



IMMOTION

2018

ANNUAL REPORT
& ACCOUNTS

IMMOTION

DARE TO IMAGINE



Immotion is a new kind of entertainment company.

We pride ourselves on looking at things differently.
In bringing together award-winning directors,
world-class CGI experts, state-of-the-art motion
platform technology, and a proprietary Content
Management System we are able to deliver a new level of
immersive entertainment.

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We are quickly becoming a major player in the exciting world of virtual reality.



The Group's first full year of trading, 2018, was a year of intense activity and investment, building the foundations of our plan to become a leading player in the out-of-home VR market.

During the year we invested heavily in the creation of a wide range of quality VR immersive experiences combined with motion platforms. This was essential to help unlock the various channels to market. We are now starting to see the benefit of this investment. We signed our first two content licensing deals in January 2019, and are enthused by the ongoing interest in licensing our experiences.

Early 2019 trading has been very encouraging, especially across our concession partner estate.

Sales across our ImmotionVR centres also saw solid growth, giving us confidence to explore opening larger centres on a selective basis, where we will work with key landlords in a more strategic manner.

We continue to work with our newly appointed distributors to develop our sales strategy, and look forward to the launch of a new 'attendant free' VR booth.

Having made a significant investment throughout 2018 in content creation, equipment sourcing, and establishing concession relationships, the Group is now able to more precisely focus its expenditure, leading to a reduction in its cost base and cash outflow. As we move through 2019, we will begin to capitalise on the significant investment and activity of 2018 to propel the Group to the next stage.

I would like to place on record the thanks of the Board to all our existing and new investors and, in particular, to those who supported us in the most recent fundraise despite all the uncertainties surrounding Brexit.

Sir Robin Miller
Non-Executive Chairman
2 April 2019





PIONEERS

Sir David Attenborough at York Museum for the launch of Jurassic Yorkshire which featured Immotion's Feed a Dinosaur VR experience (March 2018).



I am pleased to report that, following a year of intense activity and investment, we are now in a position to start taking advantage of our efforts. Strong early trading has encouraged us to focus on key growth areas, especially our concession partner relationships, and our ImmotionVR centres.

In what is a relatively new market we are quickly gaining traction and establishing ourselves as a key player in this exciting sector.

According to Greenlight Insights, the LBE market is forecast to grow from \$1 billion at the end of 2018 to \$12 billion by 2023, making up 11% of the forecast global VR market. Furthermore, it is now recognised as the fastest growing revenue sector for Brand Licensing according to LicensingSource.net.

We have now established several revenue generating channels to market, which we believe can underpin our strategy to become a leading player in this market.

Content Creation and Licensing

In order to become a serious player in this exciting market, the Group has developed a range of 12 high quality immersive experiences. In 2018, the Group invested circa £1.5m in creating these VR experiences. Immotion Group's heritage of content creation through its award-winning storytellers is important in our market as we believe people buy 'experiences' and not technology per se.

VR hardware manufacturers are now looking to licence our experiences, and AAA brands are now engaging with us to produce immersive experiences for them. All testament that our content creation team are 'best in class'.

To date we have completed two license deals with LEKE. The first provides Immotion Group with 70% of all revenue generated. The licensee must generate

minimum revenue of £588,000 in the period to March 2020 for Immotion Group in order to maintain exclusivity. A further licensing agreement was signed in January 2019 for two experiences to be exploited in the Chinese market. This licence guarantees a minimum revenue of £224,000 to the Group in the period to March 2021. Further license discussions are underway with other hardware manufacturers.

The Group is in the process of opening up its experiences, reversioned as appropriate, to the home and educational markets via SpringboardVR with SonyVR and mobile channels to follow in the near future. The Directors believe the 'Swimming with Humpbacks' experience, the first in the Group's 'Blue Ocean' series, will be especially well received by this audience.

In what is a relatively new market we are quickly gaining traction and establishing ourselves as a key player in this exciting sector.



Concessions

The concessions model enables the Group to work with established high-quality leisure operators with proven high footfall leisure destinations. We are pleased to report that our concession partners reported record trading during the recent February half-term holiday, up 68.8% on a like-for-like basis compared with the Christmas holiday week in 2018.

We rolled out our first revenue sharing partnership in 2018 and it was a significant achievement to develop a relationship with Merlin Entertainments plc ("Merlin"), one of the largest entertainment companies in the world. The relationship with Merlin continues to show good progress with eight Legoland Discovery Centre ("LDC") sites now open (versus two sites at 31 December 2018). Following successful trials, the two initial LDCs in Boston, USA, and Manchester, UK continue to trade well and the sites opened post period end are also showing very strong performance.

The total number of headsets within the Group's concession estate at the year end was 46, which has now increased significantly to 85, with most of the additional headsets being installed into Merlin's estate. The Group now has 44 headsets

installed at Merlin LDCs with a further 12 scheduled and an additional 6 headsets going into a Legoland hotel in Germany. We have also agreed to install a further 18 headsets into three SEA LIFE centres as an initial trial. Whilst logistics can be a challenge, the Directors are confident of achieving the short-term target of 82 headsets with Merlin, and the on-going potential to roll out more headsets across the SEA LIFE centres post the initial three site trial (there are 52 SEA LIFE centres around the world).

In addition to Merlin we are developing a number of other partnerships in the entertainment space including Al Hokair, a major leisure and hotel group in the Middle East. The first site will open in April 2019 in Abu Dhabi with 12 headsets, with a further site to follow in their flagship mall in Jeddah, Saudi Arabia. Al Hokair has 90 sites throughout the Middle East.

With more entertainment sites in SEA LIFE, LDC, and a number of select Family Entertainment Centres ("FECs") we are confident that we now have a model in this sector which, when operated with the right partners, should provide a good return on investment, solid recurring revenues and is potentially very scalable.

ImmotionVR Centres

ImmotionVR is the brand name for the Group's own Location Based Entertainment VR centres. These are located in high footfall retail and leisure locations and are operated by the Group. Based on the Group's initial store in Bristol (opened in December 2017) we have begun to develop what the Directors believe is the UK's first recognised retail brand for immersive entertainment and today, all of our ImmotionVR centres boast five star Trip Advisor reviews. We believe this positions us to be involved in the evolution of retail and leisure experiences, driven by consumers' increasing desire for experiences and the needs of retail landlords to develop more rounded leisure and entertainment offerings, as online shopping takes an ever-increasing share of retail spend.

We have good working relationships in place with intu, Landsec and Hammerson. The Group now operates 11 LBE centres trading under the ImmotionVR brand.

ImmotionVR's flagship centre in Bristol has been fully operational since December 2017, and the Directors are encouraged by the progress made, and lessons learnt, during that time. Highlights include:



5 star reviews on Trip Advisor from the public



New online booking system and targeted marketing plan introduced in Bristol which, over the past six weeks, has accounted for circa 70% of revenue



Revenue and contribution in the year ended 31 December 2018 were £206k and £67k respectively



Comparing the February half term week in 2019, against the Christmas holiday week of 2018, we are pleased to report a 24.8% increase in revenue, a significant increase in such a short period of time

At our Bristol ImmotionVR centre, we are pleased at the number of returning customers, as well as the impact of our new marketing campaign. We are further enthused at the uptake of our recent introduction of our new booking system and associated marketing plan. It is our intention to roll both the booking system and marketing plan out to all stores¹ over the coming weeks. It is inevitable that it takes time to build up a repeat audience but as we have gained greater experience, we are refining our marketing approach to drive this audience.

The changing landscape now being faced by the retail sector has allowed us to seek a more collegiate approach with landlords and no long-term lease commitments. We also try to minimise irrecoverable shop fit-out costs, focusing where we can on moveable settings and, of course, equipment.

Having gained a huge amount of knowledge in the past year, and using proof of concept data from existing sites, the Group will look to selectively open further ImmotionVR centres in key cities. We believe larger LBE centres will become an integral part of the shopping mall of the future. Accordingly, we are in dialogue with owners of a number of larger sites where there may be an opportunity to be part of a larger LBE destination, encompassing a range of immersive experiences (including VR), particularly those with a competitive or social aspect, as well as food and beverage offerings. We will update the market as these discussions evolve.

Immotion Group's estate of ImmotionVR centres was comprised of 112 installed headsets at 31 December 2018 and is currently 129 across 11 sites in the UK and USA.



¹Whilst the Group will operate a booking system in the 'pop up' ImmotionVR centres, these are seldom used due to the walk by nature of the store.

Hardware Sales

We have been working with our newly appointed distributors to develop our sales strategy. Whilst there is a lot of interest in the VR market, the demand is more for 'operator-light', or coin-operated VR machines, with a small footprint and quality experiences will drive sales into the long tail of FEC's. To this end we have developed a standalone 'free-roaming' VR booth able to offer a wide range of VR experiences. We will begin trials of this machine in the next few weeks.

We have also, on the back of working with larger strategic partners, decided to offer a more tailored solution. The Group is able to produce VR content and source motion platforms in line with their brand guidelines, thus giving it the ability to develop larger scale 'turnkey' solutions. The Directors believe this combined sales strategy allows the Company to deliver both volume sales, as well as a more refined higher-margin business model.

Post Period End Activity & Outlook

Having put in place solid foundations, including a comprehensive range of VR experiences, a number of major concession partners, and a growing number of collegiate relationships with major retail landlords, the Group is well poised to start building a strong annuity revenue business.

Our content creation and licensing team is focused on the monetisation of what it has created. Having delivered what the Directors believe to be some of the best VR experiences in the market today we see great potential in this channel.

New concession partner sites have opened since the year end in LDCs in Detroit, Chicago, Kansas City, Toronto, New York, and Phoenix. The initial results are very encouraging. We expect to see our first concession in SEA LIFE centres opening in April 2019 in Germany, with two expected to follow in Melbourne and Sydney, Australia.

Our first major concession site in the Middle East will open with Al Hokair. This is expected to commence trading in April 2019 in Abu Dhabi. Al Hokair has in excess of 90 sites across the region. We are currently in discussions with Al Hokair about the next site, in Jeddah, Saudi Arabia, which we expect will be a larger site, with a greater choice of immersive entertainment offerings.

Our ImmotionVR centres continue to grow in revenue and popularity. Whilst LBE is a relatively new market, the Directors believe that we have chosen the right market for our focus and with sector revenues forecast to hit \$12 billion by 2023, we want to ensure we position ourselves to be a leading player in this sector.

We have appointed distributors and installers for both the Middle East and UK markets and will be working closely with them to optimise our sales offering.

