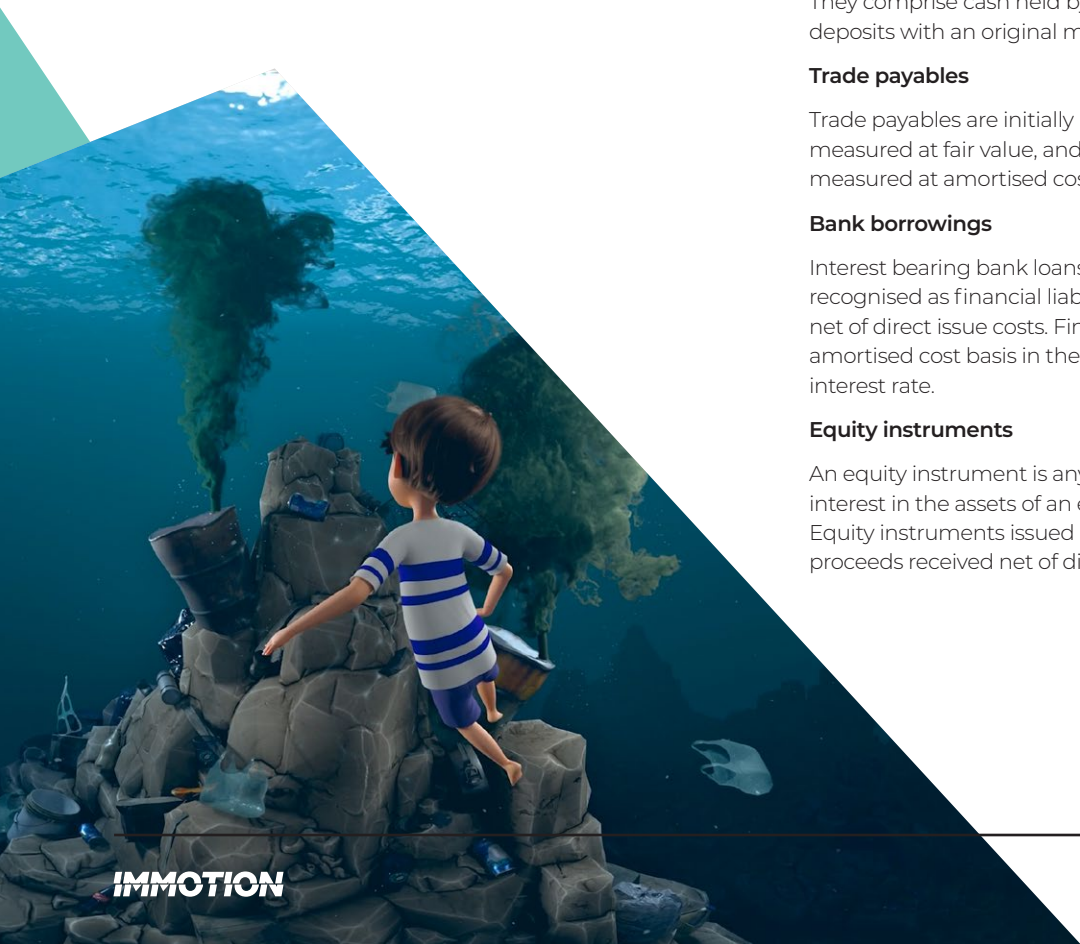
Trade payables are initially recognised as financial liabilities measured at fair value, and subsequent to initial recognition measured at amortised cost.

### Bank borrowings

Interest bearing bank loans, overdrafts and other loans are recognised as financial liabilities and recorded at fair value, net of direct issue costs. Finance costs are accounted for on an amortised cost basis in the income statement using the effective interest rate.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deduction of all its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.





### Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income on a straight-line basis over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Fair value is calculated either using the Monte-Carlo model or Black-Scholes model, details of which are given in note 27.

### Pensions

The pension schemes operated by the Group are defined contribution schemes. The pension cost charge represents the contributions payable by the Group.

### Property, plant & equipment

Property, plant and equipment are stated at cost net of accumulated depreciation and provision for impairment. Depreciation is provided on all property plant and equipment, at rates calculated to write off the cost less estimated residual value, of each asset on a straight-line basis over its expected useful life.

The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful economic life.

The method of depreciation for each class of depreciable asset is:

VR hardware	33% straight line
Computer equipment	33% straight line
Leasehold property	Over term of lease / 33% straight line retail premises
Plant & equipment	33% straight line
Fixtures & fittings	20% to 33% straight line
IFRS 16 right of use assets	Over term of lease

### Impairment of Assets

Impairment tests on goodwill are undertaken twice-annually. The recoverable value of goodwill is estimated on the basis of value in use, defined as the present value of the cash generating units with which the goodwill is associated. When value in use is less than the book value, an impairment is recorded and is irreversible.

Other non-financial assets are subject to impairment tests whenever circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its estimated recoverable value (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. Where it is not possible to estimate the recoverable value of an individual asset, the impairment test is carried out on the asset's cash-generating unit. The carrying value of property, plant and equipment is assessed in order to determine if there is an indication of impairment. Any impairment is charged to the statement of comprehensive income. Impairment charges are included under administrative expenses within the consolidated statement of comprehensive income.

### Taxation & deferred taxation

Corporation tax payable is provided on taxable profits at prevailing rates.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill; and
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit.

Recognition of deferred tax assets is restricted to those instances where it is probable that future taxable profit will be available against which the asset can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities / (assets) are settled / (recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

### Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Directors, who are responsible for allocating resources and assessing performance of the operating segments.

A business segment is a group of assets and operations, engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Executive Directors assess the performance of the operating segments based on the measures of revenue, profit before taxation (PBT) and profit after taxation (PAT). Central overheads are not allocated to business segments.

### 5. CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and other factors considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and estimations that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.



## Critical accounting judgments

### *Revenue recognition*

The revenue for the sale of hardware is recognised once the benefits and control of these items are no longer with the Group and are instead with the customer. Revenue is recognised under the specifics of IFRS 15 Bill-and-Hold arrangements for VR Hardware that was not delivered to the customer by the year-end. Management exercise judgment to consider when the risks have been transferred to the customer.

Project revenue is recognised in proportion to the Group's estimate of project completion at period end. Estimating project completion requires management judgment as to the percentage complete at period end and the amount of revenue to be recognised.

### *Recoverability criteria for capitalisation of development expenditure*

The Group recognises costs incurred on development projects as an intangible asset which satisfies the requirements of IAS 38. The calculation of the costs incurred includes the percentage of time spent by certain employees on the development project. The decision whether to capitalise and how to determine the period of economic benefit of a development project requires an assessment of the commercial viability of the project and the prospect of selling the project to new or existing customers. An assessment is made as to the future economic benefits of the project and whether an impairment is needed.

### *Impairment of goodwill*

Impairment of the valuation of the goodwill relating to the acquisition of subsidiaries is considered twice annually for indicators of impairment to ensure that the asset is not overstated within the financial statements. The twice annual impairment assessment in respect of goodwill requires estimates of the value in use (or fair value less costs to sell) of subsidiaries to which goodwill has been allocated. As a result, estimates of future cash flows are required, together with an appropriate discount factor for the purpose of determining the present value of those cash flows.

### *R&D tax credits*

Uncertainties exist in relation to the interpretation of complex tax legislation, changes in tax laws and the amount and timing of future taxable income. This could necessitate future adjustments to taxable income and expenses already recorded.

At the year-end date, tax liabilities and assets reflect management's judgments in respect of the application of the tax regulations, in particular the R&D tax regulations and management's estimate of the future amounts that will be settled.

In assessing our year-end tax liability, the Group has made a provisional assessment as to the likely amount of development expenditure that will be eligible under each of the HMRC's large company and SME R&D tax credit schemes.

## Critical accounting estimates

### *Amortisation of intangible assets*

The periods of amortisation adopted to write down capitalised intangible assets and capitalised staff costs requires judgments to be made in respect of estimating the useful lives of the intangible assets to determine an appropriate amortisation rate. Capitalised development costs are being amortised on a straight-line basis over the period during which economic benefits are expected to be received, which has been estimated at 3 years.