Having made the significant investment throughout 2018 in content creation, equipment sourcing, and establishing concession relationships, the Group is now looking to significantly reduce its cost base and reduce cash outflow from operations. As we move into 2019, we will begin to capitalise on the heavy investment of 2018 to propel the Group to the next stage of its development. I look forward to providing more regular news and updates as we continue to execute on the successes we have achieved to date.

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Our ImmotionVR centres continue to grow in revenue and popularity.

Financial Review

Total revenue for the period was £2.85m, of which £1.95m came from continuing operations (including £1.33m from VR related activity) and £0.91m from discontinued operations.

We ceased historic client activity in Japan during the year by transferring that business for nominal value to its Managing Director. In H2, we effectively completed all legacy client work in the UK and consider that activity discontinued.

Overall, the underlying EBITDA loss was £2.22m, as a result of the investment in VR content production (and cessation of historic client work in the UK) and putting in place the central management and sales teams and infrastructure necessary to grow the Group's new core activities. In short, the Group is now focused on achieving significant growth in scale of revenue to drive towards break even. The Board is also very conscious of the Group's rapidly expanded fixed costs of operation and has begun to take steps post the end of the period to review and reduce these as appropriate. The Board continues to look for further savings, particularly in property occupancy costs.

Overall cash outflow in the year was £0.58m. Of the total, the cash outflow (before exceptional and IPO related items) from operations was £2.64m and the heavy investment in content,

infrastructure and hardware for our Concession activities resulted in combined capital expenditure of £2.99m.

Net cash inflow from equity and debt funding (net of repayments) was £6.37m and £0.03m respectively, making a total inflow from financing activities of £6.40m in the period.

Growth in tangible fixed assets pre-dominantly reflected the investment in hardware for our ImmotionVR centres, as well as our concession operations.

Growth in intangible assets reflects the investment in our proprietary content and software creation.

Net assets at period end were £6.20m and net current assets were £0.92m.

Underlying loss per share² was 1.71p. Total loss per share was 2.42p.

Martin Higginson
Chief Executive Officer
2 April 2019

² Underlying loss per share is stated before exceptional costs relating to the IPO in July 2018, other one-off items, costs relating to share based payments and the impairment of intangible assets related to discontinued operations.

Immotion was founded in 2017 by Group CEO, Martin Higginson, and Group Finance Director, David Marks, who have extensive experience in the digital media industry. Having assessed the market opportunity for 'out of home' VR experiences and identified the need for higher quality content as part of that offering, they established Immotion and commenced the development of the Group through three acquisitions in December 2017, namely Studio Liddell Limited (since renamed Immotion Studios Limited), C2K Entertainment Inc and VR Acquisition (Holdings) Limited. Immotion Studios and C2K are both award winning content creators with over 40 years combined expertise in CGI and live action story-telling. VR Acquisition (Holdings) Limited was an early stages VR arcade operator holding an exclusive distribution agreement with the Group's primary hardware provider, Leke VR.

Immotion Group Plc listed on AIM on 12 July 2018, raising £5.75m gross placing proceeds in the process.



**Immotion Group Plc listed on
AIM on 12 July 2018,
raising £4.8m net
placing proceeds in
the process.**

Business Models: ImmotionVR Experience Centres

Under our experience centres business model, the Group seeks space in high footfall retail spaces. The Group pays the costs of occupancy and staff. Customers are typically charged £5 for a single experience, £20 for a thirty-minute pass or £30 for a one-hour pass. Bookings can be made in advance via the Immotion VR website. The Company has a revenue target of £250 – £300 per headset per week.

The primary key performance indicator for experience centres is revenue per installed headset per week. During the year, the Group's experience centres generated revenue per headset per week of £255.

Experience centres were a significant focus for Immotion in 2018 which proved very useful for testing content and understanding customer preferences.



During the year, the Group's experience centres generated revenue per headset per week of £255.

Immotion has trialed a number of retail formats, pre-dominantly in shopping malls (both primary and secondary), including both centre-aisle sites as well as stores.

At the beginning of 2018, the Group had one experience centre, in Bristol, initially with 12 headsets in operation. By the end of the year that had increased to ten sites in the UK (including a Christmas pop-up in intu Metrocentre, Gateshead) and one site in the USA with combined total of 112 headsets in operation.





The concessions model enables the Company to work with established high quality leisure operators with proven high footfall leisure destinations. Immotion provides, at its cost, VR hardware and experiences to the operator. The operator will typically provide the site, staff and utilities, with Immotion Group providing technical and other business support. The parties share the revenue on a pre-agreed basis.

The primary key performance indicator for concessions is revenue per installed headset per week. A number of concessions arrangements were entered into during the year and subsequently terminated following an unsuccessful trial period and a number of other relationships are likely to be renegotiated or terminated. Taking into account only the concessions arrangements which are expected to be representative of the 2019 roll-out, the revenue per headset per week was £265 during the year.

As at 31 December 2018, the Group had 46 Concession headsets in operation at 7 locations.

During 2018, the Company entered into a number of concession arrangements, most notably with Merlin Entertainments. Immotion installed its VX2 cinema pods into Merlin's Legoland Discovery Centres in Boston, USA and Manchester, UK during the year on a trial basis.



Risks & Uncertainties

During the year, the Group established a Risk Committee to identify and monitor risks which could threaten the Group's operations. The Committee will meet twice each year and is comprised of the Audit Committee and the Finance Director. The 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
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 have regular Board meetings as well as constant communication with senior management to monitor and refine the Group's progress against its targets. Weekly KPIs are distributed to senior management to enable them to monitor performance.
Technological advances within the industry	The technology industry as a whole is prone to rapid change with new entrants and ideas continuously changing the market. There is a risk that the Group's technology could become obsolete or uncompetitive which could have a material adverse impact on the prospects of the Group. 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 fundraising. Any failure to keep pace with changes in the virtual reality and gaming industry or to adapt to technological developments, or the development and introduction of a superior product by a competitor, could mean that the Group fails to successfully commercialise its products and this may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.	Industry trends are monitored and the Group sends representatives to key trade shows to establish what new products are coming to market.
Competition	Given the dynamic state of the market in which the Group operates, there may be new and current competitors which could include well resourced, international players in the virtual reality entertainment industry which have greater market presence, brand recognition, access to more popular and/or engaging virtual reality content, financial resources and economies of scale or lower cost bases than the Group and may be able to withstand or respond more swiftly to changes in market conditions, any of which could give them a competitive advantage over the Group.	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 in the market.
Cash requirement	The Group's retail, concessions and content creation ambitions 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. Focus is balanced between hardware sales, which are cash positive, and retail and concessions operations which typically require advance capital expenditure.
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 does not use speculative financial instruments to hedge against potential currency loss. The Group has foreign currency accounts which it uses to hold funds and settle liabilities denominated in those currencies.
Political uncertainty	The current political climate – Brexit in the UK and the trade war with China in the USA – give rise to some uncertainty in relation to our supply chain 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
2 April 2019

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 has a zero-tolerance approach to bribery and corruption.

On 12 July 2018, the Group adopted an Anti-Bribery and Anti-Corruption Policy which was provided to all staff at the time and is given to all new starters. Any breach of the policy results in disciplinary action which may include dismissal.

Dealings with Customers

The safety of the customers of our ImmotionVR experience centres is of paramount importance and the Group conducts regular audits of its sites which includes significant focus on health & safety practices.

Relationship with Employees

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

The Group engages with its employees regularly through email newsletters. The Group also operates 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.

The Group expects a high standard from its staff and provides training to achieve this. Where possible, as new roles in the organisation arise, the Group aims to promote from within. This has been a successful strategy which saw several staff move into more senior positions during the year.



The Board

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

The four 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 to the Group to deliver its strategy, although there is currently no gender diversity. The Board's composition will be 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 Edge VCT and social video company Brave Bison. Additionally he holds the role of Non-Executive Director of Premier Sports Holdings Plc, Gemini Network Media Ltd, Crash Media Group Ltd, Digitalbox Group Ltd, Gruppo Media Ltd, Bikesportnews.com and is a Trustee of the Golf Foundation.



Martin Higginson 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 FastTrack 100 Company in 2016 and 2017. 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
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 and was 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 Monstermob Group Plc, initially as a Non-Executive Director and subsequently as Group Finance Director. Along with Martin Higginson, David founded the Digitalbox Group. David has an honours degree in Law from the University of Glasgow and is a member of the Institute of Chartered Accountants of Scotland.



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 is now harnessing the power of virtual reality and recently completed projects on behalf of Toyota and AbbVie.



Ian Liddell
Group Creative Director

Ian has over 25 years' experience in creating cutting edge storytelling and TV. He is the founder and CEO of Studio Liddell, a multi-award winning creative production studio acquired by Immotion Group and played a key role in the growth

of the company. The Company delivers CGI, cut-scene animation, VR and AR, 4D and interactive content.

The quality of the studio's work has cemented Studio Liddell's reputation as a highly innovative studio, helping to attract a client base comprised of major global businesses such as Pfizer, Merck, Saatchi Health and Digitas. Notable productions include Ranger Rob for Nelvana, Canada, Let's Play! for Zodiac Entertainment & BBC, Cloudbabies for Hoho Entertainment & BBC. Ian also is an elected council member of Animation UK and sits on the All Party Parliamentary Group (APPG) on Trade.



Nicholas Lee
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.

The Board 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.

On 12 July 2018, the Board 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 request or requires 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 twice 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 options 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 twice 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' attendances at meetings of the Board and its Committees during 2018 were as follows:

	Board	Audit	Disclosure	Nomination	Remuneration	Risk
Martin Higginson	10/10	-	-	-	-	-
David Marks	9/10	1/1	-	-	-	-
Rod Findley	6/10	-	-	-	-	-
Ian Liddell (appointed 22 June 2018)	5/5	-	-	-	-	-
Sir Robin Miller (appointed 22 June 2018)	4/5	1/1	-	-	-	-
Nicholas Lee (appointed 22 June 2018)	4/5	1/1	-	-	-	-
Alasdair Ritchie (resigned 22 June 2018)	3/5	-	-	-	-	-

The Remuneration, Nomination, Disclosure and Risk Committees were established on 12 July 2018 and no formal meetings of these Committees took place during 2018.

The Board keeps under review the effectiveness of its performance, the performance of the Committees and the performance of individual Directors. Given that the Board in its current composition was only established on 22 June 2018, no formal review took place during 2018.

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 formally 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 that the Chairman of the Board also chairs 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:

<https://immotion.co.uk/investors/corporate-governance/>

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

Since its establishment on 12 July 2018, the Audit Committee has kept the effectiveness of 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: 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 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.

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 roll-out of the Group's own ImmotionVR experience centres, concession partnerships and the sale of hardware; and
- (ii) that no unforeseen risks affect the Group.