### *Depreciation*

The useful economic lives of tangible fixed assets are based on management's judgment and experience. When management identifies that actual useful economic lives differ materially from the estimates used to calculate depreciation, that charge is added retrospectively. Due to the significance of tangible fixed assets to the Group, variances between actual and estimated useful economic lives could impact on the operating results both positively and negatively.

### *Share based payments expense*

Non-market performance and service conditions are included in the assumptions about the number of options that are expected to vest. At the end of each reporting period the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to the original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

This requires a judgment as to how many options will meet the future vesting criteria as well as the judgments required in estimating the fair value of the options.

### *IFRS 16 discount rates*

The Group estimates an appropriate discount rate based on an incremental rate of borrowing for the calculation of the IFRS 16 right-of-use assets. This requires judgment as to an appropriate discount rate.

## 6. SEGMENTAL INFORMATION

A segmental analysis of revenue and expenditure for the year ended 31 December 2019 is below. Immotion Group Plc has changed its internal reporting during the year ended 31 December 2019 and the segmental analysis is therefore prepared on a different basis to 2018.

	Immotion VR £'000	Partners £'000	Hardware £'000	Content £'000	Head Office £'000	Total Continuing Operations £'000	Discontinued Operations £'000	Total £'000
Revenue	1,241	1,585	106	649	25	3,606	18	3,624
Cost of sales	(1,081)	(964)	(112)	(352)	-	(2,509)	18	(2,491)
Administrative expenses*	(385)	(1,169)	-	(175)	(1,862)	(3,591)	-	(3,591)
Operating (loss) / profit	(225)	(548)	(6)	122	(1,837)	(2,494)	36	(2,458)
Amortisation	(32)	(111)	-	(314)	(104)	(561)	-	(561)
Depreciation	(462)	(576)	-	(65)	(201)	(1,304)	-	(1,304)
Impairment	-	-	-	(458)	-	(458)	-	(458)
Loss on disposal	(18)	-	-	6	-	(12)	-	(12)
Restructuring costs	(52)	(57)	-	(244)	(74)	(427)	(4)	(431)
Share based payments	-	-	-	-	(171)	(171)	-	(171)
Finance costs	-	-	-	-	(108)	(108)	-	(108)
Finance income	-	-	-	-	4	4	-	4
Tax	-	-	-	-	84	84	-	84
<b>(Loss)/Profit for the year</b>	<b>(789)</b>	<b>(1,292)</b>	<b>(6)</b>	<b>(953)</b>	<b>(2,407)</b>	<b>(5,447)</b>	<b>32</b>	<b>(5,415)</b>

\* Administrative expenses exclude amortisation, depreciation, impairment, loss on disposal, restructuring costs and share based payments.

A segmental analysis of revenue and expenditure for the year ended 31 December 2018 is below:

	VR Experiences £'000	Client Services £'000	Head Office £'000	Total Continuing Operations £'000	Discounted Operations £'000	Total 2018 £'000
Revenue	1,326	622	-	1,948	906	2,854
Cost of sales	(1,233)	(203)	-	(1,436)	(473)	(1,909)
Administrative expenses*	(726)	(304)	(1,842)	(2,872)	(292)	(3,164)
Operating (loss) / profit	(633)	115	(1,842)	(2,360)	141	(2,219)
Amortisation	(93)	-	(85)	(178)	(231)	(409)
Depreciation	(357)	-	(48)	(405)	-	(405)
Acquisition and listing costs	-	-	(672)	(672)	(85)	(757)
Share based payments	-	-	(137)	(137)	-	(137)
Finance costs	-	-	(57)	(57)	-	(57)
Finance income	-	-	2	2	-	2
Tax	-	-	159	159	-	159
<b>(Loss) / Profit for the year</b>	<b>(1,083)</b>	<b>115</b>	<b>(2,680)</b>	<b>(3,648)</b>	<b>(175)</b>	<b>(3,823)</b>

\* Administrative expenses exclude depreciation, amortisation, share based payments and acquisition and listing costs.

The segmental analysis above reflects the parameters applied by the Board when considering the Group's monthly management accounts.

The table below splits revenue, assets and capital expenditure by location:

	External revenue by location of customer		External revenue by location of customer	
	31 December 2019	31 December 2019	31 December 2018	31 December 2018
	Continuing	Discontinuing	Continuing	Discontinuing
	£'000	£'000	£'000	£'000
United Kingdom	1,599	-	790	221
United States of America	1,031	18	636	-
Netherlands	422	-	-	230
Australia	187	-	-	-
China	156	-	49	-
Germany	83	-	-	(6)
Saudi Arabia	62	-	48	-
United Arab Emirates	55	-	136	-
Japan	5	-	49	449
France	5	-	-	-
Estonia	1	-	16	-
Spain	-	-	224	-
Eire	-	-	-	8
Switzerland	-	-	-	4
	<b>3,606</b>	<b>18</b>	<b>1,948</b>	<b>906</b>

	Total assets by location		Net tangible capital expenditure by location	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	£'000	£'000	£'000	£'000
United Kingdom	6,437	7,032	1,182	1,033
United States of America	1,698	834	1,358	491
Australia	52	-	73	-
China	14	-	17	-
Germany	43	-	65	-
Saudi Arabia	82	-	96	-
United Arab Emirates	95	-	83	-
France	8	-	9	-
	<b>8,429</b>	<b>7,866</b>	<b>2,883</b>	<b>1,524</b>



## 7. REVENUE

Revenue by stream is split:	2019 £000	2018 £000
ImmotionVR	1,241	608
Partners	1,585	186
Hardware	106	532
Content	649	-
Client Services	-	622
Other	25	-
	<u>3,606</u>	<u>1,948</u>

The Group had certain customers whose revenue individually represented 10% or more of the Group's total revenue. For the year ended 31 December 2019, two customers accounted for 27% and 12% of the revenue respectively (2018: one customer accounted for 19% of the revenue).

## 8. LOSS FROM OPERATIONS

This is arrived at after charging:	2019 £000	2018 £000
<b>Continuing operations</b>		
Staff costs (see note 9)	4,003	3,151
Acquisition and listing costs	-	672
Depreciation of property, plant & equipment	1,304	405
Amortisation of intangible fixed assets	561	178
Impairment of intangible assets	458	-
Operating lease expense - property	267	523
Foreign exchange differences	10	38
	<u>8,603</u>	<u>5,267</u>
<b>Discontinuing operations</b>		
Impairment of intangible assets	-	231
	<u>-</u>	<u>231</u>
Auditors' remuneration in respect of the Company	12	11
Audit of the Group and subsidiary undertakings	46	42
Auditors' remuneration - non-audit services - accounting service fees	13	20
Auditors' remuneration - non-audit services - taxation fees	13	10
Auditors' remuneration - corporate finance fees	-	81
	<u>84</u>	<u>164</u>



## 9. STAFF COSTS

	2019 £000	2018 £000
Staff costs for all employees, including Directors consist of:		
Wages and salaries	3,405	2,641
Social security costs	387	351
Pensions	40	22
	<u>3,832</u>	<u>3,014</u>
Share based payment charge	171	137
	<u><u>4,003</u></u>	<u><u>3,151</u></u>

The Group incurred termination costs of £277k (2018: £nil) during the year.

Staff costs above include £513k capitalised in 2019 (2018: £735k) as development costs (see note 15).

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

	Number	Number
Directors	6	5
Management and administration	14	13
ImmotionVR	50	16
Operations	7	3
Sales and Marketing	3	4
Content and software development	19	20
	<u><u>99</u></u>	<u><u>61</u></u>

### Directors' Detailed Emoluments

Details of individual Directors' emoluments for the year are as follows:

	Salary 2019 £'000	Consultancy 2019 £'000	Severance 2019 £'000	Benefits 2019 £'000	Pension 2019 £'000	Total 2019 £'000	Total 2018 £'000
M Higginson	145	50	-	8	1	204	264
D Marks	179	-	-	-	1	180	237
R Findley	132	-	-	6	-	138	130
I Liddell *	137	-	30	-	3	170	54
R Miller	30	15	-	-	-	45	22
A Ritchie	-	-	-	-	-	-	11
N Lee	35	-	-	-	1	36	17
	<u><u>658</u></u>	<u><u>65</u></u>	<u><u>30</u></u>	<u><u>14</u></u>	<u><u>6</u></u>	<u><u>773</u></u>	<u><u>735</u></u>

\* Ian Liddell resigned as a director of the Group on 9 December 2019

All pension contributions represent payments into defined contribution schemes. The principal benefits relate to health insurance.