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 produces a workforce as diverse as its customer base, which should increase the value of feedback from within the organisation.

The Group is geographically spread with operations in the UK, USA and the UAE, each of which are in a different stage of maturity. 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 around the Board, 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 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 encourages
an environment of
openness and debate
and welcomes all
feedback from within.**

Audit Committee Report

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 was established on 12 July 2018 and met once during the year to approve the interim financial statements. The Audit Committee have also met with the Group's external auditors since the period end to approve the 2018 accounts.

Significant Accounting Issues

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

- (i) Revenue recognition of concessions partnership revenue – the Audit Committee have deemed that the Group is the principal in concession partnership (with the concession partner being the Group's agent), and as a result the Group records 100% of the end user revenue through its income statement with the concession partner's share being recognised as a cost of sales.
- (ii) 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 the customer list which was recognised on the acquisition of Immotion Studios Limited given that the relevant operations have since been discontinued. No other intangible assets have been subject to impairment.
- (iii) 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.
- (iv) Accounting treatment of IPO fees – the Group incurred significant fees in connection with its IPO in July 2018. The various costs were categorised between fundraising and listing costs with some costs being split between the two categories. Fundraising costs were deducted from share premium whilst listing costs were expensed through the income statement in the period. The Audit Committee concluded that the Group's accounting policy was appropriate.



Impact of New Accounting Standards on Future Reports

The following new International Financial Reporting Standards (IFRS) will be adopted by the Group from 1 January 2019. The expected consequences of the application of these new standards is outlined below:

- IFRS 16: Leases – application of IFRS 16 is expected to have a significant effect on the Group's financial statements.
- IFRIC 23 Uncertainty over Income Tax Treatments – application of IFRIC 23 is not expected to have a material effect on the Group's financial statements.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9) – application of the amendments to IFRS 9 is not expected to have a material effect on the Group's financial statements.

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.

Since its establishment on 12 July 2018, the Audit Committee has kept the effectiveness of 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 has 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 £53k (2017: £nil) and in respect of non-audit services were £111k (2017: £nil) 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
2 April 2019



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 2018 are shown in the table below:

	Salary 2018 £	Consultancy 2018 £	Bonus ¹ 2018 £	Benefits 2018 £	Pension 2018 £	Total 2018 £	Total 2017 £
M Higginson ²	60,417	124,583	75,000	3,444	363	263,807	-
D Marks ³	74,667	87,500	75,000	-	202	237,369	-
R Findley	128,267	-	-	2,294	-	130,561	-
I Liddell ⁴	51,955	-	-	1,120	1,053	54,128	-
R Miller ⁴	14,115	8,750	-	-	-	22,865	-
N Lee ⁴	16,468	-	-	-	274	16,742	-
A Ritchie ⁵	-	10,763	-	-	-	10,763	-
	345,889	231,596	150,000	6,858	1,892	736,235	-

¹ IPO bonuses

² £102,750 of M Higginson's consultancy fees were invoiced pre-IPO

³ All of D Marks' consultancy fees were invoiced pre-IPO

⁴ Appointed 22 June 2018

⁵ Resigned 22 June 2018

Service Contracts

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:

	2 April 2019 Shares of £0.00040108663	31 December 2018 Shares of £0.00040108663	31 December 2017 Shares of £0.01
M Higginson	23,109,514	23,109,514	9,651
D Marks	9,767,580	9,767,580	3,805
R Findley	9,501,016	9,501,016	3,015
I Liddell (appointed 22 June 2018)	4,902,857	4,902,857	1,947
R Miller (appointed 22 June 2018)	350,024	350,024	139
N Lee (appointed 22 June 2018)	241,743	241,743	-
A Ritchie (resigned 22 June 2018)	2,855,593	2,855,593	1,134

Note 25 to the Financial Statements details a bonus issue and two sub-divisions which took place during 2018.

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

	EMI Options Shares	Unapproved Options Shares	Total Shares
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 (appointed 22 June 2018)	1,000,000	-	1,000,000
	4,700,000	1,250,000	5,950,000

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.

Sir Robin Miller
Chairman of the Remuneration Committee
2 April 2019

The Directors present their report and audited financial statements for the year ended 31 December 2018.

Principal Activities

The principal activities of the Group are: (i) the sale of virtual reality (VR) experiences in its own experience centres; (ii) the provision of VR experiences to concession partners; and (iii) the sale of VR hardware and experiences.

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

Board of Directors

The Directors who served during the year were:

Martin Higginson
David Marks
Rodney Findley
Alasdair Ritchie (resigned 22 June 2018)
Ian Liddell (appointed 22 June 2018)
Sir Robin Miller (appointed 22 June 2018)
Nicholas Lee (appointed 22 June 2018)

In accordance with the Articles of Association of the Company, any Director who has been appointed since the previous annual general meeting or for whom it is the third annual general meeting since the annual general meeting at which that Director was elected shall retire but shall be eligible for re-appointment. Accordingly, all Directors will retire at the annual general meeting and offer themselves for re-election.

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 6 to 11.

Dividends

No dividends were paid during the year (2017: £Nil). The Board is not recommending the payment of a final dividend in respect of the year ended 31 December 2018.

Earnings per Share

Loss per share in the period from continuing operations was 2.31p (2017: 1.29p) and diluted loss per share from continuing operations in the period was 2.31p (2017: 1.29p).

Underlying loss per share from continuing operations in the period was 1.80p (2017: 0.84p) and diluted underlying profit per share from discontinued operations in the period was 0.09 (2017: Nil).

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 6th March 2019, the Company issued 54,999,994 new ordinary shares at a price of £0.06 per share, raising gross proceeds of £3.3m through a placing and subscription.

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 through from its operations.

The Group's exposure and approach to capital and financial risk, and approach to managing these is set out in note 24 to the consolidated financial statements.

Research & Development

During the year the Group has undertaken research and development in order to develop a content management system and VR experiences. During the year, the Group invested in excess of £1m in research and development activities. The Group has claimed R&D tax credits where eligible.

Employee Engagements

The Group engages with its employees regularly through email newsletters. The Group also operates 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 2018, the following shareholders owned 3% or more of the Company:

Shareholder	Shares	%
Martin Higginson	23,109,514	11.83%
Leonie Dobbie	12,633,607	6.47%
Unicorn AIM VCT	10,000,000	5.12%
David Marks	9,767,580	5.00%
Cavendish Asset Management - AIM Fund	9,585,010	4.91%
Rod Findley	9,501,016	4.86%
Sure Ventures Plc	8,043,002	4.12%
Ken Musen	7,592,251	3.89%
Octopus AIM VCT Plc	7,546,000	3.86%
Sam Higginson	7,373,171	3.77%

Political Donations

The Group did not make any political donations during 2018 (2017: £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 12 to 15) and the Chief Executive's Statement (on pages 6 to 11) and within the notes to the Financial Statements.

Annual General Meeting

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

As at 2 April 2019, the following shareholders owned 3% or more of the Company:

Shareholder	Shares	%
Martin Higginson	23,109,514	9.23%
Unicorn AIM VCT	18,333,333	7.32%
Cavendish Asset Management - AIM Fund	14,717,510	5.88%
Leonie Dobbie	12,633,607	5.05%
David Marks	9,767,580	3.90%
Rod Findley	9,501,016	3.80%
Sure Ventures Plc	8,043,002	3.21%
Ken Musen	7,592,251	3.03%

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 2 April 2019 and signed on its behalf

Martin Higginson
Chief Executive Officer

Directors' Responsibilities Statement

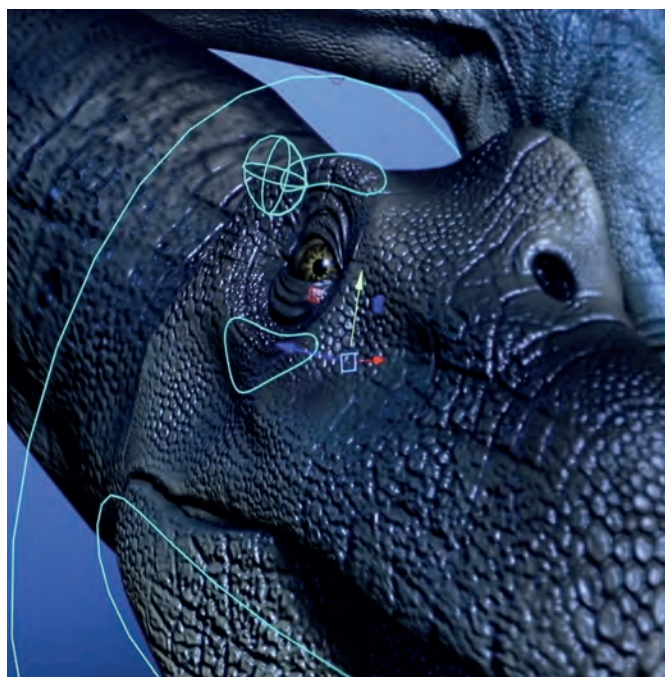
The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

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 2018 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 2018 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 £3,823,000 and had a net cash outflow of £58,000 during the year ended 31 December 2018. 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

A significant proportion of the Group's activities are accounted for as long-term contracts. Accounting for these contracts can be complex and requires management to exercise their judgment when considering the likely costs to complete on a contract. Revenue is also recognised as Bill-and-Hold arrangements.

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. This included a review of the estimated costs on completion of a project;
- A review of the judgments made as to the likely completion of a contract;
- A review of management's judgments as to whether an agency or principal relationship existed on each stream of revenue;
- A receivables circularisation to confirm hardware delivery after the year-end was on request of the customer and that all other conditions had been satisfied at the year-end;
- Substantive testing a sample of sales transactions ensuring that the significant risks and rewards had been passed to the customer on recognition of revenue; 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: Acquisition of subsidiaries & valuation of goodwill and other intangibles

There is a risk that the goodwill arising on acquisitions has been incorrectly calculated and not split across the other intangible assets acquired. There is also a risk as to the valuation of goodwill at 31 December 2018 and the need for impairment.

How the matter was addressed in the audit

Our audit work included, but was not restricted to:

- Reviewing the Share Purchase Agreements for the entities acquired at 31 December 2017;
- Reviewing the goodwill calculations prepared by management including a review of the IFRS calculations apportioning the goodwill across other intangible assets acquired;
- Reviewing future budgets and cash flow forecasts as well as managements impairment review of goodwill;
- Reviewing fundraising costs to ensure these had been correctly apportioned between administrative expenditure and share premium; and
- Reviewing acquisition costs to ensure that these had been expensed within the Statement of Comprehensive Income in accordance with IFRS 3.

Our audit work did not identify any material errors in the calculation 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 the criteria for capitalising development costs under IAS 38 and ensuring these had been met;
- Reviewing the methodology of calculating development costs; and
- Review of management's rationale for capitalising costs and consideration of whether there is sufficient indication of future economic benefits to justify capitalisation.

Our audit work did not identify any material errors in the capitalisation of development costs.

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 £32,000, determined by reference to Group revenue. We report to the Audit Committee any corrected or uncorrected misstatements arising exceeding £1,600. Performance materiality was set at £24,000, 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 2018 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 turnover and was lower than Group materiality in each case. C.2K Entertainment Inc was audited to Group materiality. The subsidiaries, VR Acquisition (Holdings) Limited and Ranger Rob 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 31, 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. 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

2 April 2019

Consolidated Statement of Comprehensive Income for the year ended 31 December 2018

	Note	Year ended 31 December 2018 £'000	Restated Year ended 31 December 2017 £'000
Revenue – continuing operations	7	1,948	-
Cost of sales – continuing operations		(1,436)	-
Gross profit		512	-
Administrative expenses– continuing operations		(4,264)	(175)
Loss from Operations	8	(3,752)	(175)
Memorandum:			
Adjusted EBITDA		(2,360)	(114)
Depreciation		(405)	-
Amortisation		(178)	-
Share based payments		(137)	-
Acquisition & listing costs		(672)	(61)
Loss from Operations		(3,752)	(175)
Finance costs	10	(57)	-
Finance income	11	2	-
Loss before taxation and attributable to equity holders of the parent		(3,807)	(175)
Taxation	12	159	-
Loss from continuing operations		(3,648)	(175)
Discontinued operations (net of tax)	32	(175)	-
Loss after taxation		(3,823)	(175)
Other comprehensive expense			
Loss on translation of subsidiary		(16)	-
Loss after taxation and attributable to equity holders of the parent and total comprehensive income for the period		(3,839)	(175)
Loss per share			
Basic (continuing)	13	(2.31)	(1.29)
Basic (discontinuing)		(0.11)	-
		(2.42)	(1.29)
Earnings/(Loss) per share			
Diluted (continuing)	13	(2.31)	(1.29)
Diluted (discontinuing)		(0.11)	-
		(2.42)	(1.29)

The notes on pages 41 to 74 form part of the group financial statements.

	Share capital £'000	Share premium £'000	Foreign Exchange Reserve £'000	Retained (deficit)/ earnings £'000	Total equity £'000
Issue of shares	-	3,704	-	-	3,704
Loss after tax and total comprehensive income	-	-	-	(175)	(175)
Balance at 31 December 2017	-	3,704	-	(175)	3,529
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)
Balance at 31 December 2018	78	9,999	(16)	(3,861)	6,200

The notes on pages 41 to 74 form part of the group financial statements.



Consolidated Statement of Financial Position as at 31 December 2018

		31 December 2018 £'000	Restated 31 December 2017 £'000
ASSETS	Note		
Non-current assets			
Property, plant and equipment	15	1,574	493
Intangible fixed assets	16	4,038	2,895
Total non-current assets		5,612	3,388
Current assets			
Inventories	17	133	-
Trade and other receivables	18	1,410	866
Deferred tax asset	23	-	85
Cash and cash equivalents		711	769
Total current assets		2,254	1,720
Total assets		7,866	5,108
LIABILITIES			
Current liabilities			
Trade and other payables	19	(886)	(1,160)
Loans and borrowings	19	(229)	(245)
Deferred tax liability	23	(26)	-
Contract liabilities	20	(189)	(62)
Total current liabilities		(1,330)	(1,467)
Non-current liabilities			
Other payables	19	(54)	-
Loans	19	(218)	(112)
Deferred tax liability	23	(64)	-
		(336)	(112)
Total liabilities		(1,666)	(1,579)
Total net assets		6,200	3,529
Capital and reserves attributable to owners of the parent			
Share capital	25	78	-
Share premium	27	9,999	3,704
Foreign exchange reserve	27	(16)	-
Retained deficit	27	(3,861)	(175)
Total equity		6,200	3,529

The financial statements were approved by the Board and authorised for issue on 2 April 2019.

Martin Higginson
Chief Executive Officer

David Marks
Finance Director

The notes on pages 41 to 74 form part of the group financial statements.

	Year ended 31 December 2018 £'000	Restated Year ended 31 December 2017 £'000
Cash flows from operating activities		
Loss before tax including discontinued operations	(3,982)	(175)
Adjustments for:		
Share based payments	137	-
Depreciation of property plant and equipment	405	-
Depreciation of stock transfers	(20)	-
Amortisation of intangible assets	178	-
Impairment of intangible assets	231	-
Finance costs	57	-
Finance income	(2)	-
Foreign exchange on retranslation of fixed assets	(28)	-
Foreign exchange loss	(16)	-
Corporation tax paid	(13)	-
Cash flows from operating activities before changes in working capital	(3,053)	(175)
Increase in stocks	(133)	-
Increase in trade and other receivables	(458)	(12)
Increase in trade and other payables	168	163
Cash used in operations	(3,476)	(24)
Investing activities		
Purchase of intangible assets	(1,542)	-
Purchase of property, plant and equipment	(1,524)	-
Disposals of property, plant and equipment	76	-
Cash on acquisition	-	202
Net cash (used in)/generated from investing activities	(2,990)	202
Financing activities		
Finance costs	(57)	-
Finance income	2	-
New loans and finance leases	179	-
Loan repayments	(89)	-
Issue of convertible loan stock	488	-
Issue of new share capital	6,324	591
Costs on issue of shares	(439)	-
Net cash from financing activities	6,408	591
Net (decrease)/increase in cash and cash equivalents	(58)	769
Cash and cash equivalents at beginning of the period	769	-
Cash and cash equivalents at end of the period	711	769

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Reconciliation of net cash flow to movement in net funds:		
Net (decrease)/increase in cash and cash equivalents	(58)	769
New loans and finance leases	(179)	-
Repayment of loans	89	-
Loans acquired on acquisition	-	(357)
Movement in net funds in the year	(148)	412
Net funds at 1 January	412	-
Net funds at 31 December	264	412

The notes on pages 41 to 74 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 Company is listed on 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 2018

IFRS 15: Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers which is effective for annual periods beginning on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Adoption of IFRS 15 had no material effect on the financial statements of the Group.

However, there are some presentational and disclosure changes which have been reflected in the report and financial statements. The main change is explained below:

- Contract Liabilities in relation to unfulfilled performance obligations where we have received proforma payments were previously included in deferred revenue (2017: £62k).

These reclassifications have been reflected in the current year and comparative balance sheet. The revenue accounting policy has been updated in accordance with IFRS 15. There has been no impact on the Group's Statement of Comprehensive Income.

The Group's accounting policies for its revenue streams are disclosed in detail in note 4 below.

IFRIC 22: Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability.

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration. The Directors do not consider there to be a material impact on the Group financial statements.

IFRS 9: Financial Instruments

IFRS 9 replaced the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets. The adoption of IFRS 9 has not had a material effect on the Group's financial statements.

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

IFRS 16: Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 January 2019.

IFRS 16 will change how the Group accounts for leases previously classified as operating leases, which were off-balance sheet. On initial application of IFRS 16, for all leases, the Group will:

- Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- Separate the total amount of cash paid into a principal portion and interest in the consolidated cash flow statement.

The Directors anticipate that the standard will impact almost all commonly used financial metrics including gearing ratio, current ratio, asset turnover, EBITDA, operating profit, EPS and operating cash flows.

At 31 December 2018, operating lease commitments were £1.3m (see note 28) and operating lease payments for 2018 were £0.523m (see note 8).

Amendments to IAS 28: Long Term Interests in Associates and Joint Ventures (effective 1 January 2019)

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28.

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements, due to their joint venture, Abominable Snowman Limited, being dormant currently. The amendment is not expected to have a material impact on the Group financial statements.

Annual Improvements to IAS 12: Income Taxes (effective 1 January 2019)

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed or undistributed profits. The amendment is not expected to have a material impact on the Group financial statements.

Annual Improvement to IAS 23: Borrowing Costs (effective 1 January 2019)

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The amendment is not expected to have a material impact on the Group financial statements.

Annual Improvement to IFRS 3: Business Combinations (effective 1 January 2019)

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation. The amendment is not expected to have a material impact on the Group financial statements.

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.

Prior year restatement

A prior year adjustment has been processed to recognise the acquisition of VR Acquisition (Holdings) Limited in 2017 given Immotion Group Plc had control and the substance of the transaction was that Immotion Group Plc owned 100% of the shares on 31 December 2017. This has resulted in an increased investment of £910k in the Company financial statements and the recognition of goodwill on VR Acquisition (Holdings) in the comparative figures.

An adjustment to costs of £61k incorrectly reducing the share premium at 31 December 2017 has been included.

Going concern

The Group incurred a loss after taxation of £3,823k for the year and a net cash outflow of £58k. If losses after taxation are not reduced significantly and/or new equity funds raised as required, this may result in a material uncertainty about the Group's ability to continue as a going concern. To this end, on 1 March 2019, the Group raised £3.3m (before costs) through an additional issue of shares for cash.

The Directors have, at the time of approving the financial statements, 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, its cash, liquidity position and borrowing facilities together with its forecasts and projections for 18 months from the reporting date that take into account possible changes in trading performance. The going concern basis of accounting has therefore been adopted in preparing the financial statements.

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 at least 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:

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.



Client services

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 stage of completion 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.

Retail revenue is recognised on the date which the sale to the customer takes place.

Concessions 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 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 areas;
- The customer has specifically requested that the goods be held pending collection.
- Normal payment terms apply to the Bill-and-Hold arrangement.

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the relevant lease.

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 in which the operation is disposed of. 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 an 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 useful lives, between 3 and 10 years from completion of development. Where the internally-generated intangible asset can be recognised, 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.

Contract liabilities

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 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.

Loss recognised previously in equity is included in profit or loss for the period. Dividends are recognised in the income statement when the right to receive payment has been established.

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 26.

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.

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	33% straight line

Impairment of assets

Impairment tests on goodwill are undertaken annually at the balance sheet date. 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 & JUDGEMENTS

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 Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.



Critical accounting judgements

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 Company'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.

Impairment of goodwill

Impairment of the valuation of the goodwill relating to the acquisition of subsidiaries is considered annually for indicators of impairment to ensure that the asset is not overstated within the financial statements. The 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 economic benefits are expected to be received, which has been estimated at 3 years. The customer list has been fully impaired in 2018

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.