The Executive Directors have service contracts with the Company which are terminable by the Company or relevant director on 6 months' notice.

£127k of the share-based payment expense relates to the directors (2018: £72k).

The Directors of the company on 25 June 2020 and at the statement of financial position date, and their interests in the issued ordinary share capital of the Company as at those dates were as follows:

	Shares of £0.00040108663					
	25/06/2020		31/12/2019		31/12/2018	
Martin Higginson	24,026,945	6.33%	24,026,945	8.40%	23,109,514	11.83%
David Marks	9,767,580	2.57%	9,767,580	3.41%	9,767,580	5.00%
Rod Findley	10,084,349	2.66%	10,084,349	3.52%	9,501,016	4.86%
Ian Liddell *	-	-	-	-	4,902,857	2.51%
Sir Robin Miller	350,024	0.09%	350,024	0.12%	350,024	0.18%
Nicholas Lee	241,743	0.06%	241,743	0.08%	241,743	0.12%

\* Ian Liddell resigned as a director during the year.



Details of the options over the Company's shares held by the directors are as follows:

	Type of Option	Options held at 31 December no.	Exercise price £	Date of Grant	Exercise period
Martin Higginson	EMI Option	650,000	0.10	12/07/2018	2030*
Martin Higginson	EMI Option	650,000	0.10	12/07/2018	2031**
Martin Higginson	EMI Option	216,666	0.10	12/07/2018	12/07/2029
Martin Higginson	EMI Option	216,667	0.10	12/07/2018	12/07/2030
Martin Higginson	EMI Option	216,667	0.10	12/07/2018	12/07/2031
David Marks	EMI Option	583,333	0.10	12/07/2018	2030*
David Marks	EMI Option	583,334	0.10	12/07/2018	2031**
David Marks	EMI Option	194,444	0.10	12/07/2018	12/07/2029
David Marks	EMI Option	194,444	0.10	12/07/2018	12/07/2030
David Marks	EMI Option	194,445	0.10	12/07/2018	12/07/2031
Rod Findley	Non-Stat. Option	416,666	0.10	12/07/2018	2030*
Rod Findley	Non-Stat. Option	416,667	0.10	12/07/2018	2031**
Rod Findley	Non-Stat. Option	138,889	0.10	12/07/2018	12/07/2029
Rod Findley	Non-Stat. Option	138,889	0.10	12/07/2018	12/07/2030
Rod Findley	Non-Stat. Option	138,889	0.10	12/07/2018	12/07/2031

\* Earlier of expiry of employment or 10 years after announcement of results for year ended 31 December 2019.

\*\* Earlier of expiry of employment or 10 years after announcement of results for year ended 31 December 2020.

Further information on share options is included in note 27.

The market price of the shares at 31 December 2019 was 6.40p with a quoted range from 1 January 2019 to 31 December 2019 of 4.61p to 11.70p. The options at 2019 vest as above based on performance criteria detailed in note 27.

## 10. FINANCE COSTS

	2019 £000	2018 £000
Loan note interest	-	3
Other interest	55	54
IFRS 16 lease charges	53	-
	<u>108</u>	<u>57</u>

## 11. FINANCE INCOME

	2019 £000	2018 £000
Other interest	4	2
	<u>4</u>	<u>2</u>

## 12. TAXATION ON LOSS FROM ORDINARY ACTIVITIES

	2019 £000	2018 £000
R&D tax credit	(80)	(347)
Adjustment in respect of prior periods	59	13
Foreign taxation	1	-
Deferred tax movement	(64)	175
Tax credit for the year	<b>(84)</b>	<b>(159)</b>

The tax assessed for the year differs from the standard rate of corporation tax in the UK applied to the loss before tax.

	2019 £000	2018 £000
Loss on ordinary activities before tax - continuing operations	(5,531)	(3,807)
Loss on ordinary activities before tax - discontinued operations	32	(175)
Total loss on ordinary activities before tax	<b>5,499</b>	<b>(3,982)</b>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018: 19%)	(1,045)	(757)
Effects of:		
Fixed asset differences	57	23
Expenses not deductible for tax purposes	556	255
Additional deduction for R&D expenditure	(35)	(150)
Adjustments to prior periods	59	13
Deferred tax not recognised	310	485
Adjust closing deferred tax to average rate of tax	14	(28)
Tax credit for the year	<b>(84)</b>	<b>(159)</b>

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 6 September 2016). These included reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In November 2019, the Prime Minister announced the intention to cancel the future reduction in corporation tax rate from 19% to 17% which was confirmed in the Chancellor's budget in March 2020. This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%.

There were unused tax losses of £6.2m at the 31 December 2019. No deferred tax asset has been recognised due to the uncertainty surrounding future profits.



### 13. EARNINGS PER SHARE

	2019 £000	2018 £000
The earnings per share is based on the following:		
Continuing earnings post tax loss attributable to shareholders	(5,447)	(3,648)
Discontinued earnings post tax loss attributable to shareholders	32	(175)
	<u>255,564,704</u>	<u>158,136,544</u>
Basic weighted average number of shares	255,564,704	158,136,544
Diluted weighted average number of shares	<u>255,564,704</u>	<u>158,136,544</u>
	<b>£0.01</b>	<b>£0.01</b>
Basic earnings per share	(2.12)	(2.42)
Diluted earnings per share	(2.12)	(2.42)
	<u>(2.13)</u>	<u>(2.31)</u>
Continuing earnings per share	(2.13)	(2.31)
Continuing diluted earnings per share	(2.13)	(2.31)
	<u>0.01</u>	<u>(0.11)</u>
Discontinued earnings per share	0.01	(0.11)
Discontinued diluted earnings per share	0.01	(0.11)
	<b>£'000</b>	<b>£'000</b>
Underlying loss: continuing operations	(4,391)	(2,838)
Underlying profit: discontinued operations	36	140
	<u>255,564,704</u>	<u>158,136,544</u>
Basic weighted average number of shares	255,564,704	158,136,544
Diluted weighted average number of shares	<u>265,290,288</u>	<u>164,025,259</u>
	<b>£0.01</b>	<b>£0.01</b>
Basic underlying loss per share	(1.72)	(1.71)
Diluted underlying loss per share	(1.72)	(1.71)
	<u>(1.73)</u>	<u>(1.80)</u>
Basic underlying loss per share: continuing operations	(1.73)	(1.80)
Diluted underlying loss per share: continuing operations	(1.73)	(1.80)
	<u>0.01</u>	<u>0.09</u>
Basic underlying earnings per share: discontinued operations	0.01	0.09
Diluted underlying earnings per share: discontinued operations	0.01	0.09

Earnings / (Loss) per ordinary share has been calculated using the weighted average number of shares in issue during the relevant financial periods. IAS 33 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease earnings per share or increase the loss per share. The exercise price of the outstanding share options is significantly more than the average and closing share price. Therefore, as per IAS33 the potential ordinary shares are disregarded in the calculation of diluted EPS.

Underlying loss is the loss after taxation, adjusted for share based payments, impairment charges and restructuring costs.

## 14. TANGIBLE FIXED ASSETS

	Leasehold Property £'000	Equipment £'000	Fixtures and Fittings £'000	IFRS 16 Right-of- Use asset £'000	Total £'000
<b>Cost</b>					
Balance at 1 January 2018	158	310	25	-	493
Additions	245	1,263	16	-	1,524
Transfers to inventory	-	(76)	-	-	(76)
Foreign exchange	2	39	2	-	43
Balance at 1 January 2019	405	1,536	43	-	1,984
Impact of change in accounting policy	-	-	-	1,079	1,079
Balance at 1 January 2019 (adjusted balance)	405	1,536	43	1,079	3,063
Additions	159	1,499	5	-	1,663
Transfers from inventory	-	147	-	-	147
Transfers to inventory	-	(6)	-	-	(6)
Disposals	(17)	(38)	-	-	(55)
Foreign exchange	(1)	(20)	(1)	-	(22)
<b>Balance at 31 December 2019</b>	<b>546</b>	<b>3,118</b>	<b>47</b>	<b>1,079</b>	<b>4,790</b>
<b>Accumulated depreciation</b>					
Balance at 1 January 2018	-	-	-	-	-
Depreciation charge on owned assets	65	248	17	-	330
Depreciation charge on financed assets	-	75	-	-	75
Transfers to inventory	-	(20)	-	-	(20)
Foreign exchange adjustment	-	23	2	-	25
Balance at 1 January 2019	65	326	19	-	410
Depreciation charge on owned assets	146	725	13	-	884
Depreciation charge on financed assets	-	71	-	349	420
Transfers to inventory	-	2	-	-	2
Disposals	(5)	(26)	-	-	(31)
Foreign exchange adjustment	(1)	(18)	(1)	(7)	(27)
<b>Balance at 31 December 2019</b>	<b>205</b>	<b>1,080</b>	<b>31</b>	<b>342</b>	<b>1,658</b>
<b>Net Book Value</b>					
At 31 December 2019	341	2,038	16	737	3,132
At 31 December 2018	340	1,210	24	-	1,574
At 31 December 2017	158	310	25	-	493

The net book value of assets held under finance leases or hire purchase contracts, included above, are £803k (2018: £137k) relating to VR Hardware. The depreciation charge on these assets was £420k (2018: £75k).

The net book value of owned and leased assets included as "Tangible fixed assets" in the Statement of Financial Position is as follows:

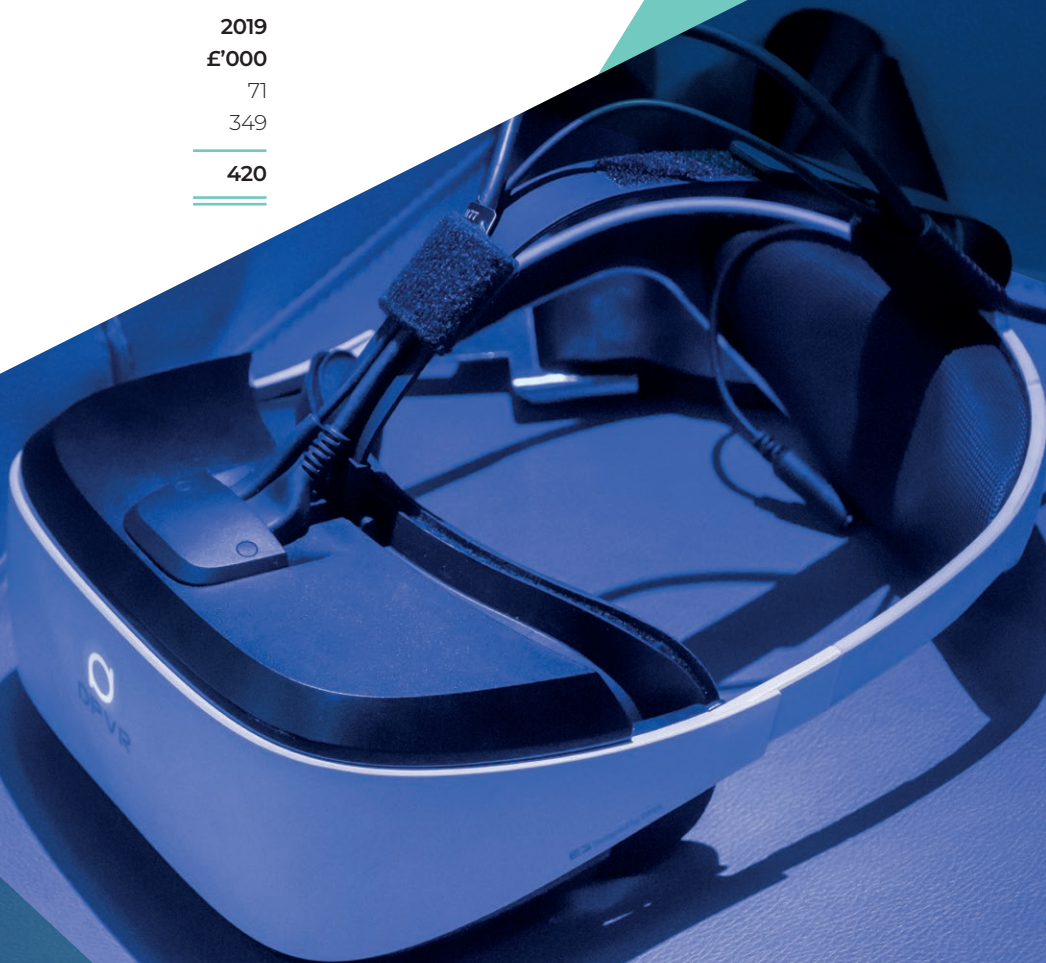
	<b>2019</b>
	<b>£'000</b>
Tangible fixed assets owned	2,329
Leased tangible fixed assets	803
	<u><b>3,132</b></u>

Information about the leased assets is summarised below:

	<b>2019</b>
	<b>£'000</b>
Equipment	66
IFRS 16 leased property	737
	<u><b>803</b></u>

Depreciation charge in respect of the leased assets is as follows:

	<b>2019</b>
	<b>£'000</b>
Equipment	71
IFRS 16 leased property	349
	<u><b>420</b></u>





## 15. INTANGIBLE FIXED ASSETS

	Development Costs £'000	Goodwill Arising on Consolidation £'000	Other Intangible Assets £'000	Total £'000
<b>Cost</b>				
Balance at 1 January 2018	2	2,438	455	2,895
Additions	1,493	-	49	1,542
Foreign exchange	11	-	-	11
	<u>1,506</u>	<u>2,438</u>	<u>504</u>	<u>4,448</u>
Balance at 1 January 2019	1,506	2,438	504	4,448
Additions	970	-	35	1,005
Impairment	(494)	-	-	(494)
Foreign exchange	(9)	-	-	(9)
	<u>1,973</u>	<u>2,438</u>	<u>539</u>	<u>4,950</u>
<b>Balance at 31 December 2019</b>	<b>1,973</b>	<b>2,438</b>	<b>539</b>	<b>4,950</b>
<b>Accumulated amortisation</b>				
Balance at 1 January 2018	-	-	-	-
Amortisation	93	-	85	178
Impairment	-	-	231	231
Foreign exchange	1	-	-	1
	<u>94</u>	<u>-</u>	<u>316</u>	<u>410</u>
Balance at 1 January 2019	94	-	316	410
Amortisation	455	-	106	561
Impairment	(36)	-	-	(36)
Foreign exchange	(5)	-	-	(5)
	<u>508</u>	<u>-</u>	<u>422</u>	<u>930</u>
<b>Balance at 31 December 2019</b>	<b>508</b>	<b>-</b>	<b>422</b>	<b>930</b>
<b>Net Book Value</b>				
At 31 December 2019	1,465	2,438	117	4,020
	<u>1,412</u>	<u>2,438</u>	<u>188</u>	<u>4,038</u>
At 31 December 2018	1,412	2,438	188	4,038
	<u>2</u>	<u>2,438</u>	<u>455</u>	<u>2,895</u>
At 31 December 2017	2	2,438	455	2,895

Other intangible assets comprise £74k (2018: £148k) relating to identifiable relations between acquired companies and associated client base with the remaining £43k of other intangible assets relating to website development costs.

Amortisation is charged over a period between 2 and 10 years.

## GOODWILL AND IMPAIRMENT

The carrying value of goodwill in respect of each cash generating unit is as follows:

	31 December 2019 £'000	31 December 2018 £'000
Immotion Studios Limited (previously Studio Liddell Limited)	1,252	1,252
C.2K Entertainment Inc.	748	748
Immotion Limited (previously VR Acquisition (Holdings) Limited)	438	438
	<u>2,438</u>	<u>2,438</u>

The Group is obliged to test goodwill annually for impairment, or more frequently if there are indications that goodwill and indefinite life intangibles might be impaired, due to the goodwill deemed to have an indefinite useful life. In order to perform this test, management is required to compare the carrying value of the relevant cash generating unit ("CGU") including the goodwill with its recoverable amount. The recoverable amount of the CGU is determined from a value in use calculation. It is considered that any reasonably possible changes in the key assumptions would not result in an impairment of the present carrying value of the goodwill. The Directors have assessed the post balance sheet impact of COVID-19 on the valuation of goodwill, and this is discussed further in note 31

#### Immotion Studios Limited

The recoverable amount of Immotion Studios Limited has been determined from a review of the current and anticipated performance of this unit. In preparing this projection, a discount rate of 10% (based on the weighted average cost of capital) has been applied to forecast earnings for 2020, 2021 and 2022. The discount rate was based on the Company's cost of capital as estimated by management.