6. SEGMENTAL INFORMATION

A segmental analysis of revenue and expenditure for the period is:

	VR Experiences £'000	Client Services £'000	Head Office £'000	Total continuing operations £'000	Discontinued 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
(Loss)/Profit for the year	(1,083)	115	(2,680)	(3,648)	(175)	(3,823)

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

For the period to 31 December 2017, all costs were head office costs.

The segmental analysis above reflects the parameters applied by the Board when considering the Group's monthly management accounts. For the period to 31 December 2017, no revenue was generated. All costs related to head office costs in the UK.

	External revenue by location of customer		Total assets by location		Net tangible capital expenditure by location	
	31 December 2018 Continuing £'000	31 December 2018 Discontinuing £'000	31 December 2018 £'000	31 December 2017 £'000	31 December 2018 £'000	31 December 2017 £'000
United Kingdom	790	221	7,032	4,618	1,033	-
United States of America	636	-	834	490	491	-
Japan	49	449	-	-	-	-
United Arab Emirates	136	-	-	-	-	-
China	49	-	-	-	-	-
Saudi Arabia	48	-	-	-	-	-
Spain	224	-	-	-	-	-
Estonia	16	-	-	-	-	-
Netherlands	-	230	-	-	-	-
Eire	-	8	-	-	-	-
Switzerland	-	4	-	-	-	-
Germany	-	(6)	-	-	-	-
	1,948	906	7,866	5,108	1,524	-

7. REVENUE

	2018 £000	2017 £000
Revenue by stream is split:		
Retail	608	-
Concessions	186	-
Hardware	532	-
Client Services	622	-
	<u>1,948</u>	<u>-</u>
Revenue by stream is split:		
United Kingdom	790	-
USA	636	-
Japan	49	-
United Arab Emirates	136	-
China	49	-
Saudi Arabia	48	-
Spain	224	-
Estonia	16	-
	<u>1,948</u>	<u>-</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 2018, one customer accounted for 19% of revenue.

8. LOSS FROM OPERATIONS

	2018 £000	2017 £000
This is arrived at after charging:		
Continuing operations		
Staff costs (see note 9)	2,441	-
Acquisition and listing costs	672	159
Depreciation of property, plant & equipment	405	-
Amortisation of intangible fixed assets	178	-
Impairment of goodwill	-	-
Operating lease expense – property	523	-
Foreign exchange differences	38	-
	<u>3,557</u>	<u>159</u>
Discontinuing operations		
Impairment of intangible assets	231	-
	<u>231</u>	<u>-</u>
Auditors' remuneration in respect of the Company	11	-
Audit of the Group and subsidiary undertakings	42	16
Auditors' remuneration – non-audit services – accounting service fees	20	-
Auditors' remuneration – non-audit services – taxation fees	10	-
Auditors' remuneration – corporate finance fees	81	-
	<u>164</u>	<u>16</u>

9. STAFF COSTS

	2018 £000	2017 £000
Staff costs for all employees, including Directors consist of:		
Wages and salaries	2,641	-
Social security costs	351	-
Pensions	47	-
	<u>3,039</u>	<u>-</u>
Share based payment charge	137	-
	<u><u>3,176</u></u>	<u><u>-</u></u>

Staff costs above include £735k capitalised in 2018 as development costs (see note 16). No staff costs were capitalised in the prior year.

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

	Number	Number
Directors	5	1
Management and administration	13	-
Retail	16	-
Operations	3	-
Sales and Marketing	4	-
Content and software development	20	-
	<u>61</u>	<u>1</u>

Directors' Detailed Emoluments

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

	Salary 2018 £'000	Consultancy 2018 £'000	Bonus ¹ 2018 £'000	Benefits 2018 £'000	Pension 2018 £'000	Total 2018 £'000	Total 2017 £'000
M Higginson ²	60	125	75	4	-	264	-
D Marks ³	75	87	75	-	-	237	-
R Findley	128	-	-	2	-	130	-
I Liddell ⁴	52	-	-	1	1	54	-
R Miller ⁴	14	8	-	-	-	22	-
N Lee ⁴	17	-	-	-	-	17	-
A Ritchie ⁵	-	11	-	-	-	11	-
	<u>346</u>	<u>231</u>	<u>150</u>	<u>7</u>	<u>1</u>	<u>735</u>	<u>-</u>

¹ IPO bonuses

² £103k of M Higginson's consultancy fees were invoiced pre-IPO

³ All of D Marks' consultancy fees were invoiced pre-IPO

⁴ Appointed 22 June 2018

⁵ Resigned 22 June 2018

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

Included within the above were fees totalling £200k including an IPO bonus of £75k (2017: £nil) arose during the year in respect of the services of Martin Higginson provided by M Capital Investment Properties Limited.

Included within the above were fees totalling £163k including an IPO bonus of £75k (2017: £nil) arose during the year in respect of the services of David Marks provided by Lanton Investments Limited.

Included within the above were fees totalling £8k (2017: £nil) arose during the year in respect of the services of Sir Robin Miller provided by Robin Miller Consultants Limited.

Included within the above were fees totalling £11k (2017: £nil) arose during the year in respect of the services of Alasdair Ritchie provided by Haven Consulting Group LLC.

The Executive Directors have service contracts with the Company which are terminatable by the Company, or relevant director on 12 months' notice until 12 July 2019. Thereafter the notice period reduces to 6 months from the Company or the Director.

£72k of the share-based payment expense relates to the directors (2017: £nil).

The Directors' interests in the issued ordinary share capital of the Company as at 2 April 2019 and 31 December 2018 were as follows:

	Shares of £0.00040108663				Shares of £0.01	
	02/04/2019		31/12/2018		31/12/2017	
Martin Higginson	23,109,514	9.23%	23,109,514	11.83%	9,651	20.79%
David Marks	9,767,580	3.90%	9,767,580	5.00%	3,805	8.20%
Rod Findley	9,501,016	3.80%	9,501,016	4.86%	3,015	6.50%
Ian Liddell	4,902,857	1.96%	4,902,857	2.51%	1,947	4.19%
Sir Robin Miller	350,024	0.14%	350,024	0.18%	139	0.30%
Nicholas Lee	241,743	0.10%	241,743	0.12%	-	-



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

	Type of Option	Options held at 31 December price	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
Ian Liddell	EMI Option	333,333	0.10	12/07/2018	2030*
Ian Liddell	EMI Option	333,334	0.10	12/07/2018	2031**
Ian Liddell	EMI Option	111,111	0.10	12/07/2018	12/07/2029
Ian Liddell	EMI Option	111,111	0.10	12/07/2018	12/07/2030
Ian Liddell	EMI Option	111,111	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 26.

The market price of the shares at 31 December 2018 was 8.60p with a quoted range from date of admission to AIM on 12 July 2018 of 8.38p to 14.88p. The options at 2018 vest as above based on performance criteria detailed in note 26.

10. FINANCE COSTS

	2018 £000	2017 £000
Loan note interest	3	-
Other interest	54	-
	<u>57</u>	<u>-</u>

On 23 April 2018, £488,276 of unsecured convertible loan notes were issued with an interest rate of 3%. These were converted on 12 July 2018.

11. FINANCE INCOME

	2018 £000	2017 £000
Other interest	2	-
	<u>2</u>	<u>-</u>

12. TAXATION ON LOSS FROM ORDINARY ACTIVITIES

	2018 £000	2017 £000
R&D tax credit	(347)	-
Adjustment in respect of prior periods	13	-
Deferred tax movement	175	-
	<u>(159)</u>	<u>-</u>
Tax credit for the year	<u>(159)</u>	<u>-</u>

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

	2018 £000	2017 £000
Loss on ordinary activities before tax - continuing operations	(3,807)	(175)
Loss on ordinary activities before tax - discontinued operations	(175)	-
Total loss on ordinary activities before tax	<u>(3,982)</u>	<u>(175)</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017: 20%)	(757)	(35)
Effects of:		
Fixed asset differences	23	-
Expenses not deductible for tax purposes	255	-
Additional deduction for R&D expenditure	(150)	-
Adjustments to prior periods	13	-
Deferred tax not recognised	485	35
Adjust closing deferred tax to average rate of tax	(28)	-
	<u>(159)</u>	<u>-</u>
Tax credit for the year	<u>(159)</u>	<u>-</u>

The UK corporation tax rate of 19% (effective from 1 April 2017) is reducing to 18% (effective 1 April 2020) which was substantially enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax liabilities at 31 December 2018 have been calculated based on these rates.

There were unused tax losses of £4.2m at the 31 December 2018. No deferred tax asset has been recognised due to the uncertainty surrounding future profits.

13. EARNINGS PER SHARE

	2018 £000	2017 £000
The earnings per share is based on the following:		
Continuing earnings post tax loss attributable to shareholders	(3,648)	(175)
Discontinued earnings post tax loss attributable to shareholders	(175)	-
	<u>158,136,544</u>	<u>13,536,541</u>
Basic weighted average number of shares		
Diluted weighted average number of shares	<u>158,136,544</u>	<u>13,536,541</u>
	£0.01	£0.01
Basic earnings per share	(2.42)	(1.29)
Diluted earnings per share	(2.42)	(1.29)
	<u>(2.31)</u>	<u>(1.29)</u>
Continuing earnings per share		
Continuing diluted earnings per share	(2.31)	(1.29)
	<u>(0.11)</u>	<u>-</u>
Discontinued earnings per share		
Discontinued diluted earnings per share	(0.11)	-
	<u>(2,838)</u>	<u>(114)</u>
Underlying loss: continuing operations		
Underlying profit: discontinued operations	140	-
	<u>158,136,544</u>	<u>13,536,541</u>
Basic weighted average number of shares		
Diluted weighted average number of shares	<u>164,025,259</u>	<u>13,536,541</u>
	£0.01	£0.01
Basic underlying loss per share	(1.71)	(0.84)
Diluted underlying loss per share	(1.71)	(0.84)
	<u>(1.80)</u>	<u>(0.84)</u>
Basic underlying loss per share: continuing operations		
Diluted underlying loss per share: continuing operations	(1.80)	(0.84)
	<u>0.09</u>	<u>-</u>
Basic underlying earnings per share: discontinued operations		
Diluted underlying earnings per share: discontinued operations	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, acquisition and listing costs, and impairment of intangible assets relating to discontinuing operations.

14. BUSINESS COMBINATIONS

Studio Liddell Limited

On 12 December 2017 the Company acquired 100% of the ordinary shares in Studio Liddell Limited (renamed as Immotion Studios Limited on 7th June 2018) for consideration of £1,600,000. This investment is included in the Parent Company's balance sheet at its fair value at the date of acquisition.