#### C.2K Entertainment Inc.

The recoverable amount of C.2K Entertainment Inc has been determined from a review of the current and anticipated performance of this unit. In preparing this projection, a discount rate of 10% (based on the weighted average cost of capital) has been applied to forecast earnings for 2020, 2021 and 2022. The discount rate was based on the Company's cost of capital as estimated by management.

#### Immotion Limited

The recoverable amount of Immotion Limited has been determined from a review of the current and anticipated performance of this unit. In preparing this projection, a discount rate of 10% (based on the weighted average cost of capital) has been applied to forecast earnings for 2020, 2021 and 2022. The discount rate was based on the Company's cost of capital as estimated by management.

## 16. INVENTORIES

	2019 £000	2018 £000
Inventory	-	133
	<u>-</u>	<u>133</u>

Inventories recognised in cost of sales during the year was £8k (2018: £396k). The Directors considered no impairment of inventory necessary as at 31 December 2019 (2018: £Nil).

## 17. TRADE & OTHER RECEIVABLES

	31 December 2019 £'000	31 December 2018 £'000
Trade receivables	161	443
Prepayments and accrued income	428	381
Other receivables	134	238
Tax recoverable	80	348
	<u>803</u>	<u>1,410</u>

## 18. CASH AND CASH EQUIVALENTS

	2019 £'000	2018 £'000
Cash at bank	474	711
	<u>474</u>	<u>711</u>

## 19. LIABILITIES

	31 December 2019 £'000	31 December 2018 £'000
<b>Current liabilities</b>		
Trade payables	361	329
Social security and other taxes	132	77
Accruals	285	245
Other payables	282	235
Loans	101	177
Lease liabilities	401	52
	<u>1,562</u>	<u>1,115</u>
<b>Non-current liabilities</b>		
Other loans	55	147
Amounts payable under hire purchase agreements	496	71
Other payables	-	54
	<u>551</u>	<u>272</u>

### HMRC

The Group has an arrangement with HMRC relating to a tax liability from an Employee Benefit Trust scheme of the subsidiary company Immotion Studios Limited. The liability was agreed at £169k on 27 September 2018. Under the agreement with HMRC, the liability is payable in monthly instalments over 2 years, with interest at 4.25%. The final payment falls due on 26 September 2020. The amount payable as at 31 December 2019 was £59k.

## 20. CONTRACT LIABILITIES

	2019 £'000	2018 £'000
Contract liabilities	14	189
	<u>14</u>	<u>189</u>

Contract liabilities comprise payments in advance of revenue recognition and revenue deferred due to contract performance obligations not being completed. They are classified as current liabilities if the contract performance obligations are due to be completed within one year or less. All of these liabilities are expected to be recognised in the subsequent financial year.

## 21. LOANS

The Group has the following loan arrangements in place as at 31 December 2019:

### Lending Crowd

On 7 March 2018 an agreement was completed between Immotion Studios Limited and Edinburgh Alternative Finance Limited for the advance of a Lending Crowd loan of £250,000. The loan is repayable, by monthly instalments, with interest at a fixed rate of 7.66%. The final payment was paid in March 2020. This loan was secured. The total amount payable as at 31 December 2019 was £23k.

### Bank of America

An agreement dated 15 October 2012 for a revolving line of credit of \$300,000 was completed between the subsidiary C.2K Entertainment Inc., and the Bank of America with a loan modification on 10 August 2018. The loan is repayable, by monthly instalments, and is secured, with interest payable at a fixed rate of 7.79%. The final payment falls due on 15 August 2021 and the amount payable as at 31 December 2019 was £133k of which £55k is payable after 31 December 2020.

	<b>31 December 2019 £'000</b>	<b>31 December 2018 £'000</b>
<b>Amounts falling due within one year</b>		
Lending Crowd loan	23	89
Bank of America loan	78	88
	<b>101</b>	<b>177</b>
<b>Amounts falling due 1-2 years</b>		
Lending Crowd loan	-	23
Bank of America loan	55	124
	<b>55</b>	<b>147</b>

## 22. HIRE PURCHASE & FINANCE LEASES

### Lombard Technology Services Limited

On 24 April 2018 a loan agreement was completed between the Group and Lombard Technology Services Limited for the sale and leaseback of equipment valued at £194k. The loan is repayable by monthly instalments with the final payment falling due in March 2021. The total amount payable under the loan agreement is £179k including interest costs. The total amount payable as at 31 December 2019 was £71k of which £15k is payable after 31 December 2019.

The Group adopted IFRS 16 for the year ended 31 December 2019, the effects of which can be seen in note 23.

Future minimum lease payments fall as follows:

	<b>31 December 2019 £'000</b>	<b>31 December 2018 £'000</b>
Within 1 year	401	52
Between 1-5 years	496	71
	<b>897</b>	<b>123</b>

## 23. LEASES

### Group as a lessee

The Group has leasing arrangements for their operations.

Lease liabilities are due as follows:	2019 £'000
Not later than one year	345
Between one year and five years	481
Balance at 31 December 2019	<u>826</u>

Contractual undiscounted cash flows are due as follows:	2019 £'000
Not later than one year	368
Between one year and five years	450
Balance at 31 December 2019	<u>818</u>

There is not considered to be any significant liquidity risk by the Group in respect of leases.

The following amounts in respect of leases, where the Group is a lessee, have been recognised in profit or loss:

	2019 £'000
Interest expense on lease liabilities	53
Expenses relating to short-term leases	<u>267</u>

## 24. DEFERRED TAX

	Total £'000
Balance at 1 January 2019	(90)
Deferred tax credit in the year	63
Balance at 31 December 2019	<u>(27)</u>

The deferred tax provision comprises:

	31 December 2019 £'000	31 December 2018 £'000
Timing differences	-	(38)
Unutilised tax losses	-	-
Deferred tax on intangibles	(27)	(52)
	<u>(27)</u>	<u>(90)</u>

The expected net reversal of deferred tax in 2020 is £27k.

## 25. FINANCIAL RISK MANAGEMENT

The Group is exposed to risks that arise from its use of financial instruments. These financial instruments are within the current assets and current liabilities shown on the face of the statement of financial position and comprise the following:

### Credit risk

The Group is exposed to credit risk primarily on its trade receivables, which are spread over a range of different streams of revenue. The Group maintains its cash reserves at a reputable bank. It is group policy to assess the credit risk of each new customer before entering into binding contracts.

The maximum exposure to credit risk is represented by the carrying value in the statement of financial position as shown in note 18. The credit risk on liquid funds is low as the funds are held at a bank with a high credit rating assigned by international credit agencies.

	31 December 2019 £'000	31 December 2018 £'000
<b>Current financial assets</b>		
Trade receivables	161	443
Other receivables	134	238
Cash and cash equivalents	474	711
	<u>769</u>	<u>1,392</u>

The table below illustrates the due date of trade receivables:

	31 December 2019 £'000	31 December 2018 £'000
Current	124	347
31 – 60 days	23	52
61 – 90 days	11	29
91 – 120 days	3	4
121 and over	-	11
	<u>161</u>	<u>443</u>

The table below illustrates the geographical location of trade receivables:

	31 December 2019 £'000	31 December 2018 £'000
United Kingdom	63	65
Japan	-	54
China	5	52
Middle East	3	52
Australia	29	-
USA	50	35
Europe	11	185
	<u>161</u>	<u>443</u>

### Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and repayments of its liabilities.

The Group's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due and so cash holdings may be high during certain periods throughout the period.

Other than the loans referred to in Note 21, the Group currently has no bank borrowing or overdraft facilities.

The Group's policy in respect of cash and cash equivalents is to limit its exposure by reducing cash holding in the operating units and investing amounts that are not immediately required in funds that have low risk and are placed with a reputable bank.

#### Cash at bank and cash equivalents

	31 December 2019 £'000	31 December 2018 £'000
At the year end the Group had the following cash balances:	474	711

Cash at bank comprises Sterling cash deposits held within Coutts & Co, as well as a US Dollar account with the Bank of America for C.2K Entertainment Inc.