The completion accounts show a breakdown of the assets and liabilities of the acquired company to be as follows:

	Book value £'000	Fair value adjustment £'000	Fair value to Group £'000
Customer relationships	-	231	231
Tangible fixed assets	239	-	239
Receivables	461	-	461
Cash and cash equivalents	(8)	-	(8)
Payables	(476)	-	(476)
Loans	(194)	-	(194)
Deferred tax	134	(39)	95
Net assets on acquisition	156	192	348
Goodwill on acquisition			1,252
Total consideration			1,600
Discharged by:			
			£'000
Shares in Immotion Group Plc			1,600
			1,600

The revenue and loss after tax included in the Consolidated Statement of Comprehensive Income for the 12 months to 31 December 2018 were £535,000 (including discontinued operations) and £688,000 (after management charges) respectively.

Acquisition costs of approximately £25,000 were written off as overheads in the period.

The Directors have treated the acquisition as occurring on 31 December 2017 on the basis there was no material trade during the period from acquisition to 31 December 2017.

The intangible fixed asset fair value adjustment is in relation to customer lists. These have been fully impaired in the year ended 31 December 2018 due to the discontinuation of that line of business.

C.2K Entertainment, Inc.

On 21 December 2017 the Company acquired 100% of the ordinary shares in C.2K Entertainment, Inc. for consideration of £603,000. This investment is included in the Parent Company's balance sheet at its fair value at the date of acquisition.

The completion accounts show a breakdown of the assets and liabilities of the acquired company to be as follows:

	Book value £'000	Fair value adjustment £'000	Fair value to Group £'000
Tangible fixed assets	1	-	1
Receivables	307	-	307
Cash and cash equivalents	183	-	183
Payables	(473)	-	(473)
Loans	(163)	-	(163)
Net assets on acquisition	(145)	-	(145)
Goodwill on acquisition			748
Total consideration			603
Discharged by:			£'000
Shares in Immotion Group Plc			603
			603

The revenue and loss after tax included in the Consolidated Statement of Comprehensive Income for the 12 months to 31 December 2018 were £1,221,000 (including discontinued operations) and £1,338,000 (after management charges) respectively.

Acquisition costs of approximately £25,000 were written off as overheads in the period.

The Directors have treated the acquisition as occurring on 31 December 2017 on the basis there was no material trade during the period to 31 December 2017.

VR Acquisition (Holdings) Limited

On 21 December 2017 the Company acquired 100% of the ordinary shares in VR Acquisition (Holdings) Limited for consideration of £911,000. This investment is included in the Parent Company's balance sheet at its fair value at the date of acquisition.

The completion accounts show a breakdown of the assets and liabilities of the acquired company to be as follows:

	Book value £'000	Fair value adjustment £'000	Fair value to Group £'000
Intangible fixed assets	6	221	227
Tangible fixed assets	254	-	254
Receivables	153	-	153
Cash and cash equivalents	13	-	13
Payables	(164)	-	(164)
Deferred tax	29	(39)	(10)
Net assets on acquisition	291	182	473
Goodwill on acquisition			438
Total consideration			911
Discharged by:			£'000
Shares in Immotion Group Plc			911
			911

The revenue and loss after tax included in the Consolidated Statement of Comprehensive Income for the 12 months to 31 December 2018 was £1,175,000 and £1,025,000 (after management charges) respectively.

Acquisition costs of approximately £25,000 were written off as overheads in the period.

Immotion Group Plc acquired 50.1% of the issued capital, and control, on the 21st December 2017 with instruction to acquire the remaining shares on this date. Immotion Group Plc acquired the remaining 49.9% of the issued capital on the 8th January 2018 via a Drag Along clause from the Articles of Association of VR Acquisition (Holdings) Limited. The substance of the transaction was that Immotion Group Plc had 100% control as at 21st December 2017. The Directors have treated the acquisition as occurring on 31 December 2017 on the basis there was no material trade during the period to 31 December 2017.

The intangible fixed asset fair value adjustment is in relation to a supplier contract.

15. TANGIBLE FIXED ASSETS

	Leasehold Property £'000	Equipment £'000	Fixtures and Fittings £'000	Total £'000
Cost				
Balance at 1 January 2017	-	-	-	-
Additions on acquisition of subsidiary	158	310	25	493
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 31 December 2018	405	1,536	43	1,984
Accumulated depreciation				
Balance at 1 January 2017	-	-	-	-
Depreciation on acquired assets	-	-	-	-
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 31 December 2018	65	326	19	410
Net Book Value				
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 £137k (2017: £nil) relating to equipment. The depreciation charge on these assets was £75k (2017: £nil).

16. INTANGIBLE ASSETS

	Development Costs £'000	Goodwill Arising on Consolidation £'000	Other Intangible Assets £'000	Total £'000
Cost				
Balance at 1 January 2017	-	-	-	-
Additions	2	2,438	455	2,895
Balance at 1 January 2018	2	2,438	455	2,895
Additions	1,493	-	49	1,542
Foreign exchange	11	-	-	11
Balance at 31 December 2018	1,506	2,438	504	4,448
Accumulated amortisation				
Balance at 1 January 2017	-	-	-	-
Additions	-	-	-	-
Balance at 1 January 2018	-	-	-	-
Amortisation	93	-	85	178
Impairment	-	-	231	231
Foreign exchange	1	-	-	1
Balance at 31 December 2018	94	-	316	410
Net Book Value				
At 31 December 2018	1,412	2,438	188	4,038
At 31 December 2017	2	2,438	455	2,895

Other intangible assets comprise £151k (2017: £455k) relating to identifiable relations between acquired companies and associated client base with the remaining £37k of other intangible assets relating to website development costs.

Amortisation is charged over a period between 1 and 3 years.

Goodwill and impairment

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

	31 December 2018 £'000	31 December 2017 £'000
Studio Liddell Limited	1,252	1,252
C.2K Entertainment Inc.	748	748
VR Acquisition (Holdings) Limited	438	438
	2,438	2,438

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 reasonable sensitivity analysis of the key assumptions would not result in an impairment of the present carrying value of the goodwill.

17. INVENTORIES

	2018 £000	2017 £000
Inventory	133	-
	<u>133</u>	<u>-</u>

Inventories recognised in cost of sales during the year were £396k (2017: £Nil). The Directors considered no impairment of inventory necessary as at 31 December 2018 (2017: £Nil).

18. TRADE & OTHER RECEIVABLES

	31 December 2018 £'000	31 December 2017 £'000
Trade receivables	443	383
Prepayments and accrued income	381	294
Other receivables	238	189
Tax recoverable	348	-
	<u>1,410</u>	<u>866</u>



19. LIABILITIES

	31 December 2018 £'000	31 December 2017 £'000
Current liabilities		
Trade payables	329	339
Social security and other taxes	77	36
Accruals	245	701
Other payables	235	84
Loans	177	245
Amounts payable under hire purchase agreements	52	-
	<u>1,115</u>	<u>1,405</u>
Non-current liabilities		
Other loans	147	112
Amounts payable under hire purchase agreements	71	-
Other payables	54	-
	<u>272</u>	<u>112</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 £169,000 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 2018 was £134,000 of which £54,000 is payable after 31 December 2019.

20. CONTRACT LIABILITIES

	2018 £'000	2017 £'000
Contract liabilities	189	62
	<u>189</u>	<u>62</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 payments are due to be completed within one year or less. All of these liabilities are expected to be recognised in the subsequent financial year. Contract liabilities were previously treated as deferred revenue in the comparative period accounts.

21. LOANS

The Group has the following loan arrangements in place as at 31 December 2018:

Lending Crowd

On 7 March 2017 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 falls due in March 2020. This loan is secured. The total amount payable as at 31 December 2018 was £112,000 of which £23,000 is payable after 31 December 2019.

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 in 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 2018 was £212,000 of which £124,000 is payable after 31 December 2019.

	31 December 2018 £'000	31 December 2017 £'000
Amounts falling due within one year		
Lending Crowd loan	89	112
Bank of America loan	88	-
	<u>177</u>	<u>112</u>
Amounts falling due 1-2 years		
Lending Crowd loan	23	-
Bank of America loan	124	-
	<u>147</u>	<u>-</u>

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 £194,000. 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 £179,000 including interest costs. The total amount payable as at 31 December 2018 was £123,000 of which £71,000 is payable after 31 December 2019.

Future minimum lease payments fall as follows:

	31 December 2018 £'000	31 December 2017 £'000
Within 1 year	52	-
Between 1-5 years	71	-
	<u>123</u>	<u>-</u>

23. DEFERRED TAX

	Total £'000
Balance at 1 January 2018	85
Deferred tax charge in the year	(175)
Balance at 31 December 2018	<u>(90)</u>

The deferred tax provision comprises:

	31 December 2018 £'000	31 December 2017 £'000
Timing differences	(38)	(38)
Unutilised tax losses	-	201
Deferred tax on intangibles	(52)	(78)
	<u>(90)</u>	<u>85</u>

The expected net reversal of deferred tax in 2019 is £26k with the remaining £64k expected to reverse in greater than 1 year.

24. 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 2018 £'000	31 December 2017 £'000
Current financial assets		
Trade receivables	443	383
Other receivables	238	189
Cash and cash equivalents	711	769
	<u>1,392</u>	<u>1,341</u>

The table below illustrates the due date of trade receivables:

	31 December 2018 £'000	31 December 2017 £'000
Current	347	166
31 – 60 days	52	83
61 – 90 days	29	47
91 – 120 days	4	78
121 and over	11	9
	<u>443</u>	<u>383</u>

The table below illustrates the geographical location of trade receivables:

	31 December 2018 £'000	31 December 2017 £'000
United Kingdom	65	175
Japan	54	86
China	52	-
Middle East	52	47
USA	35	11
Europe	185	64
	<u>443</u>	<u>383</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 2018 £'000	31 December 2017 £'000
At the year end the Group had the following cash balances:	<u>711</u>	<u>769</u>

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 2018 £'000	31 December 2017 £'000
Financial liabilities at amortised cost		
Trade payables	329	339
Accruals	245	701
Contract liabilities	189	62
Finance leases	123	-
Loans	324	357
	<u>1,210</u>	<u>1,459</u>

The table below illustrates the ageing of trade payables:

	31 December 2018 £'000	31 December 2017 £'000
Financial liabilities at amortised cost		
Current	231	231
31 – 60 days	75	68
61 – 90 days	2	13
91 – 120 days	4	27
121 and over	17	-
	<u>329</u>	<u>339</u>

The table below shows the ageing of financial liabilities:

	Carrying amount £'000	6 months or less £'000	6-12 months £'000	1 or more year £'000
Trade payables	329	329	-	-
Accruals	245	245	-	-
Contract liabilities	189	189	-	-
Finance leases	123	26	26	71
Loans	324	89	88	147
Other payables	289	197	38	54
	<u>1,499</u>	<u>1,075</u>	<u>152</u>	<u>272</u>

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

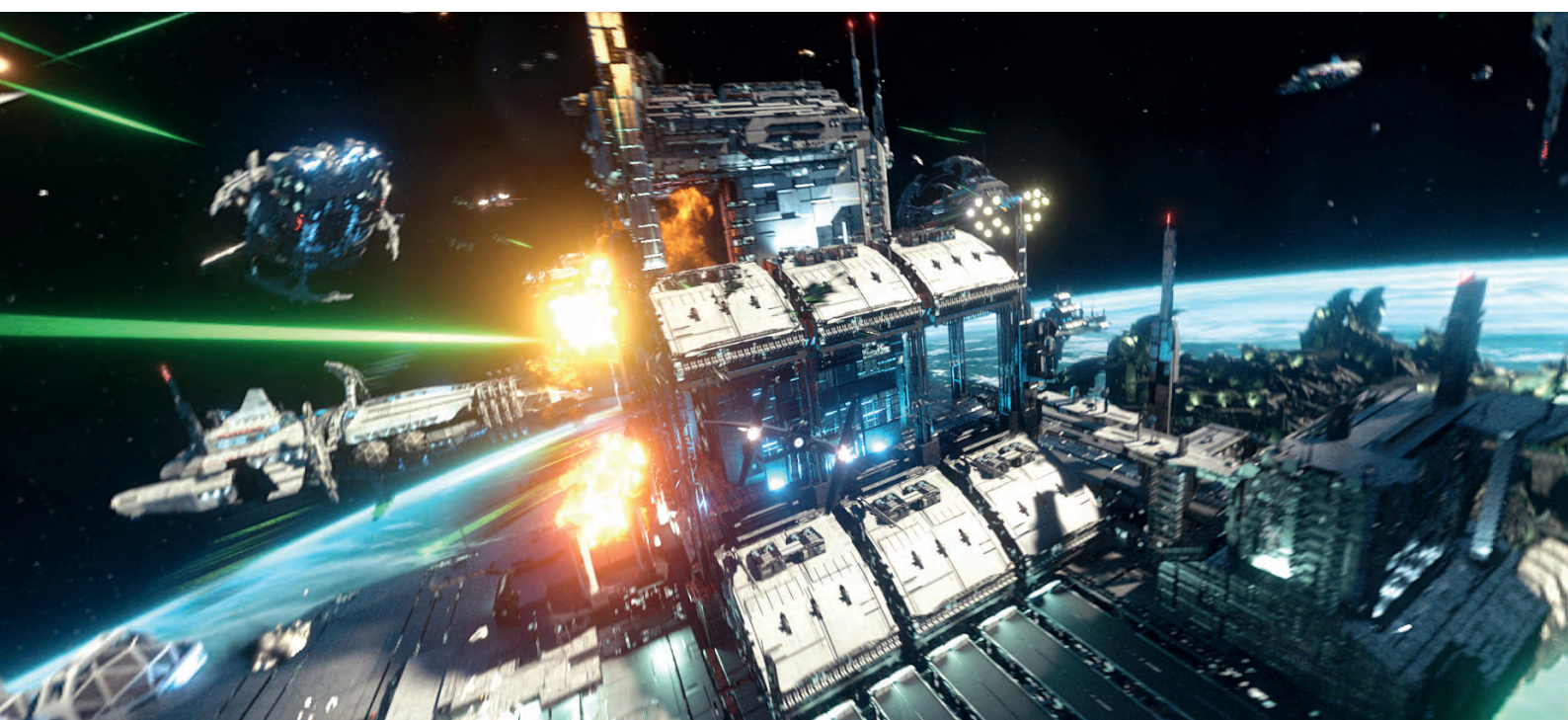
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group considers the interest rates available when deciding where to place cash balances. The Group has borrowings in both the USA and the UK. Borrowings require approval 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 principal risk arises from the Group's US based subsidiary, C.2K Entertainment Inc. The general policy for the Group is to sell to customers in the same currency that services or goods are purchased in, reducing the transactional risk.

25. SHARE CAPITAL

	31 December 2018 £'000	31 December 2017 £'000
Called up share capital		
Allotted, called up and fully paid		
195,351,590 Ordinary shares of 0.040108663 pence each (2017: 46,415 ordinary shares of 0.01p)	78	-
	<u>78</u>	<u>-</u>



Shares issued during the year ended 31 December 2018:

Date	Description	No. of shares	Price per Share £	Gross share value £	Cash received £
1 February 2018	Issue of 1p shares	3,908	100	390,800	390,800
23 March 2018	Issue of 1p shares	70	100	7,000	7,000
23 March 2018	Issue of 1p shares	364	100	36,400	36,400
23 April 2018	Issue of 1p shares	76	157.61	11,978	11,978
14 May 2018	Issue of 1p shares	158	157.61	24,902	24,902
14 May 2018	Issue of 1p shares	634	157.61	99,925	99,925
22 June 2018	Bonus issue – 100:1	5,162,500	-	51,625	-
22 June 2018	Sub-division - 0.01 to 0.005	5,214,125	-	-	-
9 July 2018	Sub-division – 0.05 to 0.040108663p	119,571,718	-	-	-
12 July 2018	Placing on AIM shares of 0.040108663p	57,500,000	0.10	5,750,000	5,750,000
12 July 2018	Conversion of loan stock to shares of 0.040108663p	7,851,622	0.06	491,487	491,487
Total		195,305,175		6,864,117	6,812,493
At 31 December 2017		46,415		3,704,894	591,394
At 31 December 2018		195,351,590		10,569,011	7,403,887

Cash received does not include costs relating to share issues. In the year to 31 December 2018, costs of £439k were incurred relating to share issues and these costs were charged against share premium.



26. SHARE BASED PAYMENTS

During the period 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	2018 charge
12 July 2019	1,223,194	4.7p	27,091
12 July 2020	1,223,194	5.5p	15,830
12 July 2021	1,223,195	6.2p	11,902
			54,823

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	2018 charge
Year 1 EBITDA	1,834,791	5.5p	24,141
Year 2 EBITDA	1,834,792	6.2p	18,050
			42,191

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	2018 charge
Year 1 EBITDA	1,834,792	4.9p	21,507
Year 2 EBITDA	1,834,792	5.2p	15,139
			36,646

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 subjected 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.

Warrants

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

Date of grant	12p	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 £2,828 has been included in the year ended 31 December 2018
Share price at grant date	10p	
Expected volatility	34%	
Risk free rate	0.74%	

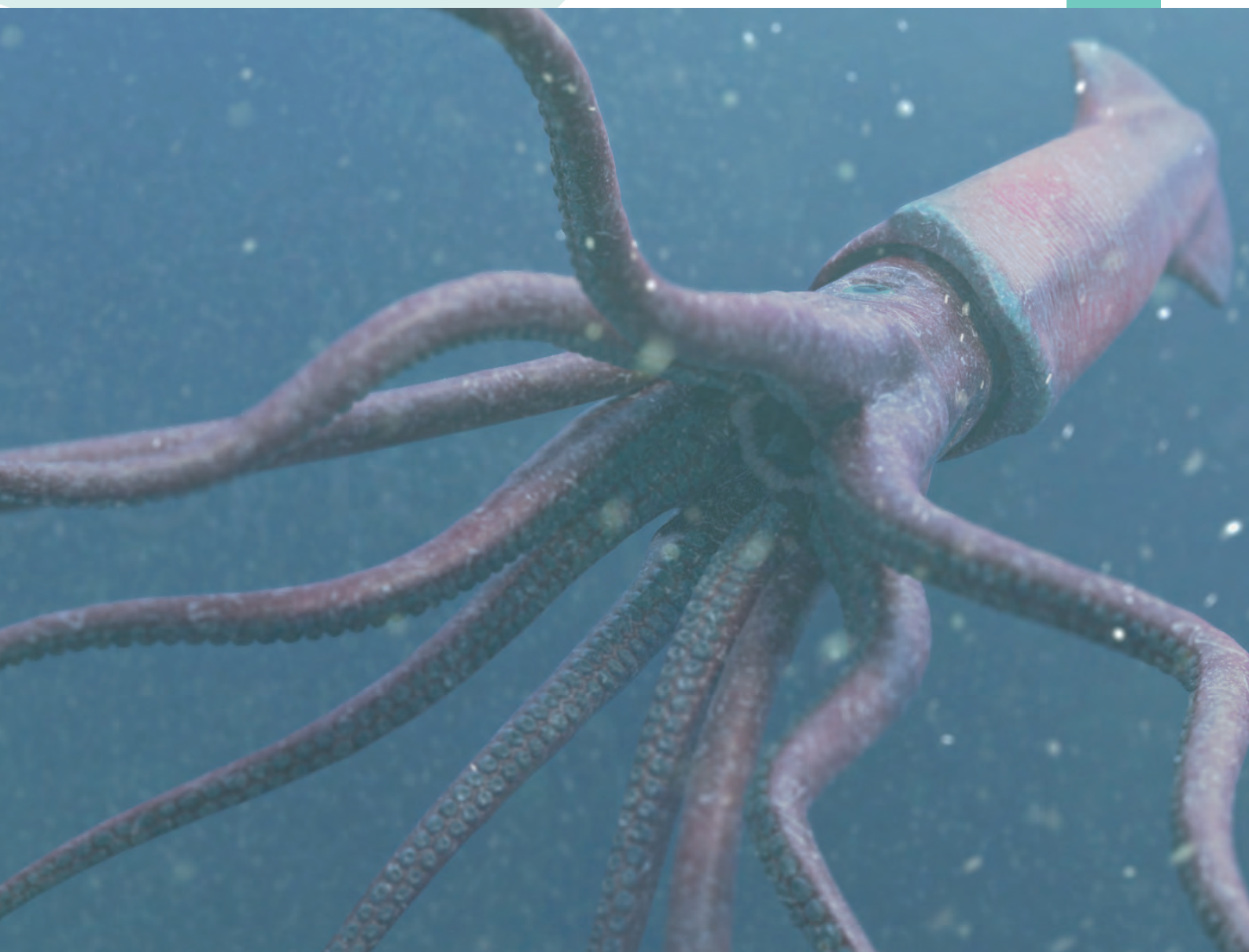
27. RESERVES

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.