All monetary assets and liabilities within the group are denominated in the functional currency of the operating unit in which they are held. All amounts stated at carrying value equate to fair value.

	31 December 2019 £'000	31 December 2018 £'000
<b>Financial liabilities at amortised cost</b>		
Trade payables	361	329
Accruals	285	245
Contract liabilities	14	189
Finance leases	897	123
Loans	156	324
	<b>1,713</b>	<b>1,210</b>

The table below illustrates the maturities of trade payables:

	31 December 2019 £'000	31 December 2018 £'000
Current	321	231
31 - 60 days	24	75
61 - 90 days	6	2
91 - 120 days	-	4
121 and over	10	17
	<b>361</b>	<b>329</b>

The table below shows the maturities of financial liabilities:

	Carrying amount £'000	6 months or less £'000	6-12 months £'000	1 or more year £'000
Trade payables	361	361	-	-
Accruals	285	285	-	-
Contract liabilities	14	14	-	-
Finance leases	897	181	220	496
Loans	156	52	49	55
	<b>1,713</b>	<b>893</b>	<b>269</b>	<b>551</b>

#### Capital disclosures and risk management

The Group's management define capital as the Group's equity share capital and reserves.

The Group's objective when maintaining capital is to safeguard its ability to continue as a going concern, so that in due course it can provide returns for shareholders and benefits for other stakeholders.

The Group manages its capital structure and makes adjustments to it in the light of changes in the business and in economic conditions. In order to maintain or adjust the capital structure, the Group may from time to time issue new shares, based on working capital and product development requirements and current and future expectations of the Company's share price.

Share capital is used to raise cash and as direct payments to third parties for assets or services acquired.

#### Market risk

##### Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group considers the interest rates available when deciding where to place cash balances. The Group has borrowings in both the USA and the UK. Borrowings require approval by the Board, and whilst this does not protect the Group from the risk of paying excess rates, the Board can ensure the Group are achieving competitive rates.

##### Foreign currency risk

Foreign exchange transaction risk arises when individual Group operations enter into transactions denominated in a currency other than the functional currency. The main areas of exposure are: (i) losses made by the Group's US based subsidiary, C.2K Entertainment Inc; and (ii) the purchase of VR hardware in US Dollars. Once the Group becomes profitable, which was within reach prior to the outbreak of COVID-19, the US Dollar deficit at C.2K Entertainment Inc will be a less significant risk to the Group, and any surplus US Dollars generated can be used to fund US Dollar denominated capital expenditure for the Group, further mitigating currency risk.





## 26. SHARE CAPITAL

	31 December 2019 £'000	31 December 2018 £'000
<b>Called up share capital</b>		
<b>Allotted, called up and fully paid</b>		
286,165,544 Ordinary shares of 0.040108663 pence each (2018: 195,351,590 ordinary shares)	115	78
	<u>115</u>	<u>78</u>

Shares issued during the year ended 31 December 2019:

Date	Description	No. of shares	Price per Share £	Gross share value £	Cash received £
1 March 2019	Placing on AIM	54,999,994	0.0600	3,300,000	3,300,000
5 August 2019	Placing on AIM	35,111,107	0.0675	2,370,000	2,370,000
31 October 2019	Shares issued as payment for services	147,059	0.0680	10,000	-
16 December 2019	Shares issued as payment for services	555,794	0.0720	40,000	-
<b>Total</b>		<b>90,813,954</b>		<b>5,720,000</b>	<b>5,670,000</b>
<b>At 31 December 2018</b>		<b>195,351,590</b>		<b>10,569,011</b>	<b>7,403,887</b>
<b>At 31 December 2019</b>		<b>286,165,544</b>		<b>16,289,011</b>	<b>13,073,887</b>

Cash received does not include costs relating to share issues. In the year to 31 December 2019, costs of £373k were incurred relating to share issues and these costs were charged against share premium. Shares issued on 31 October 2019 and 16 December 2019 were shares in lieu of fees.



## 27. SHARE BASED PAYMENTS

During 2018, the Group issued options over 11,008,750 Ordinary shares.

### Time Based Shares

These options have been valued using the Black-Scholes pricing model. The share options in issue expire in 3 years, with the judgment in the model that all participants will exercise their right to sell a year after they have fully vested.

Vesting period	2 years	3 years	4 years
Share price at grant	12p	12p	12p
Exercise price	10p	10p	10p
Expected volatility	53.6%	55.4%	57.1%
Risk free rate	0.74%	0.75%	0.89%

Expected volatility has been determined by reference to the fluctuations in the Group's share price between the formation of its current group structure and the grant date of the share options.

Vesting date	Number of Options	Estimated fair value	2019 charge
12 July 2019	1,034,302	4.7p	25,705
12 July 2020	1,034,305	5.5p	28,405
12 July 2021	1,034,309	6.2p	21,356
			<b>75,466</b>
Less options cancelled in 2019			(8,467)
			<b>66,999</b>

### EBITDA Condition

These options have been valued using the Black-Scholes pricing model spread over the vesting period.

Vesting date	2.97 years	3.97 years
Share price at grant	12p	12p
Exercise price	10p	10p
Expected volatility	55.3%	57.0%
Risk free rate	0.75%	0.88%

Expected volatility has been determined by reference to the fluctuations in the Group's share price between the formation of its current group structure and the grant date of the share options.

Vesting date	Number of Options	Estimated fair value	2019 charge
Year 1 EBITDA	1,244,456	5.5p	37,073
Year 2 EBITDA	1,244,458	6.2p	27,720
			<b>64,793</b>
Less options cancelled in 2019			(11,659)
			<b>53,134</b>

### Share price Condition

These options have been valued using the Monte Carlo pricing model.

Vesting date	2.97 years	3.97 years
Share price at grant	12p	12p
Exercise price	10p	10p
Expected volatility	55.3%	57.0%
Risk free rate	0.75%	0.88%

Expected volatility has been determined by reference to the fluctuations in the Group's share price between the formation of its current group structure and the grant date of the share options.

Vesting date	Number of Options	Estimated fair value	2019 charge
Year 1 EBITDA	1,411,125	4.9p	33,029
Year 2 EBITDA	1,411,128	5.2p	23,249
			<b>56,278</b>
			(10,126)
			<b>46,152</b>

Less options cancelled in 2019

No options over Ordinary shares were exercised in the period.

The time-based conditions vest over a period of 3 years. 50% of the EBITDA condition options in issue are measured against an EBITDA forecast for the period ending 31 August 2019. The remaining 50% are measured against an EBITDA forecast for the period ending 31 August 2020.

50% of the share-based options are subject to the condition that they will vest in full provided the average share price of the Group has increased by at least 50% versus the exercise price during any one month period between the date of grant and the date falling six weeks following the announcement of the financial results of the Group for the period ending

31 December 2019. The remaining 50% of options shall vest in full provided the share price of the Group has increased by 25% versus the Year 1 Share Price Target during any one-month period between the date of grant and the date falling six weeks following the announcement of the financial results of the Group for the year ending 31 December 2020.

In the event that the Year 1 Share Price Target was not met in the relevant performance period, then only 50% of the relevant Options will vest provided the average share price of the Group has increased by 75% versus the exercise price during any one-month period prior to the Performance Year 2 vesting date.

During the year, 2,594,667 options were cancelled.

### Warrants

In 2018, the Group issued warrants over 1,488,500 Ordinary shares. These warrants have been valued using the Black-Scholes pricing model.

Date of grant	12th July 2018
Share price at grant date	10p
Expected volatility	34%
Risk free rate	0.74%

Expected volatility has been determined by reference to the fluctuations in the Group's share price between the formation of its current group structure and the grant date of the share options. A charge of £4,282 has been included in the year ended 31 December 2019. 677,000 of these warrants expired on 31 December 2019.

## 28. RESERVES

Full details of movements in reserves are set out in the consolidated statement of changes in equity. The following describes the nature and purpose of each reserve within owners' equity:

Share premium: Amount subscribed for share capital in excess of nominal value.

Retained earnings: Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

Foreign exchange reserve: Reserve arising on translation of the Group's overseas subsidiary.

## 29. CAPITAL COMMITMENTS

At 31 December 2019 and 31 December 2018 there were no capital commitments.