28. LEASING COMMITMENTS

The Group's future aggregate minimum lease payments under non-cancellable operating leases fall due as follows:

	31 December 2018 £'000	31 December 2017 £'000
Financial liabilities at amortised cost		
Not later than 1 year	474	319
Later than 1 year and not later than 5 years	837	1,050
	<u>1,311</u>	<u>1,369</u>

29. CAPITAL COMMITMENTS

At 31 December 2018 and 31 December 2017 there were no capital commitments.

30. RELATED PARTY TRANSACTIONS

Purchases

Name of related party	Services	Relationship
Lanton Investments Ltd	Consultancy	Partly owned and controlled by a director of Immotion Group Plc
Liddell Jones Ltd	Website construction	Owned and controlled by persons who were directors of Immotion Studios Limited until 12th July 2018
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.
Alasdair Ritchie	Consultancy	Director of Immotion Group Plc until 22 June 2018

	Costs invoiced		Amounts outstanding	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Lanton Investments Ltd	163	-	-	-
Liddell Jones Ltd	16	-	-	-
M Capital Investment Properties Limited	205	-	-	-
Robin Miller Consultants Ltd	9	-	1	-
Samuel Higginson	37	-	-	-
Digitalbox Group Limited	30	-	-	(36)
Alasdair Ritchie – Haven Consulting	11	-	-	-
	471	-	1	(36)

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
Liddell Jones Ltd	Services & rent	Owned and controlled by persons who were directors of Immotion Studios Limited until 12th July 2018
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 is a director of Immotion Group Plc and Immotion Studios Ltd
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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Income invoiced to related parties				
Digitalbox Group Limited	3	-	-	1
Liddell Jones Ltd	12	-	1	-
David Marks loan	1	-	15	15
Ian Liddell loan	-	-	10	10
Emma Stanyon loan	-	-	4	4
	16	-	30	30

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 £735k (2017: £nil) in the year ended 31 December 2018.

The key management were provided with 5.95m of share options realising a charge of £72k in the year.

31. POST BALANCE SHEET EVENTS

On 1 March 2019, an additional equity fundraise was approved raising £3.3m with £200k of fees, resulting in a net raise of £3.1m.

32. DISCONTINUED OPERATIONS

	2018 continuing operations £'000	2018 discontinuing operations £'000	2018 Total £'000
Revenue	1,948	906	2,854
Cost of sales	(1,436)	(473)	(1,909)
Gross profit	512	433	945
Administrative expenses	(4,264)	(608)	(4,872)
Loss from Operations	(3,752)	(175)	(3,927)
Finance costs	(57)	-	(57)
Finance income	2		2
Loss before taxation and attributable to equity holders of the parent	(3,807)	(175)	(3,982)
Taxation	159	-	159
Loss after taxation	(3,648)	(175)	(3,823)
Other comprehensive expense			
Loss on translation of subsidiary	(16)	-	(16)
Loss after taxation and attributable to equity holders of the parent and total comprehensive income for the period	(3,664)	(175)	(3,839)

Cash flows from discontinued operations are as follows:

	Continuing £'000	Discontinuing £'000	Total £'000
Operating cash flows	(599)	176	(423)
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 VR Acquisition (Holdings) Limited, company number 11054174, were exempt from undergoing an audit for year ended 31 December 2018 by virtue of S479A of Companies Act 2006.



		At 31 December 2018 £'000	Restated December 2017
Fixed assets			
Investments	III	3,113	3,113
Intangible fixed assets	IV	37	-
		<u>3,150</u>	<u>3,113</u>
Current assets			
Trade and other receivables	V	6,053	125
Cash and cash equivalents	VI	515	567
		<u>6,568</u>	<u>692</u>
Payables: amounts falling due within one year	VII	(60)	(162)
Net current assets		<u>6,508</u>	<u>530</u>
Total assets less total liabilities		<u>9,658</u>	<u>3,643</u>
Capital and reserves			
Called up share capital	VIII	78	-
Share premium account		9,999	3,704
Retained reserves		(419)	(61)
Shareholders' funds		<u>9,658</u>	<u>3,643</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 £495,000 (2017: £61,000) 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 2 April 2019.

Martin Higginson
Chief Executive Officer

David Marks
Finance Director

The notes on pages 78 to 81 form part of the Company financial statements.

Company Statement of Changes in Equity for the year ended 31 December 2018

	Share Capital £'000	Share Premium £'000	Retained reserves £'000	Total Equity £'000
Issue of shares	-	3,704	-	3,704
Loss after tax	-	-	(61)	(61)
31 December 2017	-	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)	-	-
31 December 2018	78	9,999	(419)	9,658

The notes on pages 78 to 81 form part of the Company financial statements.

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Cash flows from operating activities		
Loss before tax	(482)	(61)
Adjustments for:		
Share based payments	137	-
Amortisation of intangible assets	12	-
Corporation tax paid	(13)	-
Cash flows from operating activities before changes in working capital	(346)	(61)
Increase in trade and other receivables	(5,928)	(125)
Increase/(Decrease) in trade and other payables	(102)	162
Cash used in operations	(6,376)	(24)
Investing activities		
Purchase of intangible assets	(49)	-
Acquisition of subsidiaries	-	(3,113)
Net cash absorbed in investing activities	(49)	(3,113)
Financing activities		
Issue of new share capital (net of costs)	5,885	3,704
Issue of convertible loan stock	488	-
Net cash from financing activities	6,373	3,704
Net (decrease)/increase in cash and cash equivalents	(52)	567
Cash and cash equivalents at beginning of the period	567	-
Cash and cash equivalents at end of the period	515	567
Reconciliation of net cashflow to movement in net funds:		
Net (decrease) / increase in cash and cash equivalents	(52)	567
New loans and finance leases	-	-
Repayment of loans	-	-
Movement in net funds in the year	(52)	567
Net funds at 1 January	567	-
Net funds at 31 December	515	567

The notes on pages 78 to 81 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.

Prior year restatement

A prior year adjustment has been processed to recognise the acquisition of VR Acquisition (Holdings) Limited in 2017 given Immotion Group Plc had control and the substance of the transaction is Immotion Group Plc owned 100% of the shares on 31 December 2017.

An adjustment to costs of £61k incorrectly reducing the share premium at 31 December 2017 has been included.

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 5 (2017: 1) and total staff costs were £186,400 (2017: £Nil).

Directors remuneration is disclosed in note 9 to the consolidated financial statements.



III. FIXED ASSET INVESTMENTS

	31 December 2018 £'000	31 December 2017 £'000
Subsidiary undertakings		
Cost		
Balance at 1 January 2018	3,113	-
Additions	-	3,113
Disposals	-	-
Balance at 31 December 2018	3,113	3,113
Provisions		
Balance at 1 January 2018	-	-
Balance at 31 December 2018	-	-
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
VR Acquisition (Holdings) 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
Abominable Snowman Limited	Ordinary	50%	East Wing, Ground Floor The Victoria, Mediacity, Manchester, M50 3SP
Studio Liddell Limited	Ordinary	100%	East Wing, Ground Floor The Victoria, Mediacity, Manchester, M50 3SP
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
VR Acquisition (Holdings) Limited	Intermediate holding company
C.2K Entertainment Inc	Virtual reality equipment, experiences and legacy marketing solutions' consultancy
Abominable Snowman Limited	Dormant company
Studio Liddell Limited	Dormant company
Immotion VR Limited	Virtual reality equipment and experiences
Ranger Rob UK Limited	Group subsidiary with limited trading

Immotion Group Plc acquired 50.1% of the issued capital, and control of VR Acquisition (Holdings) Limited, on the 21 December 2017 with instruction to acquire the remaining shares. Immotion Group Plc acquired the remaining 49.9% of the issued capital on the 8 January 2018 via a Drag Along clause from the Articles of Association of VR Acquisition (Holdings) Limited. The substance of the transaction was that Immotion Group Plc had 100% control as at 21 December 2017. The Directors have treated the acquisition as occurring on 31 December 2017 on the basis there was no material trade during the period to 31 December 2017.

IV. INTANGIBLE FIXED ASSETS

	Total £'000
Software Cost	
Balance at 1 January 2018	-
Additions	49
Balance at 31 December 2018	49
Accumulated amortisation	
Balance at 1 January 2018	-
Amortisation charge	12
Balance at 31 December 2018	12
Net Book Value	
At 31 December 2018	37
At 31 December 2017	-

V. RECEIVABLES: due within one year

	31 December 2018 £'000	31 December 2017 £'000
Amounts owed by group undertakings	5,984	114
Other receivables	18	1
Prepayments and accrued income	51	10
	6,053	125

VI. CASH & CASH EQUIVALENTS

	31 December 2018 £'000	31 December 2017 £'000
Cash at bank and in hand	515	567
	515	567

VII. PAYABLES: amounts falling due within one year

	31 December 2018	31 December 2017
	£'000	£'000
Trade payables	21	-
Accruals	22	112
Other tax and social security	17	-
Other payables	-	22
Amounts owed to subsidiary undertakings	-	28
	<u>60</u>	<u>162</u>

VIII. SHARE CAPITAL

Details of the Company's share capital and the movements in the period can be found in Note 25 to the consolidated financial statements.

IX. SHARE OPTIONS

Share Option Scheme

Details of the share options outstanding at 31 December 2018 can be found in Note 26.

X. RESERVES

Details of the reserves can be found in Note 27.

XI. RELATED PARTY TRANSACTIONS

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

XII. FIRST TIME ADOPTION OF IFRS

The policies applied under the entity's previous accounting framework are not materially different to IFRS and have not impacted on equity or profit or loss.



Directors	Rodney Findley Martin Higginson Nicholas Lee Ian Liddell David Marks Sir Robin Miller
Company Secretary	Daniel Wortley
Registered Office	East Wing, Ground Floor The Victoria MediaCityUK M50 3SP
Company Number	10964782
Registrars	Neville Registrars Limited Neville House Steelpark Road Halesowen B62 8HD
Nominated Adviser and Broker	WH Ireland Limited 24 Martin Lane London EC4R 0DR
Joint Brokers	Shard Capital Partners LLP 23rd Floor, 20 Fenchurch Street London EC3M 3BY Leander Capital Partners 1st Floor 10 Old Burlington Street London W1H 3AG
Independent Auditors	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG
Solicitors	DWF LLP Central Square South Orchard Street Newcastle NE1 3AZ Dorsey & Whitney LLP 600 Anton Boulevard, Suite 2000 Costa Mesa CA92626 USA
Country of Incorporation of Parent Company	England and Wales
Legal Form	Public Limited Company
Domicile	United Kingdom



2018

ANNUAL REPORT
& ACCOUNTS

IMMOTION

DARE TO IMAGINE