## 30. RELATED PARTY TRANSACTIONS

### Purchases

Name of related party	Services	Relationship
Lanton Investments Ltd	Consultancy	Owned and controlled by a director of Immotion Group Plc
M Capital Investment Properties Ltd	Consultancy	Related party owned and controlled by a director of Immotion Group Plc
Robin Miller Consultants Ltd	Consultancy	Related party owned and controlled by a director of Immotion Group Plc
Samuel Higginson	Consultancy	Adult son of a director of Immotion Group Plc
Digitalbox Group Ltd	Legal service	Directors and shareholders of Immotion Group Plc are also directors and shareholders of Digitalbox Group Ltd.
Digitalbox Publishing Ltd	Office and Staff	Directors and shareholders of Immotion Group Plc are also directors and shareholders of Digitalbox Group Ltd, the parent company of Digitalbox Publishing Limited.

	Costs invoiced		Amounts outstanding	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Lanton Investments Ltd	-	163	-	-
M Capital Investment Properties Limited	63	205	-	-
Robin Miller Consultants Ltd	15	9	1	1
Samuel Higginson	50	37	-	-
Digitalbox Publishing Limited	17	-	5	-
Digitalbox Group Limited	-	30	-	-
	<b>145</b>	<b>444</b>	<b>6</b>	<b>1</b>

#### Income

Name of related party	Services	Relationship
Digitalbox Group Ltd	Provision of staff	Directors and shareholders of Immotion Group Plc, are also directors and shareholders of Digitalbox Group Ltd
David Marks	Interest on loan	D Marks is a director of Immotion Group Plc and Immotion Studios Limited
Ian Liddell	Interest on loan	I Liddell was a director of Immotion Group Plc until 9th December 2019
Emma Stanyon	Interest on loan	E Stanyon is the adult step-daughter of M Higginson, director of Immotion Group Plc and Immotion Studios Ltd



	Expensed in the year		Amounts in receivables	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Income invoiced to related parties</b>				
Digitalbox Group Limited	-	3	-	-
David Marks loan	1	1	15	15
Ian Liddell loan	-	-	10	10
Emma Stanyon loan	-	-	8	8
	<b>1</b>	<b>4</b>	<b>33</b>	<b>33</b>

The key management personnel are considered to be the Board of Directors. Their remuneration is disclosed in detail in note 9. Key management were remunerated £773k (2018: £735k) in the year ended 31 December 2019.

The key management hold 5.62m of share options realising a charge of £127k (2018: £72k) in the year.

### 31. POST BALANCE SHEET EVENTS

On 12th February 2020, the Company issued 39,310,339 new ordinary shares at a price of £0.0725 per share, raising gross proceeds of £2.85m via a placing.

On 27th May 2020, the Company issued 54,062,200 new ordinary shares at a price of £0.025 per share, raising gross proceeds of £1.35m via a placing.

COVID-19 is a developing situation and as at the date of signing the financial statements, the Group is unable to generate any revenue. COVID-19 is considered to be a non-adjusting post Statement of Financial Position event and no adjustment is made in the financial statements as a result.

The rapid development and fluidity of the COVID-19 virus make it difficult to predict the ultimate impact at this stage. In line with most experts, we believe that the impact of the virus outbreak will be material on the general economy. This has already had a material impact on the Group and will continue to do so until lockdown procedures are lifted allowing the Group to generate revenue again. Management has modelled various scenarios on the impact of COVID-19.

For the purposes of the interim accounts to 30 June 2020, management will reassess the carrying value of goodwill for impairment. This assessment will include consideration of the ongoing impact of COVID-19. Following this assessment, any necessary provision will be made which may be up to the full value of the goodwill.

**32. DISCONTINUED OPERATIONS**

	2019 continuing operations £'000	2019 discontinuing operations £'000	2019 Total £'000
<b>Revenue</b>	3,606	18	3,624
Cost of sales	(2,509)	18	(2,491)
<b>Gross profit</b>	<b>1,097</b>	<b>36</b>	<b>1,133</b>
Administrative expenses	(6,524)	(4)	(6,528)
<b>Loss from Operations</b>	<b>(5,427)</b>	<b>32</b>	<b>(5,395)</b>
Finance costs	(108)	-	(108)
Finance income	4	-	4
<b>Loss before taxation and attributable to equity holders of the parent</b>	<b>(5,531)</b>	<b>32</b>	<b>(5,499)</b>
Taxation	84	-	84
<b>Loss after taxation</b>	<b>(5,447)</b>	<b>32</b>	<b>(5,415)</b>
<b>Other comprehensive expense</b>			
Loss on translation of subsidiary	(29)	-	(29)
<b>Loss after taxation and attributable to equity holders of the parent and total comprehensive income for the period</b>	<b>(5,476)</b>	<b>32</b>	<b>(5,444)</b>

Cash flows from discontinued operations for 2019 are as follows:

	Continuing £'000	Discontinuing £'000	Total £'000
Operating cash flows	(2,268)	22	(2,246)
Investing cash flows	(3,841)	-	(3,841)
Financing cash flows	5,850	-	5,850

Cash flows from discontinued operations for 2018 are as follows:

	Continuing £'000	Discontinuing £'000	Total £'000
Operating cash flows	(3,652)	176	(3,476)
Investing cash flows	(2,990)	-	(2,990)
Financing cash flows	6,408	-	6,408

**33. SUBSIDIARY UNDERTAKINGS**

Ranger Rob UK Limited, company number 09511044, and Immotion Limited, company number 11054174, were exempt from undergoing an audit for year ended 31 December 2019 by virtue of S479A of Companies Act 2006.

		At 31 December 2019 £'000	At 31 December 2018 £'000
<b>Fixed assets</b>			
Investments	III	3,113	3,113
Intangible fixed assets	IV	24	37
		<u>3,137</u>	<u>3,150</u>
<b>Current assets</b>			
Trade and other receivables	V	4,261	6,053
Cash and cash equivalents	VI	323	515
		<u>4,584</u>	<u>6,568</u>
<b>Payables: amounts falling due within one year</b>			
	VII	(123)	(60)
<b>Net current assets</b>			
		<u>4,461</u>	<u>6,508</u>
<b>Total assets less total liabilities</b>			
		<u>7,598</u>	<u>9,658</u>
<b>Capital and reserves</b>			
Called up share capital	VIII	115	78
Share premium account		15,310	9,999
Retained reserves		(7,827)	(419)
<b>Shareholders' funds</b>			
		<u>7,598</u>	<u>9,658</u>

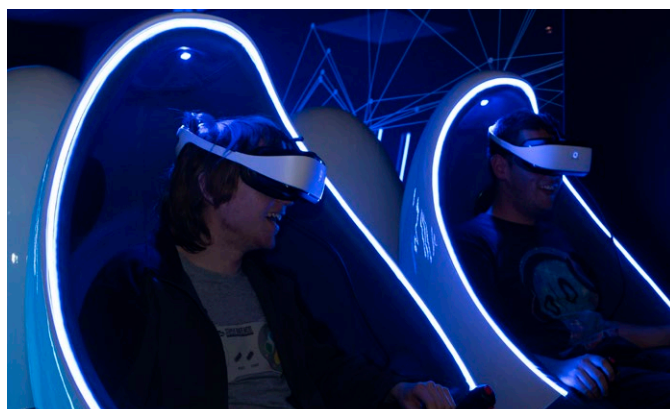
The Company has taken advantage of the exemptions allowed under section 408 of the Companies Act 2006 and has not presented its income statement in these financial statements. The Group loss for the year included a loss on ordinary activities after tax of £7,579k (2018: £495k) in respect of the Company which is dealt with in the financial statements of the Parent Company.

The financial statements were approved by the Board and authorised for issue on 25 June 2020

**Martin Higginson**  
Chief Executive Officer

**David Marks**  
Group Finance Director

The notes on pages 74 to 77 form part of the Company financial statements.





	Share Capital £'000	Share Premium £'000	Retained reserves £'000	Total Equity £'000
<b>Balance at 1 January 2018</b>	-	3,704	(61)	3,643
Issue of shares	26	6,786	-	6,812
Issue costs deducted from equity	-	(439)	-	(439)
Loss after tax	-	-	(495)	(495)
Equity settled share-based payments	-	-	137	137
Bonus issue	52	(52)	-	-
<b>31 December 2018</b>	<b>78</b>	<b>9,999</b>	<b>(419)</b>	<b>9,658</b>
Issue of shares	37	5,684	-	5,721
Issue costs deducted from equity	-	(373)	-	(373)
Loss after tax	-	-	(7,579)	(7,579)
Equity settled share-based payments	-	-	171	171
<b>31 December 2019</b>	<b>115</b>	<b>15,310</b>	<b>(7,827)</b>	<b>7,598</b>



	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
<b>Cash flows from operating activities</b>		
Loss before tax	(7,579)	(482)
Adjustments for:		
Share based payments	171	137
Amortisation of intangible assets	30	12
Corporation tax paid	-	(13)
<b>Cash flows from operating activities before changes in working capital</b>	<b>(7,378)</b>	<b>(346)</b>
(Increase) / Decrease in trade and other receivables	1,792	(5,928)
Increase / (Decrease) in trade and other payables	63	(102)
<b>Cash generated/used in operations</b>	<b>(5,523)</b>	<b>(6,030)</b>
<b>Investing activities</b>		
Purchase of intangible assets	(17)	(49)
<b>Net cash absorbed from investing activities</b>	<b>(17)</b>	<b>(49)</b>
<b>Financing activities</b>		
Issue of new share capital (net of costs)	5,348	5,885
Issue of convertible loan stock	-	488
<b>Net cash from financing activities</b>	<b>5,348</b>	<b>6,373</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(192)</b>	<b>(52)</b>
Cash and cash equivalents at beginning of the period	515	567
<b>Cash and cash equivalents at end of the period</b>	<b>323</b>	<b>515</b>
<b>Reconciliation of net cashflow to movement in net funds:</b>		
Net (decrease) / increase in cash and cash equivalents	(192)	(52)
New loans and finance leases	-	-
Repayment of loans	-	-
Movement in net funds in the year	(192)	(52)
Net funds at 1 January	515	567
<b>Net funds at 31 December</b>	<b>323</b>	<b>515</b>

The notes on pages 74 to 77 form part of the Company financial statements

## I. ACCOUNTING POLICIES

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by the Act the separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The principal accounting policies adopted are the same as those set out in note 4 to the consolidated financial statements except as noted below:

### *Valuation of investments*

Investments in subsidiaries are stated at cost less any provision for impairment in value.

## II. OPERATING LOSS

The auditor remuneration for audit and other services is disclosed in note 8 to the consolidated financial statements.

The average number of employees of the company during the year was 8 (2018: 5) and total staff costs were £594,124 (2018: £186,400). Directors remuneration is disclosed in note 9 to the consolidated financial statements.

The Company operating loss is stated after a provision of £7,354,000 against amounts due from other group companies.



### III. FIXED ASSET INVESTMENTS

	31 December 2019 £'000	31 December 2018 £'000
<b>Subsidiary undertakings</b>		
<b>Cost</b>		
Balance at 1 January 2019	3,113	3,113
Additions	-	-
Disposals	-	-
<b>Balance at 31 December 2019</b>	<b>3,113</b>	<b>3,113</b>
<b>Provisions</b>		
Balance at 1 January 2019	-	-
Balance at 31 December 2019	-	-
Carrying value of investments	<u>3,113</u>	<u>3,113</u>

At the year end the Company had the following subsidiaries:

Subsidiary name	Class of shares	Proportion of ownership	Registered office
Immotion Studios Limited	Ordinary	100%	East Wing, Ground Floor The Victoria, Mediacity, Manchester, M50 3SP
Immotion Limited	Ordinary	100%	East Wing, Ground Floor The Victoria, Mediacity, Manchester, M50 3SP
C.2K Entertainment Inc	Ordinary	100%	1607 Gayley Avenue, Los Angeles, California, CA 90024
Immotion VR Limited	Ordinary	100%	East Wing, Ground Floor The Victoria, Mediacity, Manchester, M50 3SP
Ranger Rob UK Limited	Ordinary	100%	East Wing, Ground Floor The Victoria, Mediacity, Manchester, M50 3SP

Subsidiary name	Principal activity
Immotion Studios Limited	Virtual reality content, software design and development
Immotion Limited	Intermediate holding company
C.2K Entertainment Inc	Virtual reality equipment, experiences and legacy marketing solutions' consultancy
Immotion VR Limited	Virtual reality equipment and experiences
Ranger Rob UK Limited	Group subsidiary with limited trading

#### IV. INTANGIBLE FIXED ASSETS

	Total £'000
<b>Software Cost</b>	
Balance at 1 January 2019	49
Additions	17
<b>Balance at 31 December 2019</b>	<b>66</b>
<b>Accumulated amortisation</b>	
Balance at 1 January 2019	12
Amortisation charge	30
<b>Balance at 31 December 2019</b>	<b>42</b>
<b>Net Book Value</b>	
At 31 December 2019	24
At 31 December 2018	37

#### V. RECEIVABLES: due within one year

	31 December 2019 £'000	31 December 2018 £'000
Amounts owed by group undertakings	4,204	5,984
Other receivables	27	18
Prepayments and accrued income	30	51
	<b>4,261</b>	<b>6,053</b>

#### VI. CASH & CASH EQUIVALENTS

	31 December 2019 £'000	31 December 2018 £'000
Cash at bank and in hand	323	515
	<b>323</b>	<b>515</b>

## VII. PAYABLES: amounts falling due within one year

	31 December 2019	31 December 2018
	£'000	£'000
Trade payables	71	21
Accruals	28	22
Other tax and social security	24	17
	<u>123</u>	<u>60</u>

## VIII. SHARE CAPITAL

Details of the Company's share capital and the movements in the period can be found in Note 26 to the consolidated financial statements.

## IX. SHARE OPTIONS

### Share Option Scheme

Details of the share options outstanding at 31 December 2019 can be found in Note 27.

## X. RESERVES

Details of the reserves can be found in Note 28.

## XI. RELATED PARTY TRANSACTIONS

Details of the Company's related party transactions can be found in Note 30 to the consolidated financial statements.

## XII. POST BALANCE SHEET EVENTS

On 12th February 2020, the Company issued 39,310,339 new ordinary shares at a price of £0.0725 per share, raising gross proceeds of £2.85m via a placing.

On 27th May 2020, the Company issued 54,062,200 new ordinary shares at a price of £0.025 per share, raising gross proceeds of £1.35m via a placing.

COVID-19 is a developing situation and as at the date of signing the financial statements, the Group is unable to generate any revenue. COVID-19 is considered to be a non-adjusting post Statement of Financial Position event and no adjustment is made in the financial statements as a result.

The rapid development and fluidity of the COVID-19 virus make it difficult to predict the ultimate impact at this stage. In line with most experts, we believe that the impact of the virus outbreak will be material on the general economy. This has already had a material impact on the Group and will continue to do so until lockdown procedures are lifted allowing the Group to generate revenue again. Management has modelled various scenarios on the impact of COVID-19.

For the purposes of the interim accounts to 30 June 2020, management will reassess the carrying value of the Company's intercompany receivables and its investment in subsidiaries for impairment. This assessment will include consideration of the ongoing impact of COVID-19. Following this assessment, any necessary provision will be made which may be up to the full value of these assets.

<b>Directors</b>	Rodney Findley Martin Higginson Nicholas Lee David Marks Sir Robin Miller
<b>Company Secretary</b>	Daniel Wortley
<b>Registered Office</b>	East Wing, Ground Floor The Victoria MediaCityUK M50 3SP
<b>Company Number</b>	10964782
<b>Registrars</b>	Neville Registrars Limited Neville House Steelpark Road Halesowen B62 8HD
<b>Nominated Adviser and Broker</b>	WH Ireland Limited 24 Martin Lane London EC4R 0DR
<b>Joint Brokers</b>	Shard Capital Partners LLP 23rd Floor, 20 Fenchurch Street London EC3M 3BY  Alvarium Capital Partners Limited 1st Floor, 10 Old Burlington Street London W1S 3AG
<b>Independent Auditors</b>	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG
<b>Solicitors</b>	DWF LLP Central Square South Orchard Street Newcastle NE1 3AZ
<b>Country of Incorporation of Parent Company</b>	England and Wales
<b>Legal Form</b>	Public Limited Company
<b>Domicile</b>	United Kingdom







# ANNUAL REPORT & ACCOUNTS

2019

**IMMOTION**

ENTERTAIN  
EDUCATE  
INSPIRE